BUSINESS-INCUBATORS AS PART OF INNOVATIVE INFRASTRUCTURE OF SMALL BUSINESS SUPPORT

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Abstract. The interrelation between innovation infrastructure of small businesses support with the creation and development of business incubators is analyzed. Imperfect system of funding and material and technical support development of business in Ukraine is established. It was determined that small and medium business accelerates economic restricting, improve organizational efficiency of national resources. So the creation of business incubators is very important for business and sustainable development in the economic situation of the country. The authors give the basic principles of state policy building for small businesses. Foreign experience in creation and development of business incubators is adapted to local conditions by combining and combining different forms, methods and means of regulation and support domestic enterprises. The authors propose the business incubator model which may promote development and management small business.

Introduction. The problem of creating appropriate conditions for innovation spreading is highly relevant for the national economics. Its solution serves as a guarantee of technological transformations in production. The degree of innovative development of the national economics depends upon innovation. The process of innovation infrastructure formation, which should provide favorable conditions for the scientific research activation have particular importance.


Results. While analyzing the innovation infrastructure components scientists’ attention is devoted to the characterization of such modern organizational forms as techno parks, technopilises, innovation funds, venture funds, etc. However, there are very limited studies concerning also important component of the infrastructure – business incubators, although they play an outstanding role in the development of innovation activities.

As a whole the functioning of the economics depends on the enterprise development. However, a clear strategy of regulation has not yet been elaborated in Ukraine. The program of this form development is not substantiated, the system of financing and logistical support for the business formation and development is imperfect. Legal and organizational issues also exist. Therefore, for the expansion of entrepreneurship and sustainable development it is very important to analyze the world experience of enterprises and the possibility of its application in Ukraine.

The small and medium business is the important part of modern entrepreneurship. It accelerates structural economic reengineering, improves organizational efficiency of national resources using. With well-balanced state policy domestic small and medium businesses can create thousands of new work places and contribute to Ukraine’s becoming an economic developed state.

During the independence years of national economics small and medium enterprises gradually develop in Ukraine. Almost half of the working population of the country works in this sector. Positive dynamics of its development takes place because of the introduction of a simplified system of taxation, accounting and reporting of small businesses, a number of progressive norms of regulatory policy, the reform of the permit system, etc. In quantitative terms the development of small and medium enterprises in Ukraine has gradually become closer to the development of small business in the EU. At the same time, it should be noted that domestic business exists and develops in the difficult conditions of the transformational economics and meets a multitude of problems. The decrease in the viability of small and medium business is connected with significant tax burden, the presence of different kinds of administrative barriers, limit financial credit, weak financial, technical, financial, managerial and human resources component of small businesses [13, p. 117].

Small entrepreneurship is an important element of a market economics. The state cannot steadily develop without it. Formation of favorable conditions for small businesses provides income for population and the taxes for local budgets. However, in Ukraine, state support for small business development has not yet been included in the main directions in the administrative and territorial unit development.

Small business is supported only at the regional level. The participation of local administrations in its development is negligible. Although this level of management is closest and accessible to entrepreneurs. So there is a need to shift the emphasis of the small business state support to the local level. Also full decentralization of regional support for small business development is impossible [5, p. 52].

State support for small businesses at the regional and local levels have not been widely provided, despite the fact that the interests of the authorities of different levels coincide. This is due to the lack of funding from the budget, and the lack of interest of officials in the development of small business.

From the point of view of the entrepreneur, the state should create conditions for maximizing profits, minimizing risk, protecting property and identity of the entrepreneur, etc. From the point of view of the state entrepreneur should ensure the growth of social welfare support for employment, economic growth, political stability, etc. [15, p. 39].

The market economics is not able to automatically adjust the economic and social processes in favor of each employer and society as a whole. The task of state policy is to achieve a general equilibrium in which the state seeks to maintain a competitive balance, that is, when consumers maximize the value of the function of utility, and entrepreneurs maximize the profit.

Establishing an effective and effective mechanism for the formation and implementation of a state policy for supporting small businesses in Ukraine undoubtedly require creative borrowing world achievements in this area, first of all, the experience of countries with developed market economies.

Small businesses support around the world is considered to be the responsibility of the state, because small businesses are inferior to large enterprises for the possibilities of modernization, marketing research, financial resources, and the competitiveness of goods and services.

In an unstable economic situation a domestic small business needs a protectorate of the state. But effective support mechanism of the entrepreneurship development in Ukraine has not yet been established. Financial assistance provided by Ukrainian Support Fund, National Endowment for farms and State Innovation Fund is quite small [7, p. 86].

First of all, business needs legal support. Many laws that gave impetus to the development of entrepreneurship in the country no longer response the requirements of time and need improvement.
Financial assistance, which provides for the provision of soft loans and their guarantee, should place one of the key places.

To promote small business development is possible only by combining and combining different forms, methods and means of regulation and support, chief among which is [8, p. 35]:

- state support for the production and sale of products, which involves providing state orders, leasing equipment on preferential terms, customs privileges, facilitating the export of goods and services to international markets, reduction of rental rates;
- financial and credit support, providing for direct guaranteed loans for development and expansion of activities, development of preferential lending programs, reduction of interest rates on loans, state guarantee of obtaining loans, targeted subsidies and budget financing of the economy in accordance with the priorities of the state's economic policy;
- favorable tax policy, which provides for preferential taxation of activities and reduction of tax burden on small businesses;
- informational and advisory support for the creation and development of small business enterprises, training of specialists at the expense of state funds in specially created centers, free professional counseling of entrepreneurs.

Depending on the chosen objectives the state can: restrain the development of entrepreneurship in general and small in particular, create extremely unfavorable conditions for their development, for example, to set high taxes on enterprise activity, refuse to protect the interests of owners, etc.; to be an outside observer without interfering; the initiator of entrepreneurial development, taking measures for the search and involvement of new economic agents in the business process [13, p. 118].

The basic principle of the state policy development in the field of small business is the combination of the non-interference in the entrepreneur's production principle with the principle of social partnership. The state task is to build a social-market economics that realizes achievements for both economic and social purposes. An important principle of state policy is the principle of decentralization and empowerment of regions and local self-government in the field of small business. The state policy in the field of small business should be built in compliance with the principle of stability of the regulatory regime. This is a determining factor for the environment of small business. Objectively important socio-economic role of small business in the Ukrainian economics implies the need for high rates of its formation and strengthening in the system of national economics. However, the small business development in Ukraine does not respond the requirements of a market economics. The unfavorable tendencies of small business development are connected with the national political, economic and social problems and peculiarities of small business as a subject of the economics. In connection with this fact, the necessity of accelerated development of small business causes its active support from the state.

Compared to generally accepted indicators in the world, the level of small business development in Ukraine is clearly insufficient. Thus, on average 1 thousand people there are 7 small enterprises in Ukraine, while in the countries of the European Union there are not less than 30. The share of employed at small enterprises is about 30%, while in EU this indicator is 65% [23, p. 27].

The largest concentration of small business is in the capital of Ukraine (8.9% of the total) and large industrial regions: Dnipro (7.3%) and Kharkiv (7%). The smallest concentration of small business is in the western regions (Chernivtsi (1, 8%), Ternopil (1.9%) region).

Today in Ukraine there are many problems of small business, for example [15, p. 42]:
1. Corruption and red tape;
2. High level of taxation, which decreases profitability of small businesses, increases the probability of bankruptcy;
3. Ineffective mechanisms for financing and insurance of small business;
4. Lack of social security and business education for the staff of small businesses;
5. Policy and economic instability and inconsistency, and complexity of the legislation.

Thus, the creation of new small businesses depends on the authorities. In our view, the next measures should create a favorable business environment [5, p. 53]:
- significant simplification of rules and procedures for new businesses;
- eliminating the contradiction in the legislative framework, ensuring its transparency and stability;
- control by public organizations for the activities of government officials;
- creating an effective feedback system to inform relevant structures about the corruption actions of government officials.

Thus, it can be concluded that state support for small businesses is an integral part of public policy, which should not only create favorable conditions for the expansion of small enterprises, but also directly support them. In this regard, the priority directions of improvement of the mechanism of state support of small business should be:
- legislative improvement for small businesses regulating;
- financial and credit support for small business development;
- introduction a system of organizational and educational measures fort raising the knowledge, skills, professional level in business;
- consulting development;
- promoting the development of leasing companies.

In the whole business incubator is an organizational structure of the scientific and technical sphere, which should provide appropriate conditions for small innovative companies. Such companies implement the original scientific and technological ideas.

In Ukraine the first business incubators appeared in the 90 years of the last century, although the idea of creating them abroad appeared in the 1950s in the USA. A bit later business incubators became widespread in Western Europe.

The original idea is very simple: it is necessary to create an organization that fully cares about the newborn company: such company does only the first steps on the path to innovative business. Business incubator provides a range of services, including providing small firms with rental accommodation, facilitating their registration, creating conditions for the initial capital formation, providing consulting, training etc.

In our opinion, the main purpose of business incubators can be described as providing "growth scenario" for small firms in the material, financial, educational means; creating conditions for their adaptation.

As a rule small firms are in the incubator for 3-4 years, than leave it to become functionally independent.

The experience of developed countries shows that small firms after incubator is more stable and durable compared with small enterprises that have not undergone the previous adaptation. According to data from the experience of the first business incubators in the United States, 30% of start-ups moved from small to medium business. At the same time among self-initiated firms only 12% became entrepreneurs [1].

There are different types of business incubators: non-profit; profitable; branches of higher educational establishments.

Non-profit business incubators operate at the expense of local authorities. Profitable business incubators require from firms-clients partial reimbursement of their expenses. Incubators-branches of higher education are created with the support of large enterprises, commercial banks, investment funds, which can provide the necessary financial resources. Such branches use intellectual resources, laboratory facilities and research institutes, their rooms, library etc.

In Ukraine business incubators exist in higher schools and regions. Regional incubators were created with the support of other countries. Currently, there are business incubators in the Dnipro and Kyiv Technical University. Funded by international organizations there is business incubator "Kharkiv
Technologies", Innovation Center in Kyiv, innovative business incubator in the Bila Tserkva.

Business incubators can be created as a separate organization, and as part of technical parks, technopolis. For example, a business incubator "Kharkiv Technologies" is part of the technical park "Institute for Single Crystals".

In 1998 it was founded Ukrainian association of the business incubators and innovation centers.

In the whole there are 71 business incubators in Ukraine with total area of 8997 square meters. They have created 460 businesses and 2335 work places [2]. Across the country business incubators are uneven. In Kyiv and Kyiv region there are 12 business incubators, in Odessa region there are 9 incubators; 18 of 27 regions have 1 or 2 business incubators [3].

Business incubators play an important role in the development of business. It takes into account the stages of the client firm development. These steps include:

1) selection of client firm and placement for it in incubator;
2) accommodation and adaptation of firm-beginner and providing services for it for short term (1 year);
3) the gradual growth of the company, increasing its level in the field of business innovation, reducing the list of providing services (2-3 years);
4) output from the incubator.

The business plan defines the basic parameters and directions of business incubator. It takes into account the number of firms that entered the incubator, the business activities of the incubator, financial and material resources, and the degree of support for companies in incubator, the principles and conditions for interaction between business incubator and firms after their exit.

Preferential conditions in business incubator exist for adapting small firms to requirements of the market environment. Firstly the newborn company-uses business incubator almost free. But while it is growing and gaining the necessary knowledge the business incubator reduces the amount of benefits and services.

The impact of business incubator is measured by various indicators. They include the number of innovative firms that were created by business incubator, the enterprises that "survived" after leaving it, the number of innovative projects, the volume of scientific and technical products, the number of created work places, the amount of the production and service squares etc.

Business incubator revenues usually consist of rent; fees for provided services, and profit of firms that left the incubator. The companies-beginners cannot pay large sums of money to obtain services and facilities during their formation. Therefore, the main source of income for the business incubator is gains from cooperation with former clients.

It should be noted that today in Ukraine business incubators have significant financial difficulties. Lack of funds leads to decrease in their activity. Usually incubators simply turn to counseling centers. Often they have dealt with their own projects and begin to deal with problems for companies.

According to international experience, one of the most successful ways of developing and supporting business is a business incubator. It usually helps to simplify, facilitate and accelerate entry into the market and achieve desired business effect. Support, which provides incubation, helps beginners to overcome market barriers at an early stage of development. Statistically about a third of independently created firms survive. And over 85% of participants who used support of business incubators tend to become successful.

Business incubators are structures that assist new companies during their organization and development. The main objective of business incubators in the interactive process: to inspire people to organize their own business, create conditions for new companies, and to support them in developing innovative products etc. The main emphasis in the activities of business incubators is to stimulate the development of local and regional economies and creating work places. Business incubators are necessary for the promotion and development of new businesses. The role of business incubators is very important to ensure that local social and economic development especially in countries with low dynamic business development [3].

The purpose of a business incubator is providing favorable organizational and economic conditions for small and medium business, improving the competitiveness of enterprises and companies in the market by providing comprehensive assistance to entrepreneurs at all stages of organization and operation of enterprises [16, p. 64].

On the basis of the business incubator experience in countries with developed economies, we have created a business incubator model. It can help to develop small business. It also includes: a) block of innovation support; a block of marketing providing; a revenue block from consulting, legal and auditing services, leasing, publishing; a learning block.

Business incubators play an important role in the innovation infrastructure, because they are considered a part of the infrastructure. But they also are a tool for economic, social, structural and innovation policy. Business incubators can be as independent economic organizations that are created to support non-technological small business. They also can exist in a warehouse industrial park and be oriented in the field of high technologies. Incubator as the shape and element of innovation infrastructure is in constant development [17, p. 163].

One of the fundamental issues in the activities of business incubators is choosing optimal forms of created business incubators. At the present moment there is a great variety of legal forms of business incubators. Business incubators are structural units of a high order and as autonomous institutions. The legal form of business incubators (BI) largely determines potential sources of incubator funding. BI registration as a non-profit structure provides additional opportunities to obtain grants and funds to support small business innovation. The form of state, regional or lower subordinate institutions provides access to funding, participation in national and regional development programs small businesses. In turn, the legal form of the incubator depends on whom and on whose funds BI is generated.

The main advantage of a business incubator for entrepreneurs with financial difficulties is that incubators provide them "roof over their heads" on favorable terms, (at least for first time).

For business activities incubator should have the necessary facilities (based on international experience – 1000-2000 sq. m.), logistics (office equipment, Internet, classrooms, conference room, library), qualified staff, counselors and teachers generally work on a contract basis. [6]
The concept of a business incubator involves rotation of firms. So the incubator usually should not have long-term or pre-term rental agreement. The term of "life" in the incubator is from 2 to 5 years. If the company firmly stands on its feet during this time, it should find a space outside the incubator and leave space for new young company. However, in practice, depending on the current available space and demand for it sometimes longer contracts can be used.

Conclusions. Company’s selection for business incubator should be carried out on a competitive basis. In this case, the applicant must prove that his project has a real chance for success according different criteria (education, experience, etc.).

Important advantages of a business incubator is also a creative atmosphere and the opportunity to communicate with other firms, the image of a serious company, flexible management in an incubator.

References


