

Advancing Entrepreneurship and SME Growth through Business Incubation

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ABSTRACT

The prevalence and efficacy of entrepreneurship are influenced by a variety of factors that have a local component: either they are greatly influenced by local events, or they are better served by initiatives developed and carried out locally. Local business incubators can encourage entrepreneurship. By offering a range of services and tools for business support created and maintained by incubator management and accessible through a network of connections and inside the incubator, business incubators aim to hasten the successful expansion of entrepreneurial ventures. The major goal of this essay is to explain how incubators help small and medium-sized businesses. Businesses contribute to Slovakia's knowledge-based economy" According to the VEGA project 1/0654/11, "Innovative miniature and moderate enterprises as a section of the knowledge-based economy in Slovakia," this study was conducted. It is divided into three sections: the first discusses the basics of incubators, including their types and goals; the second emphasizes how business incubators help to promote the local aspect of entrepreneurship; and the third explains how business incubators were established in Slovakia and how they serve as a instrument to assist Slovakian SMEs focused on technology and to facilitate the start-up of new businesses.

KEYWORDS

Start-Up; Business Incubator; Virtual Incubator; Technical Incubator.

1. INTRODUCTION

In the 1960s, business incubators gained significant traction in the late 1990s to assist new businesses needing guidance and venture funding to launch their concepts. Business incubators are initiatives created and run by incubator management that provide business support services and resources to help entrepreneurial enterprises grow more quickly. These services are offered through the incubator's network of contacts as well as within it [1].

A business incubator's main goal is to help new businesses in the area expand. The community will probably gain from more jobs in the area and more money coming into the town or city due to the recent economic activity if a local entrepreneur is helped to launch a business there. Both components have the potential to boost a community's economy and, consequently, the standard of living for all residents and workers. The essay's main objective is to outline the role of incubators as a tool to support small and medium-sized company start-ups. There are three sections to the article. The foundation of incubators, their kinds, and their objectives are covered in the first section. While the third section of the article talks about establishing The second section highlights how business incubators help promote the local component of entrepreneurship and its function as a tool for

beginning new businesses and aiding technologically focused SMEs in Slovakia. It was created as a component of the "Innovative little and midsize enterprises as a part of VEGA project 1/0654/11."

2. THE FUNCTION OF ECONOMIC INCUBATORS

Business incubators are designed to assist aspiring entrepreneurs in starting their enterprises. The business incubator partially addresses a demand that is present in various locations. Some people don't have the time or money to go to college and earn a degree in business administration. Furthermore, not everyone possesses the capital required to launch a new company and see it through to success. Incubators help bridge the gap by providing entrepreneurs given rudimentary instruction, a location to start their firm, and occasionally connections to possible investors [2]. The incubator cannot take the place of individual initiative, ingenuity, and commercial innovation. It is referred to as "incubator syndrome" when the business owner permits the center's consultants' initiative and judgment to take the place of their own. The entrepreneur is ultimately responsible for the success of the firm, even though the experts may offer excellent advice [3].

Different incubators have different organizational structures, clientele, and methods of service delivery. Business incubators, known as "classical incubators," are designed to assist new businesses by providing space, counsel, administrative infrastructure, and other services. Although they are rarely company investors, they could also have strong links to financial sources. Technological incubators primarily assist start-ups and spin-offs that are focused on technology. They work closely with research institutes, universities, and science and technology parks [4]. Numerous incubation programs cater to virtual or affiliate clientele. These businesses do not call the incubation facility home. Early-stage or home-based businesses with their own premises but maybe in need of incubator services could be affiliate clients. Virtual clients who may live too far away from an incubator facility to engage in person get therapy and other forms of assistance online. This virtual approach is ideal for entrepreneurs who wish to keep their own offices, warehouses, and other facilities but still want the guidance provided by an incubator [5].

The commitment of incubators to launch and the initial phase businesses differs from that of science and technology parks, which are usually large-scale projects that house everything from very small businesses to corporate, government, or university labs (both technology and Science parks are often reserved for well-established businesses that pay commercial prices.). While several do have incubation programs, most science and technology parks do not offer business assistance services, which are the foundation of a startup incubation program [6].

The services that a real business incubation program delivers to start-up firms are its most important component, even if the majority of incubators give their clients office space and shared administrative functions. Help with business basics, networking, marketing, accounting, and financial management are among these services; assistance with bank loans, loan funds, and guarantee programs; assistance with presentation skills; links to resources for higher education; assistance with strategic partners; assistance with comprehensive business training programs; mentors and advisory boards; and assistance with technology commercialization are among them.

Business incubators do not service all enterprises, in contrast to many other business aid initiatives. To take part in a business incubation program, entrepreneurs need to submit an application. Each community has conditions that candidates must meet must qualify for admission to the business incubator. Although each program has its unique requirements, in general, only applicants with viable company concepts and a viable business plan are accepted [7].

How long a firm remains in an incubation program may depend on a number of factors, such as the type of business and the entrepreneur's level of business acumen. Businesses with extended R&D cycles require lengthier incubation programs than manufacturing or service companies that can immediately manufacture and sell a good or service. By the time they are old enough to move into

own premises, most companies that use incubators will have been there for as long as a year. Some incubation programs focus graduation requirements on development targets, including worker size or business income, rather than program length.

Incubators cost for the resources and facilities they provide, but as almost all of them are funded by the government or municipal governments, these prices are lower than those in the market. Incubators are mostly identified by area since many of them are funded locally or because a startup company would require such a facility nearby [8]. Business incubators are often particularly helpful to high-tech or knowledge-based companies. It is evident which industries incubation programs in Europe are specifically promoting. The main industry sectors that European incubation programs specifically assist are listed in Table 1.

Table 1. Important sectors of the European economy that incubation programs specifically help [3].

<i>Industry sectors/Business activities</i>	<i>Percent</i>
<i>Biotechnology, pharmaceutical sector</i>	14.2
<i>Hi – tech sector</i>	18.6
<i>IT sector</i>	18.2
<i>Combination of more activities</i>	9.5
<i>Business and financial services</i>	0.6
<i>Retail, marketing, and distribution</i>	0.4
<i>Services/Professional</i>	8.8
<i>Knowledge oriented services</i>	11.5
<i>Creative industries</i>	6.1
<i>Research and development</i>	12.2

In Europe, economic development institutions sponsor around one-third of start-up incubation projects. Of program sponsors, 21% are government bodies, such as counties or cities. An additional 20% are supported by colleges, universities, and other academic establishments. The national or regional governments of many nations sponsor incubation programs as a component of a larger plan for economic growth [9].

3. BUSINESS INCUBATORS – EFFORTS PROMOTING COMMUNITY-LEVEL ENTREPRENEURIAL ACTIVITY

The degree and success of entrepreneurship in a nation are influenced by a variety of local characteristics, some of which are better served by locally developed and executed initiatives, while they are significantly impacted by local occurrences. Since the late 1960s, there has been a tendency toward the devolution of resources and decision-making authority to local and regional levels [10]. Because of this, OECD nations' local and regional governments have created a wide range of company development programs with different goals and target audiences. These are initiatives to

enhance the dynamics of businesses, especially start-ups, by fostering cooperative behavior, enhancing the local business environment, and releasing latent entrepreneurial potential.

Supporting entrepreneurship through local programs does have some benefits. Actions may be more precisely targeted to the unique needs of a region and its enterprises, and a larger range of actors can contribute a variety of talents to this subject. Both municipal and federal governments must adopt innovative policy ideas since the scope and likelihood of success of entrepreneurship are often linked to the local environment. In fact, a strategy that ignores local and regional variations is probably going to be less than ideal [11].

According to David J. Storey (1994) [12], six key elements might differ from one place to another and impact the establishment of new firms. These include:

- a) demography – which tends to produce more businesses and have higher start-up rates in urban areas than in rural ones;
- b) unemployment – which may either increase or decrease company start-up rates through a variety of means;
- c) wealth – Due to increased demand and easier access to money, it is anticipated that wealthier areas would see a higher number of new business start-ups.
- d) People with better credentials are more likely to obtain employment, but they may also have more means to launch their own firm, therefore the vocational and educational qualities of the workforce may have opposing effects on starting new enterprises.
- e) The presence of small enterprises - it has been proposed that employees in these companies will wish to establish their small businesses.
- f) Real estate is a significant source of venture financing due to the variety of owner-occupied homes.

The business incubator's operations and usefulness are greatly impacted by the local economy in the area where it is located. Business incubators must make the most of their collaboration with the local business community. Ideally, incubator locations should supply local company knowledge, funding, program support, and access to markets for products or services (because little firms in an incubator profit from networking and trading with bigger corporations outside). The functioning of many incubators in various countries are supervised by an advisory council composed of local business community leaders. According to several experiences, it can be crucial to improve the local entrepreneurial environment before setting up a business incubator to create demand for the services the incubator would offer. Thus, expanding the number of high-tech companies was deemed a significant challenge in a 1994 assessment of research parks in the UK.

The effectiveness of business incubators in a particular field is greatly influenced by their interactions with universities. One example is the support given to start-up businesses, especially high-tech ones, in the vicinity of universities. There are several conceivable institutional configurations, some of which require higher academic community participation in company growth than others. In these situations, it is necessary to find appropriate labor divides between academic pursuits and business development, such as between applied and general research [13]. The fact that colleges may pursue longer-term research goals while businesses sometimes operate with shorter timeframes creates a related conflict. Incubators have gained considerable appeal. Local governments view business incubators as useful for encouraging entrepreneurship and decreasing the demise rate of tiny firms.

4. BUSINESS INCUBATORS AS A TOOL FOR SME START-UP SUPPORT IN SLOVAKIA

In Slovakia in 2002, an incubator network was established. Sixteen incubators were utilized in 2009 thanks to financial support from structural grants, pre-accession Phare Programs, and the state budget.

In addition to the aforementioned, Rimavska Sobota saw the establishment of one training (virtual) incubator [14].

The program "Support of SMEs via the network of incubators and implementation of the research-based spin-off method" [10] Five incubators received 53,598 euros from the 2009 state budget. A portion of the operating expenses and losses incurred as a result of offering leases at prices below commercial market rates and providing extra services to lessees were reimbursed by the incubators supported by these funds. Table 2 provides an overview of funds expended from the state budget in 2009 to support incubator operations.

Table 2. Overview of funds expended from the state budget in 2009 to support incubator operations.

Incubator	City	Contribution in EURO
TI at the Park of Science and Technology	Žilina	7 821,83
TI INNOVATECH	Sládkovičovo	16 293,30
Incubator	Moldava nad Bodvou	9 604,43
Technological incubator (TI)	Prievidza	6 523,21
incubator for businesses	Handlová	13 355,27
The entire amount from the state budget		53 598,04

As of December 31, 2009, 76% of the Handlová business incubator was occupied, with 87% of the fostered enterprises occupying the space. Incubated firms dropped from 13 to 12 (a variety of activities), employing 42 people, in comparison to the previous month. The incubator's services and activities focus on IT classes, business plan formulation, consultations about microloan requests, and advice for aspiring entrepreneurs, such as income tax filings or yearly financial statements. Simultaneously, the incubator offered clerical services, advertised its services, and leased the space and equipment to incubated businesses.

As of December 31, 2009, 55% of the incubator in Moldava nad Bodvou was occupied, with 100% of the occupancy coming from incubated businesses. Eleven businesses (retail, distribution, and services) were incubated. The incubator's services and activities include working on initiatives, leasing space, and promoting its operations.

As of December 31, 2009, 72% of Prievidza's technical incubator was occupied, with 85% of the occupancy coming from fostered businesses. The number of jobs dropped to 98 over the monitoring period, while the number of supported companies—mostly small technology firms—was cut to 22. Training, microloan counseling, business counseling for new and long-term care companies, project activities, and space and technology leasing are the main services and activities offered by the incubator.

As of December 31, 2009, INOVATECH Sládkovičovo, a technical incubator, had a 57% occupancy rate (of which 58% were occupied by incubated enterprises) and had 66 employment in 10 incubated startups. Leasing space, offering equipment-equipped lecture halls and conference rooms, allowing access to PC rooms, offering guidance and cooperation in the creation of business plans and the funding application process, managing services for incubated companies, and promoting the incubator's offerings are just a few of the activities and services offered by the incubator. Additionally,

the incubator is now part of Microsoft's "BizPark" initiative, which targets "start-up firms" [15]. Numerous events, seminars, and lectures pertaining to entrepreneurship were held in this incubator. The Academy of Education in Galanta, a potential partner for counseling and education, started collaborating with the incubator.

Over the course of the monitored period, 89% of the enterprises were supported by the technical incubator located in Žilina's Science and Technology Park. The number of incubated organizations has decreased to 34 from the previous quarter, and these companies presently employ 149 people. Showcasing companies in the incubator; developing a technological transfer model at Technical University in Žilina to lay the groundwork for the successful development results and commercialization of research; developing a project for the construction of a new incubator building; joining Z@ICT, the first IT cluster in the Slovak Republic; joining TPI-TEC, the automobile industry cluster; leasing space and offering administrative, counseling, and consulting services to SMEs; and planning student events, such as the "Do you have an idea?" initiative that aims to attract new clients.

The number of businesses that are nurtured is a key factor in determining whether the incubators' and the national program's objectives are met [15]. Together with 89 start-up businesses, the five designated incubators were operational as of December 31, 2009, creating 449 jobs. Incubated firms made up 81% of the five incubators that received funding in 2009, with an aggregate occupancy percentage of 69%.

As of December 31, 2009, Slovakia had placed 214 incubated enterprises in 16 commercial and technical incubators, generating 1,288,880 employment overall. The operation and administration of the incubators involved sixty-four more employees. The average overall incubator occupancy rate was 79%, indicating that new business owners are interested in incubator services and that investments are necessary for the establishment and maintenance of new business operations [6]. Table 3 lists Slovakia's business and technological incubators.

Table 3. Slovakian business and technology incubators

Incubator	lump zone for rent per m²	Rate of Occupancy in m²	Occupancy aim in %	The quantity of enterprises that have been incubated	The quantity of jobs	The quantity of managerial positions
<i>Business Incubator and Technological Centre B. Bystrica</i>	1066	866	81 %	14	83	4
<i>Incubator Bratislava</i>	197	114	58 %	8	92	5
<i>University Technological Incubator STU Bratislava</i>	780	623	80 %	12	45	3
<i>General Business Incubator Gelnica</i>	2600	2487	96 %	6	126	4

<i>Business Incubator Handlová</i>	951	724	76 %	12	42	3
<i>Scientific – Technological Incubator Košice</i>	X	X	X	11	124	5
<i>Incubator Malacky</i>	2412	2002	83 %	24	65	8
<i>Martin – Flemish Business and Incubator Centre Martin</i>	1075	541	50 %	18	79	3
<i>City Incubator Martin</i>	X	X	X	X	X	X
<i>Business Incubator Spišská Nová Ves, Part 1</i>	740	90	90	5	48	2
<i>Business Incubator Spišská Nová Ves, Part 2</i>	1233	1037	84 %	3	10	1
<i>Incubator House, Moldava nad Bodvou</i>	735	403	55 %	11	94	3
<i>Technological Incubator Centre Prešov</i>	898	893	99 %	12	131	6
<i>BIC, Technological Incubator Prievidza</i>	1084	780	72 %	22	98	4
<i>Business Incubator Rožňava</i>	1877	1376	73 %	12	76	3
<i>Technological Incubator Inovatech Sládkovičovo</i>	1159	656	57 %	10	66	6
<i>Science and Technology Park, Žilina</i>	770	685	89 %	34	149	4
<i>Total</i>	17577	13852	79 %	214	1328	64

Slovakia's business incubators have grown during the past few years. In addition to supporting technologically focused SMEs, they assist numerous entrepreneurs and establish the necessary circumstances for entrepreneurship to begin. There is not a single ideal business incubator model. Certain designs closely resemble the development centers. Others adhere to a framework that better suits certain local needs and are more concerned with the interests of the local business community and culture. Depending on which organizations support the idea and which organizations keep the program afloat, the specific structure of the business incubator program sometimes changes [8].

5. CONCLUSION

In Slovakia, business incubators are a crucial component of the infrastructure supporting the establishment of small and medium-sized businesses. Their goal is to establish favorable initial circumstances to facilitate the operation of their business and offer complex on-site assistance to new enterprises (typically for three years from the start of the business). The primary services offered include leasing office space, manufacturing, and storage facilities at rates below those in the commercial sector, as well as administrative assistance for the enterprises (such as technological infrastructure, specific clerical services, conference and showcase spaces, and others). The incubators present their customers with business space, educational services, and counseling (including contact mediation, business plan preparation, assistance securing funding for entrepreneurship, marketing strategy development, and similar services). Depending on the nature, specialization, and capacity of each incubator, the level and type of support vary. In conclusion, business incubation contributes to a nation's economic and socioeconomic policy requirements, including firm development and retention, technology commercialization, employment and wealth creation, and promoting an entrepreneurial culture in the community.

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