

## BUSINESS INCUBATORS FOR YOUNG ENTREPRENEURS, A MODEL FOR THE ROMANIA-UKRAINE-REPUBLIC OF MOLDOVA CROSS-BORDER COOPERATION

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### Abstract

The intermediate results of this study complete the relatively limited specialist research in the field, which, based on theoretical and practical foundations, aims to contribute to elucidating the mechanisms underpinning the modern practices in Romania-Ukraine-Republic of Moldova cross-border cooperation. The research undertaken as part of this study has identified the current need of the Romanian economy to establish business incubators, targeting in particular young entrepreneurs.

**Key words:** incubators, cooperation, partnership, business, entrepreneur

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### Introduction

Romania has established partnerships with Moldova and Ukraine through bilateral agreements regarding joint activities in the Siret-Prut-Dniester cross-border area, as follows (Tincu Liliana 2005):

- ❖ *the development of the local economy, including tourism by encouraging public-private partnerships and technology transfer;*
- ❖ *improving the flow of information and the development of communication between border areas by creating portals carrying information of interest for parties on both sides of the border;*
- ❖ *measures aimed at rural development in agriculture - through patents and the innovative SAPARD rural projects;*
- ❖ *promoting business cooperation, development of firms and SMEs, financial cooperation and exchanges between representative business bodies;*
- ❖ *employment of local labor force, education and high skills training and providing career management services;*
- ❖ *measures to promote cooperation in the health sector, providing high performance equipment and highly skilled specialists;*
- ❖ *cultural and creative exchanges;*

The regions involved in the cross-border cooperation between Romania, Ukraine and the Republic of Moldova are:

- in Romania: the counties of Botoșani, Galați, Iași, Suceava, Tulcea and Vaslui;
- in Ukraine: Odessa and Chernivetska;

- in the Republic of Moldova: the whole territory.

Within the framework these partnerships, the cooperation projects (already implemented or in progress) on the Romania - Ukraine-Republic of Moldova cross-border area within the Siret-Prut-Dniester region have achieved the following objectives:

- *Establishing a cross-border cooperation office in Botosani for the Siret - Prut – Dniester cross-border space;*
- *Establishing a cross-border centre for partnership based on innovation and technology transfer in Cahul, serving the Lower Danube Euroregion;*
- *Boosting cross-border cooperation in the Ungheni - Cena – Siret area, in all respects;*
- *Cross-border cooperation aimed at protecting surface water quality in the catchment area of the rivers Siret, Prut and Dniester;*
- ***Assistance provided to entrepreneurs and SMEs through the creation and development of business incubators on the territory of the three countries;***
- *Establishing a center for the support and development of SMEs;*
- *Reconstruction of the Rădăuți – Lipcani bridge;*
- *Establishment of the ecological center in Stâncea Costești, Botoșani;*
- *Improving agricultural production processes by means of environmentally-oriented approach in Ungheni and Chernivtsi;*

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- Development of rural tourism through the RURAL ECO/TUR programme;
- Renovation and restoration of several medieval churches and monasteries on both sides of Prut and Hertzta region;
- Promoting a Book Market - a common market for cross-border economic and cultural development;

The project funders aim to support activities carried out under the **2008-2013 Romania-Ukraine-Republic of Moldova Joint Operational Programme**, based on economic and social efficiency criteria. The quality of partnerships not merely the existence of partner organizations is a key factor in achieving maximum scores in project evaluation.



Figure 1 The cross-border cooperation area

To build a viable partnership relationship under the Romania-Ukraine-Republic of Moldova Joint Operational Programme, the following aspects must be considered:

- ❖ *The analysis of activities that the partnership is intended to achieve, in order to identify the strengths and weaknesses, and the advantages and disadvantages of the applicant organization in the conduct of some of its activities, taking into account the overall economic and social context in which it operates;*
- ❖ *The selection based on clearly established criteria of organizations that fulfill these conditions and meet the eligibility criteria of the programme by choosing, to the extent that it is possible, only partners with a track record of optimal collaboration;*
- ❖ *Compliance with good practice principles set out in the partnership statements part of the business incubator project proposal, which generally refer to the role of each partner in the development of the project; regular consultations held by the applicant and*

*partners and detailed communication on the progress of the project;*

- ❖ *The main strengths that any organization in can leverage in a partnership include: public image, credibility, stability, highly skilled human resources, the focus on core functions within the projects, multiple relations with external partners, experience in preparing project proposals.*

Both Romania and the Republic of Moldova and Ukraine must learn to use their borders as tools to mobilize resources for the purpose of developing local institutions and infrastructure.

## MATERIAL AND METHOD

The concept of business incubator is an economic concept specific to the market economy and free initiative, which crystallized in developed countries 20 years ago and has continued theoretically, conceptually and practically in terms of organization and operation. A direct translation of the English term "business incubator" was adopted in the Romanian language.

For a business incubator to exist and function, two types of participants must exist:

- On the one hand, those who decide to provide the required facilities to those who seek to start a small business of their own;
- On the other hand, those who want to start their own business and do not have the required resources or knowledge.

An incubator is primarily a business. The conventional definition of incubators reflects their main functions:

- **providing facilities to small businesses that rent space in incubators;**
- **offering entrepreneurs both services and access to specialized management;**
- **providing consulting services.**

Incubators can be located in one or more buildings designed for this purpose, yet there are also incubators "without walls" that provide only occasional consultancy and services.

An incubator is intended to help companies in their early development phase, but not to serve as a permanent head office. They may be government-run, or affiliated with a university, part of a non-profit organization or privately owned. As regards their legal status incubators are companies. The commissioning of an incubator is typically an expensive project. The specific goals to be achieved by an incubator proposal vary from one region to another depending on the type of ownership and activities undertaken. As incubators serve as models, they can easily become the focal point for area development programs, particularly in poorer and rural regions.

In many communities an incubator can be a key factor in **the creation of new jobs and the diversification of the economy, contributing to the emergence of an entrepreneurial climate in the region and the economic revitalization of the entire area.**

The decision to start a business incubator, similar to any decisions regarding economic development, should be based on a logical process of analysis of the various influencing factors and this step makes the difference between success and failure. To achieve success, any economic development strategy must be grounded on certain facts and not impressions. This includes knowledge of the advantageous and weak elements in the border region of Romania and Ukraine and along the Romania's border with Moldova, where the proposed incubator is to be established, based on an assessment that thoroughly defines the local conditions. The failure or success of an incubator depends primarily on the community's interest in it, on the supply and demand in the community where the business incubator is set up.

Assessment, conducted in advance, must provide an accurate analysis of the following fields in the area where the incubator will be set up:

- **labor force and its quality;**
- **necessary funding and how it will be used;**
- **transport resources;**
- **openness to change of the community in the area;**
- **available buildings;**
- **local taxes, land use, systematization;**
- **number and types of new start-ups;**
- **the existence of a network of institutions capable of sustaining initiative (e.g. organizations, foundations);**
- **cost of living and wage levels;**
- **access to the consumer and to industrial markets;**
- **cultural and educational issues.**

A key aspect is the appointment of a project manager for the incubator. This is a fundamental problem because the manager's personality, creativity, communication skills, and ability to liaise with tenant entrepreneurs and to establish a comprehensive support network, all represent major advantages for the success of an incubator.

## RESULTS AND DISCUSSIONS

The success of a business can never be guaranteed, as it is determined exclusively by the market economy, yet for many entrepreneurs, resorting to incubator increases their chance of success and survival. The effort to set up an incubator must be flexible, in that it is necessary to adapt to the prominent characteristics of the area or community where it will be established. It is extremely important to accurately assess the problems that are likely to occur, in order to avoid mistakes that may have serious consequences on the community, especially in financial terms.

Another key element that ensures the success of an incubator is the existence or the opportunity to establish a support network for the incubator. Such a network should involve:

- **active support for small businesses by local organizations, such as chambers of commerce;**
- **the involvement of local organizations specialized in economic development, human resources and training;**
- **training opportunities;**
- **the availability of management assistance, business planning, accounting, marketing and other services.**

Admittedly, there is no direct, surefire path to setting up a successful incubator. Along the way one may encounter a number of obstacles, causing mistakes mainly due to the lack of information on the global potential of the community and to the occurrence of unforeseen circumstances. From the outset, a preliminary analysis must be undertaken to distinguish the areas favorable to potential programs. *Just as the community needs to set goals and objectives to achieve economic development, those who support (sponsor) the setting up of an incubator must establish compatible goals and objectives.* Consensus must be reached long before the project is started. The data established in advance must include the type of tenants to be received into the incubator, the required premises, the type and sources of funding and the technical assistance required. Also at this stage, one must examine the profile of businesses, the industrial area, but most of all the importance of the area. This will determine whether the incubator will be organized by closing down another firm or whether it will be established to diversify the local economy. Furthermore, the entrepreneur must decide the types of business that will resort to the incubator. For this purpose, the entrepreneur must gather information on the technology to be used and that the required premises, the organization of an incubator, the board of directors, the management, necessary staff, tenant selection, and must draw up an action plan based on the types of businesses hosted by the incubator. Sponsors must carefully assess each phase of the project in order to estimate the costs involved. Associations providing assistance to the project can provide the necessary information and provide the materials to be used.

An incubator project involves establishing many details which may pose challenges to an entrepreneur without experience in the field. In such cases, it is necessary to hire a consultant specializing in such projects. The issues that must be clarified from the outset are:

- Technical start-up assistance;
- Setting low overhead costs;
- The types of services that can be provided;
- The space designated for small businesses and available to them;

- The grouping of several firms of the same type in an incubator.

Ideally, three levels in a community participate in the development of an incubator:

1. Sponsoring organizations;
2. A local working group, which generally has a broader membership than sponsoring organizations;
3. Other organizations in the area that provide support and publicity.

Sponsoring organizations may be business organizations, governmental bodies, a university or college, or newly-created non-profit or for-profit organizations. They are responsible for setting goals, providing data required for feasibility studies, appointing individuals charged with coordinating particular working groups needed to implement the project.

The working group must include: local government representatives, business organizations such as chambers of commerce, business organizations, board members of private organizations, local financial institutions, educational institutions including universities and colleges. The mission of working group members is to conduct preliminary research to assess market needs, to help to identify supporters for the implementation of project and to provide the necessary technical input in the key phases of the project. The organizations established to support the incubator project work to organize the network of institutions that will provide subsequent support for the overall implementation of the project.

It is equally important that the community where the incubator is established provides skilled staff to conduct its activities. It is recommended that recruited employees span all generations.

Once strengths and weaknesses of the community where the incubator is to be set up have been assessed, the next stage focuses on establishing goals and objectives. Goals are aspirations and represent the characteristics intended to be achieved in the community or area at the end of a specific time frame. Objectives establish the specific quantified measurable elements required to achieve the goals. If a goal cannot be translated into specific objectives, it must then be recognized that there are no means to measure the progress made in reaching this goal. Goals and objectives are derived from the evaluation conducted initially. The determination of goals and objectives will help define the amount of information required.

## CONCLUSIONS

The beginning of the 21<sup>st</sup> century is one of partnerships. They are directly proportional to the extent of economic, social, cultural and military development, to the vulnerabilities of the new society, to ever increasing dangers, to the emerging threats and related risks. The aim of partnerships is precisely to reduce these risks and provide the conditions to manage crises and conflicts and to ensure the stability of a given area.

There is a clear and beneficial trend, at the beginning of this century, towards replacing strategies of confrontation with partnership strategies within various frameworks of cooperation.

The dynamic of partnerships focused on innovation, through the establishment of business incubators and technology transfer is an indicator of regional stability, which is why it must be regarded as a pivotal for future strategies for the Siret-Prut-Dniester cross-border area.

Obviously, such a presentation is not intended to fully cover the topic of partnerships created through the establishment of business incubators, in terms of cross-border cooperation and to find solutions to the current issues of innovation and technology transfer in Romania, Ukraine and the Republic of Moldova, yet can open several paths along which beneficial discussions can begin between all those with a stake in the progress of the region.

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