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# Start of business with and without using services of business incubator

The Abstract in English



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EVROPSKÁ UNIE



MINISTERSTVO ŠKOLSTVÍ,  
MLÁDEŽE A TĚLOVÝCHOVY



OP Vzdělávání  
pro konkurenceschopnost

INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ





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# 1 Introduction

The document is a result of teamwork taking part in a competition called Muniss. The team consists of seven students from three different universities - Mendel University, Masaryk University and Brno University of Technology. The competition took place in two terms, beginning with team leaders selection followed by forming teams and team trainings, ending with intensive work on the document.

The goal of the report is to compare the conditions of starting a business in selected branches with and without using support and services of business incubators. To achieve that, we focused on particular incubators in the early chapters, described other forms of supporting starting companies, worked out a case study and created a questionnaire on needs and wishes. Thanks to several analyses of model companies from various branches, reader may consider suitability of placing their company into a business incubator. The report may also be useful for runners of business incubators. They can find inspiration in successful business incubators described or use the information about support from the state or other organizations. The report also contains new ideas to make business incubators more attractive in the market.

## 2 Abstract

In the beginning we explained the most important concepts, such as *business incubator*, *scientific and technology park* and *business accelerator*.

To obtain relevant information about incubators, we approached them with a request for filling in the questionnaire made by us. The ones that did so were put in the overview containing the important information about them, such as conditions of entering the incubator, fields of business that incubators specialize on, provided services, etc. As a part of this overview, we enumerated the strengths and weaknesses of each incubator. In our report we dealt particularly with these incubators: *VTP Vysočina*, *Technologické centrum Hradec Králové*, *BIC Ostrava*, *BIC Brno*, *Vědeckotechnický park Univerzity Palackého v Olomouci*, and *BIC Plzeň*.

In chapter "Other forms of business support" we mentioned other important forms suitable for business growth. One of them is a co-working centre. Co-working centres are flexible in opening hours from morning till night, including weekends, as well as in the prices and the rate of use, from a few hours a month to daily use, including the opportunity to have company address in the centre. There are also meeting rooms, conference facilities, Internet connection, printers, and even babysitting. People who work in the form of co-working have all the amenities of conventional office and the advantages of Internet cafe and business incubator. Furthermore, we explained the concept of an accelerator. The accelerator is an environment which should accelerate the company, i.e. support its growth. There is a contact with investors who have the opportunity to closely monitor the development of the company. Accelerators cooperate with other accelerators around the world, which can be interesting for a company with global ambitions. Venture capital is another option for growing companies. Providers of these resources are usually investment funds who support the selected start-up businesses by increasing their capital. The goal of investors is to support the company, increase its value and sell their share to the founders, management or public markets. Similar to the venture capital are the business angels. In this case, companies obtain capital from individuals, not the investment funds. Other ways of support described in the report are the events held in form of competition, where the entrepreneurial people can take part and where the best entrepreneurial ideas are financially awarded. These are *Technology Cup*, *Vodafone Nápad roku 2014*, *WssTP SME Awards*, and *Nastartujte se*.

It is also possible to participate in projects such as *CzechEkoSystem*, which aims at improving the quality and availability of specific consulting services. It is focused on the preparation of projects of innovative small and medium-sized enterprises as potential beneficiaries of venture capital to increase their competitiveness. There is also *Horizon 2020* programme which offers a wide range of options to fund research and development activities of small and medium-sized technology companies.

Another chapter focuses on introduction of *Jihomoravské inovační centrum* (JIC) in Brno and especially on the projects it operates. The chapter describes projects, such as *120 Seconds for Companies*, *StarCube*, *Innovation Vouchers*, *MIC Minutes*, and *Innovation Park*. These projects were selected from the offer of JIC mainly for their focus on the topic of our report. The data were obtained from the website of JIC, a questionnaire which was sent to people responsible for individual projects and particularly from the communication with Ms. Šebestová. Main part of the chapter was dedicated to the project *StarCube*, which is a business accelerator and its main activity is to assist with founding and starting a company. Project *120 Seconds for Companies* primarily offers real suggestions for the company products and establishes valuable contacts. *MIC Minutes* resembles a well-known form of presentations and subsequent discussions with investors from the Czech television “Den D” show. Another large project we mentioned is *Innovation Park*, which is run as a business incubator. It is designed for existing businesses and helping them with their growth and development. Project *Innovation Vouchers* offers an opportunity to obtain subsidies for companies that are interested in cooperation with scientific-research institutions in Brno and need help with the innovation of their products. We managed to create a complex picture of opportunities for emerging entrepreneurs cooperating with JIC. Carried out a questionnaire, we received further information that may help entrepreneurs with the decision which project to use with the greatest benefit for them. JIC runs *JIC Platinn*, a project where technological companies regularly meet professional coaches in order to get advice and to grow. Since 2009, entrepreneurs have had the opportunity of an exchange programme *Erasmus for Young Entrepreneurs* to get inspiration from abroad. Moreover, young entrepreneurs and freelancers can meet in community *Startup Club* to share knowledge, experience, and contacts.

Next, we try to demonstrate what companies or entrepreneurs should be concerned of when deciding whether it is profitable to enter into an incubator or not. For this purpose we made up six illustrative companies. The core business of company A is sale and distribution of LED bulbs. Company B is a developer of medical devices. To widen variety of businesses we included companies C and D which specialise on development of software applications. Company E works on new building material and company F is represented by a farmer. We assessed each of the companies and made a table in which running a business with and without using services of business incubator is compared. The chapter is closed by evaluating the relevance of entering into an incubator for particular fields of business. The main criteria were services offered by incubators, field of company’s business interest, and founders’ knowledge in marketing and their managerial skills.

From the analyses of model companies it is clear that no general advice on whether it is suitable for every company to enter an incubator can be given. It depends on field and type of business, entrepreneur’s experience and also services of the chosen business incubator. Therefore we recommend entrepreneur to do a similar analysis of their own business.

Furthermore we created a quiz that should help entrepreneurs decide whether it is beneficial for them to enter an incubator or not.

In conclusion, we did a general SWOT analysis of the incubators, where their strengths and weaknesses, opportunities and threats were described. As main strengths of incubators we see the possibility of renting office spaces, tuition of clients and meeting with investors, and cooperation with universities. Branch specialization, conditional entry, dependence on incubator or limited capacity of incubator are examples of their weaknesses. We consider mutual synergy of incubated companies and interest of universities to make contacts as the main opportunities. Among the threats, we state stealth of the idea, possible change of conditions of contract and premature end of incubations by the incubator.

Another issue is the support of incubators. We identified the possibilities and offered them to the incubators, such as conferences with companies that have successfully passed the process in incubator. After that, virtual offices that can extend the incubators’ offer to their customers have been mentioned.

Then we focused on *CzechInvest*. We defined and described courses and projects it operates, its investment, and research support. We were concerned with this agency because it is a state contribution-based organization that facilitates communication between the state, businessmen and the European

Union in the manufacturing industry. *CzechInvest* also promotes the Czech Republic as a preferred location for foreign investors and supports incubators.

Moreover, we took a look at the financial support for the incubators. From the communication with the *Ministry of Industry and Trade of the Czech Republic*, we learnt that the incubators will have the opportunity to file a request for subsidy from the structural funds of European Union. This subsidy is given to companies and incubators under *Operational Programme Enterprise and Innovations for Competitiveness 2014-2020*, particularly programme *PROSPERITA*.

We also created a questionnaire, which should analyze incubators customers' needs and wishes. We were able to reach nearly one hundred respondents. Eight of them were already former clients of incubators and could give us feedback on the functioning incubators and some suggestions for improvement. Some were very satisfied with the incubator, on the contrary, some were very critical. The remaining respondents were considering starting their business and thinking about using the services of one of the incubators. We asked them what services they see as the most beneficial and potentially useful. From all the answers, we created a summary of ideas for improvement from the perspective of a former client, as well as the list of the biggest benefits in the case of cooperation with the incubator from the perspective of potential clients. Incubators may thus learn what the most important benefits for entrepreneurs are, what services primarily focus on, which ones can be left out and what could be improved. These are the most important results.

Ideas for improvement:

- to provide a technical support such as server rentals, discounted price of software,
- to mediate greater cooperation with foreign investors,
- to accelerate the processes inside the incubator by reducing their administrative burden.

What clients primarily see as potential benefits (in their own words):

- discounted rent,
- good quality consultancy,
- starting a business using business incubator is financially less burdensome,
- assistance in entering the new market,
- greater certainty in decision making,
- learning from others' experience and avoiding mistakes,
- reduction of the risk of failure,
- mediation of interesting contacts.

In addition to the results of questionnaire, we brought up our own ideas for improvement. The main area could be cooperation with foreign incubators resulting in exchange programmes for companies, mutual exchange of knowledge, professional speakers or mentors, as well as organizing events together. As the number of business incubators is still growing, these should try to become more attractive and get the advantage in competition. Some ideas we come up with might look as of no importance, however they matter in such competitive conditions. These are:

- quick and pleasant communication,
- library inside the incubator with relevant literature accessible to all incubated companies,

- nice café inside the incubator or nearby,
- room designated for entertainment (table tennis, table football, Xbox, ...),
- fitness centre or other space for sports inside the incubator or nearby.

We also recommend incubators to strengthen the relations with universities. Both incubators and universities might be mutually very beneficial. Incubators can make use of the university background and involve students in projects. That would provide a valuable experience to students.

### 3 Conclusion

The report can be divided into three main parts. In the first part we defined the basic terms and introduced examples of business incubators. We described in details Jihomoravské Inovační Centrum and its activities. Further, we mentioned other forms of supporting enterprises. In result, the information is useful not only for entrepreneurs in beginnings.

In the next part, we focused on help with decision whether to enter a business incubator. As it depends on many individual features, we focused on analysing pros and cons of entering into a business incubator. We brought up the issue of intellectual property and legislation which is important not only when starting business. Later on, six model businesses in different stage of development and from various branch were used to carry out the analysis of benefits of entering incubator. We also did SWOT analysis of placing a company in incubator. In addition to these analyses, we made a quiz which, after being taken, gives advice how much they should consider entering business incubator.

The last part is dedicated to business incubators themselves and to their runners. Here we described ways of support (mostly financial) and some innovative ideas. There is a support from the *Ministry of Industry and Trade*, as well as from agency supporting enterprise and investments – *CzechInvest*. The ideas come from a questionnaire sent to present and potential entrepreneurs, from our inspiration acquired on the excursion abroad, and some are our own.

Thus the whole report may serve as a source of valuable information to beginning entrepreneurs, incubators, and their runners. Not only does it obtain theoretical knowledge, but it also serves as a manual for decision whether to enter an incubator, informs about other forms of enterprise support, and proposes innovative ideas for incubators.