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Dear Readers, Distinguished Friends,

It is mid summer but not easy to find cause for good cheer. We are confronting with soaring temperatures, forest fires, and floods. It seems mankind has ignored the warning signal sent via the United Nations system and by many other institutions and individuals concerning the emission of the carbon dioxide on climate change. President Bush continues with his ill judged policies on Iraq while visitors form the NATO members from Central and Eastern Europe are humiliated when seeking visas to the United States. Has the cost of the Iraq war been directed to solving the AIDS epidemic, to unsuring clean water and education for all, the current world situation might well have been different.

There is no more reason for optimism when examining the current political situation in Central and Eastern Europe. High level policymakers of the V4 countries are quarrelling. The Hungarian Prime Minister, Ferenc Gyurcsany blames the Kaczynski twins, respectively Polish President and Prime Minister, for their attacks on German influence in Europe. At the same time, Robert Fico, the Slovak, Prime Minister criticizes a Slovak university student who was subject to violence by skinheads because she spoke Hungarian. Neither the Czech nor Slovak Governments are willing to abolish the shameful Benes Decrees. In the meantime, we continue to degrade the environment. The Austrian company Boxmark via its skin processing companies, pollutes the Hungarian River Raba and the Austrian Governments refuses to take the necessary action required to safeguard the environment. A further risk to friendship and good neighborly relations is the new ‘Habsbourg’, a planned waste incineration plant sited close to the Austro Hungarian border. This is to handle the waste gases from the Heiligerkreuz business park. Prevailing winds are likely to ensure smoke from the chimney will have its greatest effect in Hungary. These partisan attitudes are cynical and incomprehensible. There is however some light to be had: The International Historical and Castle- Game held at Vízegrád in July 2007 was a success, but it must be noted the occasion was organized without politicians.

Despite such negative indicators there is also the positive. Since our last publication the ERENET Network has added representatives from three new countries: Albania, the Netherlands and the USA testifying to the importance of interaction across the European region as a whole. I met with Quemal Ballin, Executive Director, Business Development Foundation (Tirana, Albania) during the recent European Union Small and Medium Enterprise Charter Conference in Berlin and he was happy to join ERENET. It is a special honour that Prof Krysztof Wach from the Cracow University, Assistant Prof Peter Odrakiewicz from Poznan University College of Business and Foreign Languages and Tomasz Kulisiewich, Lead Analyst of the Polish SME IT Association have also joined ERENET. Support from the United States comes from Prof Emeric Solymossy, Western Illinois University, Quad Cities, Campus Illinois and the Venture Capitalist, Dr. Marius O. Poliac from the Poliac Research Corporation. Underlining the importance of networking, ERENET has concluded cooperation with the Southeast European Network of Business Start-up Centers and Incubators (SENSI). SENSI was established and mentored by the Academic Training Association of the Netherlands and Michel Richter, its Co-Director, is now a member of ERENET. Last but not least, a special welcome to Assistant Prof. Lucretia Dogaru, Scientific Vice-Dean, Faculty of Economics, Law and Administrative Sciences at the Petru Maior University of Targu Mures Romania. Her participation merits special attention since ERENET and Petru Maior University have launched a Joint Project on Benchmarking Entrepreneurial Education in selected CEE and North American Countries.

Dr. Szabó Antal
Scientific Director of ERENET
BUSINESS INCUBATION AS ELEMENT OF BUSINESS SERVICE INSTITUTIONS 
AND DEVELOPMENT OF ENTREPRENEURSHIP BY CREATION OF NEW 
ENTERPRISES IN THE NEW EU COUNTRIES

INTRODUCTION

The core of the political and economic transformation of any country in transition (CIT) is the creation of the private sector, the development of entrepreneurship and creation of small and medium-sized enterprises (SMEs). They are considered to be one of the principal driving forces in economic development. SMEs stimulate private ownership and entrepreneurial skills, they are flexible and can adapt quickly to changing market demand and supply situations, they generate employment, help diversify economic activity and make a significant contribution to exports and trade. SMEs also play an important role in innovation and the high-tech business, due to their flexibility and creativity many of them became large businesses. In this process emphasis should be laid on creation of a business friendly environment in which the transformation of the society towards a market economy should be taken place.

Promoting entrepreneurship has a vital role to play in improving competitiveness of small businesses and improving Europe's employment situation.

In the early years of transition, in many countries the activity of the Governments focused primarily on privatization and restructuring of large state enterprises, while SME supporting programmes were mainly initiated by international donors. By now the importance of SME national policy is clearly recognized both by Governments and entrepreneurs.

International expertise shows that among the many solutions proposed, business incubation seems to be one of the most effective means for assisting entrepreneurs in starting a new business, nurturing young enterprises, and helping them survive during the vulnerable start-up period.

The number of business incubators is growing rapidly over the world, from 200 at the beginning of the 1990s to around 4,000 today. For example, there are currently more than 550 incubators operating in North America, and around 50 incubators in Australia. In developed European countries like Finland there are 30, in Germany more than 200 business incubators are working with 3,700 SMEs creating 28,000 jobs, and some 200 incubator-type institutions in France. Over 100 incubator schemes of different sorts operate throughout the United Kingdom. In Turkey the business incubation programme is very advances with its 41 operating business incubators and technoparks at time being.

The number of business incubators in the emerging market economies as well as in the countries in transition is growing every year with 25 business incubators in Croatia, 35 – in Hungary, 100 business incubators – 55 business incubators + 17 technology centres + 28 science and technology parks - registered today in Poland, 43 in Romania, 16 business support facilities - 8 business incubators + 8 industrial and technoparks – in Slovakia, At the end of 1998, there were 23 science and technology parks in operation and 14 in preparation in the Czech Republic. In Slovenia there are 5 classical business incubators and 3 university-based incubators. In addition, the number of technology oriented business service providers is rather high: there are 3 technoparks and 27 technological centres. In the Republic of Serbia and national business incubation programme has been started in 2005, and the time being there are only 2 business incubators.

In the CIS countries there are 12 business incubators in Kazakhstan, 23 - in Uzbekistan, and 65 in the Russian Federation. In Belarus 5 business support centres, 6 incubators and 2 technoparks have been
established so far. In Ukraine there are 9 business incubators and 8 technoparks in operation. In the Republic of Moldova there are 6 business incubators, however none of them reached the criteria of sustainability yet.

The European Business Innovation Network has created a network of some 120 Business Innovation Centres throughout the European Union, the majority of which also perform a business incubation function.

[3]

The development of the SME sector in the countries in transition is most effective when activities and assistance are integrated and aimed at three distinct levels:

(i) **Strategic level** (policy making);
(ii) **Institutional level** (support institutions);
(iii) **Enterprise level** (entrepreneurs and business entities).

The above-mentioned levels create an SME Development Pyramid structure in which the strategic level is considered as the highest priority and is "located" at the tip of the pyramid. The institutional level is located in the middle and is interlinked with both the SME policy-makers at the top and the entrepreneurs at the bottom for whom they are created and to whom their services are offered. The third level is the base of the whole structure: they are the actors of the SME sector whose performance, behaviour, efficiency and inefficiency are reflected in the mirror of economic transformation. The whole building is sound only when there is mutual development, acceptance by each other and operative cooperation.

THE ROLE OF BUSINESS SERVICES INSTITUTIONS

At the macro level the major constraints to SME development lie with:

(i) Business friendly environment, including the legislative and regulatory framework,
(ii) Government should elaborate manage long-term national SME support programme in order to establishment of the provision of business service institutions at the possible lowest costs,
(iii) Government should develop special financial intermediaries in order to facilitate access to financing especially for start-ups.

At the micro level we can identify the following requirements for business services institutions:

(i) Demand-side orientation,
(ii) Collective approach,
(iii) Cost recovery methodology,
(iv) Cross-subsidization
(v) Sustainability, and
(vi) Monitoring/Evaluation of effectiveness and efficiency.

There are essentially two types of services provided by BSIs:

(i) Basic services, called “introductory consultations” or “information and general advisory services,” are usually provided free of charge. These include one-stop-shop services, which are service packages required by national or foreign entrepreneurs and offered under one roof. One-stop-shops are considered to be time efficient and to discourage corruption.

(ii) Specialist advisory services or consultancy services consist of specialist advice in a particular area, e.g., general management, marketing and sales, production management, human resource management, etc. There is a general agreement that they should be offered in exchange for a fee.

1 Antal Szabó, "The role of small and medium-sized enterprises in countries is transition and how to promote them", ECE Advisory Workshop on Industrial Restructuring, Geneva, 8-9 June 1995.
2 http://www.unece.org/indust/sme/sme-role.htm
3 Business services institutions, business services providers or business services organizations are interchangeable in meaning and are hereafter referred to as business services institutions (BSIs).
BSIs can be state organizations, regional authorities, public/private partnerships, subsidized private agencies and companies, etc. In light of typology, BSIs can be divided into the following categories:
- Entities providing services to SMEs;
- Entrepreneur organizations;
- Research institutes and academic units, and
- NGOs focused on SMEs;

Entities providing services to SMEs are usually non-profit organizations specializing in the provision of advisory, information and training services to SMEs or start-ups. They can be:
(i) Business Support Centres;
(ii) Business Information Centres;
(iii) Business Incubators, Techno/Science parks;
(iv) Innovation, Research and Technology Centres;
(v) Non-profit financial institutions, financial intermediaries;
(vi) Regional Development Agencies.

It is generally recognized that start-ups should get at least one free consultation. Services are usually delivered by people with commercial/business backgrounds. They are tailored to company’s needs and stage of development, e.g., start-ups, established and growth companies would require different services. Services vary, with training, advice, information, and technical assistance, being more prominent than providing finance directly. Other services include one-stop-shop facilities, technological and innovation think-tanks, promotion tools for international trade, advice on public-sector contracts, electronic commerce, marketing management, financial management, internal and external feasibility study, adult education/training, etc.

The provision of business advisory, counselling and information services in the advanced market economies are based on the following principles:
(i) Subsidiarity, i.e., delegating the provision of services as close to the clients as possible; thus, their needs can be met in the most effective way;
(ii) Close contact with entrepreneurs, including regular visits;
(iii) Personalized service, which in Italy is based on the lifecycle of an enterprise and includes an interview to identify a project and computerized tests to assess entrepreneurship and risk;
(iv) Partnership with local, regional, national and European actors;
(v) Entrepreneurs’ ability to voice their views through the BSIs and to influence local or national decisions.

Business support centres (BSC), incubators and technoparks all try to provide new small and medium-sized enterprises (SMEs) with the resources necessary to improve their chances of success. Different entities emphasize different mixes of space, training, capital, human and computer networking, consulting, etc. Several definitions have been proposed, but definitions have to be flexible to fit current usage. To cover all of these various entities, the term “Local Business Assistance Centres” (LBAC) has been suggested. Generally, business support centres emphasize soft resources such as training, while technoparks emphasize physical resources such as space. The best business incubators try to provide all the resources for small businesses’ survival and growth. While technoparks often focus on space and business support centres on consulting, but incubators identify the bottlenecks and try to overcome them. Depending on the environment, the bottleneck could be space, training, access to capital or markets, infrastructure such as computer networks, and many others.

In fact, instead of speaking about “business incubators” emphasis should be put on the term “business incubation” - an interactive development process aiming at encouraging people to start their own
businesses and supporting start-up companies in the development of innovative products. Incubation also means the development of a supportive and stimulating environment for entrepreneurship.

DEFINITIONS OF BUSINESS INCUBATORS

There is no standardized and internationally accepted consistent definition on this term. However, there are best practices collected and discussed by international organizations and associations like the UNECE, SPICA (Science Parks and Innovation Centre Association), National Business Incubator Association in the US, Business Incubation Association in Germany and others.

**Incubators are “start-up ventures whose purpose is the development of other start-up companies”**

Rice and Matthews.

Business support centres (BSC), incubators and technoparks all try to provide new small and medium-sized enterprises (SMEs) with the resources necessary to improve their chances of success. Different entities emphasize different mixes of space, training, capital, human and computer networking, consulting, etc. Several definitions have been proposed, but definitions have to be flexible to fit current usage. To cover all of these various entities, the term “Local Business Assistance Centres” (LBAC) has been suggested. Generally, business support centres emphasize soft resources such as training, while technoparks emphasize physical resources such as space. The best business incubators try to provide all the resources for small businesses’ survival and growth. While technoparks often focus on space and business support centres on consulting, but incubators identify the bottlenecks and try to overcome them. Depending on the environment, the bottleneck could be space, training, access to capital or markets, infrastructure such as computer networks, and many others.

**Definition by the 7th International Summit of Business Incubation Associations and Science/Technology Parks in 2003**

Held in Richmond (USA)

A Business Incubation Program is an economic and social development process designed to advise potential start-up companies and, through a comprehensive business assistance program, help them establish and accelerate their growth and success.

The main goal is to produce successful businesses that will leave the program, in a timely manner, financially viable and freestanding. These graduates create jobs, revitalize communities, commercialize new technologies and create wealth for local and national economies.

The 10th International Summit of Business Incubation Associations (Global Summit of the Global Network on Business Incubation) held in New Delhi, India, October 20, 2004 agreed on a simplified definition that can be used additionally:

- To support a simple model of the global incubation community recognising business incubation environments and processes it is agreed to revise the current ‘Global’ definitions of business incubation to 3 simpler, more generic and inclusive definitions.
- The (wider) business incubation environment is the wider context, which should be conducive to the sustainable nurturing of growth potential and the development of enterprises. 4

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4 See at http://www.spica-directory.net/definitions/
The **business incubation environment** is the wider context, which should be conducive to entrepreneurship and the having a stimulating effect for nurturing enterprises providing them possibilities to reach the sustainability and further growth potential.

In this context **Business Incubation** is a public and/or private, entrepreneurial, economic and social development process designed to nurture business ideas and start-up companies and, through a comprehensive business support program, help them establish and accelerate their growth and success.

The **business incubator** is a physical space/premises and/or facility that accommodates a business incubation process.

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**BUSINESS INCUBATORS ARE BUSINESSES AIMING AT CREATION OF NEW AND SUSTAINABLE BUSINESSES**

Dr. Antal Szabó

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### TYPES AND GENERATIONS OF BUSINESS INCUBATORS

The main types of institutions that offer, among others, business incubation services are as follows:

1. **Classical business incubators** could be a nursery and start-up unit; a community or enterprise workshop. They provide small start-up firms with premises, infrastructure, and a range of services that can improve their ability to initiate and run their operations during the early development period;

2. **Industrial estates** offer a dynamic approach to regional economic development, local municipalities and regional development agencies;

3. **Export processing zones** can be very useful for the development of export potential and, in general, have a better linkage with the international community, although they have shown little potential to strengthen the local economy. However, through facilitating business services, providing access to infrastructure and providing tax incentives, they aim at attracting foreign direct investment. They also generate employment and contribute to improving the balance of payments;

4. **Science (technology) parks** provide a creative environment for attracting and promoting research commercialization, and technology-based enterprises;

5. **Virtual business incubators** (technology parks) make services available in cyberspace. They connect companies with one another, customers, suppliers, partners, as well as the operating management of the virtual incubator through the Internet, electronic data interchange, videoconferencing capabilities, etc.;

6. **New economic incubators** are usually funded by venture capital companies or set up by large multinationals. There are involved in development B2B, B2C sector, e-commerce, m-commerce (using mobile phone techniques). They focus mainly on high-tech internet-related activities and they are rather a profit drives venture instead of having a job creation aims.

7. **Clustering and networking.** During the 1990s clusters and networking have been increasingly important for the development of SMEs. Through clusters and networks, SMEs can access skilled and highly educated labour and pooled business services including business incubation services. **Clusters** are an agglomeration of SMEs, working in geographic proximity to one another and in the same sector where appropriate clustering of complementary businesses is more efficient and sustainable than business incubators with different single businesses. These opportunities permit specialization, build technological capability, adaptability, innovation, and competitiveness.
Classification of the business incubator generations

Business incubation was started in the US in the late 1950s. The first documented incubator was the Batavia Industrial Centre, which opened in 1959 in Batavia, New York, in an old Massey-Ferguson farm implement manufacturing plant.

The First generation incubators started in the 1980s when traditional industries collapsed and it was a need to regenerate crisis sectors, regions and communities. Switch from top-down approach to a bottom-up approach aimed at mobilizing indigenous potential for economic development. This period was characterized by offering space and sharing facilities and selecting special groups of entrepreneurs.

From the 1990s have been started the Second generation incubators, which supplemented the working space with counselling, improving entrepreneurial skills, providing access to professional support tools and seed capital.

At the end of 1990s, the Third generation incubators have been emerged mobilizing information and communication technologies and creating a network of enterprise support services. These BSIs called also incubators without walls or new model incubators. There is a new term called hybrid Business E-incubator without walls, which can not just think, but act outside its box and provide effective IT-enabled business e-coaching, match-making, and project management services to thousands of its semi-virtual and virtual tenants - start-up companies.

GUIDING PRINCIPLES

The practical experience of different new EU countries as well as transition economies shows that the following principles have significance while nurturing start-ups:

1. Best way to start any business (including incubating) is to work out a business concept, analyze its feasibility and develop a business plan. Business incubators, like any other businesses, only can benefit from well described goals, objectives and mission statements.

2. One of the frequent issues of debate in an incubator is how long the incubation period should last. Should it be limited, and if so, what would be the optimal duration of the incubation? Many local business advisory centres receive start-up support for a few years and are then expected to sustain themselves indefinitely. The start-up support should probably go on for at least three to five years for optimal sustainability;

3. When developing entrepreneurship both in advanced market economies and countries in transition it is necessary to build on the experience of incubators to encourage new enterprises. There is now sufficient experience with business incubators and how they fit into the process of economic development, and what their core services are. A decision to start a business incubator thus requires careful planning and preparation and should be based on a thorough and objective analysis;

4. The members of the management team should represent the local Government, local private business organizations, community organizations and local educational institutions. This team generally consists of up to 10 people. One person should be designated as the leader;

5. The management team has to determine the purpose of the incubator. Business incubators may have a multitude of purposes, among which the following are possibly the most important:
   a. job creation;
   b. establishment of start-up companies;
   c. modernization, transfer of technology, use of new scientific discoveries;
d. business incubators can also be created for specific purposes, such as helping women, immigrants, or minorities.

6. Some further aims can be identified:
   a. the economic growth of a region;
   b. the diversification of the region’s industry;
   c. the multiplication of the sponsor’s investment;
   d. the increase of the region’s economic activity.

7. The team will determine the types of tenants the incubator will house and the conditions for entry.

8. For SMEs the conditions for entry to a business incubator could be the following:
   a. the entrepreneur should have a conception about his/her future business;
   b. the entrepreneur should have a business plan;
   c. the entrepreneur has to be a beginner in his/her business.

9. The team has to possess information regarding the employers in the region, the types of business located in the community, general income and earnings, local taxation, the availability of reasonably priced office space, leasing, infrastructure and the transportation system. To know what type of services and programmes are available can be very useful to small start-up firms in the local community;

10. Based on an analysis of the information the team has to design the future business incubator. It has to finally determine the purpose and the tasks of the incubator, the type of tenant it will house, and the type and location of the incubator. The team has also to make a business plan for the incubator;

11. The team will need to define the resources available to start the incubator and must also find a site. The incubator building has to be large enough to produce rent revenue to generate cash flow, and break even or cover losses by other revenues. Donation funds and sponsors may also need to be identified, too;

12. Considerable care should be taken in selecting the management. The manager or director has a key role in the success of the incubator. The success or failure of an incubator may depend on the qualities and performance of its director and also the amount of time he or she is able to spend with client businesses. An incubator director should be chosen especially for his or her ability to work with entrepreneurs and to help them grow their companies. The director should in particular be fully familiar with entrepreneurship and business development. Usually a business incubator also needs a secretary, a part-time custodian, bookkeepers, lawyers, an insurance agent, and a banker;

13. Creating a business incubator takes from one to two years. Once the business incubator is operating, the revenue from the tenants should cover the running costs. Some services and training can be offered to entrepreneurs outside the incubator, thereby generating additional revenue. Any surplus earned should be reinvested in the centre;

14. The criteria of sustainability can be divided into two categories: the management of the premises (real estate) and the support to tenants and reaching of maturity;

15. The management of the premises is a commercial matter and an undertaking in itself. An incubator has to be operated in such a way that the common expenses are recovered through rent and other service charges. Since most business incubators are established for the development of local areas, it is crucial to gain financial, moral and public support from local municipalities and communities;
16. The estimation of capital and operating costs should be based on a realistic assumption of expenses and revenue to enable the business incubator to break even after the initial start-up period. From a financial point of view, practice shows that it takes from three to five years for a business incubator to become self-sustainable. It appears that best practice in business incubators occurs when start-up enterprises and existing companies are mixed. This encourages mutual learning and provides a stimulating environment for beginning enterprises;

17. The effectiveness of business incubators should be evaluated based on the number of successful companies that reach maturity and continue doing business outside the nurturing premises. The success of emerging companies creates a positive view of entrepreneurship and contributes to the creation of a new enterprise culture. Thereby, business incubators aspire to have a positive impact on their community’s economic health.

18. Critical success factors of a business incubation programme include
   - Management that develops and orchestrates business, marketing and management resources and relationships tailored to the needs of the business clients;
   - Shared services, training, technology support and equipment;
   - Selection of clients and an acceleration process by which businesses become more independent and progress to graduation;
   - Assistance in obtaining the financing necessary for business growth
   - Business Incubation Programs gain added value by providing access to appropriate rental space and flexible leases in an incubator facility.

19. Talking about the efficiency and effectiveness of a business incubation programme we have to take into consideration three main issues:
   - How many companies left the business incubator within a certain period of time and what is their survival rate after 3 years of operation within a real business environment?
   - What is the cost of nurturing one business?
   - How does the business incubator operate in order to reach its sustainability?

CONCLUSION

Business incubation process and network of business incubators are excellent tools for assisting the development of entrepreneurship and creation of new enterprises not only in transition economies but also in advanced one.

Business incubation is an effective tool for regional economic development, innovation and employment creation.

Business incubators are effective instrument in creation of new enterprises, if the local community considers it as its own entity and they are properly managed by business oriented management.

Business incubation processes are only a few decade historical backgrounds. The Annex summarizes the process achieved in selected Central-European countries. However, this process is still in infancy phase in many countries, like Macedonia, Montenegro as well as Serbia, and need to be supported by national SME policies, regional and local development authorities.

Business incubation is not a panacea in the process of entrepreneurship development. Central and local Governments should develop other elements and tools of the entrepreneurship and SME support programmes as well.
BUSINESS ENVIRONMENT AND PRACTICE IN SLOVAKIA

INTRODUCTION

The 1990s have been a decade of major economic and social transformation in Slovakia. The transition to a market economy has been completed in the corporate sector, and private enterprise now accounts for around 80% of GDP. Privatization of state enterprises and the emergence of many new SMEs resulted with this transformation process. The economy has been opened to international trade with prevailing market forces (about 80% of Importing/GDP and about 70% of Exporting to GDP). The Slovak economy and the entire society have made remarkable progress during the last several years. Reforms have strengthened the economic performance of the country to that of a standard market economy. Reforms have also made the business environment simple and transparent. All of this effort was crowned by the country’s admission to the EU. Slovakia is also fully integrated into other international organizations including WTO, IMF, EBRD and NATO, OECD. Positive effects from the EU membership manifest themselves in e.g. the regulation of monetary policy along with monetary instruments, effective payment system (RTGS – Real Time Gross Settlement), growth of GDP (see picture 1), and labor productivity growth. In the early 1990s, when Slovakia began to transition from a centrally planned economy to a market economy, there was almost no SME sector. The SMEs represent 99% of all companies, while their share of total employment exceeds 65%. In other words, the SMEs represent about two thirds of the Slovak economy. A flexible development of small and medium enterprises requires establishment and keeping to a favorable business environment, simplification of procedures necessary for establishing Business Company, transparent legislation, easier access to capital. The share of the small and medium enterprises in Slovakia's economy is currently already comparable with those in the developed countries: small and medium enterprises make up 99% of all enterprises in Slovakia. However, for business entities and primarily for the start-ups beside financial sources, analysis of external environment (competitive ability of country in which one intends to start his/her business) seems to play a very important role. This step involves the examination of comparative and competitive advantages of the country, the investigation of which accelerates the decision process of those entrepreneurs which weigh whether to go on or cease their entrepreneurial activities. Moreover such analysis should be useful for starters when considering the sources from which they can derive profit and competitiveness. Hence national factor endowment is the subject that matters a lot. Comparative advantages are fixed of nature, for at least a given time, and are determined by a surplus of some factors such as labor or natural resources and are more easily identified than competitive advantages. Competitive advantages can modify their appearance more frequently and easily. Hence if a country’s trade output is relative to comparative advantages, than, special conditions or factors of production are associated with that output. Competitive advantages on the contrary, enable any country or any company to produce given output. Comparative or competitive advantages (competitiveness) are the factors which determine country’s business activities. As for Slovakia, the set of such advantages involve e.g. conditions for producing skilled labor intensive commodities, traditions in production: automotive industry, steel industry, footwear industry, glass industry.

![Picture 1 GDP growth in constant prices (y-o-y changes)](image)
Comparative and Competitive Advantages (Competitiveness) of a country can be specified using Balassa’s ‘revealed comparative advantage’ (RCA) \(^1\). This index is used to a large degree by many economists and organizations that cope with the issue of specialization and competitiveness. In table 1 presented data which were offered by the International Trade Centre make a sign that Slovakia keeps its tradition in producing transport equipment through some period of time (in 2004, Slovakia achieved the fifth position among the world exporters of this commodity cluster).

| Commodity Cluster                  | Ranking | RCA values |
|------------------------------------|---------|------------|
| Transport equipment                | 5       | 2.31       |
| Chemicals                          | 56      | 0.64       |
| Non-electronic machinery           | 25      | 0.81       |
| Leather products                   | 36      | 1.72       |
| IT & Consumer electronics          | 41      | 0.28       |
| Textiles                           | 46      | 0.85       |
| Basic manufactures                 | 20      | 1.98       |
| Electronic components              | 28      | 0.81       |
| Miscellaneous manufacturing        | 34      | 0.91       |
| Wood products                      | 41      | 1.66       |
| Processed food                     | 118     | 0.54       |
| Clothing                           | 68      | 0.95       |
| Fresh Food                         | 163     | 0.23       |
| Minerals                           | 98      | 0.54       |

Table 1 RCA values of Slovakia in 200

\(^1\text{RCA = Balassa’s (1965) measure of relative export performance by country and industry, defined as a country’s share of world exports of a good divided by its share of total world exports. The index for country } \text{i} \text{ good } \text{j} \text{ is } \text{RCA}_{ij} = 100(\text{X}_{ij}/\text{X}_{wj})/(\text{X}_{it}/\text{X}_{wt}) \text{ where } \text{X}_{ij} \text{ is exports by country } \text{a} \text{ (w=world) of good } \text{b} \text{ (t=total for all goods).}

The first column in Table 1 indicates the commodity grouping, the second expresses the ranking of Slovakia in the world market and finally the third shows the values of RCA index – indicator of country’s specialization. Values above 1 are a sign of country’s better position among world exporters in given commodity group. Among others there are RCA favored values for leather products, wood products, clothing, textiles and electronic components. Some of these branches are exposed to severe competition of Asian production e.g. textile, clothing and leather industry. However, competitiveness of Slovakia is further on encouraged by e.g. high rate of labor productivity growth, low inflation (see picture 2).
CPI and GDP deflator compare with the same period of last year (%)

CPI and GDP deflator move fairly closely together except the period 1999 and 2000, 2003 and 2005. In consequences of price deregulation processes and changes in export and import prices there are some swings in both of these price indexes.

Between the labor productivity growth of tradable and nontradable sector you of course get a difference. The so-called Balassa-Samuelson effect allers that since the catching up of productivity levels in the tradable sector generally goes along with faster productivity growth than in the non-tradable sector, prices in the non-tradable sector tend to rise faster than in the tradable sector. To the extent that the catching up process is associated with a larger labor productivity growth differential between tradables and non-tradables in the Slovakia than in the euro area, it can cause a faster price rise in the Slovak non-tradable sector.

The main assumptions under the B-S channel are that domestic and foreign produced tradable goods are perfect substitutes and thus purchasing power parity holds for tradables. Wages are linked to productivity in the tradable sector, and wages tend to equalize across the tradable and nontradable sector (see picture 3).

Picture 2 Development of CPI and GDP deflator

Picture 3 Average nominal wages in SR by NACE
Most SMEs are active in services, wholesale and retail trade. Beside that there is also a substantial amount of SMEs in the manufacturing, and construction. From this point of view analysis of B-S postulate seems of great importance in our further research in near future.

SMEs appear more often as sub suppliers to large companies bent on producing final commodities for world market. These companies use their long lasting trade contacts with other foreign companies; exploit benefits from their size as to the access to get finances on the financial market, influence the foreign trade position regarding commodity and territory. However, they mostly act rather as intraindustry than interindustry trade partners. That is why the huge volume of world trade is generated by intraindustry trade relations nowadays.

**Benefits of start-ups protection**

Agencies which were established in Slovak economy in order to provide the services for those SMEs which set to the entrepreneurship deed have to adopt approaches required by SMEs. An empirical research could serve as useful tool to investigate the impact of services provided by Advisory and Consultancy agents (ACA) upon the success of advised SMEs, which act under „average“ market conditions. This investigation should target the force and contributions of starters to e.g. GDP, total employment, balance of trade, volume of exports and imports alike. Summarizing these benefits we obtain following clusters of advantages.

These result in:
- keeping on traditional industries
- rising up Investments – Employment (see picture 4) – Consumption - GDP -
- stimulating Labor Market Mobility within Tradable and Nontradable sector
- supporting Educational and Research Activities

![Share of SMEs upon total employment in SR](image)

**Picture 4 Share of SMEs upon total employment in SR**

The share of SMEs on total employment is growing steadily and today equals almost 66 % of total employment in the economy. Picture 4 presents the year-to-year growth rates.

![Share of SMEs upon Exporting from SR](image)

**Picture 5 Share of SMEs upon Exporting from SR**

Exports plus imports represent 150 % of the Slovak GDP. Share of SMEs upon imported goods and services is relatively higher when comparing to exports side. On the export side there is a visible dominance of large companies.
Difficulties faced by SMEs

Common problems faced by SMEs are
- lack of financing, difficulties in exploiting technology, constrained managerial capabilities, low productivity, regulatory burdens

Just therefore there are the ACAs to help SMEs with their importing or exporting needs and guide them through the necessary steps for complying with the various laws and regulations.

Promotion agencies for SMEs in Slovakia

NADSME (National Agency for Development of SMEs)
- provides support to
a network of Business and Innovation Centres (BIC) and Regional Advisory Information Centres (RAIC)

BIC Business and Innovation Centres (independent legal entities – private limited companies)
provides services for:
- technological and patent counseling, due diligence, processing of business and marketing plans, accounting and economy, processing of applications for loans.
- Business Incubators (classical or technological)

Regional advisory and information centers (RPIC)
Centers RPIC provide complex counseling, information and training services, mainly:
- for starting entrepreneurs as founders of SMEs especially from the group of unemployed who intend to materialize their business ideas.
- for existing SMEs that need to solve their business problems, i.e. that are interested to broaden the scope of their business activity.

First Contact Centres (CPK)
- facilitates the access of entrepreneurs to necessary counseling and information services

Activities of CPK concentrate mainly on:
- the support of the development of SMEs and starting entrepreneurs
- the facilitation of the access to support programmers financed from the state as well as public sources (financial programmers, counseling, training etc.)
- the provision of information on possible funding sources
- the internet information services
- the creation of contacts and support of a communication between business and public sector

Business incubators as part of Technological Valley

The National Business Incubation Association of America (NBIA) defines business incubation as a dynamic process of business enterprise development. "Incubators nurture young firms, helping them to survive and grow during the start-up period when they are most vulnerable. Incubators provide hands-on
management assistance, access to financing and orchestrated exposure to critical business or technical support services. They offer entrepreneurial firms shared office services, access to equipment, flexible leases and expandable space - all under one roof."

There are different opinions upon how to make business incubators as one of advisory or consultancy services sustainable. One can start by operational costs, incubating companies, competition, macroeconomic indicators. However, like every other company and the incubators not excluding, there must be demand and supply of services offered by these institutions. In this respect, if incubators have potential to serve its customers, than this is the main factor for going on in the market. The following picture should describe the position of business incubators, municipalities, public transport companies, universities, financial institutions within technological valley.

Business incubators have direct economic impacts on a community, through employment, salary and sales. Business incubators are to analyze the needs of a given region to be able to choose SMEs for incubations in compliance with labor capital and land endowment. If the region has the possibility for developing e.g. high tech commodities, than a network of universities, financial institutions and technological parks is pertinent in given location. Universities along with their faculties should promptly modify their study programs according to the needs of praxis and be able to share the research know how with all subjects interested in common affair.

SMEs which cooperate with business incubators have space for cooperation with academic institutions so that the most talented students are hired by those companies during their study and later as full employees. Municipality usually cares about housing for personnel of entire technological valley, together with financial institutions offer advantageous services (e.g. discounted rates for start-up accounts). Public transport facilities play also a major role for effectiveness of the whole technological valley when providing for smooth and fast transport of employees.
Conclusion

Micro, small and medium-sized enterprises are socially and economically important, since they represent 99% of all enterprises in the EU and provide around 65 million jobs and contribute to entrepreneurship and innovation. However, they face particular difficulties which the EU and national legislation try to redress by granting various advantages to SMEs. The role of SMEs is inevitable in the economy as the output per worker on the national level whether in the tradable or nontradable sector strongly depends upon the source of jobs provided in the main by SMEs. These business entities however, can spread to the world market only if being helped by ACEs. Providing incubation services for new start-up businesses and businesses experiencing fast growth has become an essential business development support tool worldwide. All promotion agencies provide SMEs with a range of financial and risk-management services, including insurance, bank guarantee and advices. It is however, the size of SMEs which determines whether to operate domestically or globally and earn benefits from domestic or foreign competitiveness.

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BUSINESS INCUBATORS IN SERBIA

1. SHORT BACKGROUND ABOUT CURRENT STATE OF SMEs SECTOR IN SERBIAN ECONOMY

Basic problems of efficiency of economical structure in Serbia, inherited from the previous period (unsolved property relations according to the previous legal regulations, chronic lack of funds and instability of regulations on transactions and investments in economy, undefined macroeconomic coordination, non-entrepreneurial management of economy, undefined subjectivity of risk, motivation…) are the basic reasons for the current, unfavourable position of small and medium enterprises and entrepreneurs in this region. Changes in economy (and their holders) that necessarily follow the realized democratic changes (held in October 2000.) and the choice of market principles of business transactions, are encountering numerous huge limits regarding the insufficient stimulation of the system environment and the measures of economic policy in relation to the stimulation of SMEs, as well as regarding the construction of institutional infrastructure necessary for their harmonized and successful development.

During the previous period this sector has mostly been tolerated, rather than supported. Just like in other countries that entered the process of transition, the SME group in the Republic of Serbia has been constantly growing in the last ten years. In 1990, the number of SMEs was 20,000 units, and seven years later (1997) this number rose to 190,000 registered units, and the number of shops from 146,000 to 184,000. Out of the total number 91% were private SMEs. The data from the year 2000 show that in the Republic of Serbia there are 60,552 active enterprises, and the majority are small enterprises – 94.1% (56,993), then medium enterprises – 4.3% (2,573), and big enterprises only 1.6% (986). Privately owned enterprises make 82.6% of the total number of registered enterprises (50,041) and they are mostly within the SME group.

According to data of the Agency for Commercial Registers of the Republic of Serbia in the mid-June of 2007 more than 95,000 companies were operating. More than 93% of that number is in the form of limited liability company and partnership, which are the prevailing legal forms for small and medium enterprises. The most recent data show that the SMEs sector share in the total number of business organisations in the Serbian economy has persisted and even increased - almost 99% of all business organization belongs to SMEs. There are certain problems concerning the evaluation of the contribution of SMEs sector to the total GDP. Namely, official statistical data kept in the National Bureau of Statistics are considerably late so we are speculating: during 2003 the SMEs sector share in total GDP was about 40%. Next year it increased to 46%, and projections for 2005 show that the share amounts to 49-50%.

During the year 2000, the best financial results were achieved by small enterprises that are the only one with income 0.5% higher than the expenditure, whereas the medium and big enterprises covered only 98.4%, i.e. 97.8% of expenditure with income. Small enterprises realized 33.9% of the total profit, and they showed 16.8% of the total loss, i.e. 8.8% of the total losses from the previous and current year. Small enterprises achieved these results with only 9.3% of participation in the total capital of all the local enterprises working in the Republic of Serbia and with 22.2% of participation in the total number of employees in the enterprises in the Republic of Serbia.

Besides these facts that show a significant role of SME group in the development of national economy, it is necessary to add the fact that show future movements in the field of socio – economy: the number of unemployed people included in the register of the Republic bureau for employment is over 900,000, and it has been estimated that in public companies that should enter the process of privatization there are at least 700,000 more who are potential economic surplus (without considering the real technologic surplus effected by the old technology in some industrial branches). This means that in the near future, around 1.5 million of people in the economy of the Republic of Serbia could lose their jobs.
The experience from the last year’s intensive work in the field with the owners and managers of SMEs and shops definitely show the fact that more and more individuals are ready to spread and develop private business. On the other hand, the analyses coming from the Republic bureau for employment show that almost 1/3 of unemployed people (registered unemployed people) are also ready to begin with some sort of private business. However, together with unfavorable funding conditions on one hand, and the existing legal regulations that are not easy enough for the efficient and effective work of SMEs on the other hand, the major problems are also insufficient knowledge from the field of business planning, modern management techniques and skills necessary for successful business, the existing legal regulations, financial management and other numerous business fields. For that reason, it is very important to support, help and assist small and medium enterprises and entrepreneurs, as well as the group of unemployed people, to adopt necessary knowledge and learn the necessary management techniques and skills through trainings and specially designed programs of education.

2. DEVELOPMENT OF BUSINESS INCUBATION PROCESSES IN SERBIA

The real process of business incubation in Serbia started relatively late comparing with the other countries in the region. Until the end of 2006, there were only two business incubators – Business Incubator Centre (BIC) in the city of Nis and Business Incubator Centre in Knjaževac. There was a lot of initiative to establish BIC in many cities. The nearest to establishing BIC are Subotica, Zrenjanin, Vranje and Belgrade. That happened in the year of 2007. Elaboration of the MANUAL FOR ESTABLISHING NEW BUSINESS INCUBATORS is in process and it will be the basis for setting up new incubators. Great efforts are being done it that sense by the Ministry of Economy of the Republic of Serbia in cooperation with the Agency for Development of SMEs.

During 2005 and 2006, when process actually started, the Agency in cooperation with SINTEF in the frame of the ENTRANSE programme organized a large promotion campaign of the concept of establishing business incubators in 19 cities in Serbia. Almost all major regional centres were visited: Zajecar, Kragujevac, Leskovac, Vranje, Valjevo, Beograd, Novi Pazar, Prokuplje, Pirot, Subotica, Sombor, Novi Sad, Uzice, Krusevac, Zrenjanin, Sabac, Backa Topola, Smederevska Palanka and Bor. A geographic review of cities included in the promotional activities of the ENTRANSE programme can be seen in the picture below:
As for technological centres and parks in Serbia, a lot has been said but very little really done. Not one single technological park is officially registered. The main reason for this is the non-existence of a legal foundation upon which such institutions could be registered. However, by April 2006 it has been possible to identify at least 4 initiatives for establishing industrial, science and business-technological parks:

- Technology Park Vrsac – situated in the north-east part of Serbia in the town of Vrsac on the grounds of one of the largest pharmaceutical plants in Serbia – Hemofarm. The main objective of the park is the support to establish small and medium enterprises through different forms of production and technical cooperation, joint ventures with investment of foreign capital, using acquired experience, abilities and business connections in cooperation with foreign partners with a view to a better use of the available potentials of Vrsac and its environment. A headquarters with all accompanying facilities is planned to be built;

- Business Park Beocin – situated in the town of the same name on the grounds of the cement factory BFC - LaFarge in cooperation with the municipality of Beocin and with the support of the Ministry of International Economic Relations. This is a non-profit business park supposed to encompass an area of 15ha in the cement factory complex. In the first half of 2006 we expect binding letters of intentions and until the end of 2006 signing contracts so that the investors could start business operations during 2007;

- Science and Technology Park “Zvezdara” – situated in Belgrade, for which a feasibility study was made in 2003 but has not started operating yet. The main focus of the park should be information, telecommunication and biotechnology. In the first stage it is planned to raise five buildings and 12,500 square meters of premises, and in the second 25 more buildings and 100,000m²;

- Experimental school farm “Radinlovac” – situated on the grounds of the Faculty of Agriculture of the University of Belgrade. It is very well located in the vicinity of Belgrade and specializes in the field of agriculture, above all in performing practical teaching and training of the students at the Faculty. Is extends on 84 ha and includes different plantations of fruit, vegetables, vine, and a wine cellar. The intention is that this farm should grow into a technology park as soon as legal preconditions arise.

Legal status of business incubators, science and technological centres and parks has been defined by the **Innovative Activities Act** (passed in December 2005) which presents a significant step forward in stimulating and developing innovative activities and establishing of the research and development institutions in Serbia. We have to point out importance of this law. Business incubators, science-technological parks and innovation centers have been the first time mentioned and defined by this law in Serbia. Also, Ministry of Science of the Serbian Government has prepared the **Industrial and Technological Parks Bill** as early as at the beginning of 2005. and adopted in late 2006.

According to the **Industrial and Technological Parks Bill** universities and research institutes would play a significant role in the process of establishing industrial and technological parks, which should be closely connected with business incubators. Following the proposal of the Ministry of International Economic Relations the Government should determine the Plan for development of industrial and technological parks. The ownership may be either in the hands of the Republic, local communities, universities or other domestic or foreign investors. Applications for founding can be submitted by Serbian Agency for promotion of export (SIEPA), chambers of commerce, universities – scientific institute or a company interested in managing the park. The decision on founding is made by the Serbian Government upon considering their development plan and the justifiability of the application. The park manager and the users will be able to enjoy considerable advantages, above all tax relief.

National Association of business incubators exist in Serbia since May 2006. It was established in Knjazevac. In the beginning it was just two members – BIC Nis and BIC Knjazevac. Both incubators used to be a pilot projects. There are numerous ideas and initiatives to open a greater number of new incubators. The following towns became business incubators in 2007: Subotica, Zrenjanin, Vranje, Prokuplje, Belgrade, etc.

### 3. CASE STUDY: BUSINESS INCUBATOR CENTER (BIC) IN CITY OF NIS

In Year 2005 Business Incubator Center in southern town of Nis was registered as company on 27 July. Official opening ceremony held on 30 September 2005. The BIC in Nis has been set up in the frame of the project «ENTRANSE» - Private sector development – Republic of Serbia, approved in September 2004 and financed by the Ministry of Foreign Affairs of the Norwegian Government. It consists of establishing the business incubator and implementing the training programme for starting business with a clearly defined strategy to gradually grow into an industrial park.
The leading international partner for the realization of the BIC project was SINTEF – Norwegian Foundation for Scientific and Industrial Financing. The main domestic partner is the Ministry of Economics and the institution for implementation is the Republic Agency for Development of Small and Medium Enterprises (SMEs). One of the founders as well as the local partner in the project is the Regional Agency for Development of SMEs Nis.

BIC is registered as a public limited company with two owners - The City of Nis - 51% stake and The Regional Centre for Development of Small and Medium Enterprises - 49%. The other main stakeholders are:

- The Serbian Government and the Norwegian Government as the initiators of the agreement;
- SINTEF as the implementer of the agreement;
- The Ministries of the Serbian Government, particularly Ministry of International Economic Relations, Ministry of Economy, Ministry of Science and Technology, Ministry of Education and Ministry of Social Affairs;
- NGOs – HELP, Mercy Corps, Worldwide Strategy, USAID;
- Local Chamber of Commerce;
- Scientific and educational institutions, above all Faculty of Economy and Faculty of Mechanical Engineering of the University of Nis;
- National and local labour market;
- Financial institutions;
- Media.

BIC is registered as a public limited company in accordance with the valid Company Law of the Republic of Serbia. This form offers a range of advantages and gives the opportunity for efficient management. The top managing body is the Board of Directors consisting of 7 persons – 6 members and the President who is at the same time the General Manager.

The size of the BIC is 2,700 m², out of that - 2,100m² is the production area with 14 workshops, information service and 3 sanitary rooms. The remaining 600 m² is the administration area with about ten offices and a large 150 m² training hall.

The main purpose and type of the BIC is classical business incubator with different tenants specialized mainly for metal machinery industries. The core tenant’s activities are: Metal processing and production of decorative objects; Production of steel constructions for greenhouses; Production of spare parts for agricultural machines; Production of baits; Production of metal dishes; Production of nails; Manufacturing of non-ferrous metal casting; Production of medical equipment and three MIN holding mechanical engineering programmes. On the picture below you can see list of tenants in April of 2006.
The basic concept of BIC is best explained in their mission aiming to “help the development of small and medium-size entrepreneurship through providing business premises, offering business and other services in the most critical stages of company development and thus influence the rise of employment and become a respectable initiator of the economic development of the Nis region”. That is to say that the BIC concept consists of offering help to small and medium enterprises in order to decrease business risk in the initial stages of development, particularly in the first 2 or 3 years of existence. Since BIC is located within the large industrial complex of MIN (Metal Industry Nis) it is our vision that BIC should grow into a technology park in the field of mechanical engineering. In the realisation of this vision logical and viable growth and development are assumed. The dynamics of that realisation would imply passing from the present initial stage to a further stage which would be the development of the concept of incubators without walls. Thus, it would be made possible to attend to a greater number of tenants which is at the moment limited to 14 tenants. In that intermediate stage of the incubator development the tenants would be relocated from the present location but with the identical and standardised service level.

BIC was created further to a direct agreement between the Government of the Republic of Serbia and the Government of the Norwegian Kingdom signed in 2004 which officially introduced the ENTRANSE project. The issue of business incubators imposed itself as the central task of the project. The initiative of the city of Nis followed, seconded by the Regional Centre for the Development of Small and Medium Enterprises. The official decision to establish BIC was reached on 31 January 2005 in the Parliament of Nis.

BIC has an own Business Plan, the first time adopted in February 2006. There is a short content, which consisted 10 parts:

- **Short overview**
- **Basic information about BIC Nis**
- **Mission Statement and strategic goals of BIC Nis**
- **Organization and Management**
- **Location**
- **Cooperation with local and national bodies and environment**
- **Integrated support program for entrepreneurs development**
- **Procedures and rules**
- **SWOT analysis**
- **Financial sources and financial projections.**

BIC provides a different kind of range of services offered by the Business Incubator management. Some of them are: Training of entrepreneurs, Provides technological services, Provides services in consumer protection, Provides coaching, Provides mentoring activities, Other services, please specify, etc. The training of entrepreneurs, coaching and mentoring services are intended to be realised in three stages: pre-incubation, incubation and post-incubation. The programmes for training of entrepreneurs should consist of three modules: 1) Business idea, 2) The Entrepreneur and 3) The Market.

Among other services that BIC offers several programmes for institutional support for entrepreneurs can be pointed out. There are three programmes among others that deserve special attention:

- The Built-in training programme is realised during the stage of incubation and lasts three years. This is an educational programme conceived in accordance with the principles of CV Matrix, following the training methodology »Do – Disclose – Discuss« (»Triple D«). This programme’s target groups are the BIC tenants, as well as the prospective tenants of the Incubator »without walls«. The programme includes 8 modules as follows: Legal aspects; Organisation and Management; Technics and Technology; Business Plan; Finance; Marketing; System of Quality and Information System.

- The Business coaching training programme is also conceived in accordance with the principles of CV Matrix, following the »Triple D« methodology. This programme’s target groups are business coaches. It includes two modules – Individual Coaching and Business Coaching. We estimate this service is of the highest importance since in Serbia there are no true business coaches able to take care of the entrepreneurs, give them advice and be their tutors.

- The Business consulting programme is intended for offering consulting services to the tenants of BIC and the Incubator »without walls«. These consulting activities would cover the fields of know-how, legal aspects, marketing, finance, management and offering business information about new products and services.
The capacity of BIC is 14 tenants. At the beginning of April 2006 there were 11, but in the mid of 2007 capacity was full. It is anticipated that the incubation period in BIC should last three years. During that period the tenants enjoy a range of privileges. One set of privileges refers to considerable facilities concerning renting of business premises. Thus, in the first year the tenants are entirely free of rent, in the second year they pay only 25% of the market price (which is now, at that location in Nis, EURO 3.5 per 1 m² on the average). The other set of privileges concerns considerable price reductions for accounting services. In the first year the tenants are entirely free of paying the accounting services. In the second year they pay 50% of the price, and in the third 70%. The tenants’ duty is to pay bills for electricity, water, public utilities and postal services.

Since BIC is a new incubator that started work only last year (2005), all the set-up businesses are still in the incubator. But, already now is it easy to predict that some of tenants will very soon leave Incubator and continue independent business life.

The main problem of BIC is problem of finance. Out of a couple of possible sources (Renting; Providing general consultation services; Providing special services; Government/local government contribution) dominated only one - Donor contribution! In the very first year of existence the entire financing (100%) is made by the donor - the Norwegian Government.

If we try somehow to analyze strategic position of the BIC using SWOT analysis it will look like:

**STRENGTHS:**
- Domestic pilot project – the first business incubator in the country
- Promotion on the domestic level
- Considerable support on the international, republic and local levels
- Close cooperation with the Regional Centre for Development of SMEs
- Great efforts of the management and the employees of BIC
- Local community support.

**WEAKNESSES:**
- Lack of experience on the part of the management and the employees;
- No models (patterns) in the immediate environment (BIC is the first BI in Serbia)
- Delays in drawing up the business plan;
- Delays in adopting the budget as an integral part of the business plan;
- Weak financing resources structure – resource diversification needed;
- Bad treatment of the donation concerning capital assets (machines, equipment) ceded to tenants for exploitation;
- Delays in setting up the system of training and education.

**OPPORTUNITIES:**
- BIC can be the model (pattern) for creating a range of BIs in Serbia;
- Possibility of attracting new tenants with attractive business ideas;
- Tenants can acquire a reputation and achieve business success – there is a possibility of exporting tenants’ products into international markets;
- BIC can grow into a technology park.

**THREATS:**
- Uncertainty concerning the donation duration;
- The issue of sustainability;
- Unsettled issue of ownership of the facility where BIC is now located – privatisation of Mechanical Industry Nis who owns the building where the incubator is located is forthcoming.

Finally we should say a couple of words about of sustainability of BIC? The issue of sustainability of BIC is too early to discuss, since is has existed for year and half only. For the time being we can tell how the sustainability will depend on the point of view taken. If we consider it in terms of the prospects of future growth and development, there is a remarkably positive trend for BIC, its tenants and other entrepreneurs in the city of Nis environment. However, if we consider the sustainability from the financial aspect very serious problems can occur. At the moment the only financial resource (100%) comes from the donation of the Norwegian Government. For the year 2006 (the first true business year) financial projects show that only up to 20% of current expenses can be covered from our proper resources. Therefore, the financial resources are seen as the central problem in considering the sustainability status.
The operational management of BIC Nis was re-selected during May 2007. This change aims at creating the strong new management team that will have proactive approach to development of BIC and its tenant.

In the BIC management’s opinion the success of business incubation operation depends mostly on the future success of the tenants’ business operations. In that sense the market for the tenants’ products appears to be the critical factor of the utmost importance for BIC. The business philosophy of BIC has been to establish the tenants’ businesses so that they can contribute in the best possible way to the realisation of the objectives of development of the Serbian economy, particularly through the development of production that could substitute for import and be export oriented.

In our opinion the critical factors of business success, not just for BIC Nis, but all the other business incubators in Serbia can, besides the above mentioned include:
- Institutional support of the Republic and local authorities;
- Providing access to favourable resources of financing SMEs;
- Quality and expert management of business incubator;
- Informative activities, as well as holding seminars and courses and education in order to incite the development of entrepreneurship and joining of new companies in the process of business incubation.
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BUSINESS INCUBATOR IN GEORGIA

SME SECTOR IN GEORGIA

The contribution to GDP by SMEs is very low — only 10%, compared to 40% in many CIS countries and more than 60% in a number of European Union countries

In Georgian legislation, small, medium, and large enterprises are defined as follows:

- **Small enterprise** - average number of employees does not exceed 20 and sales do not exceed GEL 500,000 per annum
- **Medium enterprise** - average number of employees does not exceed 100 and sales do not exceed GEL 1,500,000 per annum
- **Large enterprise** - average number of employees exceeds 100 and sales exceed GEL 1,500,000 per annum

There are two criteria for determining the size category of a company; the number of employees and annual turnover. For example, a company with four employees but with annual sales of GEL 2,000,000 is categorized as a large enterprise. A company with 80 employees but with annual sales of GEL 1,000,000 is considered a medium enterprise.

Every business operating in Georgia must be registered. Georgia’s *Law on Entrepreneurs* defines the following types of legal entities:

- General Partnership
- Limited Partnership
- Limited Liability Company
- Joint Stock Company
- Cooperative

| Regions               | Small | Medium | Total | Small (%) | Medium (%) | Total (%) |
|-----------------------|-------|--------|-------|-----------|------------|-----------|
| Kutaisi               | 96    | 42     | 140   | 1.4       | 2.5        | 1.6       |
| Imereti               | 1,035 | 231    | 1,266 | 14.5      | 13.0       | 14.4      |
| Kakheti               | 200   | 80     | 279   | 4.1       | 5.3        | 4.3       |
| Mtskheta-Tskneti      | 154   | 26     | 102   | 2.2       | 2.3        | 2.2       |
| Kvemo Kartli          | 621   | 116    | 737   | 8.7       | 7.0        | 8.4       |
| Rachael and K.Svaneti | 71    | 22     | 92    | 1.0       | 1.3        | 1.1       |
| Samegreo and Z.Svaneti| 145   | 46     | 191   | 2.4       | 2.8        | 2.4       |
| Shida Kartli          | 248   | 62     | 310   | 3.5       | 3.7        | 3.5       |
| Tbilisi               | 3,956 | 873    | 4,829 | 55.5      | 52.5       | 54.9      |
| **Total**             | 7,127 | 1,663  | 8,790 | 100.0%    | 100.0%     | 100.0%    |

Source: Department of Statistics

In Georgian legislation, small, medium, and large enterprises are defined as follows:

- **Small enterprise** - average number of employees does not exceed 20 and sales do not exceed GEL 500,000 per annum
- **Medium enterprise** - average number of employees does not exceed 100 and sales do not exceed GEL 1,500,000 per annum
- **Large enterprise** - average number of employees exceeds 100 and sales exceed GEL 1,500,000 per annum

This paper is based on the presentation Ms. Nino Elizbarashvilli and Mr. Revaz Burchuladze, prepared for the Workshop on Benchmarking of Business Incubators in Selected CEE and CIS Countries organized by the ERENET in June 2006 in Budapest.
According to the Law on Entrepreneurs, all businesses (except individual entrepreneurs) must register with a court. To register an enterprise, the entrepreneur must complete the following steps:

- Compile and notarize the company’s founding documents;
- Draft and notarize an application to the court (the application must include the name of the company, the type of legal entity, its legal address, its business activities, and information on the company founders);
- If the charter capital is in cash, obtain a bank statement showing that the cash has been contributed to the business; if the charter capital is contributed in-kind, obtain a document from an auditor attesting to the value;
- Pay the registration fee; and
- Submit the documentation to the court.

The court then issues an Enterprise Registration Certificate. The “silence is consent” principle applies. If the court fails to either register the business or formally reject its application within a specified period, the business is considered registered. In such cases, the court must issue the registration certificate immediately upon request. The statutory time in which a court must make a decision has declined from 15 days in 1997 to the current five calendar days, in effect since May 2003. The World Bank’s Doing Business report has recently noted this important step taken by Georgia as a lesson for other countries:

After court registration, the business must register with the Tax Department in the region in which the enterprise has its legal address. The enterprise submits the appropriate tax forms and the Tax Department completes the registration within five days. The enterprise is then given an eight-digit tax code and a corresponding tax registration certificate. If applicable, the enterprise must also register as a VAT payer. At the same time as it registers with the Tax Department, the business must obtain a corporate seal, open a bank account, and submit its banking details to the tax agency.

**BUSINESS INCUBATOR IN GEORGIA**

At the beginning of 2005, there is only one business incubator called the Georgian Business Incubator (GBI) located in Tbilisi. The GBI was established in 1998 and since 1993 the organization was and continues to be affiliated with the The Georgian Association of Women in Business. GAWB realized the need to assist women who have been forced into a market economy situation without preparation or the necessary skills to succeed in the new environment. Command Economy and the Communist System had provided for each family and when these two systems collapsed, women needed assistance in many forms to cope with their new roles. Furthermore, in 1993, a new political situation across Georgia created a second group of people in dire need. Ethnic cleansing and internal turmoil ended with the loss of as many as 12,000 lives and as many as 300,000 Internally Displaced Persons who are to this day still homeless in Georgia.

**Georgian Women in Business - Situation and Background**

The main direction of Georgian development is the poverty reduction and economical growth, which could not be achieved without supporting the capacity building in the rural and urban areas of Georgia, without assisting emerging small and family owned businesses through the knowledge and skills transfer, through creation of cooperation network among the tenants, business incubators and other supporting organizations. In this concern, development of SME sector is the main priority of country’s economical development.
The most complicated state policy issue is the employment problem at the contemporary stage of the transitive period in Georgia. Women who are more than half of the population and labor resources appeared in the worst condition.

To eliminate poverty and unemployment is one of the priorities in Georgia at this stage of the market economy. 54.5% (according to the official data of 2003) of the population was beyond edge of poverty. The women who are 53 per cent of the population are in a dreadful situation. Among officially registered unemployed people – 60 per cent are women. Also labor feminist migration is fast increasing. Among those who left the country in search of a job abroad (800,000) the number of women amounted to more than 40 per cent.

As the international experience suggests small entrepreneurship has direct connection with overcoming poverty and improving employment in the transitional economy. About 30% of the economically active population is linked with the small entrepreneurship which represents a huge reserve for development of this sphere. The specific volume of women in the small entrepreneurship is 57%.

Our life brings to light that the legislative and executive bodies are unconscious of women entrepreneurship and its role in solving economical and social problems, this can be proved by the fact that no large scale survey has been made at the state level to reveal the share of women entrepreneurship in the GDP and their commitment in the national base of taxing. The official statistic offices do not make any particular estimation in this direction.

It is noteworthy that as the result of the recently accomplished reforms and reorganizations and the optimization of the number of employees in budget structures the problem of unemployment of the population became more severe, thousands turned out unemployed and mostly women among them. It is well known that they are the last to get jobs and the first in the staff reduction list.

The business Incubator owns the premises in the center part of the Capital the total area of which equals 400 sq. m. The Incubator facilities include: well equipped offices PCs, Fax machines, office furniture, internet connection, the presentation/training convention centre, and all the service businesses running and generating revenue

GBI Mission, Purpose Goals

The Business Incubator is a not-for-profit entity in the business of economic development, focused on assisting in the creation of small businesses in Georgia. The Business Incubator is supported by revenue and contributions from a variety of private and public organizations. Since its inception, the Business Incubator has been a sustainable organization delivering an array of programs and services to assist entrepreneurs in establishing businesses, products and services throughout Georgia.

Purpose

The Business Incubator seeks to integrate the incubator program and activities into the fabric of the community and its broader economic development goals and strategies.

Mission

The Business Incubator aspires to have a positive impact on its community's economic health by maximizing the success of emerging entrepreneurs and companies;

The Business Incubator itself is a dynamic model of a sustainable, efficient business operation.

Values of the Business incubator

We believe that the promotion, development and growth of businesses, products and services in Georgia bring value to our communities.

We believe in gender equality and that all people can and should share in the benefits of business development in Georgia. We exist to help transition the Georgia economy from a command economy and communist system to a market-based, customer oriented system.

We believe that what we do benefits Georgia. We do not intend to pursue economic opportunities that present a potential economic benefit but risk sacrificing Georgia’s values and integrity. We seek only those opportunities that will add to, and improve our community.
Goals

• Build an effective board of directors committed to the incubator's mission and to maximizing management's role in developing successful entrepreneurs and companies;
• Prioritize management time to place the greatest emphasis on client assistance, including proactive advising and guidance that results in company success and wealth creation;
• Develop an incubator facility, resources, methods and tools that contribute to the effective delivery of business assistance to client firms and that address the developmental needs of each company;
• Develop stakeholder support, including a resource network, that helps the incubation program's client companies and supports the incubator's mission and operations;
• Maintain a management information system and collect statistics and other information necessary for ongoing program evaluation, thus improving a program’s effectiveness and allowing it to evolve with the needs of the clients;
• Assist individuals in acquiring skills and knowledge to create new businesses in Georgia. These new businesses foster economic development and employment for the benefit of all Georgians.

Objectives

ƒ To develop our Business Incubator around the following themes or clusters: Pragmatic services; Trade and export; and Agriculture;
ƒ To increase our capacity in order to support further business initiatives in the community;
ƒ To support and promote key government and business recommendations for enhancing Georgia’s ability to attract and maintain business relationships;
ƒ To facilitate networking and linkages between investors and entrepreneurs;
ƒ To champion the creation of seed capital funds to support local initiatives;
ƒ To embrace the new economy by being a champion for the building of a market-based economy in Georgia;
ƒ To promote the growth of Business Incubators in Tbilisi and in the regions.
ƒ To perpetuate the Business Incubator as a sustainable organization;
ƒ To benefit people by providing entrepreneurs with the information, training and financial assistance;
ƒ To develop and maintain strong relationships with our customers;
ƒ To be customer driven in all situations;
ƒ To be responsive to market needs and opportunities;
ƒ To improve the level of value-added services to our clients and stakeholders;
ƒ To be leaders in the community, focusing on addressing industry gaps and developing new initiatives.

Activities

ƒ We develop training programs in collaboration with national and international professionals;
ƒ We conduct courses related to specific entrepreneurship needs;
ƒ We create workshops on subjects such as taxation, business legislation, accounting to guide new entrepreneurs in creating their business;
ƒ We provide practical training experience in services such as dry cleaning, hairdressing, baking, laundry, retail, mini-mart and tailoring in order that people can create their own businesses;
ƒ We offer financial assistance to new entrepreneurs starting a business and to existing businesses to expand their services and products.

GAWB realized the need of tangible support in professional training and adaptation processes toward the modern market economy and therefore, offered such assistance to the women wishing to gain new skills in order to start their own businesses and succeed in the new environment.

GBI does not represent the typical model of a Business Incubator. It is tailored to the existing needs of the emerging business community and current economic environment in Georgia and is currently the only one in the country. There are a number of pragmatic businesses operating within the incubator: dry cleaning, laundry, baking, beauty salon, tapestry works, dress-maker, and printing. GBI facilitates start-up of new entrepreneurs and creation of job opportunities.
The tenants have the opportunity to gain knowledge in economic independence and address the new information to overcoming of all obstacles facing them at the start point. The tenants are encouraged to gain new qualification, learn best practices and successful stories, and get familiar to all necessary facilities, Information and Communication Technologies and basic business management skills. Namely, during the recent 3 years the Incubator supported preparation of 160 business start-ups, among them 112 have successfully registered their own small enterprises and start business activities. Among those 112, fourteen (14) companies benefited from practical support offered by the Business Incubator – i.e. they were offered to use the Incubator’s well equipped and comfortable venue (at a low rent) for opening a Dry cleaning, a Laundry, a Beauty Saloon, Sewing and Tapestry, a Baking, Restaurant and Hospitality Management, and a Print service. All graduated tenants have established their sustainable businesses beyond GBI’s walls, and the business Incubator and GAWB still monitor their progress and success.

The major obstacles facing the tenants in their business start-ups are: (i) lack of financial resources, (ii) lack of knowledge in business basics, (iii) lack of IC Technologies and (iv) no access to credit and market information. All these impede establishment of success-oriented businesses in the country.

USAID SME Support Project

In 2005, the USAID SME Support Project has contracted Georgian Association Women in Business with a six-month program - "Increasing an entrepreneurial activity of women and their involvement in small-scale business". The Program was designed to increase women’s access to economic and legal education through consultations and trainings on Start Your Own Business, to train women in order to facilitate their employment and self-employment as well as to create new job opportunities for women through establishment of a small enterprise - Fast Food Bistro.  

On 15 December 2006, the Georgian Association Women in Business in partnership with the SME Support Project hosted an opening of the Fast Food Bistro at the Association’s Business Incubator in Kipshidze Street. The invited guests represented local authorities from Mtskheta-Mtianeti region, Management of the Basaleti Resort Center, business community, business associations, and donor organizations.

Editor Remarks:

The World Bank ifoDev Programme and EURASIA FOUNDATION Private Enterprise Development Program have supported project of CIVIL SOCIETY SUPPORT CENTRE BUSINESS INCUBATOR STRATEGIC FRAMEWORK IN GEORGIA with the goal to conduct feasibility study and create business plan for a pilot business incubator in Georgia.

Civil Society Support Centre, the non-governmental organization established in Gori, started research activities in 2001 towards identification of small business support technologies aimed to foster innovative SME and technology commercialization. In 2002 the Project Manager, Vazha Goginashvili conducted research in the United States with the IREX (International Research and Exchange Board) support. Representative of the Business Incubator Initiative Georgia Vazha Goginashvili participated in The "2nd Global Forum on Business Incubation: Empowering Economies through ICT, Innovation and Entrepreneurship" held on 6/11 November 2006 in Hyderabad in India.

See: http://www.bii.ge/index.html

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6 http://www.iesc.ge/index.php?article_id=196&clang=0
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THE THEORY OF TECHNOLOGY BUSINESS INCUBATION AND OPPORTUNITIES OF APPLICATION IN THE LESS FAVOURED REGIONS OF HUNGARY

Theses of PhD Dissertation

1. Importance of the topic

The development of the regions occurs by the transformation of the economic structure, by the diffusion of new productive (innovative) industries that provide a high income level. In this process those small and medium-sized enterprises (SMEs) that are capable of catalysing the regional economy owing to their high growth potential, or their role played in the innovation system, or their participation in the inter-regional trade (these three are usually accompanied) have an outstanding role. However in the early phase of their life span these firms face such difficulties that may lead to their failure.

In the developed countries more than half of the enterprises leave the market within five years. In Hungary only 53% of the firms that were established in 2000 were still in business by 2004. Would the survival of some of these small enterprises accelerate the development of new “knowledge-based” industries? Would the support of the “weak but promising” firms recover through the later growth? Although this is theoretically not at all obvious, the answer given by the practical economic policy is fairly spectacular, which can be proved by the fast-rising number of business incubators. By today business incubators have become an integral part of the economic policy toolbar in numerous developed and developing (and in almost all of the European) countries.

Business incubation refers to complex services and special environment provided temporarily for start-up enterprises with the aim of improving their chance of survival in the early phase of the life span and establishing their later intensive growth (this definition is used for business incubation throughout the dissertation). The term incubation refers to the process of support, while incubator stands for the organization and infrastructure (most often a building, a group of buildings or a park) that are set up for these purposes.

In recent years the intensification of a spectacular process gave new dynamism for business incubators: the increasing participation of universities in local economic development. The frequent application of incubators and the active role of universities induced the theoretical examination of the topic. Incubation has got a place now in the “vocabulary” of enterprise- and innovation policy, and entrepreneurship. On the top of the economic policy documents, and the underlying research reports, the academic literature of business incubation has also increased in great deal. The focus has shifted from the problems of establishment and management to the economic development effects and most recently to theoretical underpinning. The examination of the distinct part-areas are based on different theoretical bases, hence the conceptual framework of the examination is rather heterogeneous. The Hungarian literature of the topic is unfortunately still quite scarce.

The intertwining innovation- and enterprise-policy, and the increasing importance of universities in incubation resulted in the strong development of technology business incubation (TBI). TBI refers to the type of incubation where the focus group consists of innovative, mostly technology-oriented, or knowledge-intensive service sector enterprises and interactions with the academic sphere giving a substantive element of the incubation process. The pushing forward of TBI occurred in parallel with the vigorous transformation of today’s spatial economic processes, it can be interpreted as a reply for the challenges of the learning-based economy.

A new approach is required for the explanation of the processes of the learning-based economy, and the (economic development) intervention carried out into them. This is also true for TBI, since the processes into which we intervene by the incubation have altered. However the international literature of business incubation seems to be quite insensitive to the systematic examination of the consequences of the learning-based processes. Studies that examine certain aspects of incubation in-depth are rather insensitive to apply such an approach that analyses the incubation process from the perspective of the change of the local
economy. And those papers that place incubation in a wider context only occasionally take further steps beyond the declaration of the possible role of incubation in the enhancement of entrepreneurship, in the support of start-up enterprises, or in the initial strengthening of local SME networks or clusters.

Thus there is a need for analyzing the consequences that arise from the intervention to the processes of learning-based economy, and to interpret TBI from the perspective of the local industrial and economic evolution (change).

Above the theoretical questions several practical economic development problems also make the examination of technology business incubation a current topic. The possible development ways of the Hungarian incubator system, and the opportunities of setting up technology business incubators with strong university ties in less developed regions are issues that give rise to lively disputes. It is also discussed in the “Hungarian Technology Business Incubator and Seed Capital Strategy” from which certain propositions emerged in “The New Hungary Development Plan” (the national development plan of Hungary in the period of 2007-2013). The question is practically the ability of Hungarian incubators (that mostly operate in less favoured regions) to integrate innovation- and enterprise policy and to apply it in the local economic development. According to several authors this might be the key for successful development.

Furthermore, in connection with the Hungarian “Growth Pole Programme” almost all of the large Hungarian university cities plan to set up university technology business incubators. This is based on a more and more common approach: in the local economic development universities and research institutions are increasingly considered as potential sources of local / regional development. In addition the change in the financing structure of Hungarian universities, the need for the economic utilization of research achievements has been quite a spectacular process in recent years. But above the research the traditional function of teaching has also undergone a significant changing process. On the whole to meet the requirements of the economic sphere and the involvement is local economic development has become an integral part of universities’ strategies. These naturally inferred the universities’ needs for increased participation in business incubation.

However the possible application of university tied technology business incubators in less favoured areas raises several unresolved questions, since the successful cases, the “best practices” almost always derive from highly developed central regions. While the literature of business incubation is quite abundant in connection with the evaluation of existing programmes, the examination of the opportunities has gained little attention. It might be due to the fact that those studies that deal with incubation in-depth do not endeavour to place the issues of the opportunities, scope and possible effects of incubators into the broader perspective of local industrial and economic evolution (change). Hence the influencing role of these processes, which give a wider context of incubation, is hardly recognized.

2. Research objectives and theoretical background

The examination of business incubation therefore holds out promises of numerous interesting and current research areas both in theoretical and practical level. Hence the objective of the dissertation is twofold. The heterogeneous literature of incubation and the challenges in interpreting the processes of the learning-based economy raises the necessity of resolving theoretical issues. But based on the current Hungarian economic development issues it is also definitely important to analyse the opportunities of technology business incubation with university ties in the less favoured regions of Hungary.

After reviewing the conceptual framework of business incubation and placing TBI into this context, the dissertation focuses on two main issues:

- First, a theoretical underpinning of technology business incubation that is able to place the incubation process into the wider context of local industrial and economic change (reflecting to the new conditions of the learning-based economy).
- Second, the opportunities of the application of TBI in Hungary, mainly in the less favoured regions.

As TBI intervenes into the spatial processes of the learning-based economy, integrates innovation- and enterprise-policy, and is implemented with the active participation of the academic sphere, it has such characteristics that outline the main fields and the conceptual background of the theoretical analysis:

- TBI fosters innovative start-up firms, thus the process of incubation is strongly intertwined with the innovation process that occurs in the supported enterprises.
The objective of TBI is the realization of certain local economic development goals (ultimately the enhancement of the competitiveness).

TBI aims at the development of new innovative industries by stimulating the establishment and early growth of start-up firms.

Accordingly to interpret technology business incubation we need to analyze the characteristics and spatiality of the innovation process, the role of highly innovative industries in economic development and the peculiarities of the early stage of industrial evolution.

All of the abovementioned issues can be approached from the angle of several theoretical schools. However by applying the concepts of the evolutionary economics we can discuss these topics on a unique basis. It qualifies us to examine TBI within a framework that is able to handle the interactive feature of the innovation process, and the uncertainty and bounded rationality it implies, both on individual and economic policy level. Therefore the examination that builds upon the achievements of evolutionary economics seems to be capable of the interpretation of TBI within the conditions of the learning-based economy. On the top of the theoretical underpinning of the examination, evolutionary concepts can also lead to the better understanding of the incubation process.

The main theoretical objective of the dissertation is exactly the adaptation of the achievements of evolutionary economics to TBI, which opens up a mainly unexplored area in the international literature of business incubation, but it contributes to a more detailed (hopefully better) understanding of certain aspects of TBI.

The most important practical objective of the dissertation is to examine the opportunities of the application of TBI in the less favoured regions of Hungary, with a main focus on Szeged, the location of this dissertation. When dealing with this issue I build on the results of the theoretical chapters, but I approach an important and current practical problem here, and do not intend to provide a detailed empirical testing of the theoretical part. This is also due to the fact that only a part of the examined theoretical issues can directly be connected to the analysis of TBI’s opportunities in Hungary.

3. The structure of the dissertation and applied methods

The dissertation consists of four main chapters and a short summary that draws general conclusions and provides possible future research directions. The logical structure is as following: chapter 1 presents the conceptual background and the international and Hungarian practice of business incubation, and places TBI into this framework. This is achieved by synthesizing the Hungarian and international literature of the topic, and on purpose of a more detailed presentation of the Hungarian practice, it contains a brief empirical analyses. The chapter points out the growing importance of TBI within incubation and (the necessity of) universities’ increasing participation, which raises the need for examining two basic problems:

- **First**, the evolutionary underpinning of business incubation’s conceptual framework.
- **Second**, the analysis of the opportunities of university technology business incubation in the less favoured regions of Hungary.

The evolutionary underlaying of TBI makes the analyses of evolutionary economics’ main concepts and through this the spatial processes of the learning-based economy inevitable. This is the objective of chapter 2. Then I attempt to adapt the evolutionary achievements to TBI. This is the subject of chapter 3 in which I deal with the following questions:
1. *Why does local economic development choose TBI as a means of development?* In order to understand this I analyze the evolutionary process of the emergence of TBI’s market solutions.
2. *What is the role and scope of TBI in the development of new industries?*
3. *How is the value addition of TBI realized, what is the intervention’s mechanisms of action?*
4. *How can TBI programmes be designed in such a way that they are able to meet the constantly changing needs of the supported enterprises without hindering or distorting the emergence of the adequate market solution?*

Chapter 4 focuses on the other main field of problems, namely: what are the opportunities of the efficient application of TBI in the less favoured regions of Hungary, with special regard to Szeged. By building on certain results of the former chapters I attempt to set up an analytical framework that is able to explore those background-factors that affect the opportunities of TBI, and that can be applied also in less favoured regions.
On the basis of this analytical framework I conduct an analysis in Szeged. For this purpose, on the top of statistical data and other secondary sources I also utilize the results of two empirical surveys that were conducted in 2006. One of them surveyed the SMEs of the “knowledge-based” sector of Szeged (on a sample of 401), while the other one surveyed the undergraduate and doctoral students of the University of Szeged (on a sample of 420).

To summarize: the first chapter raises two important research questions in the field of technology business incubation, which are unfold in chapters 2 and 3 by theoretical and in chapter 4 mainly by empirical methods.

4. Main findings

The different types of business incubators are participants of an “industry”, since all of them attempt to satisfy the (basically similar) incubation demand of new, innovative SMEs. The incubation demand derives from the problems of the initial phase of life span, the small size and the uncertainties of the innovation process (they can be summarized as “capital and knowledge gap”). The distinct types of corporate and economic development incubators, that constitute the supply side of the business incubation industry, have different capacity to generate value-addition and economic development effects.

Thesis 1. Out of the several historically developed types of business incubators in the learning-based economy technology business incubators with strong university ties have become the adequate form. They can give the most appropriate economic development response to the arising incubation challenges. But owing to the significant inertia of the institutional structure the transformation of the former types is a lengthy process. This is why numerous types co-exist today.

Evolutionary underpinning of technology business incubation

The intervention into the processes of the learning-based economy raises challenges for the theoretical interpretation of technology business incubation. Regional economic change, which is based on innovations, technological change and (in close relation with these) learning ability, can be described by such evolutionary concepts such as: positive feedbacks, dynamic increasing returns, uncertainty, unpredictability, path dependency or lock-in. The recognition of present situation’s historical roots, the consideration of small historical events and cumulative processes have outstanding importance. The institutional mechanisms, the traded and untraded interdependencies that are specific to a given region can stimulate but also hinder the shift along certain development paths. This certainly affects the framework of TBI’s examination:

- The fostering of the innovation process can not be successful without putting emphasis on feedbacks, external interactions and the reinforcement of the connections among the elements of the (regional) innovation system.
- In the different phases of an industry’s evolution different challenges arise. This envisages the different role and scope of technology business incubation in different situations.
- It is inevitable to pay attention to the selection environment above the stimulation of new variations.
- The indeterministic and uncertain (evolutionary) feature of the enhanced processes infer that even the policy makers can not be fully informed about them. Thus technology business incubation must be interpreted in the world of bounded rationality.
- The historically developed structures and relational systems of an area affect the subsequent (future) economic processes. Therefore technology business incubation must be embedded into the historically developed peculiarities of the local area.

Responding to these theoretical challenges I attempted to conduct a theoretical examination that interprets TBI (which is strongly intertwined with the innovation process, and intends to enhance new innovative industry) in the world of uncertain processes and bounded rationality. By doing so I adapted the evolutionary achievements to technology business incubation. I focused on four basic fields: the emergence of the market solutions of TBI, the role and scope of TBI in local economic development, the distinction of the value-adding functions of TBI, and the logic (mode) of the programmes’ operation.
The emergence of the market solutions of (technology) business incubation is a complex process which presumes learning, and the co-evolution of several competences. The quick development of market solutions is likely to occur in those regions where the emergence of new variations is intensive and the channels of information flow among the innovation system’s participants are established. It can be fostered by such factors that have significant influence during the early phase of industries’ evolution like economies of urbanization, the presence of similar activities and entrepreneurial experience. This also involves that the probability for the emergence of market solutions in less favoured regions and non-metropolitan areas is low, thus policy makers often face the non-sufficient operation of the business incubation industry.

Technology business incubation has significant scope of action in the period of an industry’s evolutions when path-dependency has not yet emerged. In such a situation TBI, as a “small historical event”, can play an important role in the establishment of the self-reinforcing processes of the industry. Owing to TBI’s niche-creating function (able to affect both new variations and the selection environment) they are partially able to fulfill this task even when the historically developed dominant structures of the region (the presence of mature industries or clusters) hinder the emergence of new industries. But simultaneously the uncertainty and risks of the intervention are significant, especially in non-metropolitan regions.

The two components of the value-adding capacity of TBI (fostering the innovation process by complex services and providing special environment) are originated from the dual ability explored in the previous thesis: fostering and steering of new variations and modifying the selection environment. The co-productive feature of the service provision (requires learning both from the provider and user) infers that in order to the significant value-addition the supported enterprises must posses adequate learning capacity (search routines).

The function of providing “special environment” is able to become efficient only when connected to real service provision. The “special environment” must contain the mechanisms and services that transmit the impacts. The frequent failures of technopoles and technology parks also indicate this.

The uncertainties of the processes of the learning-based economy, the selective channels of perceiving development problems and the adaptation of the economic actors result in the process of technology business incubation consisting of “trials and errors” in the practice. Within such circumstances of bounded rationality efficiency (impacts on the enterprises and on the local economy) can only be ensured if such mechanisms are established that provide feedbacks from the induced effects and select out solutions that had proved to be unsuccessful. The “facilitate the market” approach of incubation, which has been developed in the dissertation, provides a method to achieve this. Its main elements are the division of services provision’s risks and the intensive role play by the local knowledge intensive business service (KIBS) sector.

The analysis of the Hungarian practice of business incubation highlighted that the operation of the incubation system dominated by traditional incubators is not sufficient. I attempted to complement the results of former studies (that focused on the programme features) by conducting and empirical analyses in Békés county that puts emphasis on the supported enterprises.

In Békés county’s incubators (on the analyzed sample) the expected impacts of business incubation can not be revealed. The supported enterprises are unable to attract additional income into the region and thus to generate regional multipliers. The innovation activity of the firms in the sample is average or below the average. The value-addition of incubation can not be revealed in the growth of the net returns or the number of employees. Furthermore the strong local orientation of the supported enterprises makes the presence of unintentional market distorting effects probable. These results infer the need for improving the value-adding capacity of Hungarian business incubators.

A change in the Hungarian business incubation practice is desirable: incubation modes with more significant economic development impacts and smaller “side-effects” must be put ahead. According to the
theory and practice of business incubation can be regarded as a possible way of development for the Hungarian incubation system.

Considering the interactive relation between incubation and its local economic environment, and the spatial distribution of the large (research) universities, the centre cities of the Hungarian NUTS 2 regions seem to be able to provide possibly the most beneficial circumstances for this (besides Budapest). But this does not infer that there is a real opportunity or necessity for the establishment of technology business incubators in these regions.

Accordingly – building on the former theoretical results – I attempted to create an analytical framework that is able to reveal the background factors affecting the opportunities of TBI even in less favoured regions. Further expected feature of the framework is its ability to be applied in different regions as well, which makes the comparison of the gained results possible. The examination of the factors affecting the opportunities of TBI was carried out in four steps (focusing on Szeged):

- analyzing the presence of dominant local industries (clusters),
- analyzing the factors that affect the emergence of new variations,
- exploring the occasional impacts of niches (created by local economic development policy), and
- examining the traits of the potential focus groups of a TBI (SMEs in “knowledge-based” sectors, academic spin-off firms, graduate and doctoral students) with special regard to their entrepreneurial activity, their ability to utilize the “knowledge-intensive services”, and their demand for incubation services.

**Thesis 8.** The results of the analyses based on the set up framework show that there is an opportunity for technology business incubation in Szeged, however there seems to be no possibility for strong specialization neither to a given industry (or cluster), nor to the utilization of solely the academic sphere’s knowledge base. These result in a longer process of reaching sustainability and lingering intensification of the economies of localization. This latter infers the low intensity of the possible development impacts.

But the aforementioned elements were solely the background factors of TBI’s opportunities, necessary but not sufficient conditions of success. In connection with the launch of a technology business incubator – above them – the operational features of the programme (the realization of the “facilitate the market approach”) and the participation of universities (to remove the barriers and to facilitate entrepreneurship) have decisive importance as well. The success of a potential technology business incubator in Szeged is therefore not at all obvious.

**Thesis 9.** The analysis of the features of incubator service demand and the ability of service utilization (the search routines of the firms) showed that a potential technology business incubator in Szeged must put emphasis on the admission (selection) criteria, since those who would demand the services and those who would be able to utilize them indeed only partially coincide. The reinforcement of the local KIBS sector must become an important function of the incubator, because the local “knowledge-based” sector consists mainly of service firms. As the KIBS firms’ demand for “hard” services (e.g. premises, laboratory, appliances) is scarce, it is advisable to establish the (non-premises) business development services (BDS) first and by doing so initiate the learning process. Heavy emphasis must be put on pre-incubation, which contains the removal of the barriers of entrepreneurial development, the development of an inspiring milieu, entrepreneurial education and the fostering of the development of business ideas in an interactive process. It could be concluded from the analyses of academic entrepreneurs and university students.

The background factors that affect TBI and the outlined strategic decisions arise similarly in connection with the TBI programmes of other larger Hungarian cities. Since the result were not fully convincing in case of Szeged contrary to its outstanding research capacity and level of education, thus it would be advisable to apply the presented analytical framework in other Hungarian university cities as well. Presumably, the unfavourable opportunity for the specialization, the partial overlapping of the real focus group and those who would demand the incubator services, the “informal spin-off activity” of the academic employees (it usually means only secondary employment), or the poorish entrepreneurial skills of university students are not solely peculiar to Szeged. Therefore it would be practical to integrate the analysis of opportunities (background factors) into the Hungarian TBI policy.
Thesis 10. In connection with the restructuring of the Hungarian business incubator system the challenge is not the establishment of new “incubator-houses” (a common term in the Hungarian business incubation practice, referring primarily to traditional business incubators), but the emphasis on the admission (selection) criteria, on real value-adding (mainly non-premise) services, on the appropriate connection with the market and on the rethinking of the operational and evaluating system of incubators, in essence the realization of the “facilitate the market” approach of business incubation.

Naturally the achievements of present dissertation that were epitomized in the above theses raise a series of further research questions that could be unravelled in future studies. Certain consequences of the adaptation of evolutionary concepts to TBI could be easily applied to other local economic development tools as well, like industrial parks, technology parks, or cluster development. A way much wider research field is provided by the application of evolutionary thinking to regional economics, which facilitate the examination of such areas – amongst others – like the spatial evolution of industries, or the path-dependency or lock-in of a region.

In connection with the opportunities of TBI in Hungary – on the top of the elimination of recent analyses’ insufficiencies – the testing of the results in other regions and the integration of the presented analytical framework into the design process of the programs seem to be the most important fields of future research and application.

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POLISH INCUBATORS FACE NEW ADVANTAGES DUE TO THE EU ACCESSION

Polish economy has been growing rapidly since accession to European Community in 2004. GNP has been growing at 6% yearly, unemployment rate decreased from 18% to 12%, export growth rate is nearly 10% yearly, average salary nearly doubled. Is not it something?

As usually many factors can be pointed out the reasons for this situation. And many beneficiaries got the chance to do better. However no doubt, entrepreneurs are the group which adapted first to the open market and international competition. They immediately used the opportunity to enter international markets, both Western and Eastern.

And accordingly Business Support Organizations developed their operations growing in numbers and quality of services rendered. They have got the market – more than 3,500,000 companies registered, and access to governmental and EU financing, mainly Structural Funds.

There is a tendency observed in history of Polish Business and Innovation Centres (BICs) development in 1990-2007. When government donates money for BICs and presents political will to place them at the important position in country economic and social policy – local communities are activating their resources and include BICs in local strategy development.

In last years the dominating tendency is support for innovation and technology – thus Technology Incubators, Technology Parks, Seed Capital, etc. Thanks to Polish Business and Innovation Centres Association activities within the teams developing National Development Programmes 2004-2006 groups financing money for feasibility studies, business plans, investments and international cooperation was available, which Polish Incubators lacked in the past.

Cooperation networks are growing and strengthening – nationally and internationally. Business Innovation Centres in Poland are hubs for Innovation Relay Centres, Euro Info Centres, and EU Framework Programmes for Research and Development, etc.

Polish Business and Innovation Centres Association have more and more members, currently 230 and new members are joining.

Annual Conference in May 2007 showed that number of Business Innovation Centres in Poland doubled in 2001 – 2006 and jumped over 600 – 49% are Advisory and Training Centres, 13% Technology Transfer Centres, 14% Local Loan Funds for SMEs, 8% Local Guarantee Funds for SMEs, 7% Business Incubators, 5% Academic Business Incubators, 2% technology Incubators, 2% Technology Parks. The last three groups are growing in numbers even in small cities. The reason is that Structural Funds are eager to finance mainly innovation and Information and Communication Technologies break barriers with access to knowledge in any place – in the country and abroad.

In National Development Plan 2007-2013 Technology Incubators, Technology Parks and other instruments supporting SMEs will be financed on wider scale. Public money will be available for Seed Capital, Venture Capital, national and international networks, research and development, science – industry cooperation. Polish universities slowly adapt to the concept of 3rd generation university. Academic Incubators are more and more popular. Liaison offices are established, new Science and Technology Parks are launched. More than M250 Euro will be available within National Innovation Economy Operational Programme in 2007-2013. Not less will be available within Regional Operational Programmes for Technology Incubators, mainly for infrastructure investments. Billions of Euros will be available for training and consulting from European Social Funds within Operational Program “Human Resources” and Regional Operational Programmes.
However focusing mainly on public money may be dangerous for the Business Innovation Centres activities in the future when EU and governmental money terminates.
The first period of Structural Funds financing for soft and hard project in business incubation showed the following:
1. Financing available for BICs has grown significantly;
2. There was a rapid growth of Business Innovation Centres number in 2004-2007;
3. Number of financing schemes for BICs and SMEs has grown;
4. Companies need for BICs services has grown significantly;
5. BIC has been included in the structures implementing Structural Funds financing – they are Regional Financing Institutions, Contact Points for Structural Funds, etc.;
6. Assets (property, finance and personnel) of BICs has grown significantly;
7. Standardization (ISO) of BICs operations and activities; and

Resource: PBICA, 2007
8. Business Support Organizations became key partner for government and local authorities in economic development.

There are also negative aspects which should be eliminated in 2007 – 2013

1. Bureaucracy
   - complicated procedures and lot of papers
   - as a result BICs became administrative institutions

2. Delay in payments

3. Too much attitude to formal aspects

4. Too weak attitude to results of the projects

5. Loosing a lot of entrepreneurial and innovative spirit of BICs

6. Replacing market revenues by public donations my result in loosing BICs potential for generating incomes from clients in the future

The last years experience strengthens the faith of Polish BICs in networking activities. It helped in including BICs investments and operational activities in Structural Funds financing scheme. The need for development of innovative and competitive companies resulted in changing the approach of BICs and local authorities towards using new opportunities for innovative problem solving with use of Technology Incubators and Technology Parks.

**Stakeholders of Business Innovation Centres in Poland**

- Public administration: 5.1%
- Associations & Foundations: 35.6%
- Universities: 9.9%
- Public private partnership: 29.6%
- Chambers of Commerce: 19.8%

*Source: PBICA, 2007*
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THE HUNGARIAN ASSOCIATION OF BUSINESS INCUBATORS

It is generally true that collaboration of similar institutes and making the best of synergy in a given sector can be enhanced by an association that integrates the institutes and provides them a platform where they can communicate with each others regularly. The HABI is the association of business incubators in Hungary. I wrote this article in order to introduce the association and to present the challenges they face. Furthermore I draw up some advice that would help the association in getting more efficient and useful. The prior source for writing this article was an interview I made with Mr. István Annus co-chairman of HABI.

Until the transition of the political system unemployment was an unknown phenomenon in Hungary. On the contrary: the misshaped economic structure could have been characterized with overemployment. However, the beginning of the 1990es brought very important changes to the economy. The Council for Mutual Economic Assistance (CMEA) was disbanded, and Hungary lost ¾ of its export markets. It quickly led to the collapse of big national companies, which did not have enough time to adopt to the new system. Thousands of people lost their jobs immediately, and unemployment become more and more an embarrassing question. After the democratic transition the role of the State got a new interpretation. Abolition of the price control led to inflationary spiral, and the internal demand highly decreased. Furthermore the international environment became distressed. All these national and international phenomena resulted that more and more people started thinking in starting up own enterprises and becoming self employed. From the part of local governments also more and more people began dealing with helping small enterprises to be launched. For this reason a group of experts decided to go on a field trip and collect as much of information as possible about the enterprise and enterprise environment development. They chose Pittsburg as destination, because Pittsburg went through similar changing formerly. The collapse of heavy industry caused high unemployment and they had to begin entrepreneurship development programs such as business incubation.

Getting back from Pittsburg, the delegation founded the Hungarian Association of Business Incubators (HABI). They started the program rapidly because they were given the opportunity to apply for resources supporting the establishment of business incubators in East Hungary. It also seemed to be an excellent tool for reducing the unemployment rate. They began developing the Incubator Program in many towns. The local governments of Ózd, Nyíregyháza and Szeged provided properties in former barracks and unused buildings. By support of the Prince of Wales a British-Hungarian foundation was established to found a business incubator in Kecskemét. By support of the local governments, of chambers of trade and commerce and of the Hungarian Enterprise Development Foundation more and more business incubators were launched (eg. in Székesfehérvár, in Szolnok, in Békéscsaba, in Komárom, and later in Pécs).

In the beginning there was not any consequent, long term strategy of the Hungarian Government neither for establishment of SMEs, nor for creating the toolkit that would have been necessary for their development.

The structure of the HABI organisation

The HABI is working as a non-official organisation. Its residence and the necessary office infrastructure are currently provided by the business incubator of Székesfehérvár. The chairman of the incubator is István Annus co-chairman of HABI. The organisation is consisted of volunteers whose personal contribution provides legitimate base to the HABI.

According to the charter of the Association the structure of the institution can be summarized as:  
The institution of the association:
A) general assembly
B) chairmanship
C) co-chairmen

A) General Assembly
The supreme body of the association is the general assembly which can decide in all questions related to the association. General assembly can be convened by the chairmanship or by the members at any time but at least yearly. Renewal of chairmanship is to every 3 years.

Exclusive authority of the general assembly includes:
- establishment of - or amendments to the charter of the association,
- to lay down the principles of the long- and middle- term tasks of the association and the approval of its budget programme,
- consent to the annual report of the chairmanship,
- approval of the annual balance-sheet and the annual budget,
- acceptance of the report of public utility,
- election of the office-bearers and the members of the chairmanship in an open vote,
- election of the honorary members of the association,
- consent to the investment regulations of the organisation,
- decision on the abolition of the association: union with other social organisation or dissolution, additionally the allotment of the association assets.

The operational supervision of the economic organisations which were established by the association is under the authority of the general assembly.

B) Chairmanship
Number of the chairmanship members is 7: 2 main co-chairmen and 5 main chairmanship members and they are elected by the General Assembly for 3 years.

C) Co-chairmen
Between two chairmanship assembly the co-chairmen can only act upon the sphere and methods determined in the rules of the regulations.

Co-chairmen are independently entitled to represent the association and jointly entitled to bank remittance.

What types of business incubation programmes are included in the HABI?

From the second half of the 90’s several EU-programmes have subsidised the establishment of business incubators. Out of these the subsidy of the Flemish government in Nyíregyháza and Kaposvár or the establishment of Innostart, the National Business Innovation Centre, in the frame of EU PHARE-programme were remarkable. The UNIDO supported the Hi-tech incubation programme which was constructed beside the University of Veszprém while within the regional development programme of the PHARE the INNONET in Győr obtained a notable amount of subsidy to establish a new innovational centre in the industrial park.

The Hungarian Association of Business Incubators struggled to gain every obtainable means and sources in order to fasten and make the processes more efficient. In lack of own resources instead of financial aid it supported the case with representation of appropriate examples, confidence and lobbying.

On the whole, the success and efficiency of the incubator development programmes are depend primarily on the vocation, endurance and the executive ability of the local initiators. The HABI can add the
experiences of its members, its domestic and international relations and the already achieved results in business incubation. So, the HABI has no programme on its own.

How does the HABI support the business incubation?

Primarily, because of the narrow financial resources and the in need of an official organisation, the activities of the HABI consist of lobbying and mediation. Direct assistance can be granted on the level of counselling. Financial aid cannot be provided. Other professional organisations, mainly because of the personal relationships of the members, treat the Association as an equal. Thus, it is in close contact with the Association for Innovation, the Association of Industrial Parks, and the Regional Innovation Agency and with the Ministry of Economy and Transport as well.

It causes a huge problem that in Hungary does not exist an elaborated qualification system which is accepted on state level. The SEED Foundation has recently been trusted to establish such system, though it has not been initiated yet. István Annus emphasise the importance of an accreditional procedure that should precede the establishment of every new incubator and it should obligate the incubators to render regular reports towards the HABI. It is important because they face a serious lack of information; for example, they are not aware of every Hungarian organisation which functions as business incubator.

What are the criteria to become the member of the Association?

The charter of the HABI defines different levels of membership, these are the followings:

*Allowed members of the association*:

**Original/Founding member:** who participates in the foundation assembly and announces that agrees with and accepts the aims of the foundation by the admittance of the charter and by signing the attendance register.

**Ordinary member:** is a native or foreign, artificial or natural person who possesses adequate documents necessary to manage business incubators and the entitlement for operation and confirmed reference in relation with this specialty; on the grounds of this it appeals for admission, expresses its intention to become an ordinary member and accepts the charter of the association. On the admission of the member the assembly of the members and the chairmanship decide through an open and qualified majority vote.

**Honorary member:** is a native or foreign, artificial or natural person who in favour of the goals of the association pursued outstanding operations or granted relevant subsidy to the association. The chairman and the chairmanship suggest the honorary member and the admission is accepted by the general assembly through simple majority.

**Sponsorial member:** is a native or foreign, artificial or natural person who announces that accepts the charter and takes on the obligations applies to it in the regulation/procedure.

**Associated member:** is a native or foreign, artificial or natural person who previously to the ordinary status legal relation wanted to participate in the activity of the association with the intention of gaining information and orientation.

It is apparent that the Association would like to be available for everybody, and tries to organize its operation in a way which enables those who cannot allow paying the annual dues to get into the circulation. The annual membership fee is HUF 50 thousand, but it is paid by only 20 of the members. Others pay smaller amount of dues.

How the Association is financed? What is the contribution of the state?
The BIA has really narrow financial means. Does not get subvention from the state, it is sponsored only from the annual dues of the members. It is barely exceeds HUF 1 million annually. The incubator of Székesfehérvár absorbs the operating costs.

To see how HABI fits into the national incubation concept, let us run through the aims of the national business incubation strategy.

In Hungary there is neither a comprehensive economic development concept for the innovative initial enterprises nor an interdisciplinary supporting programme for the incubation, and there is even less support for the technological incubation.

The Hungarian Association for Innovation in collaboration with the INNOSTART and the Hungarian Association of Business Incubators made a proposal that in the II. National Development Plan 2007-2013, in the frame of the Economic Competitiveness Operative Program, launch a central programme with governmental aid named as National Technological Incubator and Seed Capital Programme to provide organized assistance for the innovative start-up ventures.

Main elements of the National Incubation Programme – according to the proposal

I. Investment in incubator development

a. Partial financing of incubator infrastructure

Subsidized activities:
- purchase property for incubators,
- build up and innovate its infrastructure
- develop its informatical network
- assets purchase.

Subsidisation degree:
- single
- for 2-3 years (medium-term subsidy)
- at least HUF 30 million and maximum HUF 200 million is claimable (exceptionally, in case of high-tech incubator: up to HUF 500 million).

Subsidisation rate: (depends on the legal status of the operator, and on the backwardness of the area)
- 50 – 90 %.

Number of the proposed projects:
- improve 10 – 12 already existing incubator annually
- establish 1 – 3 new incubator annually.

b. Subsidizing incubator service and development

Subsidized activities:
- necessary for the operation of the incubator:
  - rents
  - innovation manager - employment, - education,
  - the co – financing of innovation marketing, as well as
  - the incubational services such as:
    o innovative ideas, quest for potential entrepreneurs and for innovative start-up ventures (outside the incubator as well)
    o live incubational services: training of entrepreneurs, establishment and management counselling (outside the incubator as well)

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8 Nemzeti Technológiai Inkubátor és Magvető Tőke Program (National Technology Incubator and Seed Capital Programme)
general services: office service (central administration), project management, project selection
- services during the inchoative stages of growth: team-building, investment consultancy, business angel and risk capital relation building, domestic and international marketing, project selection, project management.

Subsidisation degree:
- recurrent
- for 1 – 5 years (long-term subsidy)
- up to 25 – 50% of the expenses
- minimum HUF 10 million maximum HUF 50 million annually

Subsidisation rate:
- 50 – 75%

Number of the subsidised incubators: 50 – 60 altogether
- 50 – 60 incubational services annually

II. Establishing Seed Capital Fund(s)

The measures are aimed at establishing an institute (that is still missing), as part of the domestic capital market, which supports the innovative start-up ventures: the Seed Capital Fund (Funds). In Hungary this fund is necessary because of the weak private capital (the F3 and the business angels). The purpose of the Fund(s) is to orientate the market based investments that are necessary for the recapitalization of the promising start-up ventures, and to promote the innovational investments with diminishing the risks of the market investors. The Capital Fund provides capital gain and capital allocation against proprietary share in the subsidised firm as well as diminishes the above average risks of the bank by refinancing the investing bank which grants credit for innovative start-up ventures.

The Hungarian Association of Business Incubators can play an important role in realizing the above introduced plans. Now let's see what strategy of the HABI can be drawn.

The aims of the association are:
- to support the activity of the already existing incubator systems
- to facilitate the establishment of new business incubators (incubatorhouse, incubator centre)
- to establish and operate the required informational system
- to search and claim for the devices necessary for realising the aims
- to provide representation of interest of the members
- to level up the occupational quality, related to the activity, by education, exchanging experiences and by organising study tours
- to establish and maintain international relations

Future prospects of the HABI:

The future role of the business incubators can be examined in the following context:
→ regional development policy and the business incubators
→ knowledge controlled economy and the business incubators
→ EU-integration and the business incubators

The Hungarian Association of Business Incubators intends to increase its importance and role in the domestic business development. To achieve this aim it is essential to increase the number of the members and to cherish and extend relations.

The method of the execution:
To increase the number of the members it is necessary to represent the Association’s aims to such local governments (primarily to cities) where there is opportunity to establish business incubator. Relations with chambers of industry and industrial parks need to be developed.

Developing relations:

The significance of the region’s role has highly increased with the EU accession. The HABI has to improve its relations with the regional settlement development organisations (Regional Development Councils, National Association of Local Governments) and has to lay down the principles of the possible cooperation.

On the field of its international relations the needs have to be explored and BIA as negotiator and marketing consultant should play a role in expanding the marketing opportunities of the incubated enterprises. With its professional background the Association can take part in tender consultancy as well. (EU 5. later EU 6. framework programmes, ISPA, SAPPARD, PHARE programmes)

The improvement of the services that can be rendered to members and incubated enterprises.

To establish a matrix service within the HABI:

The members possess an extensive professional knowledge and experience, and more and more business incubator provides beneficial and high-standard services at available prices for enterprises in the following special areas:
- Business Development
- Co-ordination of sources
- Industrial Property
- Legal Advice
- Innovational Consultancy
- Relationship building
- International relations building

It is neither necessary nor economic to provide all of these services locally in every incubator. With an up-to-date and well-conditioned data bank and with internet connections a so called matrix service can be established, which facilitates better division of labour and provides significant rise in the quality of the services. Thus, the informatical network the system of operation and the method of the remuneration have to be worked out.

SUPPLEMENT

Suppose that money is not a problem anymore! What are essential measures that have to be taken in order to the Business Incubation Association can function more efficiently?

1. The conscious improvement of the incubators is required. This means the definition of those areas where incubators are needed and the examination which organisation can be integrated with those institutions that are still called incubators but has a significant difference in their function. For this, it is necessary that on state level a unified qualification and accreditation system should be elaborated. Moreover, with this system the association should not quest for the potential members, because the membership and later the disclosure of information towards the Association could be a requirement of the membership.

9 www.visz.hu
2. The incubators should synchronise their services, and should aspire to the co-ordinated development. A matrix service should be established, in which the comparative advantages of each incubator could be forged into a synergetic whole.

3. Being a non-profit organisation there is little chance of gaining the sources that are accessible through competition against for-profit organisations. The specifications should be altered or there should be new callings for tender.

4. To support the operation of the incubators and to promote projects particular money funds should be raised (on national or regional level). The cancer of the actual system is that it only grants money for investment and development, however for the financing of the operation it provides none at all.

5. It would be necessary to train experts who can manage incubators. Although there are courses called as incubator manager or innovation manager, these not provide the appropriate knowledge that is indispensable for the professional fulfilment of the comprehensive tasks of these complex institutions.

6. There is a need for accentuated subsidisation of those activities which has higher working culture.

Sources:
1. Interview with István Annus, Co-chairman of the Hungarian Association of Business Incubators
2. Hungarian Innovation Association (Magyar Innovációs Szövetség), INNOSTART National Business and Innovation Centre (Nemzeti Üzleti Innovációs Központ, Vállalkozói Inkubátorok Szövetsége) (2005); National Technology Incubator and Seed Capital Programme (Nemzeti Technológiai Inkubátor és Magvető Tőke Program), VISz Budapest
3. Hungarian Association of Business Incubators’ web address: http://www.visz.hu
THE SME POLICY INDEX, A TOOL TO EVALUATE SME POLICY DEVELOPMENT IN THE WESTERN BALKAN COUNTRIES

BACKGROUND

Small enterprises are the backbone of the Western Balkan economies. They make a major contribution to job creation and economic development. Small enterprises are behind the expansion of the services, construction and transport sectors that are driving economic growth in the region. Clusters of small enterprises operating in high value added sector are starting to emerge, spreading innovation throughout the economy.

Until a few years ago, small enterprise policy received relatively little attention in the region. The focus of governments was on consolidating macro-economic stabilisation and on managing the restructuring and privatisation of large state owned companies. Only limited support was available for small private enterprises.

Over the last few years government action has shifted progressively from economic stabilization and macro reforms to and to the design and the implementation of a set of micro-economic reforms directed at improving the business and investment climate. The adoption in 2003 of the European Charter for Small Enterprises (the Charter) – a pan-European instrument developed by the European Union under the framework of the Lisbon Agenda – by all the Western Balkan countries (Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro and Serbia) and UNMIK/Kosovo contributed to a change in policy perspective. Together with the adoption of the Charter the Western Balkan countries made also a commitment to regularly monitor SME policy development, within the framework of the broader EU integration process.

Therefore each country of the Western Balkan countries and UNMIK/Kosovo named a National Charter Co-ordinator and established mechanisms for systematic monitoring of the Charter implementation under the auspices of the European Commission (Directorate-General for Enterprise and Industry). The European Training Foundation (ETF) gradually become an additional source of expertise and advice for monitoring Charter dimensions 1 and 4, which address education, training and skills issues.

In parallel, the OECD Investment Compact, in co-operation with the European Bank for Reconstruction and Development (EBRD), carried out a periodic independent evaluation of government enterprise policy (Enterprise Policy Performance Assessments, EPPAs) which covered most of the Charter’s ten dimensions.

Between 2003 and 2006 the Charter monitoring process resulted in the publication of three sets of country reports, prepared by the National Co-ordinators, and three regional reports on the Implementation of the European Charter for Small Enterprises for the Western Balkans, and two series of Enterprise Policy Performance Assessments country reports, published by the OECD Investment Compact. The monitoring reports were supported by an intense programme of consultation with the business and policy community in each of the country, of expert missions and peer reviews. In 2006, as the Charter process was mainstreamed in the new Lisbon Agenda (‘Growth and Jobs’) for the then 25 EU Member States.

Faced with the possibility of a discontinuation of the Charter process, the Western Balkan countries and UNMIK/Kosovo adopted the ‘Belgrade Declaration’ in October 2006, calling for the continuation and the strengthening of the Charter monitoring process at country and at regional level. The Belgrade declaration opened a new phase in the Charter monitoring process, characterised by the following features:
• A multi-agency approach: The OECD Investment Compact and the EBRD decided to fully integrate their policy assessment activities with those conducted by the EC and to integrate them in one single process based on the European Charter for Small Enterprises. Therefore the monitoring process now involves two lead organisations, the EC and the OECD, and two support organisations, the ETF and the EBRD;

• The development of a specific measuring tool (the SME Policy Index), based on the Charter 10 policy dimensions to make monitor progress on SME policy development in a more tangible, rigorous and comparative way.

The first monitoring exercise using the SME policy Index was conducted between June and November 2006 and a regional report (Enterprise Policy Development in the Western Balkans) jointly prepared by the EC (DG Enterprise and Industry) and the OECD Investment Compact, in consultation with the EBRD and the ETF was published in March 2007.

The process started with a self-assessments exercise conducted by the country National Charter Coordinators followed by a counter-assessments conducted by a team of independent consultants coordinated by the OECD Investment Compact, in close cooperation with the other partner organisations. The final scoring is the result of the consolidation of these two assessments, enriched by further desk research by the four partner organisations and inputs from other organisations such as the World Bank, IFC and UNDP, research centres and bilateral development agencies. The information used for the assessment was updated until end of October 2006. Any policy developments that occurred after that date were not considered in this report.

The next monitoring cycle (2007-09) will include an assessment of the impact of government policy in priority areas through company surveys and focus groups, systematic monitoring of policy targets and a phase of policy coaching through peer reviews, workshops and expert assistance. The next regional report will be published in the spring of 2009.

THE SME POLICY INDEX

The SME Policy Index combines the Charter structure with an assessment approach developed by the OECD Investment Compact for evaluation of the investment climate in South East Europe. The index has been developed by the EC and the OECD Investment Compact, the ETF and the EBRD with the active participation of the National Charter Co-ordinators of the Western Balkans. The Charter framework and the indicators have been adjusted to reflect the conditions of policymaking in the Western Balkans.

The SME Policy Index aims providing a structured and comparative evaluation of progress on SME policy, by the defining the county position in each of 10 policy areas covered by the Charter, using a scale of 1 to 5 (weaker to stronger). This leads to the identification of weaknesses and strengths in policy development, allowing a better targeting of government action and a more efficient allocation of donor assistance and a more effective dialogue with the private sector.

THE SME POLICY INDEX METHODOLOGY

The SME Policy Index is structured around the ten policy dimensions covered by the European Charter for Small Enterprises:

1. Education and training for entrepreneurship;
2. Cheaper and faster start-up;
3. Better legislation and regulation;
4. Availability of skills;
5. Improving on-line access;
6. Getting more out of the single market;
7. Taxation and financial matters;

8. Strengthening the technological capacity of small enterprises;

9. Successful e-business models and top-class business support;

10. Developing stronger, more effective representation of small enterprises.

Each policy dimension is further divided into sub-dimensions that capture the critical feature of policy development in each specific area. For example, the sub-dimensions included in dimension 3 (Better legislation and regulation) are:

1. Regulatory impact assessment for new SME-regulation;

2. Simplification of rules;

3. Institutional framework.

Sub-dimensions are broken down into indicators. For example, within the same dimension, the sub-dimension ‘Simplification of business regulations and formalities affecting the small business sector’ contains the following indicators:

a) Government Strategy/action plans for business for business simplification;

b) Application of the silence is consent rule

c) Simplification of administrative forms for standard procedures

Other sub-dimensions cover for instance access to finance, the adaptation of tax policy to SME needs, etc. All sub-dimensions and indicators are included in the regional report which is available at [http://www.investmentcompact.org/dataoecd/31/41/38310075.pdf](http://www.investmentcompact.org/dataoecd/31/41/38310075.pdf)

The indicators are structured around five levels of policy development, with 1 the weakest and 5 the strongest. The policy development path for each indicator is typically structured according to the following lines:

Level 1: There is no law or institution in place to cover the area concerned;

Level 2: There is a draft law or institution, and there are some signs of government activity to address the area concerned;

Level 3: A solid legal and/or institutional framework is in place for this specific policy area;

Level 4: Level 3 + some concrete indications of effective policy implementation of the law or institution;

Level 5: Level 3 + some significant record of concrete and effective policy implementation of the law or institution. This level comes closest to good practices identified as a result of the EU Charter process and the OECD Bologna Process.

Where countries were clearly in transition between two levels, or where the actual situation combined elements of two subsequent levels, a half point is attributed. In total the Index is consisting of 56 indicators, combining new research with data and information already provided by other reports such as the Cost of Doing Business produced by IFC or the OECD Investment Compact Investment Reform Index.
1. Education and training for entrepreneurship
2. Cheaper and faster start-up
3. Better legislation and regulation
4. Availability of skills
5. Improving online access
6. Getting more out of the single market
7. Taxation and financial matters
8. Strengthening the technological capacity of SMEs
9. Successful e-business models and top-class business support
10. Developing stronger, more effective representation of small enterprises

Each sub-dimension and indicator is weighted according to its perceived importance in relation to enterprise policy development. The weights have been assigned as result of a process of consultation between the four partner organisations and the National Charter Co-ordinators. The weighting system ranges from 3 (most important) to 1 (least important). The final score assigned to each policy dimension is therefore calculated as a weighted average of sub-dimensions and indicators.

The evaluation results have been not to aggregate in a single numeric index. It would, in fact, be impossible to correctly determine the weight of each of the 10 policy dimensions covered by the Charter. The SME Policy Index has been designed as a tool to foster policy dialogue among the SME policy stakeholders at country and regional level. It is therefore up to the policy stakeholders to decide on which dimension or specific dimension to concentrate their efforts. In addition to being methodologically unfounded, a single numerical index would risk misleading the policy debate, concentrating the discussion on countries’ overall relative performance instead of focusing more productively on relative strengths and weaknesses.
CONCLUSIONS

Evaluating SME policy is complex exercise, given the number of dimensions involved and the need to combine a qualitative and quantitative evaluation. The SME Policy Index is a first attempt to develop a comprehensive framework for SME policy evaluation, covering a range of policy dimensions and associating the evaluation phase to a policy dialogue process. By setting a policy development path structured in five steps for each indicator it has been possible to assign numerical values to typically qualitative indicators and create a base for cross country comparison. By repeating the evaluation exercise over time, it will be possible to track progress in policy implementation at country and regional level. The results of the first exercise have been encouraging. The Western Balkan countries took the exercise very seriously and committed considerable resources and provided strong political support through the entire process and are using the SME Policy Index as a tool for activity planning, for defining project priorities with donors and for structuring consultation with the private sector. However, in the present format, the SME Policy Index has a number of limitations such as the exclusion of important dimensions such infrastructure and labour market policies are not included, the lack of a comparable set of SME statistics providing a reliable picture of the structure and the dynamic of the SME sector and an agreed methodology to evaluate the impact of policy measures on the target SMEs. One of the objectives of the next phase of the monitoring process is indeed to find ways to overcome those limitations.

The 2007 SME Policy Index Report can be unloaded from the Investment Compact web-site: www.investmentcompact.org
CONFERENCE PAPERS

OSCE promotes new methodology to support small business sector

VIENNA, 14 June 2007 - A new methodology to evaluate State programmes aimed at supporting small and medium sized enterprises (SME) was the focus of a meeting at the OSCE Headquarters in Vienna.

Jeannette Kloetzer (right) of the OSCE Office in Yerevan and Alex Poghosyan, Managing Director of the Alpha Plus Consulting, Armenia, present a publication on the system of indicators, in Vienna 13 June 2007

The event was organized by the Office of the Co-ordinator of OSCE Economic and Environmental Activities and the OSCE Office in Yerevan, with participation of the UNDP, UNIDO, OECD and EBRD experts.

Antonio Fanelli, Deputy Head of the Investment Compact for the East Europe of the OECD explains the SME Policy Index developed for the review of the Implementation of the European Charter for Small Enterprises in the Western Balkans. (Right Jeannette Kloetzer of the OSCE Office in Yerevan)

"At different points of designing, implementing or evaluating programmes for SMEs, there is a need for verifiable indicators enabling the government agencies and other project stakeholders to judge effectiveness and efficiency of these programmes," said Ambassador Vladimir Pryakhin, the Head of OSCE Office in Yerevan.

Bernard Snoy, the Co-ordinator of OSCE Economic and Environmental Activities, added: "The developed system of indicators is of a universal nature, it could be utilized in many OSCE participating States and help them build a strong SME sector."

Participants discussed the "System of Indicators for Evaluation of State Supported SME Development Programmes" developed by the Armenian company Alpha Plus Consulting at the initiative and support of the OSCE Office in Yerevan. Alpha Plus Consulting is a private consulting partnership established in 1999 by a group of enthusiastic economists.

Dr. Antal Szabó, UN ret. Regional Adviser, peer reviewer of the System of Indicators, in front of the OSCE Headquarters in Vienna.

The discussions were moderated by Dr. Antal Szabó, UN retired Regional Adviser, Scientific Director of the ERENET, who highlighting the need to evaluate state-supported SME policy emphasising the “Government SME support policies and programmes should have objectives and targets. These policies should be public and transparent to avoid misunderstanding and suspicious from the society.”
Marek Belka, the Executive Secretary of the UNECE, noted in a letter to the OSCE: "This pioneering work could add value to the international endeavour in the area of entrepreneurship and enterprise development."

Participants agreed on the potential for the wide utilization of the new methodology mainly as a management and self-evaluation tool for governments. They emphasized its complementary nature with other performance assessment instruments such as the European Charter for Small Enterprises, the OECD SME Policy Index and the Declaration of the SMEs at the Dawn of the 21st Century adopted by the Ministers responsible for the SME policy in the CEI region in 2000 in Budapest as well as its modified version in the BSEC region in 2001 in Istanbul.
DIALOGUE ON SMALL AND MEDIUM-SIZED ENTERPRISES IN CHINA AND IN THE EU

18 June 2007

Enterprise Newsroom articles (see at http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=683)

SMEs in China, such as the Chinese economy in general, are booming: the 'only' 42 Million SMEs produce 60% of the GDP and 50% of fiscal revenue. They create 75% of all new jobs and 65% of patents. However, the SME definition in China differs a great deal from the EU one: much larger enterprises are considered SMEs in China than in Europe. In the construction sector, for instance, a company in China with less than 3.000 employees is considered an SME whereas in the EU an SME can employ a maximum of 250 employees. However, an SME does not have to be an independent company in China - as according to the EU definition. These different SME definitions, but also SME policies and support programmes in the EU and in China, and SMEs problems with access to markets were on the agenda of the first meeting of the EU - China SME dialogue, held on 18th June in Brussels.

EU business organisations were invited to speak on market access problems that European SMEs are facing in China. They stressed problems EU SMEs are facing on enforcement of intellectual property rights (IPR), on differences in enforcement of and interpretation of legislation at the provincial level, on access to public procurement, on tariffs on imported goods, on regulation of foreign direct investment, on certification, and on establishment. The Chinese side stressed that also Chinese SMEs faced market access problems in Europe.

The Chinese informed the Commission participants of the SME support policies of the central government. There is a law on promotion of SMEs that aims at improving the business environment, the public services provided to SMEs, and defines central and provincial government financial support to SMEs in the form of tax exemptions and reductions. These are offered for small enterprises with low taxable income, and for instance to labour intensive enterprises that contribute to employment creation. Further priorities of the government include supporting SMEs access to domestic and international markets, training activities for SMEs, introduction of energy saving technologies, support to innovation and technological development in SMEs, and start ups.

In addition to the central government, the provincial governments also have their own policies and initiatives to support SMEs: they can for instance adopt their own tax incentives for SMEs.

The meeting was co-chaired by Ms Le Bail and Ms Ou, the Vice-chairwoman of the NDRC. The Chinese delegation consisted of 14 people: mainly NDRC officials, but also representatives of provincial SME bureaus, the Export - import bank of China, China Development Bank, and the Chinese mission in Brussels. The dialogue is based on a Memorandum of Understanding signed between DG Enterprise and Industry with the National Development and reform Commission (NDRC) in 2006 and aims at an exchange of information on SME policies and at promoting cooperation between EU and Chinese SMEs.

The next dialogue will take place in summer 2008 in China and will discuss among other things IPR enforcement, market access issues, and regional cluster building.
CENTRAL ASIAN BUSINESS INCUBATORS BENCHMARKING STUDY

Based on the report by the World Bank infoDev program

In May 2007, the Central Asian business incubators have completed their first benchmarking study. The project was led by SODBI business incubator in Shymkent and supported by the business incubator associations in Uzbekistan, Kyrgyzstan, and Kazakhstan, as well as by the World Bank infoDev program and international experts.

The benchmarking study was conducted between August 2006 and May 2007. It aims to establish the benchmarking system for business incubators in Central Asia to provide an information base for both incubation experts and policy makers. In this stage, the benchmarking system focused on the availability and comparison of information, which is available among incubators today, and which incubators are ready to share. A further extension of the scope of the benchmarking system is recommended. The key findings of the benchmarking study are:

- Largest number of incubators is operating in Uzbekistan (33). In Kyrgyzstan the number of incubators is 27. In Kazakhstan the number is significantly smaller (7).
- In 2006, business incubators in Central Asia created 7,146 jobs and incubated a total of 342 enterprises (leaving the incubator).
- Incubators in Kazakhstan operate with an average of 4,000 sqm work and office space for clients, making revenues from office and work space leave the main income source. In Uzbekistan, the size of office and work space for clients is about 8 times smaller compared to Kazakhstan (average of 500 sqm per incubator). Therefore, main revenue stream of incubators in Uzbekistan is training and consulting services.
- In Central Asia, no for-profit incubator exists. The majority of incubators is either publicly owned (government) or non-profit NGO.
- Incubator development (start-up) was founded in all Central Asian countries by either government support or donor support, or by a mix of both sources.
- In Uzbekistan as well as in Kazakhstan business incubators operate without external support for operational costs. In Kyrgyzstan, incubators receive ongoing external support from donors and the government for operational expenses (53%).
- Incubator services are similar among the analyzed countries, with facility and office services as well as training and consulting services.
- In Kazakhstan, no specialized incubator exists. In Uzbekistan, one incubator in Samarkand is specialized on tourism enterprises. In Kyrgyzstan, all incubators focus on women entrepreneurs.
- E-readiness of incubators is highest in Kazakhstan and Kyrgyzstan, and lowest in Uzbekistan (here especially incubators in rural areas).
- Incubator collaboration with universities is highest in Uzbekistan, and lowest in Kazakhstan.

file: http://www.eca-network.org/article.php?lan=eng&per=38&i2=1
About the OSCE

With 56 participating States from Europe, Central Asia and North America, the Organization for Security and Co-operation in Europe (OSCE) forms the largest regional security organization in the world.

The OSCE is a primary instrument for early warning, conflict prevention, crisis management and post-conflict rehabilitation in its area. It has 19 missions or field operations in South-Eastern Europe, Eastern Europe, the Caucasus and Central Asia.

The OSCE traces its origins to the détente phase of the early 1970s, when the Conference on Security and Co-operation in Europe (CSCE) was created to serve as a multilateral forum for dialogue and negotiation between East and West. Meeting over two years in Helsinki and Geneva, the CSCE reached agreement on the Helsinki Final Act, which was signed on 1 August 1975. This document contained a number of key commitments on polito-military, economic and environmental and human rights issues that became central to the so-called 'Helsinki process'. It also established ten fundamental principles (the 'Decalogue') governing the behaviour of States towards their citizens, as well as towards each other.

Until 1990, the CSCE functioned mainly as a series of meetings and conferences that built on and extended the participating States' commitments, while periodically reviewing their implementation. However, with the end of the Cold War, the Paris Summit of November 1990 set the CSCE on a new course. In the Charter of Paris for a New Europe, the CSCE was called upon to play its part in managing the historic change taking place in Europe and responding to the new challenges of the post-Cold War period, which led to its acquiring permanent institutions and operational capabilities.

As part of this institutionalization process, the name was changed from the CSCE to the OSCE by a decision of the Budapest Summit of Heads of State or Government in December 1994.

The Organization deals with three dimensions of security - the politico-military, the economic and environmental, and the human dimension. It therefore addresses a wide range of security-related concerns, including arms control, confidence- and security-building measures, human rights, national minorities, democratization, policing strategies, counter-terrorism and economic and environmental activities. All 56 participating States enjoy equal status, and decisions are taken by consensus on a politically, but not legally binding basis.
BUSINESS DEVELOPMENT FOUNDATION

Tirana, ALBANIA

Business Development Foundation (BDF) is a nonprofit organization re-established in 1999, after the termination of the EU programme "Private Sector Development in Albania" which lasted from 1992 to 1998. The founding members of BDF contributed to the EU Phare within the following programme objectives:

- Facilitate SMEs start ups, their survival and growth
- Generate quality investment opportunities
- Strengthen the capacity of banks to lend to SMEs
- Develop professional business advice, counselling and training services
- Develop central and local governments policies and strategies for SMEs
- Attract other donors to support the development of SMEs sector

Actually, BDF provides the following core services to the SMEs community and related public and private supporting organizations:

- General business-related information
- Training services and capacity building events
- Counselling services and related institutional building activities
- Promotion services and promotional campaigns
- Studies and researches related to the SME development and their supporting public and private institutions and organizations

BDF Advisory Board consists of nine people coming from different areas of expertise and competence as follows:

1) A representative from BDF staff
2) A representative form microfinance institution
3) A representative from public SME support organization
4) A representative from business association/ chamber of commerce
5) A representative from private business service centers
6) A representative from local government
7) A representative from banking system
8) A representative from UN system
9) A representative from employment service agencies/ VET system

BDF executive staff comprises the following members:

Mr. Qemal Balliu Executive Director
Ms. Ida Kostaj Project Coordinator
Ms. Emka Veliu Business Consultant
Ms. Alma Sokoli Social worker and trainer
Ms. Klodiana Muca Psychologist and trainer
Ms. Fiona Zenelaj Legal advisor

In the framework of different donor projects BDF always hires prominent experts coming from different expertise areas: taxation, customs, public procurement, accounting, finance, microfinance, banking, agriprocesssing, employment, VET system.
SIVA BUSINESS INCUBATOR PROGRAMME

SIVA – The Industrial Development Corporation of Norway is a Governmental corporation and national instrument founded in 1968 with Headquarters in Throndheim. It owned by the Ministry of Industry and Trade. SIVA aims to develop strong regional and local industrial clusters through ownership in infrastructure, investment and knowledge networks as well as innovation centres. The goal is improvement of national infrastructure for innovation. SIVA’s main objective is to contribute to the achievement of the Norwegian government's policy goals in remote areas, and within this framework contributes to unleash innovation capability and increase wealth creation in all parts of the country. Further information see at http://www.nhnett.net/.

SIVA has been engaged in many various innovative projects across the county. SIVA has developed, tested and benchmarked business methods and innovative concepts to be effective instruments to reach political goals on commercial principles. SIVA has the role of catalyst and investor to develop environments fostering sustainable innovation. SIVA harbours Europe’s biggest innovative business promoting system with Research and Science parks, Business gardens, Business Incubators, Industry Incubators, Norwegian centres of Expertise, International Industrial parks and investment and venture companies. This innovation system contains active impulses that continuously encourage innovation which leads to considerable results. There are approximately 200 new and future-oriented knowledge intensive companies per year. In addition, we are aware that a considerable number of companies are attached to these environments in order to take advantage of the benefits those industrial clusters represent.

Business Incubator consists of knowledge, network, space and importants office services

SIVA has developed business incubator models adjusted to Norwegian business conditions, and it aims to provide entrepreneurs with resources in the form of expertise, business experience, consultants and capital mainly from Universities and R&D institutions. It also offers offices and environment for entrepreneurship. Up to March 2006, 19 such incubators have been established across Norway. SIVA focuses on developing regional expertise in business incubation. There are established networks to encourage cooperation between incubators and innovative environment in order to make incubation services available to entrepreneurs in more remote areas of the region. The incubator scheme is operated by SIVA and financed by Ministry of Local Government and Regional Development. Depending on performances each incubator receives maximum USD 1,344,900 through five years. SIVA has developed a management program for incubator managers in addition to the incubators business and entrepreneurial offers to the companies. For additional information please go to: www.inkubator.no

SIVA believes, that “Incubator concept abroad has often been based on bigger real estate enterprise, where access to floorage and practical adjustment were emphasized most. After some time, the experience has shown that a good offer regarding competent counselling, follow up and network to competence, business partners and investment environment have a huge importance for a successful result, and this has become an important part of incubator activity in the successful projects.”

An interesting and promising concept of SIVA is the INDUSTRY INCUBATOR approach. An industry incubator is an incubator that in stead of binding to research environment binds to the heavy industry companies, or unification of industry companies called Mother Company (MC). MC wants budding or development of new businesses around itself. This could happen due to the need for rearrangement or a conscious strategy as a consequence of growth/surplus. Local community can gain a better industrial structure, and MC gets a professional tool for development of new businesses. During the next 5 years SIVA wishes to contribute to establishment of approximately 50 industry incubators with 500 new companies in total.
The Southeast European Network of Business Start-up Centers and Incubators (SENSI) was established in Tuzla, Bosnia and Herzegovina on 20 October 2006. A second meeting was held in Maribor on 20-21 March 2007. The number of members doubled between the conferences.

By creating its network, SENSI aims to develop business support for young/starting entrepreneurs, and improving the quality of and accessibility to these services, in order to increase their chance of long-term business success.

We believe that Southeast European Universities, Governments and the Business sector should jointly promote entrepreneurship. Efforts in providing education on entrepreneurship as well as concrete support to starting companies needs to be intensified. Entrepreneurial centres such as business start-up centres and business incubators have proven to be useful tools for accelerating economic growth and entrepreneurship promotion.

The members of the SENSI network support each other by providing - free of charge - to each other the following services:

1. Exchange of best practices;
2. Exchange of training curricula, syllabi, training materials and trainers and experts;
3. Mobility of entrepreneurs, students, professors and experts between the centres;
4. Joint study visits and conferences on a rotational basis between network members;
5. Joint study visits to similar centres outside of South-eastern Europe;
6. The organisation of a joint regional business plan competition;
7. Supporting regional business opportunities.

SENSI is supported by the Dutch Academic Training Association. See at awww.academictraining.org.

During the EU Day held on 9 May 2009 In Belgrade, SENSI and ERENET representative agreed to support each other activities by creating synergy among these two initiatives.

http://www.sensi.biz/
CALLS – EVENTS – NEWS

3RD EUROPEAN CONGRESS ON RURAL TOURISM
"Challenges and Strategies for Rural Tourism"
26-28 September 2007
Eger, Hotel Park - Hungary

The 3rd European Congress on Rural Tourism offers to all interested institutions, investigators, practitioners, organizations, etc. the unique possibility to participate and be present at the very significant event of Rural Tourism in Europe. All contributions presented in time and will be published on a CD.

The following topics were considered to be preferential by a group of experts:

Topic 1:  “Romanticism” or “Rural Disney” – where are we heading?
Topic 2:  Trends of Leisure Demand and Communication
Topic 3:  Rural Tourism and Natural Environment
Topic 4:  How to organise our sector better?

Nevertheless, any other contribution related with Rural Tourism is equally welcome.

We are providing two different formats for your contributions: Papers and Country Spotlights. They differ in presentation intention and inclusion in the program:

Call for Papers

Any interested organization, researcher, professional, or individual can provide contributions about topics related to Rural Tourism in their region, country, or in Europe. They are to consist of written text only, no time for an oral presentation is provided. The papers should not exceed 10 A4 pages.

Papers will be discussed in the Working Groups (afternoon Tuesday, 27-September)

Deadline for reception of papers is September 15. All papers received in correct format and within time will be published on CD.

Registration on-line please make via http://www.europeanrtcongress.org/new/registration.html
infoDev’s Business Incubator Initiative and eca bit network of business incubators and technology parks in Eastern Europe and Central Asia is pleased to announce the “Accelerating Innovation and Entrepreneurship” International Forum and Eastern Europe and Central Asia (ECA) Incubators’ Network Regional Conference scheduled to take place on September 17-20, 2007 in Yerevan, Armenia. The event is hosted by Enterprise Incubator Foundation Yerevan.

The event will focus on the discussion of existing national innovation policies in the region, the role of business incubators and technoparks as drivers of countries’ efforts to promote innovation-driven entrepreneurship, financial mechanisms of innovation support, as well as presentation of initiatives aimed to support networking and cooperation in the area of innovation and technology transfer.

The Forum will bring together around 60-70 international and local experts/policy makers in business incubation and innovation promotion from Eastern & Central and Western European counties, the CIS and the US.

The objectives of the ECA workshop are:

- Awareness raising on innovation development policies among incubator managers and policy makers

- Knowledge generation and dissemination on innovation development policies in ECA countries (including conducting a study on the subject during workshop preparations)

- Strengthening network outreach and network development capabilities

For further information about the workshop program and preparations, please contact infoDev’s ECA Regional Facilitator, Mr. Stefan Schandera, at s.schandera@schandera.de.
EFQM Forum on 1-2 October 2007, in Athens

WELCOME MESSAGE

Dear Colleagues and Friends,

Each one of us works in a business environment full of challenges and obstacles. Regardless of our specific industries, we face the common pressure for performance - the desire and the need to be the leaders in our market, to surpass our competitors, to achieve the results we seek. How does one organisation stand-out among others? The EFQM Forum 2007 will address the need for high performance. What does the High Performing organization of the future look like? It is an organisation that turns its strategy into a competitive advantage by being first to the market, it provides a meaningful brand, successfully connects its strategic initiatives with front-line thinking, it creates flexible operations and understands the importance of the entire supply chain.

The EFQM Forum is the annual prestigious event for Business Excellence in which over 800 business leaders congregate to learn, interact and network. The Forum focuses on the most relevant and current business topics and culminates in a gala celebration to recognise the annual winners of the EFQM Excellence Award. This year, we have the pleasure of hosting this event in Greece where we will present top speakers and interactive sessions from a diverse and international perspective of business today.

We officially invite you to Athens, a city known for its history and hospitality. Athens has been described as a magical city. It is the city where the most glorious history in the world is worshipped by gods and people. The enchanting capital of Greece has been the birthplace of civilisation. It is the city where democracy was born. We believe that Athens will be the perfect backdrop to create an atmosphere of networking and learning.

We look forward to welcoming each one of you on 1 October.

Spyros Dessyllas
Chairman of the Steering Committee
EFQM Forum Athens 2007
Chairman, Unilever Greece

Konstantinos Lambrinopoulos
Chairman of the Organising Committee
EFQM Forum Athens 2007

We would like to keep you up-to-date with a few information on the programme itself. The conference programme, this year, is a combination of plenary and parallel sessions. We pleased to say we have a full hand of keynote plenary speakers, these are: Mohammad Yunus, recent Nobel Prize winner, created a new kind of bank – one that would give small loans to those who were the poorest and without any collateral. This encouragement and funding would turn the poorest into entrepreneurs. Yunus’ innovative approach has now labeled him as the “grandfather of microcredit” and reminds us that any high performing
individual or company needs a place to start and can combine business development with social contribution.

**W. Chan Kim** is the co-author of the new book, Blue Ocean Strategy, which is on the top reading list of business leaders. Kim was recently selected for Thinkers 50, the global ranking of business thinkers and was named “the number one guru of the future” by a leading French business magazine, “one of Europe’s brightest business thinkers” by the London Sunday Times and “the next big guru to hit the business world” by the Observer.

**François Barrault**, Chief Executive Officer, is responsible for leading BT Global Services through the next stage of its journey to become a truly global software-based services organisation, meeting the needs of global customers around the world. So, what has BT done in recent times to enable it to deliver Results that outperform its peers and delight its stakeholders? François Barrault will share with the audience the BT recipe for success and invite the audience to consider what ingredients it should add to its own mixture. The audience will also have the opportunity to hear from Francois on what he see as the crucial characteristics that any European organisation must display if it is truly to be acknowledged as an High Performing Organisation.

**Rene Carayol** is an expert on business transformation. He has been a board member and worked for various organisations: Inland Revenue, Marks & Spensors, Pepsi, IPC Electric. He is the author of Corporate Voodoo and a regular voice on Radio 5 Live. Carayol believes in “sensible recklessness”, a risk-ready culture and that the seemingly impossible is always within our reach. “The two great threats we face today,” says Carayol, “are cynicism and complacency, the unthinking acceptance that nothing can be done, or the hope that nothing need be done. My aim with any group of people I address is to inspire them to take decisive act’

**Further information please request from**

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Please note, that register online trough http://www.efqmforum.org.
“The European Day of the Entrepreneur” (EDE) was initiated in Barcelona, Spain, in 1999 as a direct result of the EU Lisbon strategy to promote European entrepreneurship. This mission has become increasingly important as the US and China has taken a clear "lead" in terms of emphasis on innovation. Eurocities, a European-wide organization whose members are leading European cities, are now preparing to promote the European Day of the Entrepreneur to more countries and cities of Europe. Croatia participates from 2004, due to the initiative UMIS – SMEA to the European Commission, www.umis-smea.hr

Message by the Vice – President of the European Commission

«This year the European Union is celebrating its 50th anniversary. This provides an excellent opportunity for us to look back at what has been achieved and to identify future priorities. I am particularly glad that the perspective of welcoming Croatia as an EU Member State is among them. Events such as the 4th European Day of the Entrepreneur demonstrate not only that Croatia shares similar challenges with all EU countries, but also that it can greatly contribute to finding common answers.

This year's event thematic focus on «The contribution of cities to growth, jobs, competitiveness and sustainable development of entrepreneurship» is particularly inspiring. The experience with the «Modern EU SME Policy» that we launched in 2005 shows that conditions created at the local and regional level for the development of small and medium-sized enterprises are of crucial importance. It also proves that for policies to be effective there is need for a genuine partnership at all levels – European, national, regional and municipal – and involving all relevant stakeholders – politicians, public authorities, chambers of commerce, business associations, financial institutions, support organisations, schools, universities and research institutes, and, of course, the enterprises themselves.

Cities play a major role in putting in place the right conditions for business to prosper. In turn, small and medium-sized enterprises are the main driving force for innovation, growth and employment and have a crucial impact on whether a city will flourish or decline. Clearly, Europe's future economic prospects will be decided by the vitality and innovative capacity of the EU’s more than 23 million enterprises.

I fully share the open concept of the EDE 2007 in Croatia and the idea of having the largest possible participation and recognition. I trust that this will allow to effectively promote dialogue, exchange of experience and of good practice and contribute to the awareness of the importance of entrepreneurship in the whole Europe. I wish you a successful 4th European Day of the Entrepreneur.»

Yours sincerely,
Günter Verheugen
4th European Day of the Entrepreneur in Croatia
Supported by H. E. President of the Republic of Croatia

EDE 2007 CROATIA
“CITIES - CENTRES of EXCELLENCE”
Contribution of Cities to
Growth, Jobs, Competitiveness and Sustainable Development of Entrepreneurship

INTRODUCTION

Europe is trying to advance the entrepreneurial culture, and the best way is to spread the transfer of the good practice and experience of European institutions involved in supporting entrepreneurs beginners and already developed entrepreneurial companies. EUROCITIES, Europe’s major cities’ network, has been actively promoting the establishment of a European initiative under the name ‘European Day of the Entrepreneur.’ Such an initiative would provide added-value to both the cities’ organisers and to the European policy priorities. The cities of Barcelona and Stockholm were the first members of Eurocities to take the lead in giving a European dimension to local entrepreneurial policies. Based on this work, Barcelona started implementing these ideas through the organisation of the local ‘European Day of the Entrepreneur’.

The European Commission initiative, EDE, used accumulated knowledge to develop a European method which would encourage all involved in supporting the development of entrepreneurship. After a phase of gathering ideas from Eurocities’ members and taking advantage of the original event, El Dia del Emprenedor, hosted by the city of Barcelona in 1999, Spain, the European Day of the Entrepreneur is spreading throughout Europe. 40 cities already organized EDE.

Between 1999 and 2006 EDE was organized in the following cities, and in some as many as 20 times: Barcelona, Berlin, Belfast, Bilbao, Bonn, Bristol, Brno, Brussels, Capital Region, Cardiff, Chemnitz, Copenhagen, Dortmund, Dublin, Frankfurt, Genoa, Gijon, Glasgow, Helsinki, Klaipeda, Leipzig, Lille, Lisbon, Liverpool, Madrid, Milan, Munich, Munster, Nancy, Oslo, Rotterdam, Seville, Sofia, Skopje, Stockholm, Tallinn, Tampere, Turku, Utrecht, Stuttgart, Zagreb (2004, 2005, 2006), Split (2005), Dubrovnik (2006).

The political recognition of the importance of such events has resulted in the support of the Directorate General ‘Enterprise’ of the European Commission.

EDE is an open concept for future elaboration and reflects the opinions from cities in all European countries. It is a concept that can be transferred easily and applied not only by large
but also by small cities. It is the goal of the EDE initiative to have the largest possible participation and recognition. The combination of the EDE-labelled event and/or co-organisation with other local events supporting entrepreneurship, are also welcomed for enhancing synergies within the local economic environment. EDE supports an interactive learning process by highlighting the European added-value. EDE acts as a ‘knowledge source’ providing methodologies, success stories, communication tools and analysis of common subjects of interest among cities. The cornerstone of the EDE initiative is to promote awareness on entrepreneurship at European level. The aim is to identify tools and ideas to improve their existing events, or, to use a commonly accepted format if they organise them for the first time. In this way, cities participate in the development of a pan-European initiative that is built basically on their own experiences and suggestions. The main objective of the cities organising EDE-labelled events is the promotion of awareness on entrepreneurship at local level and visible interfaces with the European Policy priorities are desirable. Benefits to the cities, The European Day of the Entrepreneur initiative is especially geared to facilitate European cities in their efforts to encourage entrepreneurial activities.

Participation of local organisations is the cornerstone of EDE-labelled events. Local authorities’ involvement is a must. However, in some cases they can be replaced by the active presence of federations of entrepreneurs, support organisations or universities and research institutes. Participation of organisations of other European cities is also welcomed for contributing to the improvement of the networking of the events, the support of new activities, the promotion of business collaboration and internationalisation of enterprises’ activities among cities. The active participation of banks, venture capitalists, business angels and other financial institutions is always of considerable importance. Active political interest and participation of politicians must be encouraged. It is the aim of EDE-labelled events to promote not only the entrepreneurial concept to the local community but also to involve policy makers in this process. The ultimate goal is to promote discussions that relate potential entrepreneurial activities to local policy planning and to European goals.

EDE 2007 CROATIA

Likewise, 4th edition of EDE in CROATIA, promotes entrepreneurship, strengthens EU relations and international co-operation of companies and institutions.

Task
To conduct the research to present policies, strategies, programmes and projects of cities as centres of excellence and their contribution to the growth, jobs and competitiveness of SMEs.

Format
1 – 2 days events in towns co-organizers and in Zagreb : 1 round table & additional events

Programme
a. Work programme: 2-4 hours round table in each town co-organizer and in Zagreb on October 6th (see short programme)
b. Structure of the round table:
   i. moderator,
   ii. 2 keynote speakers (1 EU / 1 Croatian expert)
iii. Speakers: Institutions – supporters (foreign) and / or entrepreneurs (foreign / Croatian) present best practices
   c. Additional events organized by coorganizers: Social, Humanitarian, Cultural, Awards
   d. PR (by Agency)
   e. Promotion (web bannes to all institutions involved)
   f. Exhibitions (in the venues)

Expected Participants
Croatian and foreign mayors, County prefects and other public servants, SMEs – must be particularly involved, Innovators, Students, Academics, Managers in big companies, Agencies, NGOs, Trade unions, Banks, Insurance companies, Employment service, Media.

Positive outcomes
   a. Promote EDE as European tool for raising awareness of importance of entrepreneurship development
   b. identify the key players in implementing innovative development on local and national level including the level of dialogue among them
   c. present good practices from Croatia and EU countries and regions of excellence
   d. develop local and European partnerships on innovation policy and entrepreneurship
   e. figure out efficient measures and direction for regulations and sustainable development
   f. widen and enhance business contacts, including the ones among institutional representatives, regions...
   g. integrate Zagreb and other Croatian towns into the common European initiatives aiming at promoting an innovative and socially responsible entrepreneurship
   h. awards for innovative SMEs and institutions involved in EDE 2007

GENERAL INFORMATION

Languages: Croatian and English (simultaneous translation)
Registration - from May 2007 (will include list of hotels / prices for trip / transfers, accommodation, fee for Zagreb round table).

For further information please contact:
UMIS – SMEA, Small and Medium Entrepreneurs' Association
Donje svetice 40, Zagreb 10000, Croatia
Tel/Fax: +385 1 2441 422
E-mail: umis-smea@hi.htnet.hr & www.umis-smea.hr (web site in reconstruction until April 20th)

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|-----------|
| Ms. Katarina Jagić | Ms. Tija Osmanović |
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2008 WINTER GLOBAL CONFERENCE ON BUSINESS AND FINANCE
WAIKIKI, HAWAII

You are invited to participate in the 2008 Winter Global Conference on Business and Finance. The Conference, sponsored by The Institute for Business and Finance Research, LLC, will be held January 9-12, 2008 at the Sheraton Waikiki Hotel, Honolulu, Hawaii.

Aims of the Conference

Theoretical, empirical and applied papers in all areas of business, finance, marketing, management, accounting, MIS, public administration, economics, tourism, business education and related fields are welcome. Papers do not need to be global in nature. Both English and Spanish language sessions will be offered. An internet session will be offered for those unable to make the trip to Hawaii.

The Conference is affiliated with four peer-reviewed journals. The International Journal of Business and Finance Research; International Journal of Management and Marketing Research; and Global Journal of Business Research are scheduled for listing in the 11th edition of Cabell’s directory. Spanish language papers are published in Revista Internacional Administración y Finanzas. Papers honored with the Outstanding Research Award at the conference will be offered publication in one of our Journals. We anticipate 10-20 percent of submitted papers will win the award. In addition, papers receiving the Best Paper in Session Award are reviewed for possible Journal publication.

Important Deadlines

- Manuscript submission: 12 November 2007
- Regular registration and payment receipt: 26 November 2007
- Proceedings submission: 3 December 2007

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Submissions

Submit a 200-word abstract or completed paper by e-mail to: submissions@theibfr.com prior to the deadline noted above. Early submissions are greatly appreciated. All submissions must be in Microsoft Word or Acrobat PDF format. Include the contact information for all authors on the first page of the document. You will receive an email containing an acceptance or rejection letter within 10 business days.

Remark: further information see at http://www.theibfr.com/pdf/Hawaii-2008.pdf
SME PORTAL NOW ON-LINE IN 19 LANGUAGES

(01/06/2007) The European Commission's new SME portal is now on-line in 19 languages. The new portal will make it easier for Europe's over 25 million small and medium-sized enterprises (SMEs) to find on-line information on EU actions, by providing SMEs with a single access point to all relevant initiatives. Previously dispersed according to policy areas, information can now be found under themes relevant to business – such as access to finance, Single Market rules and reaching new markets.

As well as explaining the Commission's policy for SMEs and entrepreneurship, the portal also makes it easier for enterprises to find face-to-face support services and on-line aids. To help individual SMEs identify which EU funding programmes are most relevant to their situation, a dedicated tool on funding opportunities has also been integrated into the portal.

http://ec.europa.eu/enterprise/sme/index_en.htm
PROJECT

1. Project title: RESEARCHES REGARDING THE HARMONIZATION OF THE ENTREPRENEURIAL EDUCATION OF ROMANIAN UNIVERSITIES TO THE EUROPEAN UNION AND EASTERN EUROPEAN UNIVERSITIES (EDARO)

2. Purpose: To collect current practice in entrepreneurship education at the Romanian universities as well as collect best practices and curriculums in entrepreneurship education in the old, new and associated EU countries as well as in North-America in order to develop and establish an advance similar education in the country too.

3. Project period: 1 June 2007 – 31 November 2008

4. Implementing Agency:
   (i) Faculty of Economics, Law and Administrative Sciences, Petru Maior University of Targu-Muresh (Romania) and
   (ii) ERENET Entrepreneurship Research and Education Network of Central European Universities

5. Responsible project officers:
   As. Prof. Zsuzsanna Katalin Szabó, Dean of Faculty of Economics, Law and Administrative Sciences, Petru Maior University of Targu-Muresh

6. Project Committee:
   Prof. univ. Dr. ing. Liviu Marian, Rector of the Petru Maior University Associate Prof. Zsuzsanna Katalin Szabó, Dean of Faculty of Economics, Law and Administrative Sciences, Petru Maior University, and Dr. Antal Szabó, Scientific Director of ERENET

7. Description of project:
The objectives of the present project, elaborated by the academic staff of Management-Economics Department of Petru Maior University of Targu-Mures, are the same as the global objectives of CNCSIS contest 2007: scientific research development in the process of human resources development. The research is oriented to an educational component which support the economy based on knowledge and innovation, entrepreneurship, sustainable development, elaboration and development of the research networks. The project wishes to gather information in the field of investigation and implementation of the entrepreneurial education in the Romanian universities, specialised institutions of Romania and European Union to create an international research network and to elaborate a project within the Programme Framework 7. The project proposes the study of the actual situation, definition of the context and parameters in which the entrepreneurial education should be performed, proposing curricula and specific pedagogical methods, to make the Romanian entrepreneurial education comparable to that from universities of European Union, USA and Canada, and making the students aware of the opportunities and feasibility of such an approach that can turn the knowledge and innovation to account. The project proposes the enlargement of the pedagogical and educational methods used within universities adding Long-Live-Learning, E-Learning, Learning by Doing, Student International workshops, modules of best practices etc.

8. Participating countries:

EU countries: France, Hungary, Poland, Romania, Slovakia, Slovenia and UK
(possible candidates still in progress)

Associated EU countries: Croatia and Turkey

North-America: Canada and USA

Background of the Project

The entrepreneurial education begins early in the past, and the familiar framework represents an extremely influential human factor that a series of specialized papers mention as a determinant factor. Unfortunately, excepting Hungary (1974) and Poland (1980) that legislated the entrepreneurship, the other Eastern European countries, including Romania, can not profit by an initial, natural and challenging model, the nationalized and centralized system of the promoted economies reducing to zero the entrepreneurial capacities of the adult persons nowadays, which should be success models for youngsters.

According to David. Smallbone in “The Distinctions of Entrepreneurship in Transition Economies” published in Small Business Economies 16 (2001), page 249-262, and Kluwer Academic Publisher Netherlands, neither the recent history of these countries can represent an authentic model for the entrepreneurship based on knowledge, over 40% of the Eastern European countries businesses representing “the translation of the already performing activities from the public sector, the identified type of entrepreneurship being a type of “nomenclature business”, with thousands of companies operating in a formal economy, with only one employee, part-time business, without any elements of innovation and value for client, in these companies the bureaucratic structures from the state sector being copied and respected just so”.

Fortunately, in 2002, the Ministry of Education and Research from Romania, also due to some international programmes which asked for these actions, introduced at the secondary school level the subject Entrepreneurial education. We can bring a series of criticisms related to the context, content and especially the individuals who are mandated to coordinate didactically and pedagogically this subject, but as a whole we have to note the positive aspects of this action that has to be improved and upgraded.

Unfortunately, within the Romanian higher education, despite the numerous internal political actions and the research found in the literature worldwide, there is paying only a reduced attention to the entrepreneurial education and there is no scientific approach of the formative actions at the university level so that the profession and the specific process of the Romanian entrepreneurship in the society based on knowledge can be carried out appropriately, efficiently and effectively.
The entrepreneurial education in universities already began in 1930 in Japan (1930), and later, in 1984 in the USA. Today it is the world leader with over 500 programmes (from 800 in the entire world) of entrepreneurial education which are applied in different universities.

In the last decade of the 20th Century, a series of countries Australia, Brazil, India, Southern Korea, England, Ireland, France, Germany, Holland, have started entrepreneurial education programmes at the university level, and following the transition to a market economy it has been started in Croatia, the Czech Republic, Hungary, Poland, Slovakia, Slovenia and the Baltic countries, Poland, Czech Republic.

Regarding the major role of entrepreneurial education in universities there are numerous papers (Franke, 2004) in article “Entrepreneurial Intentions of Business Students: A Benchmarking Study” published in International Journal of Innovation & Technology Management. “All over the world there are rapidly developing the businesses based on new technologies within the small and medium sized companies, area that needs technically specialized staff, with knowledge in the business domain, to manage the organizations and groups, so the formation education in the domain of entrepreneurship must be developed”.

In an article on “Impact of Entrepreneurship Education. A Comparative Study of the USA and Korea”, published in International Entrepreneurship and Management Journal (1) 2005, page 27-43, Springer-Science Inc, USA, the authors analyse the entrepreneurship in different national and organizational cultures, identifying the differences, interest and intentions to develop businesses at student groups level and the influence of some significant variables on the entrepreneurial education: motivation, education, knowledge, faith in own forces, abilities in creating and managing businesses, team work, etc. Two conclusions have to be pointed out from the above mentioned work: “…entrepreneurial education represents the trigger that motivates and impulsions business creation based on turning the knowledge to account, the important entrepreneurs have not grown instantly, they are the product of society and a national culture oriented towards entrepreneurship…”.

The entrepreneurial phenomenon, in all its complexity, is studied in most of the EU countries, in Asia, America and Australia, and the investigation results are presented in numerous papers, in prestigious international magazines. Accessing the portal www.springerlink.com with papers from all over the world, at key word „entrepreneurship” there can be accessed over 680 papers and at „entrepreneurial education” over 130 papers with brief or in detailed references to university entrepreneurial education.

The Romanian papers that approach entrepreneurship and the entrepreneurial education are rare, there can be mentioned few researchers and academic staff with relevant results: O. Nicolescu, I. Abrudan, I. Mihut, C. Russu, L. Marian, a Ph.D. thesis written by S. Vaduva and a series of proceedings published in the volumes of national and international conferences of which we note the significant contribution of the researchers from the Petru Maior University of Targu-Mures.

Justification of the Project

The Petru Maior University participates in the Project on Benchmarking of Business Incubation in Selected Central-Eastern European and Commonwealth of Independent States Countries by responsible persons, supervisors - Szabo Zsuzsanna and Daniela Stefanescu. This project was implemented in 2006. The project was implemented by ERENET Entrepreneurship Research and Education Network of Central European Universities and SINTEF The Foundation for Scientific and Industrial Research at the Norwegian Institute of Technology through ENTRANSE programme.

The Petru Maior University participate in the European Leonardo da Vinci Project on mobility for students and master degrees. The title of this project is Community Instruction in the Local Public Administration. This project is developing during 1 October 2004 and 15 June 2005. For the accomplishment of this project it was initiated a partnership between the “Petru Maior” University, the Town Hall from Targu – Mures, the Town Hall from Leverano (a city near Lecce, Italy) and the Romanian – Italian Association.
Immediate objective

The immediate objective of this project will be the analysis of the various university curricula and modalities of national entrepreneurship education at Bachelor, Master and Doctorandus levels first of all at the universities and high-schools in Romania as well as in advanced European and American market economies. Study tours will be carried out in order to study relevant entrepreneurship education schemes and discussions will be held in form of international conferences to design the best suitable university entrepreneurship curricula for Romania. The findings, achievements and recommendations will also be published in order to have a wider dissemination effect.

Immediate Objective 1: Preparing Questionnaire on Entrepreneurship Curricula for Romania

The Petru Maior University will prepare Questionnaire for benchmarking of entrepreneurship education curricula for Romania. This questionnaire will be sent to the Consortium of Technical Universities as well as to the Consortium of Economic Universities of Romania. Based on the responses to this questionnaire the Faculty of Economics, Juridical and Administrative Sciences will make an evaluation and benchmarking to establish the best Romanian practice.

Immediate Objective 2: Benchmarking of Best Practices in Europe and North-America

The ERENET Network Secretary in cooperation with the Petru Maior University will prepare a TOR – Term of References – for consultancy services to make national studies on entrepreneurship education and curricula. The study should cover all three levels of entrepreneurship education including bachelor, master and Doctorandus degrees.

ERENET jointly with the Petru Maior University will select experts. National studies will be carried out based on agreement with the Petru Maior University.

Immediate Objective 3: Development of Entrepreneurship Education Web-site

The Petru Maior University will develop its web-site on entrepreneurship education web to be insert on the web-site of the Faculty of Economics at the Petru Maior University. ERENET will provide an input for designing the concept of this web. Major IT equipment for this task will be provided within the framework of the Project equipment allotment.

Immediate Objective 4: Study tour and participation in entrepreneurship-oriented international events.

Within the framework of this project study tour will be designed to make acquainted and visit leading university departments in selected EU countries. The Project management is envisaged to participate in relevant international events related to entrepreneurship and enterprise development. The Petru Maior team will collect and purchase relevant literature on entrepreneurship and enterprise development, which will serve as basis for the new entrepreneurship curricula.

Immediate Objective 5: Organizing Workshop on Benchmarking of University Entrepreneurship Education and preparing publication

The findings and national country studies will be presented and discussed within the framework of the 3rd ICELM Conference – ICELM is the abbreviation of the International Conference on Economics, Law and Management – to be held last week of May and first week of June 2008 at the Petru Maior University. The studies and proceeding of the Workshop will be published in form of hard copy.
Implementation strategy

This project will be coordinated by As. Prof. Zsuzsanna Katalin Szabó, Dean of the Faculty of Economics, Juridical and Administrative Sciences at the Petru Maior University of Targu-Muresh (Romania) in cooperation with Dr. Antal Szabó, UN retired Regional Adviser on Entrepreneurship and SMEs, and Scientific Director of ERENET, in cooperation If you have any question please do not hesitate to contact Prof. Zsuzsanna Szabó by e-mail at zsszabo@rdslink.ro or Dr. Antal Szabó by e-mail at antal.szabo@gmail.com

ERENET Network through it comprehensive group of experts will assist in collecting data and best practices in national entrepreneurship education curricula and practice.

The address of the coordination Secretary at the Faculty of Economics, Juridical and Administrative Sciences is as following:

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