

## History

Business incubation emerged as an economic (and as a consequence/subsequently social) development tool in the early and mid 1980s, initially in the USA and Europe, subsequently spreading around the world. Today, observers and the 'global business incubation community' estimates about 5,000 business incubators in the world, depending on definitions and without accurate 'audit' data, of which at least 1,000 are in Asia (approximately half in China), 1,000 in North America, 900 in Europe and close to 400 in Latin America (with a sizeable and robust industry in Brazil). There are two or more business incubators in 70 countries and 60 national or regional business incubator associations. In some countries, such as the USA, Australia and China there is more than 15 years of experience and the industry is relatively mature, whereas in many other developed and developing countries it is a relatively new industry.

Commentators have categorized the history of business incubation into three generations. This can be useful for appreciating how the industry has grown, but does not capture the extent of business incubation activity around the globe, where convergent models combining technology parks, cluster development and other initiatives are emerging as valuable strategies. Furthermore the segmentation relates mostly to 'classic' 'core' business incubation, involving real estate, and does not account for the growing need for 'outreach' and 'virtual' services (Outreach business incubation supports clients that do not reside in the business incubator's facilities and virtual business incubation supports clients with on-line technology and services).

Generation	Determinant
1 <sup>st</sup> Generation	Real estate and shared services, reactive business support
2 <sup>nd</sup> Generation	1 <sup>st</sup> generation plus proactive business development support and business coaching
3 <sup>rd</sup> Generation	1 <sup>st</sup> and 2 <sup>nd</sup> generations plus in-house debt/equity finance for clients or channels to external providers of finance. The essential very intensive business support programs are typically paid for by sharing in the success of the company assisted, by way of small equity stakes, royalty arrangements on gross sales for a period or brokerage fees on finance raised.

In the USA 33% of business incubators now have in-house investment funds, 24% of all business incubators take a percentage of equity and 72% of technology business incubators take a percentage of equity<sup>1</sup>.

### *The Incubator Industry*

- ~ 4,000 Business incubators
  - > 450 science/technology parks
  - > 300 for-profit incubators
- > 70 countries have 2 or more incubators
- > 60 National and Regional incubator associations

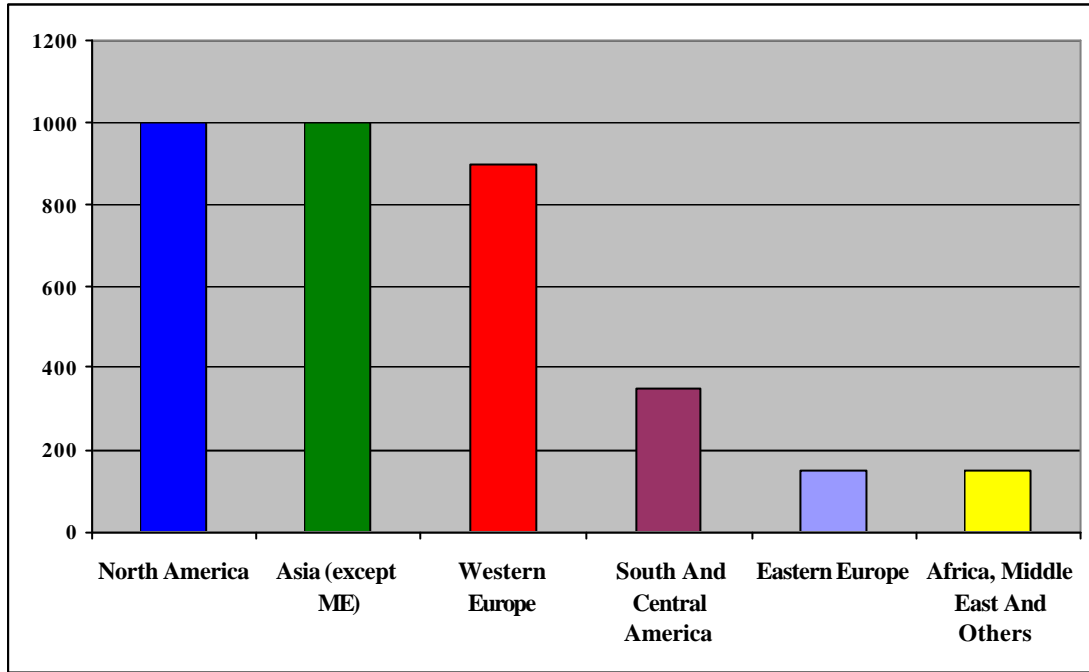
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<sup>1</sup> 2002 *State of the Business Incubation Industry*, NBIA, 2002

- Some countries have 10-15 years of experience in developing and supporting incubators

Source – *InfoDev Asia Workshop 2006*

### Geographic Distribution of Incubators



The following chart plots the number of incubators per head of population for a number of countries:

## Numbers... some examples

