

In most cases direct ownership by government ministry or a university has not proved to be a successful approach. Whereas mixed ownership structures (public, private) encourage incubators to make riskier direct investment in their clients and thus have proved to be more efficient. A strong business mindset and/or disciplines for a public benefit with good networking of the incubator and its clients are then important considerations in selecting the governance model.

Having specified the policy objectives of supporting business incubators it is critical that a good monitoring and appraisal system is established to ensure that these relatively expensive facilities achieve results that justify their support in relation to alternative methods of SME development support. The systems should not only enable this cost-benefit analysis to take place, they should also enable best practice to be identified and disseminated within the business incubation network, and identify critical unexpected barriers to be overcome to achieve success.

2. Best Practice in Public Policy Development

The purpose of this report is to inform the debate about the relevance of Business Incubation to the public policies of support to small and medium sized business (SME), which in turn is part of public approaches to raising the performance of their economies. The issues we raise here are relevant to national, regional and local government and those seeking to influence their policy programs.

Specifically in this paper we address the policy objectives behind public sector support for business incubation, exploring the different ways in which the concept has been used to achieve different outcomes and identify from this the current best practice in policy formulation and implementation for the different objectives of public policy.

In framing this paper we are seeking to identify the key issues in a “best practice” approach to policy making in business incubation and SME development more widely. Increasingly best practice is being used to guide public policy making. This term is used to refer to two different definitions of public policy development. For some it is defined as “results oriented decision making based upon empirical evidence¹.” For others “The term best practices relates to successful initiatives or model projects that make an outstanding, sustainable, and innovative contribution to the issue at hand².” These two definitions of best practice are related to how government monitors and evaluates the impacts different policies achieve, relying on “high quality objective evidence about what works (Canon and Kilburn, 2003).” Other evaluations of impacts achieved are more impressionistic and rely on experiential knowledge as well as on more rigorous evaluations³.

¹ Cannon, Jill S. and M. Rebecca Kilburn, 2003. “Meeting Decision Makers’ Needs for Evidence-Based Information on Child and Family Policy,” *Journal of Policy Analysis and Management*, 22 (4): 665-668

² Bendixsen, Synnøve & Paul de Guchteniere. 2003. “Best Practices in Immigration Services Planning.” *Journal of Policy Analysis & Management*. 22(4): 677-682.

³ Schorr, Lisbeth & Patricia Auspos. 2003. “Usable Information About What Works: Building a Broader and Deeper Knowledge Base.” *Journal of Policy Analysis & Management*. 22(4): 669-676.

In reality both approaches have their place and need to be balanced in identifying the impacts achieved by public policy initiatives and learning how to improve them. This theme will surface again in the final section of the paper on monitoring and appraisal. For both approaches it is key to have a clear definition of **what** a particular policy is to achieve, **why** it is important, how it will be implemented and **when** it will take place (the initial period of public funding). The activity is then monitored to measuring what was actually achieved (quantitatively and qualitatively), with this information then used to improve the impacts being achieved.

3. What is Incubation?

According to the EU Centre for Strategy & Evaluation Services: “A business incubator is an organization that accelerates and systematizes the process of creating successful enterprises by providing them with a comprehensive and integrated range of support, including: incubator space, business support services, and clustering and networking opportunities ...[and]... a successful business incubator will generate a steady flow of new businesses with above average job and wealth creation potential ...”⁴

The UKBI (UK Business Incubation) definition states that: “Incubation is a unique and highly flexible combination of business development **processes**, infrastructure and people, designed to nurture and grow new and small businesses by supporting them through early stages of development and change”

Finally, if we consider the NBIA (National Business Incubation Association), “business incubation is a business support **process** that accelerates the successful development of start-up and fledgling companies by providing entrepreneurs with an array of targeted resources and services. These services are usually developed or orchestrated by incubator management and offered both in the business incubator and through its network of contacts. A business incubator’s main goal is to produce successful firms that will leave the program financially viable and freestanding. These incubator graduates have the potential to create jobs, revitalize neighborhoods, commercialize new technologies, and strengthen local and national economies”.

In general, a business incubator will focus on a range of services on clients that are designed to help them launch well managed businesses. This mix of services is generally drawn from: administrative services (photocopying, bookkeeping, etc); business advice services (coaching, counseling, mentoring, training), technical services (technical advice, access to expensive equipment, etc), finance raising, and networking opportunities (between clients, links to wider business community). Other services (loan & venture capital funds, lobbying for special services/bureaucratic treatment, etc.) are sometimes developed to help clients overcome specific problems in the given business environment.

Clients can be resident, non-resident or affiliated to the incubator. The services targeted on clients are costly in relation to many other types of business development services (training programs, advice services) but are justified by supporters as “investment in success” because the concentrated support services should lead to higher survival and growth rates of incubated businesses.

⁴ Source: Centre for Economic and Social Services 2002