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Role of Incubation Centers in Growth of Small-Scaled Businesses in Afghanistan

By Aimal Mirza & Meena Rahmani

Kardan University

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Small scaled businesses have a very high rate of failure at their initial stage. Development of these businesses requires promotion of entrepreneurship. This study attempts to highlight the role of business incubation centers for this purpose in Afghanistan context.

Studies have shown that factors such as incubation centers physical infrastructure, provision of business assistance, management guidance and counselling, enabling environment and sound practices of incubation centers have led to survival and growth of many small businesses.

Keywords: *incubation center, tenant companies, incubation.*

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Role of Incubation Centers in Growth of Small-Scaled Businesses in Afghanistan

Aimal Mirza [α] & Meena Rahmani [σ]

Abstract- For past three- years unemployment has been a growing in Afghanistan, which has caused many socio-economic problems. One of the solution to this problem is private sector development. A lot of attention has been paid toward attraction of investments at large scale from private sector, however, experience of many countries including industrial economies show that small scaled businesses has contributed to employment and economic development to remarkable extend.

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Studies have shown that factors such as incubation centers physical infrastructure, provision of business assistance, management guidance and counselling, enabling environment and sound practices of incubation centers have led to survival and growth of many small businesses.

Through extensive review of literature this paper has defined the above factors in the form of services to be rendered by incubation centers and has highlighted their role on fostering entrepreneurship. With a scientific approach the analysis of this study has identified how these services are perceived by its recipients i.e. tenant companies. Basically tenant companies are entrepreneurs who receive incubation centers services to minimize the chance of their businesses failure. The result reveals that many services that incubation centers claim to offer them efficiently must be improved as many of these services perceived to be ineffective or neutral by their recipients.

Furthermore, through the use of statistical tool this study has identified gaps between business incubation practices in global context and Afghanistan. The purpose of this analysis is to introduce best practices that have great impact to success of business incubation centers and thus, survival and growth of small companies that can lead to economic development.

Keywords: incubation center, tenant companies, incubation.

I. Introduction

a) The problem

Economic development is a phase, when entrepreneurship will increasingly play a more important role (Wim, 2016). According to United Nation University World for Development Economic Research, which resulted into publishing of Entrepreneurship and Economic Development book, entrepreneurship contributes to national happiness. Why would increase in entrepreneurial activity increase national happiness? This book further argues that unemployment is a major cause of unhappiness in societies. Therefore, employment generators-entrepreneurs are key in economic development of societies like Afghanistan, where there are many opportunities to exploit the resources. Besides many other problems1 lack of entrepreneurial enthusiasm hinders the country to start its prime engine for growth and development. The small-scaled sector has been a major contributor to employment generation in many developing countries. However, these companies have very high rate of failure in Afghanistan. Factors contributing to this rate are, lack of management and business skills, difficult legal requirements, lack of capital, inflation, disadvantages due to small size in terms of scale economies and product and process innovations, securing access to intangible and tangible resources, limited or having no access to scientific knowledge, and absence of know-how. All these problems are the basis for fact that unemployment rate remains very high in country.

Unemployment is a challenge that societies have to tackle. In Afghanistan it has always been a serious social problem that needs a constant attention. According to Trading Economics, unemployment rate measures the number of people actively looking for a job as a percentage of the labor force. Based on the figures released in 2015 by National Union of Afghanistan Worker this percentage is fifty-six in Afghanistan. The high percentage of unemployment basically is because low development of private sector. Contribution of small-scaled businesses is very insignificant in private sector development. For past 10 years small scaled business growth has been negative. Independent Commission for Aid Impact (ICAI) published its review on development programs of Afghanistan on March 07, 2014, according to this review more than 4500 small businesses discontinued their operation after reduction of international forces in Afghanistan. This fact has caused a steep increase in unemployment rate in country. Based on these facts, survival of small businesses is vital to our economy.

Literature confirms that through support of entrepreneurial activates incubation centers have been able to reduce failure rate of small businesses. Incubators have received increasing attention as a tool for fostering entrepreneurship, both in developed

Author α σ: Kardan University. e-mail: aimal.mirza@gmail.com

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countries and in developing countries. They will be an integral part for framework of business assistance to provide critical support to the newly established companies. Realizing their importance, all individual and organization involved in business incubation industry try to define, identify, measure, formulate and evaluate various aspects related to these programs. Business incubation initiatives have emerged with different success in different parts of the world, especially in the last decade. However, the countries are experimenting with it to foster entrepreneurship (Kadmar, 2013). Afghanistan is one of these countries, where such initiatives have taken place recently. Through an extensive literature survey this study attempts to explore the role of business incubation in facilitating the process of entrepreneurship in Afghanistan. This research study elaborates on questions like,

- What particular services should be expected from an incubation centers?
- Are there any gaps between the perceived and actual services rendered?
- What practices are followed by business incubation centers throughout the world to promote entrepreneurship and how can they be made more effective in fulfilling their role of promoting entrepreneurship?

Whereas, no research in Afghanistan context is conducted, approaches explored throughout this study can improve business incubation initiatives in Afghanistan, so that these centers reorient their supports for the entrepreneurs in the establishment, growth, development and expansion of startup companies nurtured by business incubation centers.

The recommendations of this study, will help employ business incubation centers as tool to transform our country, where there is a low rate of employment and eventually expediting economic development.

b) Objective of Study

After initiation of a few business incubation centers recently, no comprehensive study has been conducted on their role in promoting entrepreneurship in the Afghanistan context. It is vitally important to uncover the differences, if any, between the perceived and actual services rendered by them. Improving the quality of services is central for enhancing their role in promoting entrepreneurship and, therefore, a comparison of practices followed by business incubation centers in Afghanistan and abroad is critical. Accordingly, to achieve the focused purpose of the research, objectives as following are set:

- To evaluate the role of Business Incubation Centers in promoting entrepreneurship, job creation and economic development.
- To analyze the gap between the practices followed by business incubation centers to promote entrepreneurship in Afghanistan and abroad.
- To make recommendations with the purpose of making business incubation centers in Afghanistan more effective in fulfilling their role of promoting entrepreneurship.

c) Methodology

A review of the extensive literature shows that the prior studies on business incubation are mainly either descriptive or exploratory. Case and questionnaire based studies dominates work of researcher like Allen, Rahman, Lumpkin Ireland, McCluskey and Hansen Kumar and Kumar (1997). Qualitative studies focusing on business incubation studies attempted to identify best practices and captures intangibles whereas quantitative studies mostly compare business incubators on different parameters.

i. *Overview of Business Incubation in Afghanistan*

Business incubation does not have long history in Afghanistan. The formal structure of business incubation and the practices which are followed in other countries are quite different than what is practiced in Afghanistan. In Afghanistan many organizations through some projects with short term life perform activates similar to business incubation centers. For instance, Center for International Private Enterprise (CIPE) the first organization that promoted entrepreneurship by organizing workshops and seminars to encourage start of small scaled business amongst student (CIPE, 2005). CIPE started working in 2003 and maintained an office in Kabul. In 2005 it launched a pilot project under the name of Tashabos[1]. This project provided instruction on business and leadership to 40,000 students in 44 high schools in Afghanistan (Chaney, 2005). Based on survey that CIPE conducted on 2010, 748 Tashabos students started their own business and employed 1280 people (Chaney, 2005). Some other organization like DAI were involved in activates like providing business training to support agricultural sector. Following sections discuss incubation centers that are not project and their primary focus is business incubation.

ii. *Survey Population*

Survey population includes 6 business incubation center and their tenant companies.

iii. *Research Design*

This study is descriptive and or exploratory in its nature. It is descriptive because the practices that business incubation centers follow to foster entrepreneurship, which have already been identified and studied by earlier scholars (literature survey) will also be analyzed in the present research endeavor. It is exploratory in the sense that no research work has been done on the role of business incubation centers in foste-

[1] Tashabos is a Dari word which mean entrepreneurship.

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ring entrepreneurship in Afghanistan. Moreover, the observations made by the scholars have provided base for the development of concept of this research project.

iv. *Universe of Study*

The universe of the study is confined to 6 business incubation centers and their tenant companies existing in Afghanistan during the year 2015-2016.

v. *Data Collection*

a. *Primary Data*

Researcher used self-administrated questionnaire to collect information supplemented by interviews. The design of questionnaire is Likert five-point scale. The data was analyzed using factor wise and item wise analysis on the role of business incubation center in fostering entrepreneurship.

b. *Secondary Data*

To identify pertinent sources of data, researcher underwent an electronic search using key terms related to business incubation. Upon retrieving all relevant articles/research papers/reports etc, researcher read their bibliographies to access other sources of data and repeated the process till researcher was reasonably confident that all extant data on incubation had been retrieved and identified.

vi. *Analysis Pattern*

a. *Identified Variables*

Independent variables

1. Physical Infrastructure services
2. Business Assistance Services
3. Management Guidance and Consulting services
4. Enabling Environment services

Dependent Variable

Promotion of Entrepreneurship

vii. *Data Analysis*

Researcher used both standard tools such as central tendency, standard deviation and ANOVA as well as descriptive statistics to analyze collected primary data. Measures of central locations as means and standard deviation were calculated in association to different categories of services provided by the Business Incubation Centers.

For the comparison of mean scores an independent sample test "t test" for equality of means was run at a significance level of five percent. Further an ANOVA table was generated for item wise analysis. The practices followed by Business Incubation Centers to foster entrepreneurship were examined by using descriptive mean scores

d) Significance

This research can be a used as source on development of mechanism for business incubation process, identification of prospect entrepreneurial idea, development of knowledge base and expertise for business incubation management. All these points will result promotion of entrepreneurial activities and increases survival rate of small and medium- scaled business in Afghanistan.

II. Summary of Literature Review

Expediting the effective development of entrepreneurial businesses is the main role of business incubation centers. It can help these businesses survive, grow and become profitable even after graduation, when the necessary support provided by business incubation centers to them is absent. Different practices, which have been the focus of attention for many research studies, where attempts have been made to measure their influence on the performance of business incubation center affect this role. These sound practices of business incubation centers have evolved over time and improve the initiation, survival and growth of newly formed enterprises. It is desirable that the business incubation center should implement them to tackle early challenges, improve execution and enhance the probability of success. However, it is important to mention that no one incubator good practice can guarantee success. Instead, it is a combination of several practices that produce desirable result.

Researcher has come up with a list of international incubation sound practices and then compared them with the Afghanistan business incubation centers in order to achieve second objective of this study. This was done with a view to help update industry knowledge on business incubation practices and their outcomes, which in turn will improve the performance of Afghanistan incubators considerably.

a) Conceptualization

The concept that researcher developed based on initial literature study lead to defining the objectives of this study. Literature confirms that foster of entrepreneurship highly depends on (1) availability of office space and other facilities such as internet. (2) business assistance services like technical, marketing, legal, networking, human resource, product development and availability of fund. (3) management guidance and consulting on conducting feasibility analysis, business counseling, product development and business plan development. And (4) enabling environment where tenant companies learn from each other, time to develop marketable product is minimized, operational cost at early stage is minimized, development of firm is expedited, new firm credibility is established, failure in early stage is minimized and regular feedback taken.

Following figure summarized the relationship between these variables

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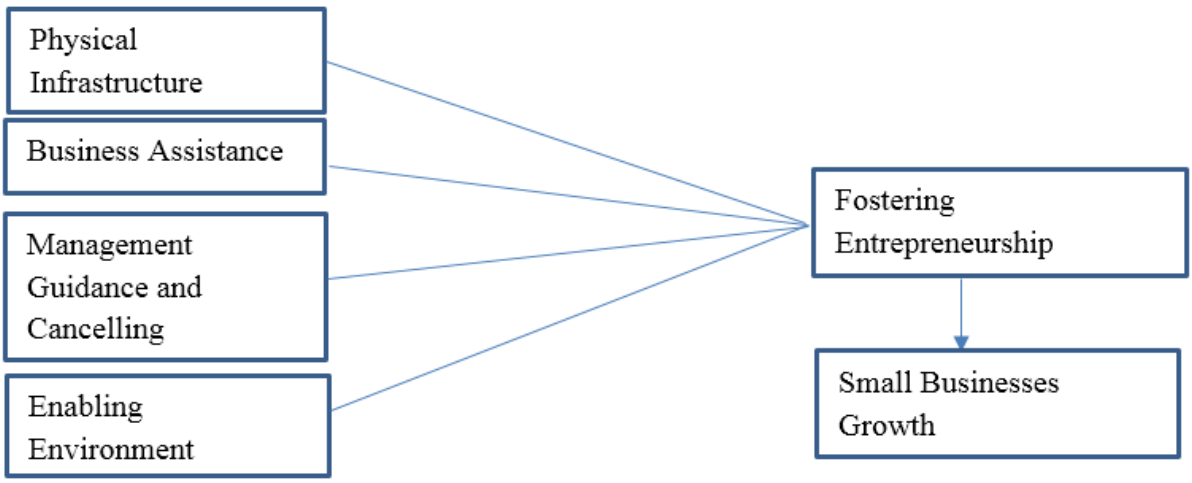


Figure 2.1: Theoretical Framework

Incubation Center Good Management Effect on Fostering Entrepreneurship is presented in bellow flow chart:

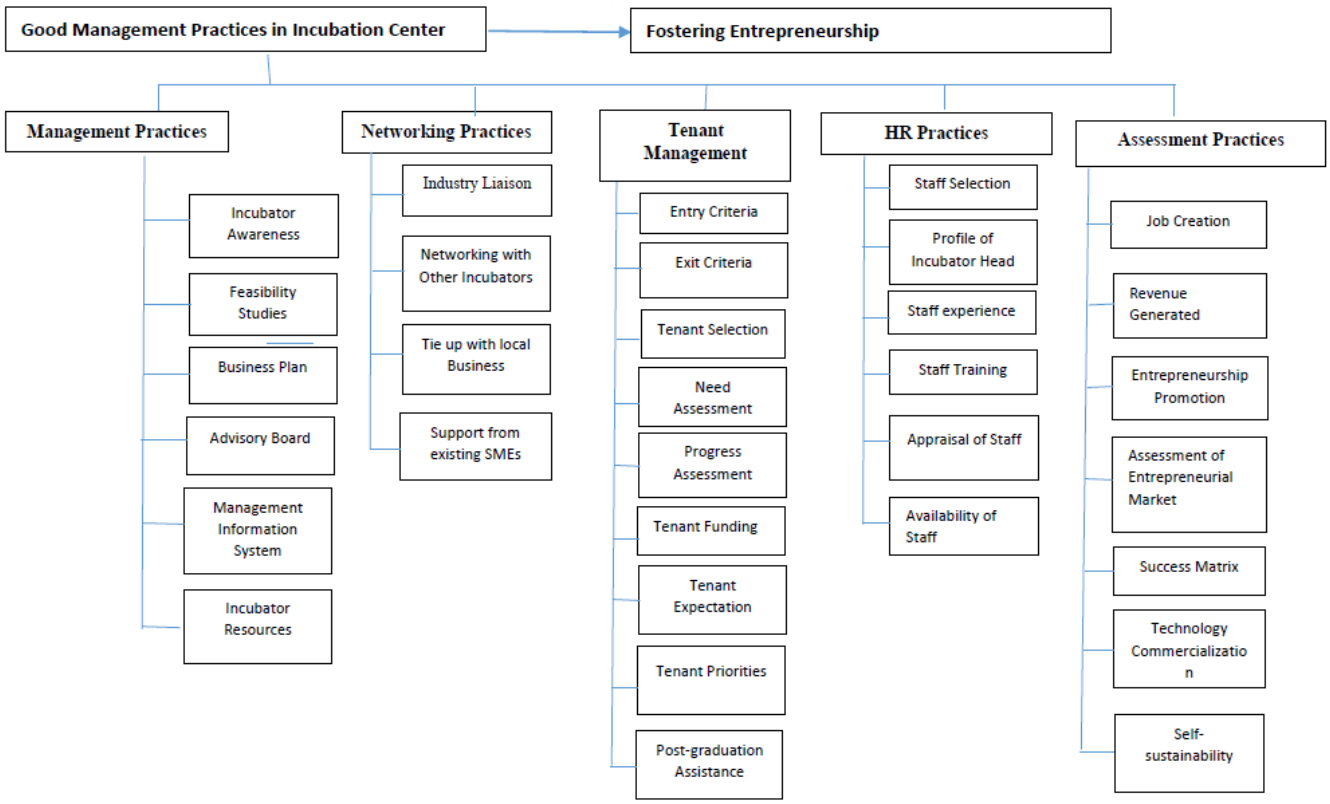


Figure 2.2: Incubation Centers Good Management Effect on Fostering Entrepreneurship

III. Findings' Interpretation

a) Role Business Incubation on Fostering Entrepreneurship

i. *Physical Infrastructure Services*

Most of the start-up companies require physical infrastructure facilities, but usually they cannot afford as these facilities are a great hassle and even it is found to be a great challenge for new startups. Business incubation centers provides startups with flexible and affordable work space necessary equipment and shared offices. Affordability means rent bellow market rate, whereas flexibility means decrease or increase of rooms in number and size based on tenant companies' requirement. Flexibility also means payment of rent in installment. Incubator should also provide services related to building facilities such as conference rooms, cafeteria, building security and other facilities. Earlier

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studies findings indicate that the physical infrastructure services of business incubation centers have a positive impact on start-up companies. By offering these services, they minimize early stage operational costs, save time of the entrepreneurs (Zedtwitz, 2012). This fact will allow entrepreneurs to concentrate on development of product (Finer, 2002) (Helberton, 2002). Besides enjoying a synergistic cost advantage (Fisher, 1992) Physical infrastructure services also improve the visibility, credibility and legitimacy of the tenant companies' businesses by utilization of business incubation center's postal address and positive word of mouth (Raymond Smilor, 1986).

Researcher has found out that the business incubation centers provided work space to a good extend, however provision of facilities like communication, library and laboratory should be improved. The finding also includes that both the business incubation centers and the tenant companies realize that the physical infrastructure services to be provided as indicated by overall mean scores. It may, therefore, be implied that the business incubation centers are not making good effort to contribute in fostering entrepreneurship by rendering physical infrastructure services as both incubator and tenant companies average percentage score is 63.

ii. *Business Assistance Services*

This includes a wide range of functional areas such as marketing, technical, human resource, legal, networking and finance and product development. Previous research studies (Divid N, 1985) (Rahman, 1995) (Campbell, 1985) (Johannisson, 1988) (McCluskey, 1990) (Sherman, 1998) (Chappell, 1998) (Hansen, 2000) (Klofsten, 2000) (Hellmann, 2002) (Lewis, 1996) (Pena, 2004)have confirmed that problems in managerial areas, lack of business skills, under capitalization, and poor access to business network hinder survival rates of new ventures and this is where the business incubation centers play a key role by offering business assistance services as a solution to the various problem faced by start-up companies. These services can help new ventures access capital, widen information sources, minimize business costs and time, exploit opportunities, reduce learning period and access resources required for business survival and growth. Based on the data analysis it can be concluded that business assistance services have higher importance to both incubator and tenant companies than physical infrastructure as the obtained percentages are 83 and 66.5 respectively in item wise percentage analysis.

iii. *Management Guidance and Consulting Services*

Based on other research studies researcher has included business plan development, business counselling, conducting feasibility analysis and providing business ideas.

Other research studies (Birley, 1985) (Dilts, 2004)(Sullivan, 1998) (Hackett, 2004) have confirmed that entrepreneurs not only require resources of equipment, space and money but also advice, information and reassurance. Start -up ventures need a good business plan for securing capital and ensuring smooth flow of funds. Business advice is indispensable at each stage of business for faster problem solving and mentoring support improves management skills and confidence. The business incubation centers deliver value to tenant companies by helping them with business plan development, mentoring, consultation on management, business counselling and advice services. (Fry, 1987) (Deakins, 1998) (Robson, 2000) (Benett, 2000) (Delmar, 2003) (Shane, 2003) (Birrel, 2004).

Researcher also explored that the business incubation centers spread information and provided support for developing business plans to the tenant companies. Both the business incubation centers and the tenant companies realize the importance management guidance and consulting services to be offered as shown by percentage score 97 and 82 respectively. Therefore, it may be deduced that the business incubation centers are making a good contribution in fostering entrepreneurship by offering management guidance and consulting services.

iv. *Enabling Environment Services*

This service is defined as environment where incubator center has created and maintained a synergistic environment for start- up companies to learn how develop marketable products and services faster and save operational cost. Such an environment expedites the development of new firms and reduces their chances of failure. The business incubation centers assess of the tenant companies' satisfaction level with incubator services and address their complaints promptly.

Review of literature (Scholarly Commons, 2016) (Lichtenstein, 1992; (Dividsson, 2003) (Honig, 2003) (McAdam, 2006) (Rodney, 2006) shows that business incubation centers create opportunities and environment that are helpful to tenant companies to create synergy. Such an environment allows tenant companies to share resources, experience, feelings of ups and downs leading to reduction of isolation, and learn from each other to excel through the start- up process. The importance of having a good fit between tenant companies' requirements and incubator services has also been emphasized. (Autio, 1998) (Klofsten, 2000). The present study shows that based on incubators claim they have created an environment for tenant companies to learn from each other. The incubator data analysis reveals they assume to be highly effective in reduction of time required to develop marketable security. However, tenant companies' satisfaction level

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is quite low. Areas like assistance to reduce early stage operational cost, expedition in development of new firm development, assistance in reduction of chances to fail and helping companies to establish credibility requires high attention to be improved.

b) Tenant Companies Perception on Services Rendered

A thorough understanding on the perception of tenant companies in respect of different business incubation services is critical for the success of the business incubation centers (Kadmar, 2013). This information serves as a feedback to improve their utility and effectiveness by making suitable changes in the level and type of services offered (Benett, 2000).

As far as resources are scarce it should be rationally utilized. It is recommended that only those services should be offered the give the most benefit to tenant companies.

To analyze the gaps between perceived and actual service rendered a t-test and ANOVA was run in SPSS at a significance level of .05. Meanwhile, a mean comparative analysis was also conducted.

c) Good Management Practices Effect on Fostering Entrepreneurship

i. *Management Practices*

The above analysis of data shows that as far as management practices in concerned, the business incubation centers claim that they have followed a formal business plan (100%), have conducted feasibility analysis prior to establishment of center (93%), they are managed by an advisory board (83%) have autonomy (87%), implemented Management Information System (83%). The incubators consider their decision making process to be short (67%) and find lack of funding to be a major obstacle to their success (87%).

ii. *Promotional Practices*

So far as promotional practices are concerned, analysis of data reveals that even though the business incubation centers claim to be conducting entrepreneurship promotion programs (100%), maintaining a website (97%), and carrying out advertising plan (73%), there is lack of awareness about their center and its services (87%).

iii. *Networking Practices*

On the networking practices, the business incubation centers assume that they are effective in securing capital (87%) have support of local industry (72%), and provide assistance to existing small and medium enterprises (83%) however, they need to improve effectiveness in sharing information with other incubation centers on regular basis. They also need to improve their knowledge on industry need.

iv. *Tenant Management Practices*

The analysis of tenant management practices reveals that the business incubation centers assume themselves to follow a formal admission policy (93%), selection committee for selection of tenant companies (93%) and graduation policy (100%). They claim that on regular basis they collect business information from tenant companies (93%), and make periodic assessment of their requirement (87%), and progress (97%). they perceive that there is not much differences in terms of expectations between them and tenant companies (60%), and priorities (53%). Centers have difficulty in finding appropriate tenant companies (77%) and organizing adequate funds for them is neutral (56%). They state that they are providing assistance to tenant companies after exit from center (87%) and are confident to a good extend about availability of suitable space to tenant companies outside the center on graduation (73%).

v. *Human Resource Practices*

In case of human resource practices, the business incubation centers are 100% confident on transferring skills to students, hiring expert consultant and availability of well-laid down criteria for selection of staff. They are highly confident on successful background of working closely with start-up companies (93%), having skilled staff on budgeting, finance and organizational analysis ((97%) and periodic assessment of their staff requirement (90%). However, they make a contradictory statement on availability of skilled staff (80%). They permit their staff to have stake in center and however (67%), their staff has risk taking attitude (67%), however, they are not much serious on staff performance appraisal (63%). They need to improve areas like retaining skilled staff (40).

vi. *Assessment Practices*

With regards to assessment practices, the incubation centers claim that they have developed a well-defined criterion for measuring their success (90%), transformed ideas to marketable product and have made periodic assessment on entrepreneurial market (87%). They have boosted public confidence on entrepreneurship and adopt adjust themselves quickly to market changes (83%), exploited opportunities to a good extend by generating successful business (70%). However, their sustainability is vulnerable (57%).

1. The success of the incubation centers depends to a large extent on the tenant's service they offer so that the importance of the adaptation between them cannot be undermined. While it is identified in the previous chapters the services that are not adequately provided, we now offer an analysis of these shortcomings in policy and the deviation in their practices, as perceived by the interviewees. It is important to analyze these shortcomings with regard to the Afghan business environment in order to provide them with a viable solution. We are also trying to identify the reasons for the failure of the Afghan incubation centers in order to implement the

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best practice in comparison to the international context.

IV. Recommendations

a) Business incubation services

i. *Physical Infrastructure Services*

a. *Library Facilities*

To make improvements in the library facilities, it is recommended that centers creating their own physical library if there is enough space and money. Alternatively, a separate section with relevant literature in the centers' library can be organized for use by the tenant companies. Inter incubation center books loan facility should be encouraged and the possibility of free subscription and free copies of newsletters, books, reports, etc. should be discovered.

b. *Laboratory Facilities*

For the laboratory we propose the establishment of a common laboratory with basic equipment depending on the thrust area of the incubation center. The laboratory of the laboratory of center can also be used after business hours or on public holidays. As far as access to specialized facilities is concerned, relations with nearby research and development facilities or technical facilities and technology-based companies should be improved. Some of the technical processes can be outsourced or equipment can be procured on rental if it is cost-effective.

b) Business Assistance Services

i. *Secretarial Services*

Secretarial services improve the image and effectiveness of incubation centers and tenants. Therefore, the appointment of a receptionist with secretarial skills is recommended. Alternatively, some members of staff can be trained on secretarial skills.

ii. *Technical Assistance*

In order to improve provision of technical support services, researcher proposes a stronger link with the industry and the nearby research and technical facilities, which will improve the availability of experts and facilities for tenant companies. Advisors who are capable and willing to support the start-up companies should be invited to the panel of business incubation centers and services of retired professionals. Device and machine suppliers can provide valuable insights into the practical aspects of production / processes. Technical support, if it starts from the beginning of the incubation process, gets very relevant as the tenant companies can draw their attention at an early stage to all important aspects. Only those start-up companies should be admitted to the incubation center whose technical assistance requirements can be met.

iii. *Marketing Assistance*

In order to improve the marketing support for tenant companies, the involvement of a qualified and experienced marketing professional who should be appropriately remunerated, is recommended. It is of crucial importance to offer the incubation companies the opportunity to tenant companies to present their products and services through participation in trade fairs, exhibitions, online promotions, listings in specialist directories, etc. Training in the use of cost-effective innovative marketing methods can prove to be valuable.

Networking Support

With regard to network support, we propose the creation and maintenance of a broad network consisting of members who are capable and willing to meet the needs of entrepreneurs. A proactive approach to adding continuous value to the network is indispensable.

iv. *Assistance in Securing Capital*

In order to improve tenant companies' financing, a fair and realistic assessment of their financial needs is recommended. Before they are linked to the financiers, it is important to ensure that start-ups meet the expectations of the financing agencies and mature enough for investment. Incubators should highlight, in particular, the market potential, the quality of management, the profitability and the cash flows of the tenant companies and present the case for the financing. When selecting financier, its expertise, its track record, its reputation and the expectations of the tenant regarding growth, future fund requirements and the investment time horizon must be taken into account. An estimation of the timeframe and the amount of funds required during each phase of tenancy transactions is crucial for the release fund to start-ups. Entrepreneurs who have the potential to adapt themselves to the requirements of the funding agencies may be given preferential admission to the incubator. Direct investments in promising tenant companies are also a worthwhile option.

c) Management Guidance and Consulting Services

i. *Assistance in conducting Feasibility Studies*

It is recommended that a thorough feasibility study to be carried out by a qualified specialist and used as a basis to determine whether the incubated project should be proceeded or dropped. The incubator resources are very scarce and should be used only for tenant companies who will benefit most. This service should therefore be given a high priority and, if necessary, be outsourced.

ii. *Business Counselling*

We propose that counselling is offered to all tenant companies, which should not only be a one-time meeting, but a continuous relationship to regular meetings during the incubation period. Although group counseling may be appropriate in some cases, tailor-made counseling is much more effective and fruitful.

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The business incubation center manager should specifically assign some of his time to interact with the tenant companies. Interacting with successful entrepreneurs and previous tenant companies can be helpful as the tenant can be inspired by them. Domain area experts, industry professionals, executives and investors who are willing to spend time with entrepreneurial companies must be actively engaged and appropriately rewarded. Tenant companies can be encouraged to participate in various workshops / seminars organized within the scope of corporate consultations, industry associations and other organizations. Online consulting through professional / industry network can be very helpful. A knowledge base, consisting of information on various aspects of business development, created from the experience of various tenants, can be organized as a reference.

iii. *Business plan writing assistance*

It is strongly recommended that incubation centers help their tenants to regularly review their business plans. They should track changes in the business environment and suggest them to make appropriate changes to the business plan or, if necessary, to develop a new plan. If this service could not be provided in the house, it should be outsourced.

iv. *Enabling Environment Services*

Reduced time to develop marketable products/services

In order to overcome this problem, we recommend that the business incubation centers should foresee problems that are likely to emerge during each stage to tenant companies and provide focused support to handle them effectively, thereby expediting the process of developing marketable product or service. A realistic evaluation of fund requirements for each stage of tenant companies' business and their timely availability is essential.

v. *Minimized chances of failure*

To reduce the chances of the failure of the start-up companies, the business incubation centers should have a holistic perspective of the support system and direct all resources and endeavors for their success. This requires that all connections in the process of incubation be intensified and monitored regularly. The business incubation centers should focus on company development as a priority focus and only give those entrepreneurs who benefit most from incubation services.

vi. *Regular Feedback*

It would be useful if the business incubation centers are deliberately trying to obtain formal or informal feedback from all tenant companies on regular basis. On the basis of feedback, an action plan should be drawn up and changes made as quick as possible. It is important to have a review system and record the improvement in place. Feedback should be reciprocal and tenants should also be given feedback. However, it is important to develop a confidence level, react sensitively to feelings, and direct feedback to a particular behavior or skill rather than to the individual.

vii. *Synergistic environment*

Synergy is not in place only because of the co-location and it requires planned efforts. It is very important that the incubation centers strive for a proactive approach to creating synergies and make a conscious effort to promote networking and collaboration between different tenant companies and to facilitate the business relationship between them.

viii. *Establishing Credibility*

The business incubation centers are expected to help tenant companies establish credibility leveraging the use of incubator's trustworthiness, network and contacts. However, in order to achieve long run credibility, it is recommended that centers should make the tenant companies trustworthy educating them on professionalism and help them develop expertise in them to make continued effort in this regard.

Practices followed by business incubation Centers to Foster entrepreneurship

a) Management Practices

i. *Incubation Centre Funding*

In order to achieve a substantial improvement in the funding of the business incubation centers, it is recommended that they focus on the issues concerning of the financing right at the time of their establishment. A realistic evaluation of the fund's need and availability should be ensured before the establishment center. Rent and service fee can be strengthened as the tenant company matures and specialized facilities can be provided at a higher fee. Partnership in new companies can be a good option to increase the profit base. Likewise, it is important to manage costs for the development and operation of the incubation center and to ensure sound financial management in order to ensure continuous availability of the funds and improved creditworthiness. Business incubation is a resource-intensive activity and therefore only those tenant companies should be allowed to meet the objectives of the incubator and benefit most from it. If the tenants do not reach the given milestones within the agreed upon time, such non-performing tenants should offer incentives to get them graduated from incubation process.

b) Promotional Practices

i. *Awareness about business incubation center and their services*

In order to strengthen the awareness of the incubation centers, it is recommended to be well signposted. Incubators can request the support of trade and industry associations and local business for the

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creation of awareness. The Internet as an advertising medium should be maximized. Low cost innovative means of promotion such as free listings in directories, business support websites, yellow pages, articles and newspapers, magazines, search engine optimization, SMS campaigns, newspaper inlays, In the local television channels and / or in the cable network business plan contests, press and media communications can increase the visibility.

c) Tenant Management Practices

i. *Differences between business incubation centers and tenant companies in terms of expectations and priorities*

To avoid mismatches in terms of expectations and priorities between the incubation centers and their tenants, we suggest that entrepreneurs be informed of the scope and limitations of the incubation process prior to their admission. The roles of the incubation centers and the tenant companies must be discussed in advance in order to avoid discrepancies in terms of expectations. The same applies to priorities, and both should have knowledge about the priorities of the others in order to align them in the most productive way.

d) Tenant Companies Funding

For a sufficient and timely financing of the tenant companies it is recommended that centers assist their tenants with a fair and realistic evaluation of their financial needs. Prior to connecting tenant companies to sources of financing, it should ensure that tenants meet the expectations of the financing agencies and are ready for investment. While representing the case for financing to financier, they demonstrate a high market potential, management quality, return on investment and cash flows generation. While selecting financier incubators should take account of their tenant companies competence, success, reputation and expectations regarding growth, future fund requirements and investment timing. An assessment of the amount of funding required and its time span is essential for the release of seed funds. At the time of screening, only those entrepreneurs who have the potential to adapt to the requirements of the financing bodies should be considered. Direct investments in promising tenant companies can be a good option.

e) Human Resource Practices

i. *Equity Stake in Tenant Companies*

Establishment of partnership with tenant companies can enhance the revenue base of the business centers substantially and they should participate in investment arrangements with properly structured deals. One of these arrangement can be buy back of investment wherein the tenant company can buy back equity from centers in future.

f) Business Incubation Centers' Manager Salary

Researcher recommends that the salary paid to the center manager and other staff members should remain proportionate with their experience in assisting tenant companies should be competitive in local market. A well-developed compensation, growth plan, and well-laid down service environments is indispensable. Salary paid to centers' staff should be treated as an investment rather than a cost.

g) Lack of staff

One way to solve difficulty in finding skilled business incubation professionals is to hire applicants with entrepreneurial skills and train them for the job. Rotation of staff and assigning them different task can improve skills and help them learn effective incubation practices. Inviting industry representatives, ex-tenant, successful entrepreneurs, and consultants can be considered as another measurement. In order to reduce turnover rate of skilled staff, the centers should structure a compensation and growth plan carefully. Similarly, centers should hire right individual based on well-development recruitment plan.

It is further recommended that all incubation centers create a training and development center to ensure availability of skilled staff member when needed.

h) Assessment Practices

i. *Self -sustainability of Incubation Centers*

The question of sustainability should be kept in mind at the time of the centers' foundation. A thorough assessment of the needs of the private sector and the needs of entrepreneurs should be made, and the design of the incubator should be consistent with these needs. The incubation centers should set up a roadmap with clear milestones, and all aspects of the strategy, objectives, government system, organizational structure and resources should be geared towards sustainability. The focus of the incubation centers should be on enterprise development, and all other targets should remain inferior to this goal.

Self-sustainability becomes possible when the incubation centers discover all sources of income, such as equity, licensing fees, rents & service fees, consultations and others. Continued subsidies and grants make them self-complacent and therefore excessive reliance on subsidies should be gradually reduced and eventually stopped. From the above discussions, it can be concluded that there is no single formula for the success of incubation. It is rather a combination of several practices which are interdependent and should be pursued at the same time.

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