

iPark Jordan Technology Incubator

Overview

This report describes the iPark Jordan Technology Incubator, one of the ICT incubators visited in the course of conducting the infoDev African Replicable and Sustainable ICT Incubator project. The objective of the visit was to gain an understanding of the operations of iPark, identify those attributes that make it an outstanding example of a successful ICT incubator, and learn which of those features could be adopted for use in designing a model for future ICT incubators to be located in Sub-Saharan Africa. This visit was conducted during the period of September 1-5, 2008, at the iPark facilities in Amman, Jordan. The consultant was hosted by the iPark Interim Director, Dr. Wissam Rabadi, who also set-up appointments with the former Director (and Founder) Omar Hamarneh and a number of other individuals. (A list of appointments appears at the end of this document.) A standardized outline of topics to be discussed was utilized in conducting the interview of the Director and other principals of the facility. Lessons Learned in the formation and development of iPark were of particular interest.

History and Administration of iPark

The iPark was established in 2003. It is owned by the Higher Council on Science and Technology which is presided over by Prince Hassan, and has a Board of Directors comprised of representatives from eight Jordanian Government ministries. The incubator was established by Omar Hamarneh, a graduate of Brigham Young University in the United States, and three associates who believed that an ICT incubator would benefit the Jordanian market by producing seasoned early stage companies, and could create employment and commercialize technology (Jordanian and non-Jordanian).³ Mr. Hamarneh and his co-founders had visited incubators in the United States and believed that the concept could be replicated, on some scale, in Jordan. Some seed funding was provided by the US Agency for International Development (US-AID). The Higher Commission on Science and Technology (HCST) also provided funding for three incubators in addition to iPark under a partnering agreement with the European Union.

The HCST provides numerous services for the incubator including accounting, legal, marketing and public relations. Stressed several times throughout the visit was the strong, trusting relationship between the founding manager and the management of HCST. This relationship allowed the founder to operate with a significant degree of autonomy and still retain the support of the bureaucracy. It is noteworthy that in interviews, the manager was often identified as the “buffer zone” between the incubator and the government. HCST also manages the finances of the incubator.

³ It is worth noting that a previous study conducted by the USAID in 2000 had concluded that a Jordanian technology park would not be competitive and would fail. Nevertheless, some seed funding for iPark was provided by USAID.

Strategic Environment Summary

The iPark Jordan Incubator

As incubators do not operate in a vacuum, a primary objective in this (and other visits to ICT incubators) was to understand the environment, or “ecosystem”, in which the incubator and its tenants operate on a daily basis. The ecosystem is comprised of a number of elements including the following:

- Business Environment / Culture
- Availability of Real Estate
- Availability of Financing
- Support for Entrepreneurship
- ICT infrastructure, (Wireless and Wire-line)
- Government ICT Regulatory Policy
- Labor Force
- Government Tax Policy with respect to Investment and Small Business
- Offerings of Academic Institutions and Training Programs
- Incubator Staffing
- Incubator Board of Trustees and/or Advisory Board

Throughout the course of the project, these elements of the local ecosystem were investigated in each location to determine if the environment is favorable to ICT incubation. They are addressed in summary fashion below.

The business environment for small technology companies in Jordan is best described as challenging. Jordan ranks 101 or 181 in the annual World Bank Group “Ease of Doing Business” survey having lost a modest amount of ground from 2007, dropping from 94th place. However, in the “Starting a Business” category, its rank is 131, which was an improvement over 2007.

While there is a growing culture of entrepreneurship in Jordan, it appears generational and quite limited in scope. Some individuals who were interviewed commented that many Jordanians seek the security of government employment, and entrepreneurship is only recently becoming culturally acceptable.

There is a limited amount of debt financing available for entrepreneurs; however most of it is asset-based lending requiring (ownership of assets) that can be pledged as collateral for the debt, or at interest rates that are not practicable for entrepreneurs. A limited amount of micro-financing is available through the members of the Microfinance Association of Jordan, but these loans are for amounts ranging from \$700 to \$4,200, and hardly enough to provide much help to a start-up ICT company. Support for entrepreneurship is strong in the presence of the *TechConnect* program sponsored by the Queen Rania Center for Entrepreneurship. The organizers of TechConnect state that they hope the events will surface the “next generation” of technology start-ups, business experts, and investors.⁴

Resource poor in terms of petroleum and water, the Jordanians say they are rich in educated people. There are numerous technology training programs at the university level, and Jordan is reputed to have the highest percentage of PhD’s in the MENA region. The Jordanian Diaspora provides highly skilled people to ICT companies overseas, and many come back to Jordan with the intent of working in their

⁴ Startparabia.com article by Mohamed Marwen Meddah, “TechConnect 2 Networking Event – 28th – Amman, Jordan”, 7/23/08.

home country. (As an example, both the founder and the current Interim Director have worked extensively in the US.) Yet, the ability of the labor force to sustain early stage technology development is unknown. Jordan has an official unemployment rate of 13.5%, but some of those interviewed stated that it may in reality exceed 30% (confirmed by the CIA’s World Fact Book). The labor force has been described by the Anima Investment Network as “an educated, highly competitive, young and skilled labor force of 1.4 million”.⁵

As a poor country with almost no natural resources, Jordan is dependent on external sources of petroleum and foreign direct investment. Jordanian industry is split among agriculture, clothing, pharmaceuticals, potash, phosphates, and fertilizers. Jordan is the third largest exporter of potash and phosphates in the world. Yet, employment in the extraction industries is quite low, and agriculture employs about 5% of the labor force. Services (including most ICT-related work) account for 70% of Jordanian GDP.

In 2007, the Ministry of ICT of Jordan created the National ICT Strategy (2007-2011). This strategy included three strategic objectives to be achieved by 2011:

1. Increase Internet penetration in Jordan from 11% to 50%
2. Increase numbers of persons working in the sector from 16,000 to 35,000, and
3. Raising the ICT Sector’s revenue to reach \$3 billion⁶

Eliminating regulatory challenges to business was listed as a key objective of the ITA-Jordan. The ITA claims that the government has promoted the ICT sector by easing investment regulations, and passing legislation to protect intellectual property rights.

Thus, it is in the services that promotion of ICT-related businesses may offer the most promise. At a minimum this could mean developing products such as local content for cell phones, electronic games, and other forms of telecommunications. (As an example, one tenant of the iPark is a company that produces audio content tourists can use for self-conducted tours of the Petra historical site.) It would be fair to say that iPark is targeted at a market segment that is rich with opportunity.

ICT infrastructure in the country is comprised of one major ISP, four mobile operators, and one fixed line operator.⁷ The chart below illustrates the company names and areas of services. Note that Batelco also owns Umniah a mobile service provider, and thus offers mobile services as well. So, there are three mobile providers and one fixed line operator. The fact that there are multiple providers in the market is considered a result of the government’s liberalizing of telecom regulation. The market for telecom is reported to be growing – as much as 50% in 2007. While this may have been affected by recent economic perturbations in the economy, the fact of strong growth in ICT is useful in analyzing the impact of the iPark.

Jordan – Telephone Service Providers		
Batelco Jordan	ISP	www.batelco.jo
Jordan Mobile Telephone Services Co.(Fastlink)	Mobile	www.fastlink.com.jo
Jordan Telecommunications Company	Mobile	www.jordantelecom.jo
Jordan Telecommunications Company	Fixed	www.jordantelecom.jo

⁵ Refer to www.anima.org.

⁶ Refer to ITA website, www.intaj.net.

⁷ Africatelecomnews.com

Umniah	Mobile	www.umniah.com
Xpress	Mobile	www.xpress.jo

Physical Characteristics of the Incubator

The size of the iPark building is about 750 square meters and presently houses seven tenants, although it should be noted that tenants of another incubator are also in residence on a temporary basis. Currently, there are about 7-8 companies in the facility. Management stated that the tenant list is usually in the range of 10-12 companies, but as the iPark is hosting the aforementioned other incubation program, an allocation of space has been made to accommodate the other program's space requirement.

The construction of the building is masonry with an inner core of offices with temporary walls, and offices around the periphery of the facility. (A layout is attached.) The building has one floor and contains 17 offices, a reception area, cafeteria, service space (copier, etc.), a meeting room, and an administrative space with offices for the Interim Executive Director and Office Manager. An auditorium occupies the remaining space. The building is the property of the Royal Scientific Society, which is under the guidance of the Jordanian Royal Family.

Project

As of September 2008 the following economic impact statistics concerning iPark are reported:

- Aggregate job creation (tenants and graduates): 338 FT, 57 PT employees
- Companies created: 7 current, 17 graduates (since 2003)
- Tenant company revenues from local customers (USD): \$466,924
- Tenant company revenues from international customers (USD): \$645,487
- Intellectual property created: 4 US patents, 11 Jordanian patents
- iPark tenants have a total of 52 local and 95 international clients
- One venture financed company since inception
- Annual budget of the program is about \$140,000, comprised of \$20,000 in rents and \$120,000 in subsidies (all USD).

The Incubation Program at iPark

The incubation program provides high quality office space and services to early stage technology companies. Various facets of the incubator program are described below:

Location

The iPark facility is located in an area of the City of Amman that is rich in academic resources. The building is owned by the Royal Scientific Society, and is on the grounds of one university, with a second university in the immediate vicinity (Princess Sumaya University and Jordan University). Being under the guidance of the Higher Council on Science and Technology, iPark enjoys the benefits of close location to sources of intellectual property without being part of the university infrastructure.⁸ Even so, it is noteworthy that most of iPark's tenants come from outside academia.

⁸ Being established by HCST was described the management as something akin to establishing a US incubator in the National Science Foundation.

Admission to the Incubator

The admission process begins with the prospective tenant filling out an application that includes a business plan. This is evaluated by the Executive Director, who then schedules a face-to-face interview with the tenant. Management states that these face-to-face meetings are important to have prior to the final decision concerning admission of the company to the incubator.



However, admission to iPark is but the first of several milestones in the process. Management also believes that the personal relationships between the Executive Director and the tenant company entrepreneur is a particularly important element of their program and have close working relationships between tenant and management – addressed again in the summary of this document.

It is noteworthy that the iPark management believes that their desired tenant mix of serial entrepreneurs (one-third), and new entrepreneurs (two-thirds), is critical to their success. They believe that such a ratio of experienced

to new entrepreneurs facilitates the transfer of knowledge. This attribute certainly distinguishes iPark from other incubation programs in our experience.

Management

The current Executive Director has experience in technology business, and a doctorate in Computer Engineering. He worked for several years in the United States for Texas Instruments, Inc., and is very familiar with the industry. He has recently taken over the program from the founder (who is an entrepreneur about to commence his own business venture). Management is perhaps the most important aspect of the iPark environment. The program is in transition from a founding manager to an individual with a considerably different background, and would be expected to experience some difficulties typical of a change in management from a founder to an outsider. Yet, there appears no loss in continuity, the founder is still involved as an outside advisor, and enthusiastically made himself available for an interview. Discussed later in this report, it was clearly apparent that current and former tenants found the management to be perhaps the most important asset of the iPark program.

With respect to iPark staffing in addition to the Executive Director, there is also an attorney, office manager, and a messenger. Much of iPark's administrative support is provided by the Higher Council on Science & Technology, thus, extensive staffing is not required.

Tenant Interviews

Interviews were conducted with a number of iPark tenants to obtain their views on the successes of the program, the types of amenities and services they believe to be important, and also gain insight as to their experiences in the facility.

In the interviews, it was noted that many individuals with ICT training were previously employed by the government and now seek private sector employment. References to ICT training in Jordanian business

media also suggest that most ICT training in Jordan is largely intended to train government employees, so the training programs result in more able entrepreneurs as well as government employees.

Some key observations:

- Tenants were extremely supportive of the iPark management and the level of service and attention they received from the incubator.
- They were highly impressed by the flexibility of management and the willingness of the manager to assist them in making contacts, finding investors, understanding investor expectations and operating as a business instead of a hobby.

Sorting through their many favorable comments concerning the operation of the incubator, a few are especially compelling:

“Moving into a ready office, and working the next day is priceless.”

“Effective people can get around the bureaucracy. Omar (Hamarneh, founding manager) made it so easy...He set a standard everyone has to respect.”

From a graduate company: “iPark changed the life of many people. We started as three people, now we support more than ten families...” (from the business the company has developed).

When asked why a company should locate in the iPark, one woman business owner opined that the environment at iPark was “more comfortable, more secure. Everyone is in ICT and we can use the experience of colleagues to help each other...The presence of donor agencies such as JEDCO, NAFES, etc., to provide training, financing is an advantage unavailable elsewhere”.

Other attributes perceived as advantages by the tenants:

Rent is reasonably priced. One tenant opined that on a per square meter basis, the rent might be slightly above market, but considering the services offered it was a bargain.

iPark provides (at least some) furniture and equipment. The comment of being able to rent one day and be in business the next is exactly on target. One of the more difficult aspects of starting a new company in Jordan is the “registration” (i.e., filing of official documents) so that one can then begin operations.

Having “the right people in the room is especially important to entrepreneurs because of the lack of seed and early stage investment capital in the region”. This comment was in the context of the partnerships and network that the iPark management brings to the table due to the respect others in the Jordanian business world have for the incubator and its management.

“Patient management” is an important attribute. One tenant commented that on occasion the management was willing to wait two to three months for rent payments when the tenant company was experiencing cash flow problems. The fact that the Executive Director had entrepreneurial experience himself, understood the situation, and was willing to be at risk with the company was a benefit in the mind of this tenant.

Recommendations: During the course of interviewing both tenants and graduates, several recommendations were made that could be explored in the continuing effort of iPark to provide a full range of services, among them the following:

1. With respect to entry/exit from the incubator, it was recommended that the process become more formalized, perhaps employing a true Admissions Committee.
2. The second comment has both favorable and unfavorable implications. It was observed by one tenant that iPark is very informal (in terms of its business culture) and that the tone of operations *could* be construed as “unprofessional”. However, the history of the software industry has always included an informal aspect. Thus, management walks a fine line in maintaining the proper amount of distance, while at the same time retaining the trust and confidence of the tenants.

Tenant Survey

A survey that supplemented the interviews was prepared for administration to the tenants and graduates of iPark. A total of seven responses were received from six tenants and one graduate company. The survey asked respondents to discuss why they decided to establish their business at the incubator, what their expectations were, to show on a checklist what services they used and to what extent they valued the services, to list the things the incubator could provide that it does not presently offer, and to list what, in their opinion, is the one most important attribute of the incubator. The responses were comparable to other incubators in the analyst’s experience.

Tenants listed the following attributes as particularly helpful:

- That the incubator management doesn’t interfere with the tenants’ businesses.
- That there are numerous and useful networking opportunities (in fact several mentioned how much they looked forward to the interaction with other tenants).
- That lease terms are flexible – a point of discussion that deserves further comment as some tenants were critical of the fact that there is no formal graduation policy.
- Therefore, it was pointed out that some tenants have been in the incubator for a much longer time that is generally the case in other programs.
- And, most important, that the tenants were able to rent an office, and begin business by the next day – an item of considerable concern in a region of high office costs and significant levels of required paperwork in order to commence doing business.

Services

Services offered by the iPark are described briefly below. It should be noted that most services are provided from external sources.

Customized Training / Networking:

- TechConnect, based on the University of California San Diego Connect program, is operating and has quarterly meetings
- Young Entrepreneurs Association – networking events and conferences
- Business Plan Competition
- Young Arab Leaders – part of the World Economic Forum

Services Provided by External Organizations:

The USAID-funded TATWEER Program provides client support services and programs to small and medium enterprises (SMEs) in seven industry sectors, and serves a broad client base through four industry associations. TATWEER also supports two innovative programs:

- Maharat Internship Program which recruits and trains promising recent university graduates for internships or future employment with SMEs, and the
- Faculty-to-Factory Program which promotes cooperation between academia and industry.

Lessons Learned by iPark Management

The development of iPark has left the management with a number of observations concerning their success. Among them are the following, some of which may or may not have an impact on the development of a sustainable and replicable ICT incubator in Africa:

1. While a formal selection process is important, the management of iPark believes that a face-to-face interview is more important in terms of evaluating the management team than reading a business plan.
2. Computerized incubator management systems are very beneficial, but face-to-face meetings with tenants have perhaps greater importance and should not be limited by reviews of data.
3. The numbers of tenants in the incubator (presuming a situation similar to iPark) should be limited to 10-12, in effect setting a span of control to that number of companies – to prevent the development of sub-groups within the incubator.⁹
4. Incubator management should concentrate on business development, because companies ultimately succeed or fail more due to business than technical challenges.
5. Incubator managers need to exert maximum effort to develop networks from the entrepreneurial community.
6. Incubator managers should be chosen for their capabilities in business, enterprise development and entrepreneurial development skills, not simply technical skills.
7. Incubators should try to maintain about 30% occupancy by serial entrepreneurs to promote the transfer of knowledge and experiences from within.

Summary

The iPark Jordan Technology Incubator has successfully weathered the first few years of operation and is an established, financially sustainable program that is limited only by the size of its facility. This program has a growing market to serve, and excellent relationships that must now be nurtured under new management. The extensive liberalization of the Jordanian ICT sector will provide many exciting opportunities for ICT companies developing content, offering web services of various types, customized software development, etc. This is particularly true for those companies that are serving the mobile phone market, but virtually all of iPark's tenants should benefit from this change in government policy and find opportunities filling niches in programs ranging from e-government to proliferation of telecommunications services.

With respect to management's observations concerning the lessons they have learned, we believe the following should be considered in evaluating the lessons for application in sub-Saharan Africa ICT incubators:

1. Face-to-Face Meetings. Clearly the tenant management process, including frequent face-to-face meetings, is important. But, this also presumes that incubator management will be experienced enough to provide sage guidance and support of entrepreneurs. That would seem to indicate the need for a support program for incubator managers as well as tenants. Trained managers who can deal with business problems and act as consultants to the client entrepreneurs are the most important result.
2. Focus on Business Development. This observation appears to be a result of the specific experience in Jordan. One suspects that a more training-oriented management style will be required in sub-Saharan Africa ICT incubators where technical skills may be in shorter supply.

⁹ This topic merits further discussion as there are pro's and con's to the notion of limiting the numbers of tenants to 10-12.

3. Support Networks. There is no question that iPark's support networks are greatly admired by tenants and outside observers alike. In Jordan it has been possible to tap into emerging business networks due in part to the proliferation of ICT technology, but also the relative youth of the population. This may be less likely to occur in Africa as there is generally less enterprise support in the local business "ecosystem".
4. Need for Skilled Incubator Managers. Clearly, skilled incubator managers are best. Perhaps this indicates that, absent managers who have the background and experience to advise the tenants effectively, a training program for incubator managers should be developed as part of the investment.
5. Serial Entrepreneurs. We have great respect for serial entrepreneurs and their contributions to others who find themselves establishing new companies. They may be in short supply in the target countries, but their presence is important. Possibly the role of mentor can be filled by others with appropriate experience.

The infoDev Sustainable and Replicable ICT Incubator program provides an opportunity to apply the most appropriate of the lessons learned in the development of other infoDev incubators to raw start-up situations. In that regard, iPark is a strong contributor and source of both inspiration and encouragement.

Appendix

Interview Schedule

Date	Name	Affiliation
2/9/08	Dr. Wissam Rabadi	iPark Interim Director
	Mr. Omar Hamarneh	iPark Founder and former Director
	Mr. Faris Gammoh	Consultant at iPark
	Mr. Mahmoud Ali Khasawneh	CEO, Quirkat
3/9/08	Mr. Ammar N. Mardawi	CEO, Kindisoft
	Mrs. Hala Zawati Katkhoda	Managing Partner, easyinfo
	Abed Al-aziz M. Falah	Bus. Development Mgr., Minerets Tech
	Khaldoon Tabaza	Managing Director, Riyada Ventures
	Ennis Rimawi	Managing Partner, Catalyst VC
	Abdul Majjed Qasem	CEO, Razor View
	Khaled Khalalkeh & Mr. Tawfeq	Co-founders, KETAB Technologies
4/9/08	Dr. Anwar Batekhi	Secretary General, Higher Counsel on Science and Technology
	Laith Al-Qasem	Enhanced productivity component leader, SABEQ
	Omar Kudsee and Laith Zraikat	Jeeran
	Emile Cubeisy	Venture Capitalist
	Samer Al-Jabari	Co-founder, FOCUS Solutions