

1 Role of Incubation Centers in Growth of Small-Scaled Businesses 2 in Afghanistan

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5 *Received: 8 December 2016 Accepted: 1 January 2017 Published: 15 January 2017*

7 Abstract

8 For past three-years unemployment has been a growing in Afghanistan, which has caused
9 many socio-economic problems. One of the solution to this problem is private sector
10 development. A lot of attention has been paid toward attraction of investments at large scale
11 from private sector, however, experience of many countries including industrial economies
12 show that small scaled businesses has contributed to employment and economic development
13 to remarkable extend. Small scaled businesses have a very high rate of failure at their initial
14 stage. Development of these businesses requires promotion of entrepreneurship. This study
15 attempts to highlight the role of business incubation centers for this purpose in Afghanistan
16 context. Studies have shown that factors such as incubation centers physical infrastructure,
17 provision of business assistance, management guidance and counselling, enabling environment
18 and sound practices of incubation centers have led to survival and growth of many small
19 businesses.

21 *Index terms*— incubation center, tenant companies, incubation.

22 1 Introduction

23 a) The problem conomic development is a phase, when entrepreneurship will increasingly play a more important
24 role (Wim, 2016). According to United Nation University World for Development Economic Research, which
25 resulted into publishing of Entrepreneurship and Economic Development book, entrepreneurship contributes to
26 national happiness. Why Author ? ? : Kardan University. e-mail: aimal.mirza@gmail.com would increase in
27 entrepreneurial activity increase national happiness? This book further argues that unemployment is a major
28 cause of unhappiness in societies.

29 Therefore, employment generators entrepreneurs are key in economic development of societies like Afghanistan,
30 where there are many opportunities to exploit the resources. Besides many other problems1 lack of entrepreneurial
31 enthusiasm hinders the country to start its prime engine for growth and development. The small-scaled sector has
32 been a major contributor to employment generation in many developing countries. However, these companies
33 have very high rate of failure in Afghanistan. Factors contributing to this rate are, lack of management and
34 business skills, difficult legal requirements, lack of capital, inflation, disadvantages due to small size in terms
35 of scale economies and product and process innovations, securing access to intangible and tangible resources,
36 limited or having no access to scientific knowledge, and absence of know-how. All these problems are the basis
37 for fact that unemployment rate remains very high in country.

38 Unemployment is a challenge that societies have to tackle. In Afghanistan it has always been a serious social
39 problem that needs a constant attention. According to Trading Economics, unemployment rate measures the
40 number of people actively looking for a job as a percentage of the labor force. Based on the figures released in
41 2015 by National Union of Afghanistan Worker this percentage is fifty-six in Afghanistan. The high percentage of
42 unemployment basically is because low development of private sector. Contribution of small-scaled businesses is
43 very insignificant in private sector development. For past 10 years small scaled business growth has been negative.

3 C) METHODOLOGY

44 Independent Commission for Aid Impact (ICAI) published its review on development programs of Afghanistan
45 on March 07, 2014, according to this review more than 4500 small businesses discontinued their operation after
46 reduction of international forces in Afghanistan. This fact has caused a steep increase in unemployment rate in
47 country. Based on these facts, survival of small businesses is vital to our economy.

48 Literature confirms that through support of entrepreneurial activates incubation centers have been able to
49 reduce failure rate of small businesses. Incubators have received increasing attention as a tool for fostering
50 entrepreneurship, both in developed Year () A countries and in developing countries. They will be an integral
51 part for framework of business assistance to provide critical support to the newly established companies. Realizing
52 their importance, all individual and organization involved in business incubation industry try to define, identify,
53 measure, formulate and evaluate various aspects related to these programs. Business incubation initiatives have
54 emerged with different success in different parts of the world, especially in the last decade. However, the countries
55 are experimenting with it to foster entrepreneurship (Kadmar, 2013). Afghanistan is one of these countries, where
56 such initiatives have taken place recently. Through an extensive literature survey this study attempts to explore
57 the role of business incubation in facilitating the process of entrepreneurship in Afghanistan. This research study
58 elaborates on questions like,

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

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

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

69 2 b) Objective of Study

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

76 ? To evaluate the role of Business Incubation Centers in promoting entrepreneurship, job creation and economic
77 development.

78 ? To analyze the gap between the practices followed by business incubation centers to promote entrepreneurship
79 in Afghanistan and abroad. ? To make recommendations with the purpose of making business incubation centers
80 in Afghanistan more effective in fulfilling their role of promoting entrepreneurship.

81 3 c) Methodology

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

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

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

100 iii. Research Design This study is descriptive and or exploratory in its nature. It is descriptive because the
101 practices that business incubation centers follow to foster entrepreneurship, which have already been identified
102 and studied by earlier scholars (literature survey) will also be analyzed in the present research endeavor. It is

103 exploratory in the sense that no research work has been done on the role of business incubation centers in foste-
104 1 Tashabos is a Dari word which mean entrepreneurship.
105 ring entrepreneurship in Afghanistan. Moreover, the observations made by the scholars have provided base
106 for the development of concept of this research project.

107 **4 iv. Universe of Study**

108 The universe of the study is confined to 6 business incubation centers and their tenant companies existing in
109 Afghanistan during the year 2015-2016. v. Data Collection a. Primary Data Researcher used self-administrated
110 questionnaire to collect information supplemented by interviews. The design of questionnaire is Likert fivepoint
111 scale. The data was analyzed using factor wise and item wise analysis on the role of business incubation center
112 in fostering entrepreneurship.

113 **5 b. Secondary Data**

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

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

122 **6 d) Significance**

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

127 **7 II.**

128 **8 Summary of Literature Review**

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

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

142 **9 a) Conceptualization**

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

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

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

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

170 ii. Business Assistance Services This includes a wide range of functional areas such as marketing, technical,
171 human resource, legal, networking and finance and product development. Previous research studies (Divid
172 N, 1985) (Rahman, 1995) (Campbell, 1985) (Johannisson, 1988) (McCluskey, 1990) (Sherman, 1998) (Chappell,
173 1998) (Hansen, 2000) (Klofsten, 2000) (Hellmann, 2002) (Lewis, 1996) (Pena, 2004) have confirmed that problems
174 in managerial areas, lack of business skills, under capitalization, and poor access to business network hinder
175 survival rates of new ventures and this is where the business incubation centers play a key role by offering
176 business assistance services as a solution to the various problem faced by start-up companies. These services
177 can help new ventures access capital, widen information sources, minimize business costs and time, exploit
178 opportunities, reduce learning period and access resources required for business survival and growth. Based on
179 the data analysis it can be concluded that business assistance services have higher importance to both incubator
180 and tenant companies than physical infrastructure as the obtained percentages are 83 and 66.5 respectively in
181 item wise percentage analysis.

182 10 iii. Management Guidance and Consulting Services

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

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

193 Researcher also explored that the business incubation centers spread information and provided support for
194 developing business plans to the tenant companies. Both the business incubation centers and the tenant companies
195 realize the importance management guidance and consulting services to be offered as shown by percentage score
196 97 and 82 respectively. Therefore, it may be deduced that the business incubation centers are making a good
197 contribution in fostering entrepreneurship by offering management guidance and consulting services.

198 11 iv. Enabling Environment Services

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

204 Review of literature (Scholarly Commons, 2016) (Lichtenstein, 1992; (Dividsson, 2003) (Honig, 2003)
205 (McAdam, 2006) (Rodney, 2006) shows that business incubation centers create opportunities and environment
206 that are helpful to tenant companies to create synergy. Such an environment allows tenant companies to share
207 resources, experience, feelings of ups and downs leading to reduction of isolation, and learn from each other to
208 excel through the start-up process. The importance of having a good fit between tenant companies' requirements
209 and incubator services has also been emphasized. (Autio, 1998) (Klofsten, 2000). The present study shows that
210 based on incubators claim they have created an environment for tenant companies to learn from each other.
211 The incubator data analysis reveals they assume to be highly effective in reduction of time required to develop
212 marketable security. However, tenant companies' satisfaction level is quite low. Areas like assistance to reduce
213 early stage operational cost, expedition in development of new firm development, assistance in reduction of
214 chances to fail and helping companies to establish credibility requires high attention to be improved.

215 **12 b) Tenant Companies Perception on Services**

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

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

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

224 **13 c) Good Management Practices Effect on Fostering En-** 225 **trepreneurship i. Management Practices**

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

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

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

239 **14 iv. Tenant Management Practices**

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

249 **15 v. Human Resource Practices**

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

257 **16 vi. Assessment Practices**

258 With regards to assessment practices, the incubation centers claim that they have developed a well-defined
259 criterion for measuring their success (90%), transformed ideas to marketable product and have made periodic
260 assessment on entrepreneurial market (87%). They have boosted public confidence on entrepreneurship and
261 adopt adjust themselves quickly to market changes (83%), exploited opportunities to a good extend by generating
262 successful business (70%). However, their sustainability is vulnerable (57%). 1. The success of the incubation
263 centers depends to a large extent on the tenant's service they offer so that the importance of the adaptation
264 between them cannot be undermined. While it is identified in the previous chapters the services that are not
265 adequately provided, we now offer an analysis of these shortcomings in policy and the deviation in their practices,
266 as perceived by the interviewees. It is important to analyze these shortcomings with regard to the Afghan business
267 environment in order to provide them with a viable solution. We are also trying to identify the reasons for the
268 failure of the Afghan incubation centers in order to implement the best practice in comparison to the international
269 context.

270 IV.

271 **17 Recommendations a) Business incubation services**

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

277 **18 b. Laboratory Facilities**

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

283 **19 b) Business Assistance Services i. Secretarial Services**

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

287 **20 ii. Technical Assistance**

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

296 **21 iii. Marketing Assistance**

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

302 **22 Networking Support**

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

306 **23 iv. Assistance in Securing Capital**

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

317 **24 c) Management Guidance and Consulting Services i. Assis-**
318 **tance in conducting Feasibility Studies**

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

324 **25 . Business Counselling**

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

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

336 **26 iii. Business plan writing assistance**

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

341 **27 iv. Enabling Environment Services Reduced time to develop 342 marketable products/services**

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

347 **28 v. Minimized chances of failure**

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

353 **29 vi. Regular Feedback**

354 It would be useful if the business incubation centers are deliberately trying to obtain formal or informal feedback
355 from all tenant companies on regular basis. On the basis of feedback, an action plan should be drawn up and
356 changes made as quick as possible. It is important to have a review system and record the improvement in
357 place. Feedback should be reciprocal and tenants should also be given feedback. However, it is important to
358 develop a confidence level, react sensitively to feelings, and direct feedback to a particular behavior or skill rather
359 than to the individual. vii. Synergistic environment Synergy is not in place only because of the colocation and
360 it requires planned efforts. It is very important that the incubation centers strive for a proactive approach to
361 creating synergies and make a conscious effort to promote networking and collaboration between different tenant
362 companies and to facilitate the business relationship between them.

363 **30 viii. Establishing Credibility**

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

368 **31 Practices followed by business incubation Centers to Foster 369 entrepreneurship a) Management Practices i. Incubation 370 Centre Funding**

371 In order to achieve a substantial improvement in the funding of the business incubation centers, it is recommended
372 that they focus on the issues concerning of the financing right at the time of their establishment. A realistic
373 evaluation of the fund's need and availability should be ensured before the establishment center. Rent and service
374 fee can be strengthened as the tenant company matures and specialized facilities can be provided at a higher fee.
375 Partnership in new companies can be a good option to increase the profit base. Likewise, it is important to manage
376 costs for the development and operation of the incubation center and to ensure sound financial management in

377 order to ensure continuous availability of the funds and improved creditworthiness. Business incubation is a
378 resourceintensive activity and therefore only those tenant companies should be allowed to meet the objectives of
379 the incubator and benefit most from it. If the tenants do not reach the given milestones within the agreed upon
380 time, such non-performing tenants should offer incentives to get them graduated from incubation process.

381 **32 b) Promotional Practices i. Awareness about business**
382 **incubation center and their services**

383 In order to strengthen the awareness of the incubation centers, it is recommended to be well signposted.
384 Incubators can request the support of trade and industry associations and local business for the creation of
385 awareness. The Internet as an advertising medium should be maximized. Low cost innovative means of promotion
386 such as free listings in directories, business support websites, yellow pages, articles and newspapers, magazines,
387 search engine optimization, SMS campaigns, newspaper inlays, In the local television channels and / or in the
388 cable network business plan contests, press and media communications can increase the visibility.

389 **33 c) Tenant Management Practices i. Differences between**
390 **business incubation centers and tenant companies in terms**
391 **of expectations and priorities**

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

397 **34 d) Tenant Companies Funding**

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

408 **35 e) Human Resource Practices i. Equity Stake in Tenant**
409 **Companies**

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

414 **36 f) Business Incubation Centers' Manager Salary**

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

419 **37 g) Lack of staff**

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

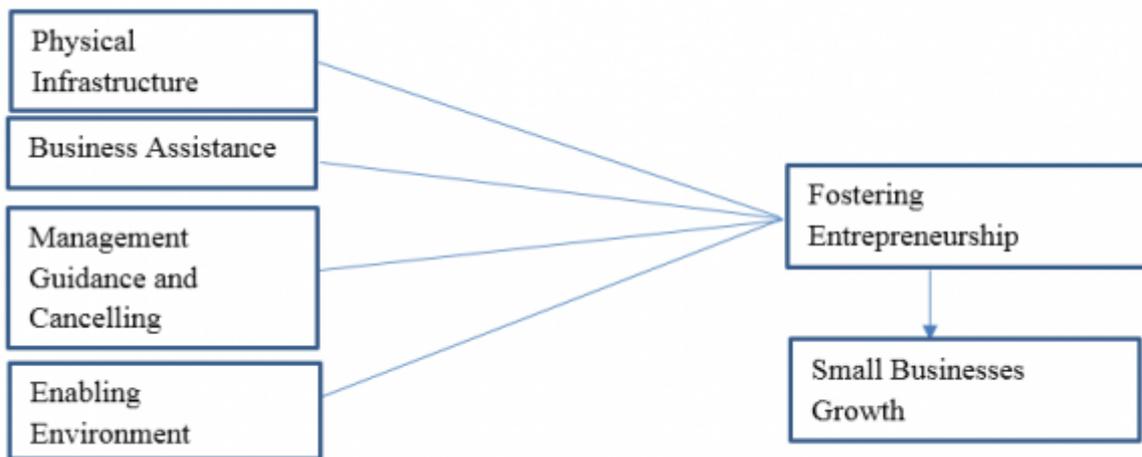
426 It is further recommended that all incubation centers create a training and development center to ensure
427 availability of skilled staff member when needed.

38 h) Assessment Practices i. Self -sustainability of Incubation Centers

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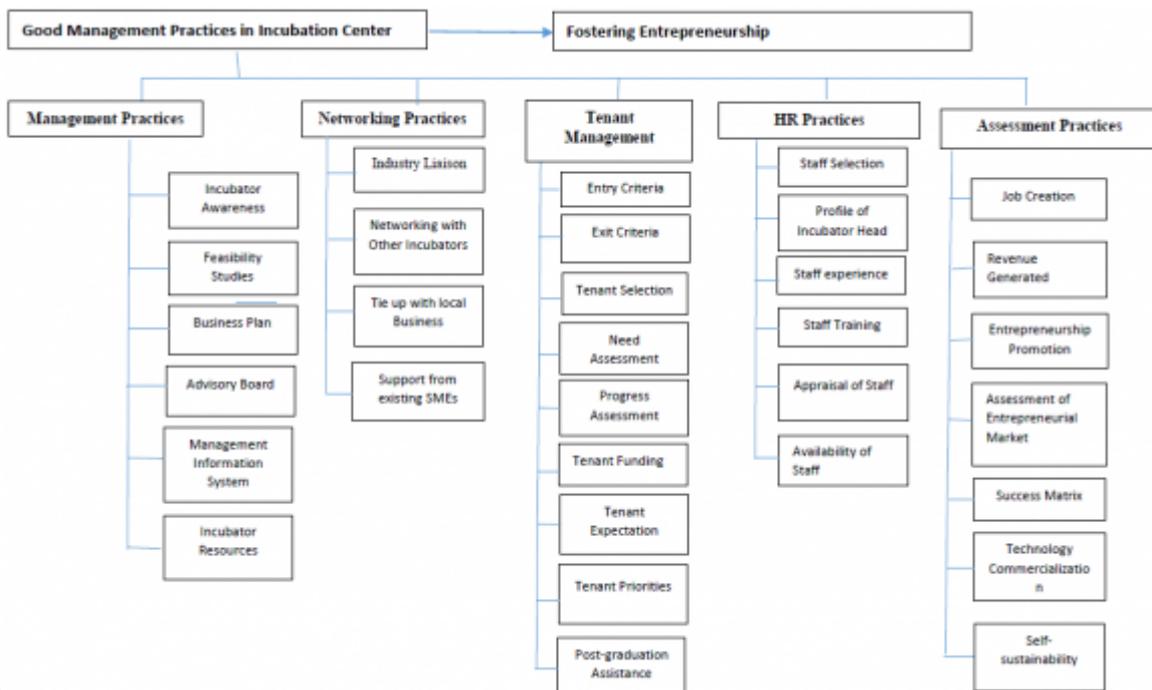
430 The question of sustainability should be kept in mind at the time of the centers' foundation. A thorough
431 assessment of the needs of the private sector and the needs of entrepreneurs should be made, and the design of
432 the incubator should be consistent with these needs. The incubation centers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

436 Self-sustainability becomes possible when the incubation centers discover all sources of income, such as equity,
437 licensing fees, rents & service fees, consultations and others. Continued subsidies and grants make them self-
438 complacent and therefore excessive reliance on subsidies should be gradually reduced and eventually stopped.
439 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. ¹



21

Figure 1: Figure 2 . 1 :



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Figure 2: Figure 2 . 2 :

38 H) ASSESSMENT PRACTICES I. SELF -SUSTAINABILITY OF INCUBATION CENTERS

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