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Business Incubator



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Synonyms

Business accelerator; Entrepreneurship support; New ventures; Start-up development

The concept of business incubator is first developed in the United States in the late 1950s (Lewis 2002). It has become more widespread at the international level since the 1980s (Hackett and Dilts 2004; Bergek and Norrman 2008). Entrepreneurial accompaniment is an activity that tends to develop when an entrepreneurial society emerges (Audretsch 2007). Support for entrepreneurial initiatives comes in the form of accompaniment structures promoted by the state, local groups, businesses, or training and research organizations.

Although initially these structures were used to support creators with restrictions, in a context of deindustrialization, they rapidly transformed into a springboard for ambitious, innovative projects with high-added value. The practice of incubation is therefore nothing new, but it is tending to increase in specialization. This evolution has given rise to a wide variety of incubators.

In parallel, abundant literature has developed to include a number of trends (Hackett and Dilts 2004). However, as stressed by Hackett and Dilts (2004), “most of this research is atheoretical” (p. 74). The research tends to be highly descriptive and normative, leaving to one side the incubation process. It is thus necessary now to shed light on the “black box” that is the incubation process (Hackett and Dilts 2008; Schwartz and Gothner 2009). This chapter aims to do just that. The specific aim is to develop a better understanding of incubators and of their diversity. To do this, two focuses will be made: one on the groups of incubator and another on the skills required by the accompaniers.

Taxonomies of Incubator

There is a considerable amount of literature in English dealing with the concept of incubator (Aaboen 2009; Aernoudt 2004; Bergek and Norrman 2008).

According to these authors, business incubation has developed in a context that is favorable for entrepreneurship, offering a reassuring environment for people with projects, providing them with a certain number of services (premises, advice, etc.), making it easier for them to make contact with other entrepreneurs, participating in the discovery process – taking advantage of opportunities, contributing to the development of their legitimization strategy and, of course,

increasing their levels of knowledge and skill. Business incubators must therefore adopt an overall approach, based on their environment, so as to identify and make use of the resources available locally (Autio and Klofsten 1998).

As the needs of businesses today are heterogeneous, in addition to the general missions presented above, the incubators try to specialize (Grimaldi and Grandi 2005). Given this diversity, several authors have tried to classify accompaniment structures by proposing taxonomies of incubator (Aernoudt 2004; Albert et al. 2003; von Zedtwitz 2003). The term “incubator” is used in the English sense, that is, including structures whose support is targeted at the pre-creation stage (“incubators” in the strictest sense of the term) and those whose support focuses on post-creation follow-up (“incubator” in the looser sense of the term). The taxonomy developed by Albert et al. (2003) synthesizes all the main groups of incubator. It is only necessary to add social incubators identified by Aernoudt (2004). Table 1 presents finality, dominant activities, objectives, and targets of the different groups of incubator.

Economic development incubators are set up locally and are thus not standardized. They are generally inserted into local economic development programs.

Academic and scientific incubators benefit from state subsidies. They make technology transfer easier and promote the development of business culture in universities. They are at the crossroads of three cultures that have everything to be gained from being preserved: academic, scientific, and industrial.

Social incubators have the particularity of generally pursuing a dual objective: developing economic activity while preserving social logic. They also benefit from local and/or national subsidies.

Business incubators are set up in large companies, one of the ambitions of which is to develop their potential for innovation by giving the employees the opportunity to express their entrepreneurial talent.

Private investor incubators are the expression of venture-capital companies or *business angels*. By creating incubators, the latter aim to reduce the

distance separating them from the businesses they finance, thus reducing the asymmetry of information that disadvantages them.

To illustrate these groups of incubator, Insert 1 gives an example of a scientific incubator, the BIC in Montpellier, in the south of France.

Incubators are organizations which mobilize human resources to carry out their activities. The quality of the accompaniment service depends on the skills of the accompaniers (Hannon 2005). The second part of this chapter will be devoted to this aspect.

Insert 1 Presentation of the BIC in Montpellier

The BIC (Business Innovation Centre) was set up in 1987 in the form of an ECEI. It accompanies innovative business creators in the greater Montpellier area. It supports businesses with a considerable potential for development in the following sectors of excellence: health, biotechnology, information and communication technology, and higher tertiary. In 2007, it received the prize for the best world incubator awarded by the NBIA (National Business Incubation Association).

Three key missions have been developed: accompaniment, training, and accommodation. Out of a total of 12 employees, 6 use their talents as project manager 50% of the time in the pre-creation phase and 50% in the post-creation follow-up phase. These accompaniers are highly qualified engineers or commercial specialists who master all the skills associated with developing a business plan, financial engineering, marketing, and organizational management.

The businesses are housed either within the BIC itself, or in greater Montpellier. Within the BIC, there are two sites that can be used: Cap Alpha (specialized in biopharmacy, biotechnology, and renewable energy) and Cap Omega (specialized in information and communication technologies). Regardless of the structure chosen (onsite or outside these two incubators but within Greater Montpellier), the BIC must be familiar with all the activities of the businesses in order to better accompany them.

Business Incubator, Table 1 The main characteristics of the different groups of incubator

	Economic development incubators	Academic and scientific incubators	Social incubators	Business incubators	Private investor incubators
<i>Finality</i>	Nonprofit	Nonprofit	Nonprofit	Profit	Profit
<i>Dominant activities</i>	Generalist	High tech	Social	High tech	High tech
<i>Objectives</i>	Job creation	Promotion of technologies	Job creation	Development of the business spirit among employees	Profit through the resale of shares from a portfolio of businesses making it possible to spread out risks
	Reconversion/revitalization	Development of the business spirit	Economic development	Holding on to talents	Cooperation between the businesses in the portfolio
	Economic development	Citizenship	Creation of social wealth	Intelligence	
	Support for specific populations or industries	Image	Integration of certain social categories	Access to new technologies and new markets	
	Development of SMEs and networks (clusters)	Financial resources		Profits	
<i>Targets</i>	Small craft, commercial, or service companies	Projects internal to institutions prior to creation	Projects of a highly social nature	Internal and external projects, in general in relation with the professions of the business	Technological start-ups
	In certain cases, high-tech businesses	External projects			

Source: Adapted from Albert et al. (2003) and Aernoudt (2004)

The training courses proposed by the BIC are in line with the phases of development of the innovative business.

In the pre-creation phase, the BIC proposes three standard training courses:

- “Etincelle,” which makes it possible, over 2 h, to raise awareness of the various stages in the business creation process thanks to accounts from creators themselves.
- “Trajectoire,” a 2-day training module, allows participants to acquire the basics of methodology before actually creating their business.
- “Création d’entreprise innovante” is an extended training course over 20 days. It

allows participants to reflect in depth on the feasibility of their projects.

In the post-creation phase, two training courses are proposed for business directors wishing to create their own businesses:

- “Focus,” which, on the basis of themed training courses (half day or one full day), allows participants to reflect on the management issues involved in an innovative business.
- “Décollage,” which makes exchanges easier by organizing group or individual training courses on site – that is, within the newly created business. The theme is defined ex

ante, and the accompaniment takes place over a period of 10 months.

The Skills Required Within Incubators

The theory set out in this chapter is that there are two categories of skill. Generic skills are those that all accompaniers (incubator managers) have, regardless of the type of structure. There are also skills specific to each type of incubator.

Generic Skills

The trio of knowledge, know-how, and life skills allows to analyze generic skills. Although this trio has its own limitations, based essentially on the fact that the boundaries can seem rather blurred between the three, it is nevertheless relatively practical, and this explains why it is used so widely.

Knowledge is all that the project manager must master, regardless of the project accompanied. This knowledge can be analyzed on the basis of the three phases in the model developed by Shane and Venkataraman (2000): detection, evaluation, and seizing opportunities. This knowledge first of all concerns the phase upstream of the creation or detection of opportunity. Creativity methods and intellectual protection law are essential tools for helping the creator develop new ideas and protect them.

Following this phase of entrepreneurial maeutics, it is possible to start evaluating the opportunity, in other words, analyzing the feasibility of the project, based on a concept such as the business model. Knowledge of this tool is essential for helping the creator to develop a management system that makes it possible to appropriate entrepreneurial income. Evaluating the opportunity also supposes knowledge of the environment and, in particular, the specific sector of activity. The accompanier must be aware of the specificities of the sector, its perspectives for evolution, the rules of the competition game, the legal restrictions, etc.

In the exploitation phase, the accompanier must be capable of providing assistance in putting together the business creation dossier and in particular in developing the business plan. This instrumental knowledge is a necessary condition but not sufficient for the success of the project. The accompanier must also master the specificities of SMEs and, more precisely, the organizational emergence process. It may be possible to understand this process by using grids such as the Gartner model (1985), which focuses on systematic and processual reading. The accompanier must help the creator to manage the young company in its creation and post-creation phases. The knowledge that needs to be mastered can be approached via the key fields in management, such as strategy, marketing, finance, HR, accounting, law, and taxation.

Incubators must provide business creators with assistance to help them to immerse themselves in business networks. Accompaniers must therefore have excellent knowledge of the players liable to be of help, to provide advice or funding.

Table 2 groups together all the different types of knowledge using the three phases in the model by Shane and Venkataraman (2000): detection, evaluation, and seizing opportunity.

The second aspect of generic skills is composed of the accompanier's know-how. In order to explain how incubators function, Aaboen (2009) makes an analogy with businesses that offer services for professionals. This type of business deals with customer relation management processes that are based on qualified personnel composed of "knowledge workers." From this analogy, two levels of know-how appear: in management of the structure and in management of the relations with those accompanied.

The first level becomes essential from the professionalism perspective. An incubator is an organization that must use a management system. Its small size may lead it to prefer project logic. It is vital that project management tools and techniques be mastered. Follow-up of a creation project supposes that objectives be defined, that the different resources from the structure and its environment be obtained, and that time be mastered. Incubators rely more often than not on public

Business Incubator, Table 2 The knowledge needed to accompany the entrepreneurial process

Phases	Detecting/creating opportunity	Evaluating the opportunity	Seizing opportunity
<i>Mobilized knowledge</i>	Creativity techniques	Business model	Management techniques
	Propriety law	Sectors of activity	Business plan Networking

Source: Authors (2011)

funding. The managers of these structures must negotiate their budget and justify their choices. They must guarantee the follow-up of their activities and can for this reason be called on to set up a system for evaluating their performances. It is important for the running of their activities that a system also be set up to exchange good practices between accompaniers. This system can be inspired by the principles of *knowledge management*.

The second level refers to the relationship with the incubatees. When providing follow-up for a creator, mastery of accompaniment techniques, such as interview techniques or coaching, is essential. The accompanier's aptitude for transferring knowledge to the person with the project is also a key form of know-how (Sammut 2003). This skill requires in particular the transformation of tacit knowledge into explicit knowledge and vice versa. These different forms of knowledge can create dependency in decision-making, which can prove to be detrimental, particularly in the post-creation phase. Making the creator autonomous is thus an essential skill that the accompanier must absolutely master (Sammut 2003). It allows the creator to find solutions on his own to any future problems that he may encounter as the director of a business. Finally, there are two other forms of know-how. The first is knowing how to respond to a particular problem with a solution that is not generic but that takes into consideration the specificities of the project – a made-to-measure response, in other words. The second is the ability to bring the person with the project into contact with external partners in such a way as to make up for the lack of integration into networks that is so characteristic of creators.

Life skills are the last aspect of this type of skill. The concept is vaguer than the previous

aspects and has been criticized given that it does not correspond to a definition of the skill in its context. It is nevertheless very much present in the skill referentials and is of interest from a managerial point of view for this reason. Life skills can be defined as a set of relational skills. Goleman (2006) distinguishes two types of life skills: social conscience and social skill.

The accompanier's empathy and open-mindedness are the key elements in his social conscience. These two types of life skill were identified by Fayolle (2004) as skills that make easier the relationship between the accompanied and the accompanier. They make it possible to reduce the distance between both parties' mental representations. The accompanier's involvement in the mission is another element that forms part of this social conscience and is represented by considerable availability.

Social skills refer to the accompanier's relational qualities. These qualities allow the accompaniment to take place in good conditions. Respecting decisions and psychological support are the key elements. Respect effectively makes it possible to obtain and conserve the creator's trust, while psychological support helps the creator to go beyond his periods of doubt, thus preventing any deterioration in the accompaniment relationship. Pedagogy also makes it possible for the accompanier to transmit knowledge more easily to the person with the project (Fayolle 2004).

Specific Skills

Generic skills are the common foundation of the accompaniment profession. The second category of skills can be qualified as specific skills. Their specificity lies in the fact that they depend on the

nature of the accompaniment structure. On the basis of the taxonomy of incubator presented in the first part of this chapter, five categories of specific skills are identified.

Economic Development Incubators and Territorial Skill

The aim of economic development incubators is to promote economic initiative in a given area by creating conditions for the emergence and development of new localized activities. Since the 1980s, geographical areas have been committed to a competitive dynamic by trying to reinforce their attractiveness. Incubators were designed to encourage and attract new businesses, who were in turn supposed to play a part in the creation of value and job creation. The specificity of these incubators lies in the large number of key players involved in their funding. The accompanier must therefore be able to find his marks in this multi-dimensional area. To do so, it is necessary for the accompanier to develop good understanding of the role played by each key player so as to be able to integrate into the local networks. Political skills are also needed to negotiate with key players with sometimes opposing forms of logic.

Academic and Scientific Incubators and Technological Skill

The aim of academic incubators is to bring together two universes that are sometimes unfamiliar with each other: academia and industry. This is because successful projects developed by incubatees will find an opening in the industrial sphere. The accompanier must therefore have a scientific culture and good knowledge of the world of business. One major characteristic of these projects lies in the significance of the funds involved, implying that the accompanier must also have good knowledge of funding channels (banks, business angels, venture-capital businesses, and so on). The accompanier must master the various mechanisms associated with technology transfer and the protection of intellectual property.

Social Incubators and Social Skill

By definition, social incubators support projects with a social vocation. These projects can be trade-oriented or not and concern a wide variety of sectors of activity in the field of social economy, such as culture, sustainable development, ecology, insertion, etc. Adherence to the field of social economy is determined by certain characteristics such as a particular status (e.g., a cooperative or association), as well as a dynamic based on solidarity and reciprocity with regard to the interface with the market, civil society, and the state or its local representatives. Here, the specific skill thus lies in perfect knowledge of social economy, law, and the various statuses possible within a social economy (e.g., in France, the SCOP status – a worker's cooperative).

Business Incubators and Intrapreneurial Skill

Business incubators provide support for projects developed by existing companies. This intrapreneurial mode of organization involves implementing autonomy factors so as to allow certain selected employees to bring their project to fruition thanks to their entrepreneurial skills. Accompaniers in business incubators must enable and/or enhance (1) the creativity of the incubated intrapreneurs, (2) their managerial capacities, and (3) their socialization.

Private Investor Incubators and Financial Skill

The last type of incubator corresponds to private investor incubators. Venture-capital companies and business angels are often behind the creation and funding of this type of accompaniment structure. The typical activities of these private investors consist in financing projects that they consider to be potentially profitable. Private investor incubators make it possible to reduce the asymmetry that investors are subject to in their relationships with entrepreneurs. The latter try in this way to benefit from physical proximity with the businesses that they finance (Barrow 2001). This proximity thus allows them to detect businesses that may not turn out to be profitable, but also those that have a greater potential for growth than initially predicted, so as to be able to adjust their level of participation. The main

specific skill here lies in the accompanier's capacity to perpetually assess the potential of the accompanied businesses to create value. It is this capacity that we refer to as financial skill. This supposes that the accompanier masters the various methods of evaluation.

Conclusions and Future Directions

The development of incubators results in questions being raised regarding their management practices and the skills of their accompaniers. The quality of the service provided effectively depends greatly on the skills of those who accompany the incubatees.

Two categories of skill have been identified. The core is composed of the generic skills that are essential, regardless of the type of project accompanied. These generic skills are based on the trio of knowledge, know-how, and life skills which is widely used in incubators. In order to take into account the wide range of incubators, a taxonomy based on five categories of incubator has been proposed. Thus, five types of specific skills have been identified.

The configurational approach seems to be an interesting future direction to conceptualize the management of incubators. By adopting this approach, it could be possible to propose a specific HR management model for each group of incubator. For example, specific model of remuneration or specific model of recruitment could be envisaged.

Cross-References

- ▶ [Accompaniment of Business Creation](#)
- ▶ [Business Start-up: From Emergence to Development](#)

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