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**Business Incubators and Business Champions as Key Drivers
for Entrepreneurship Initiative**

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Abstract

The paper highlights the importance of business incubators for supporting entrepreneurship initiatives on their road towards performance and success in business as business angels and business champions. We live in quite interesting times where unexpected changes seem to become the "single constant" of the universe. Thus entrepreneurs and mostly young people belonging to generation Millennials and generation Z have to discover and rediscover new performant models to support business performances. Business excellence becomes a "need" within our turbulent, dynamic and challenging times. Promoting a culture of excellence based on the management of diversity and stimulating the creative and innovative potential of all the people within an organization become crucial factors for success mostly for knowledge and innovative-based organizations while also promoting a broad vision of innovation such as "open" innovation. Mostly generation Z, also called digital generation, prefers to actively interact based on online collaborative platforms. Our paper supports the idea of collaboration in education, research and mostly within the modern business framework. The paper is authored by an international team, the first two co-authors working and interacting within the Master of Business Programme of FABIZ-ASE under the auspices of the course "Innovative Management". This co-operation was further developed during the time spend by the first author of the paper as a visiting professor at the Sapienza University of Rome, Faculty of Economics in November-December 2019. The second co-author is a member of the Doctoral School of Management, Banking and Commodity Sciences and of the Management Department of the same Faculty. The third co-author is a PhD candidate at Bucharest University of Economic Studies, Economics I Doctoral School.

Keywords: business incubators, business champions, business excellence, culture of excellence, generation Z, entrepreneurship, business intelligence.

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1. Introduction

In a competitive and constantly developing market, a priority at the level of the European Union, but also an essential component of the national strategies is to support the development of the business environment. As a consequence, this induces a series of challenges that present opportunities for the large-scale promotion of new forms of innovation, consisting in modern approaches specific to the concept of open innovation.

Innovation is one of the key factors in achieving, maintaining and developing a sustainable competitive advantage in the medium and long term, with direct effects propagated to increase productivity, improve employment and other specific performance indicators (Neely & Hii, 1998).

Some authors (Sepuvela, 2013) explicitly mention the inclination of economic actors who operate and interact in business incubators to use the specific prerogatives of the innovation concept, providing the necessary elements to propagate this favourite phenomenon in the field of innovative start-ups.

The assistance for young people in starting a business by ensuring that they can benefit from the resources available at a local community level, as well as an appropriate infusion of capital and advice may have a positive impact, especially on the medium and long term. This is expected to lead even in the short-term to obtaining and maximizing profits, but also to obtaining significant value added on the basis of intangible assets and, in this case, intellectual capital (Bruneel, Ratinho, Groen, & Clarysse, 2012).

Our work aims to first outline an updated map of the Romanian incubators' characteristics and to identify some of the peculiarities of the incubated start-ups. Subsequently, a brief best practice guide of the national business incubator environment is presented, based on a critical comparison between the Romanian and Italian main characteristics of business incubators.

The mainstream of the economic literature deals extensively with innovative start-ups and incubators business models.

In particular, numerous pieces of research have focused on identifying different incubation models and evaluating their economic effects.

However, we consider that the existing realities, together with the diversity of methodological approaches used makes it difficult to compare the results obtained in the literature regarding the effectiveness of incubators.

2. Brief literature review

Entrepreneurship is at the heart of sustainable growth for both developed and developing economies, and incubators often served as catalysts for cluster formation and entrepreneurial development. Small businesses are one of the largest job creation segments of an economy, even if only a few succeed in this in their early years.

Business incubators are one of the most important and successful mechanisms for SME (Small and Medium Enterprises) business development and support to deal with economic threats and obstacles (Carayannis & Zedtwitz, 2005). The same

authors also state that innovative start-ups would generate positive outcomes, consisting of stimulus to innovation and change of technological paradigms that promote out-of-the-box thinking and business, thus favouring the economic system as a whole.

Economic impact through specific entities – incubators precisely – are supposed to support businesses and seem to make them less vulnerable, which is mostly relevant and significant within the early stages of their life.

According to the NBIA, the main purpose of a business incubator is to generate successful incubated businesses, which is expected to leave the program in a viable and self-sufficient financial state. They have the potential to create jobs, revitalize areas and develop new technologies or even promote innovative business models.

Business incubators also encourage entrepreneurship in the community and increase the survival rate of reputable businesses. Ultimately, local and national economies greatly benefit from the support that is offered to individual entrepreneurs.

Throughout many countries, although characterized by significant differences in the institutional, economic and cultural contexts, incubators are considered instruments of public intervention (national and/or regional), aimed at pursuing objectives of economic policies:

- *At the macroeconomic level*, to promote the economic development of an area, the job creation and entrepreneurial initiative
- *At the microeconomic level*, to increase the survival rate of Innovative Start-Ups.

According to (Grimaldi & Grandi, 2005), the majority of the incubators are non-profit organizations and largely dependent on public resources, although in some economies these entities are managed according to business logic and public contributions are supplemented by private funds, as well as from the income generated by incubation services.

There are cases of incubators that are fully financed by private entities, mostly attributable to large high-tech companies (which thus encourages the development of innovative activities) or venture capitalists.

However, it should be noted that even in the United States, where the presence of private incubators is significant, a significant percent benefit from public funding (of federal, local or state origin) and only a small portion is totally financed by profit organizations. Most institutions share the idea that entrepreneurs are supported for a limited period of time, after which the Start-Ups may become self-sufficient or even fail.

Entrepreneurship and entrepreneurial education are nowadays two closely related concepts, due to the increase of technological advancement and the increase of competitiveness.

In this context, business excellence is greatly influenced by the quality assurance and the promotion of a well-articulated set of values, including by implementing the principles of CSR (Corporate Social Responsibility). All the entities participating in

the educational process for entrepreneurship suggested a set of values that later revealed their result in the economic environment, by promoting innovation, excellence and culture of excellence in business (Trow, 1994).

With regard to the effectiveness of incubators and their economic effects in general, the results obtained in literature are not unique.

Furthermore, the works are very heterogeneous from the point of view of the sample size (from case studies on a few companies and / or incubators to works related to a few hundred companies), techniques used to collect information (direct qualitative interviews, questionnaires, etc.) and methods of analysing the data collected (qualitative and SWOT analysis, quantitative techniques).

Some authors (Al-Mubarak & Busler, 2010) stated that a quite significant number of studies illustrate that the incubation activity is expected to have positive effects on:

- *Macroeconomic variables* such as:
 - The rate of economic development
 - Job growth rate
 - The rate of adoption of the new technologies
- *Microeconomic variables* such as:
 - The survival rates of start-ups
 - 1-Year survival rate
 - 5-Year survival rate
 - Growth rates of Incubator and Start-Up Revenues
 - Percentage of High-Growth Companies
 - Qualified Exits

This part of our paper consists of an overview of the most relevant works identified within the scientific literature in the field of the topic of business incubators, business champions and business excellence. The literature review is presented as a synthesized approach, including the most important references to the topic by highlighting the state of art within the scientific literature.

3. The main evolution of business incubators in Romania

Chronologically, the evolution of incubators in Europe has followed several milestones.

- *The origins of business incubators* can be traced back in the late seventies, during the phase that marked the transition from an economy based on traditional industry to one characterized by the growing importance of information and communication technologies.
- *Subsequently*, in the eighties incubators were viewed as an economic policy tool to respond to ongoing macroeconomic changes and stimulate entrepreneurship and the creation of employment after the recession.

This is perhaps the most dynamic and significant phase of the evolutionary path of business incubators, which not only regarded the number of initiatives,

but also recorded an increase in investments by a plurality of actors, such as governments, academic institutions and businesses.

- *The third stage* dates back to the 1990-2000, in which the development of the ICT sectors stimulated the growth of so-called industry incubators, focusing on emerging technologies.
- *Finally*, from 2000 until today, with a quite rapid increase rate over the recent years, the evolution of a new type of incubator is represented by a hybrid between an incubator and an accelerator. This is *the emerging model today*, mainly followed by *virtual incubators*. This type of incubator associates the seed capital offering additional services in terms of physical, technological and managerial infrastructure specific to the sector in which it operates.

In Romania, the concept of Business Incubators is relatively recent, with the first successful BI's appearing in the last 15 years.

For the Romanian economic environment, the Start-Ups carrying out economic activities inside the incubators, depending on their specificity, are able to benefit from business support regarding:

- Managerial advice and constant cooperation of incubated companies
- Access to training services for current and future market needs
- Professional legal and accounting services
- Collective purchasing of services and products
- Access to non-governmental funds for economic development
- Access to sources of financing or investments
- Contacts with individual investors, venture capital funds, business angels
- Technology transfer and marketing
- Contacts with universities and research and development institutes
- Internationalization services for small and medium enterprises
- General space management services.

In the EY study on the Romanian Start-up Activity, (Carstoiu, 2020) notes that 1 out of 2 Romanian Start-ups are in business for less than 12 months, while almost a third do not live to see their second year of activity. More than 75 percent of the start-ups have a turnover of less than 50,000 Euros, while only 1 percent had exceed the 500,000 Euros threshold. The majority of the investigated subjects are aged between 22-35, while there is a very low percentage for the founders aged over 50 years old. Almost all the studies provided are showcasing an inexperienced and relatively young incubator environment, which leads us to develop a best practice guide for the Romanian entrepreneurs, based on the feedback and the results obtained.

The Romanian Business Incubators should help companies indirectly by placing the entrepreneurial actor in a professional environment of colleagues, resources (network) and psychological support between tenants. It should help companies directly, through affordable rents, services and equipment that would otherwise be

unavailable or inaccessible. It can also help the entrepreneur gain legitimacy by improving tenant visibility and credibility.

4. The main evolution of business incubators in Italy

The incubator promotion and development process saw the involvement of multiple territorial actors, public or private.

We mention only some of these actors, such as: government premises, universities, science parks, chambers of commerce, banking foundations and even large companies. The political and economic characteristics of the territory in which the incubator also arises, have exercised a significant influence on its formation, evolution and growth. Therefore, a single incubator model seems to be not applicable.

In Italy the birth of the first incubators took place in the eighties at the initiative of public sector, in order to promote entrepreneurship and economic development in the most disadvantaged areas of the country.

With over 40 Certified Business Incubators among all the regions, Italy comprises more than 11,000 Innovative Start-ups and has at least one in each of the country's 1414 municipalities, showing a great territorial distribution. In his report regarding the development of *the Italian Start-up Program*, the *Minister of Economic Development*, (Calenda, 2018) presents the following analysis:

- The number of innovative SME's has a double digit yearly growth for the last 5 years
- Nearly 40% of companies currently registered as innovative SMEs were formerly innovative start-ups
- The survival rate of innovative start-ups is very high. To date, more than 80 percent of the Start-ups recorded since 2012 are still in business
- 21.5% of innovative start-ups have a majority of shareholders below 35 years of age, a percentage more than triple the average of other limited companies (6.7%)
- Four innovative SMEs out of 10 registered sales exceeding 1 million euros
- Innovative start-ups invest on average significantly more than other companies, especially in intangible assets: their rate of fixed assets on net assets (25%) is eight times higher than other Italian limited companies

By correlating the values and principles promoted by NBIA regarding the principles of business incubators with the highest rated incubators in Italy and their best practice examples, we can notice a commitment to a number of principles that have the above-mentioned positive impact on the economy. These may be briefly summarized as follows:

- Inclination towards open innovation and Innovative Start-Ups
- A clear mission to define the role of the incubator in the community (Social Inclusion)
- A realistic business plan that stimulates CSR for the incubated companies

- Focus on providing the client with assistance, counselling and guidance to support fast company scaling and wealth creation
- Adaptability towards each business model
- Integration of the program and activities in the local, regional or national community
- Development of a network of resources to support incubates
- Creating highly collaborative teams to achieve Business Excellence
- Smart business benchmarking methods (Using non-traditional KPI's).

5. Romania and Italy. A critical comparison analysis of Business Incubators

Business incubators were created mostly in order to support viable business ideas and to help entrepreneurs get their businesses through critical stages in the life of their new companies. They are an important lever for launching local entrepreneurial initiatives that can have a significant impact on the economy of country. As synthesized in the literature study, a solid network of incubators that nurtures companies aiming towards Business Excellence and sustainable growth must follow a new model approach and use relevant ways of benchmarking.

In the following table, we present a brief comparison that resulted after evaluating the characteristics of each country's business innovation environment.

Romania	Italy
<ul style="list-style-type: none"> ○ Relatively new concept ○ Classic Incubating Services Provider ○ Small Seed Funding ○ 50% of the Start-Ups fail after the first year ○ Start-Ups tend to enter classical economic sectors ○ Classic Business Plan ○ Uniformity of facilities provided, regardless of the business model ○ Traditional Benchmarking Assessment ○ Younger Shareholders, mostly private persons ○ Tech Industry-Oriented ○ 75% of the incubated Start-Ups report turnovers of 50,000 Euros or less 	<ul style="list-style-type: none"> ○ Established around the 1980's ○ Inclination towards Open Innovation ○ Large Investments towards Innovative Start-Ups ○ Less than 20% of the Start-ups fail after 3 years ○ Newly incubated companies enter emerging sectors ○ Business Plan includes CSR in many new Start-Ups ○ Adaptability towards different business models ○ Smart Business Benchmarking (using new and relevant KPI's) ○ Community integration and Social Inclusion ○ High Investments in Innovative Start-Ups ○ Highly Collaborative Teams, leading to BE

Source: Designed by authors

The development of the Romanian business incubators in the recent years is remarkable and it shows great potential, especially through its young average age of Start-Up founders. This provides opportunities towards developing its intellectual capital, by stimulating innovation through forward-thinking entrepreneurial education. Value added could thus be achieved, resulting in greater initial investments and an easier access towards Series A or B funding.

6. Conclusions

Besides the core purpose of business incubators, they represent a way of capitalizing on the results of scientific research and encourage the transfer of advanced technology to the industry.

In addition to the impediment represented by the lack of financing possibilities, start-up companies also face the lack of permanent technical support from specialists to be alongside young entrepreneurs in the incipient development of the business. For this reason, business incubators represent a support.

Achieving Business Excellence through the development of an inclusive and sustainable network of incubators that promote successful and socially-aware Innovative Start-Ups is possible by following a set of smart principles. The limitations in this study are represented by the relatively new business incubators (BI) environment in Romania and the subjectivity of the impact they have in the economic environment, as noticed also by the authors in the literature review.

After conducting the analysis of the evolution of business incubators in Romania and Italy and conducting a critical comparison between them, we developed a brief guide of best practices and recommendations for developing a sustainable entrepreneurial environment, with an impact on the micro, mezzo and macroeconomic level. In order to achieve Business Excellence through Business Incubators, the recommendations are as follows:

- Encouraging new forms of innovations, such as Open Innovation
- Socially-Inclusive Business Plans and Models
- Promoting CSR (Corporate Social Responsibility)
- Mandatory development of MVP (Minimal Viable Product)
- Aggressive scaling of Validated Business Models
- Encouraging Highly Collaborative Teams
- Developing Collaborative Platforms for young entrepreneurs
- Smart Business Benchmarking for BIs:
 - Percentage of Jobs Sustained
 - Self-Generated Revenues
 - Number of Coaching and Mentoring Hours
 - Amount of Total/Average Investments Attracted
 - Dimension of Network (Number of Partners/Events)
 - Number of Qualified Exits
 - 1 or 5-Year Survival Rate
- Promoting Early-Adoption of New Technology

- Individual Adaptability on Business Models Emphasizing a Long-Term Vision of the Social Impact

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