

The Pragmatic Anticipatory Paradigm of the Relationship Between the Incubator And The Business Venture

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ABSTRACT

The development of the organizational business depends on how far the relationship between the organization existence and the performance aspiration is well suited. This issue is analyzed through different lenses: the economic tenant, which focuses on, the profit-cost paradigm that conducts the strategy of the organization, and the latter, is considered performant if these two constructs, clearly identified, and managed. The organizational tenant that stresses on the relationship between the different stakeholders in envisaging the best strategy, which serves the survival of the entity in a competitive market. The contractual and legal tenants, which are interested by the different contracts, enacted between the organization and its allies in order to be on track with the different objectives already undertaken in the shareholder council. This paper discusses the different approaches that the organization adopts in terms of the previous tenants with the incubators, which the last aim remains to guarantee a good organizational survival especially in a turbulent competitive environment.

1. Introduction

An incubator is a non-profit organization that provides free or low-cost workspace, mentorship, expertise, access to investors, and, in some cases, working capital in the form of a loan to help startup businesses grow and succeed. The incubator tenure is to be working alongside other entrepreneurs, often with similar goals to owner of the business idea (the organization creator). Joining an incubator is similar to enrolling in a college program in which one must apply, be accepted, and then adhere to a schedule in order to meet the incubator's benchmarks. In this sense, the entrepreneur also needs to commit to a time frame, typically one to two years, to be a part of the incubator. The purpose of the business incubator is to provide assistance to aspiring business owners with the launch and growth of their companies. Typically, the goal of incubators is to provide office space, frequently on more favorable and adaptable conditions, for a particular sector of the economy or category of business, all while spatially concentrating the provision of various utilities, services, facilities, and pieces of equipment. Incubators are places that give businesses with a place to work in addition to other services such as business planning and managerial guidance in a variety of formats, office space, financial and accounting services, access to business networks, and legal services. The practice of business incubation first appeared in the 1980s in a variety of developed nations all over the world. At the same time, it coexisted with other types of generic business development programs. Subsequently, it morphed into specialized business services that are intended to assist small groups of companies. In the years that followed, emerging nations started embracing the idea of an "enterprise incubation." The utilization of conventional business incubation strategies, as well as the significance of these strategies in contributing to increased growth and development, was the driving force behind the adoption of business incubation programs in a variety of nations. According to the claims made by a variety of economists, business incubation is a very important tool for fostering entrepreneurialism and the development of small and medium

enterprises. According to W. Keith Schilit (1998), one of the most dynamic initiatives that aims to establish and assist new commercial firms is the incubation program. Young companies can be fostered through incubators, which provide them with the support necessary to ensure their survival during the startup phase of their development and subsequent maintenance of sustainable growth. Most notably, the most important function of business incubators is to assist new businesses in surviving during the early stages of their operations. This is due to the fact that during this specific period, the majority of new businesses are susceptible to failure and collapse. In addition, the provision of hands-on management practices, the provision of the necessary resources, an orchestrated exposure to business strategies on critical thinking, and the provision of the most important technical support for the success of a business are all important aspects of the role that business incubators play. In addition to this, business incubators are helpful because they give young companies the facilities to share office services, quick access to company equipment, and space that can be expanded as needed. Nevertheless, the foundation of such business incubators could be contingent on a different set of goals to reflect particular operating contexts and the requirements of the stakeholders. Incubators are intended in a certain way in order to drive one or more targets, such as commercially viable ventures, supporting technology transfer, boosting innovation, and inspiring economic development. It is important to note that each incubator is designed in a specific manner in order to drive these objectives. According to Ali J. Ahmad et al (2018), additional goals may include the development of role models, the acceleration of business growth, the empowerment of individuals, and the creation of new employment prospects. All of these things contribute to the development of a healthy entrepreneurial orientation and culture. The Incubators for new businesses are often set up by governments as a means of fostering economic development and expansion across an entire nation, as well as in particular towns or geographical areas of that nation. This idea is particularly significant in countries such as the United States, which has a widespread application of and usage of business incubators that depend exclusively on technology to assist the expansion of local and state economies. Howard Morgan (2014) contends that the expansion of business incubators around the world is reasonable through a variety of well-established conceptual underpinnings based on prior and extant empirical findings that reinforce the significance of innovation and technology in supporting economic growth. These types of company incubation programs are also very useful in terms of accelerating the rate of growth and development.

1.THE EFFECTIVENESS OF THE BUSINESS INCUBATORS:

In the relevant body of literature, the efficiency of business incubators has been dissected at great length, and numerous hypotheses regarding the best way to evaluate the success or efficiency of business incubators have been put up. It has been known for a long time that there is a pressing requirement for uniform evaluation standards. In this context, Eloy Sentana et al. (2017) state that “Developing and implementing a common set of metrics and measures should be an industry priority...”

Incubators for new businesses have a vested interest in fostering the growth of their clients’ ventures that focuses on embryonic development. As a consequence, there is the possibility of bias within the data relating to the success of specific companies. The information on successful incubator clients serves to encourage incubation and is therefore freely accessible. On the other hand, information on failure incubator clients is far more difficult to obtain. According to Haya Al-Dajani (2014), “the lack of business incubation research to explore ‘poor efficient’ or restricted incubators suggests that valuable knowledge that may be gathered to further our conceptual underpinnings that could be learned—has been neglected”. In addition, data on the successes and failures of analogous non-incubated enterprises is not frequently collected and hard to discover. In general, individual incubators are increasingly effective over time, drawing more customers and launching a greater number of startups with each passing year that they are in existence (Elena Rogova, 2014). Shanting Wei et al (2020) conducted a survey of business incubators all around the world. They discovered that the overwhelming majority of the incubators they studied utilized the graduation of clients as the key metric in determining whether or not they had been successful. Incubator managers look for graduation requirements as an indicator that their customers are successful and that the operations of the incubators are delivering benefits, regardless of the availability of money for the programs. This suggests that explicitly identifying the goals and terms for graduation could add to the effectiveness of incubators, and that a significant number of incubators are currently monitoring the data necessary to undertake research on the effectiveness of their programs. There have been a few different polls and studies done to prove the efficacy of business incubation in broad sense. The majority of these have been carried out by the National Business Incubation Association (NBIA), but more lately, there have been a few which are carried out by independent researchers (Chintan M. Shah et al, 2008). In this regard, there are four-dimensional levels by which the incubators frequently employ metrics such as “Graduation of Businesses Incubated,” “Success of Businesses Incubated,” “Jobs Created by Incubation”, and “Salaries Paid by Incubator Clients” in the

annual performance reports they provide in an effort to justify continuing funding for their operations. Under which businesses several distinct circumstances have been enrolled in business incubation programs are eligible to graduate from those programs. The most typical causes for graduation from a program are reaching mutually acceptable goals, outgrowing the allocated incubator space, and spending the length of time allowed to participate in the program. The success of a business incubator may be evaluated according to the number of companies that have emerged successful after participating in its various programs over a certain amount of time. This is one of eleven metrics that the National Business Incubation Association (NBIA) suggests business incubators assess as a measure of the performance of the incubators themselves. In this context, the graduation rates are a valuable method for measuring incubator performance, provided that incubator programs interact with their client firms and come to an agreement with those businesses over clearly stated graduation targets. When a company graduates from an incubator, it may suggest that it has used all of the resources that were made available to it there and has reached a degree of success and self-sufficiency that enables it to thrive without the assistance of the incubator. Businesses that have graduated qualify as established rather than embryonic initiatives and have as a result, outgrown the need to participate in an incubator program. It is important to emphasize, however, that relevant data on the graduation of companies from incubators can only be obtained if clear objectives have been established and criteria for graduation have been set. Because a criterion for graduation that does not reflect the successful operation of the incubator does not qualify as a valid contributor to data on the success of incubators, an incubator that “graduates” businesses that, for example, have found other sources of funding cannot contribute to data on the success of incubators. A successful business incubator should be able to demonstrate the ongoing success of businesses that have graduated from the program over a predetermined amount of time. This requirement is in addition to the fact that the incubator should be able to graduate a significant number of businesses in relation to the total number of clients it serves. The National Business Incubation Association gives the following advice to newly established business incubators: "Graduate businesses that stay in operation indicate your program's potential to develop profitable enterprises that persist. Additionally, mergers and acquisitions are successful business outcomes; hence, graduate businesses that successfully implemented these exit strategies should be monitored and included in your counts of successful graduates. In addition, Hackett and Dilts (2004) presented five outcome states that might be used to classify incubated enterprises and quantify their level of success. These states are as follows:

- (1) The customer of the incubator is thriving and expanding their business successfully.
- (2) The customer of the incubator is thriving, expanding, and moving in the right direction toward being profitable.
- (3) The customer of the incubator is still operating, but their business is not expanding, and they are not profitable or are only somewhat profitable.
- (4) The client activities of the incubator were shut down while the company was still in the incubator, but the losses were kept to a minimum.
- (5) The client operations of the incubator were discontinued while they were still in the incubator, which resulted in significant losses.

It is generally agreed that if an incubated firm achieves outcomes one, two, and three, the business was successful. Even while Hackett and Dilts intended for these outcomes to be evaluated immediately at graduation from the incubation process, they might also be utilized some time after graduation in order to examine whether or not success has persisted beyond graduation. It is important to note, however, that a company's decision to shut down its activities before graduating from an incubator may be due to the pressures of the market rather than the inefficiency of the incubator. This efficiency metric is susceptible to qualitative study of incubator customers, which may prove to be more helpful than the statistical compilations that are often used to assess incubators (Voisey et al., 2006). In addition to financial statistics about financial growth, earnings, and losses, wider measurements of a company's performance after incubation may be used to determine whether or not the incubation process was successful. Despite the fact that further study is required to establish which qualitative metrics would be the most useful in this domain, a number of scholars (such as Wiggins and Gibson, 2003) have already offered suggestions along these lines. Improving the state of the local economy is often cited as one of the primary objectives of business incubators, in particular nonprofit incubators. Over ninety percent of the incubators that were polled placed a high or very high importance on contributing to the creation of employment in the local economy (Mohamed Imam Salem). Consequently, determining the extent to which incubators have been successful in achieving this objective is an essential component of determining how effective they are. In addition, assessing the number of individuals employed full-time and part-time by incubator customers on a consistent basis may give incubators with proof of the expansion of their clients'

businesses. It is important to keep in mind that incubators do not necessarily contribute to the creation of employment when calculating the total number of jobs produced by the incubation process. Instead, they provide fledgling enterprises access to resources and services that make it possible for them to thrive and expand, which results in the creation of new employment opportunities. As a consequence, a large number of employment supplied by client enterprises may be viewed as just an indirect indication of the efficacy of an incubator and should be linked with other criteria in order to become useful. One further method of determining whether or not an incubator is successful is to determine how much money it is bringing in from its customers, both active and graduating. The degree to which a company's maximum, medium, and mean wages have changed over the course of a certain period of time may serve as an indicator of the company's overall financial growth. Incubator client wages, coupled with the number of employment that have been generated, are indicators that incubators are succeeding in their mission to assist in the development of new businesses. The fact that about 84 percent of incubator customers stay in the neighborhood after graduating (Al-Mubarak, 2008) indicates that these measurements suggest economic development inside that community rather than expansion outside of it.

2. THE INCUBATOR AND THE BUSINESS VENTURE:

Incubators have gained a lot of importance over the past 20 years as mechanisms for strengthening the economic and technical development of countries. These mechanisms work to promote the rise of potential entrepreneurial ideas and encourage the growth of newly founded businesses. Incubators are used by many local economic development agencies, government organizations, and other public institutions as a tool to lower the risk of business failure and to accelerate the process of starting a new company. In the beginning, the focus of the research was on incubating initiatives, such as public or institutional operators with economic development goals (to boost employment and economic/technological progress), mostly through the use of public resources. By providing a wide range of services, such as space, infrastructure, and facilities, as well as access to technical and managerial experience, as well as aid in developing business plans, public incubators sought to lower the overall cost of doing business. Fees and public financing from local, national, and international programs are the primary sources of revenue for public incubators. Business Innovation Centers (BICs) were the first and most widely used public incubators in Europe. They were established in 1984 at the request of the European Commission. BICs provide fundamental services to tenant firms, such as providing space, infrastructure, communication connections, and information about external financing prospects, visibility, etc. as part of their incubation activities. University Business Incubators are yet another type of public incubator that may be found (UBIs). Policymakers in the government increasingly see science as a vehicle for energizing national and regional economies, and they are increasingly asking universities to lend resources, faculty time, and talent to economic development efforts. This trend is expected to continue in the foreseeable future. Even though teaching is the primary objective of universities, they are nonetheless able to make significant contributions to the economies of the areas in which they are located through research that results in patentable innovations and discoveries, faculty spin-off enterprises, and technology transfers. Incubators' efforts to meet the needs of new start-ups have been the driving force behind the incubating industry's rapid growth over the past two decades. New breed of incubators have evolved and began delivering new services (increasing value for their tenants) while ignoring or ignoring previous ones in order to meet new expectations from firms, it's acceptable to suppose. A new incubation model has emerged as a result of this shift in focus toward more intangible and high-value services (such as access to advanced capabilities, learning opportunities, information, networking, and synergies). In truth, the emphasis of more modern incubators, especially private ones, is on the provision of direct access to finance and of more intangible and high-value services than in the past. Private incubators There were a few reasons for the establishment of incubators in the first place: to cut beginning expenses for new businesses and give them a boost in the community. Private incubation experiences in the recent past have emphasized speeding up the time to market for customers, offering more specialized services, and bringing together start-ups, huge technology companies, and commercial actors. They also seem to keep a closer eye on their tenants, offering daily operational assistance and access to more sophisticated sources of technical and managerial experience. Other players have also stepped in and tried to boost their returns on operations by playing a vital part in the creation of new businesses at a very early stage, thanks to the growth of Information Technologies. Non-profit and for-profit incubators may be distinguished based on their institutional purpose and strategy. There are two types of non-profit institutions: BICs and UBIs are set up by the government to promote regional development, whereas IPIs and CPIs are put up by private individuals/organizations to generate profit. An incubator may specialize in one industry and develop the ability to draw start-ups from that industry or

from other, closely related ones. When an incubator is able to accurately define the profile of an entering new venture, he is better equipped to exploit his existing skills and generate possible synergy effects among the already resident

start-ups. These skills might be technical (e.g. a concentration on a certain technology) or industry-related (e.g. a focus on a specific industry) (e.g. focus on a particular competitive environment). We may learn a lot about the incubator's goals and purpose by looking at where it is located. It's feasible to separate revival zones, industrialized areas, and places near universities based on the four kinds of incubators that have been discovered. There is a direct correlation between an incubator's location and the kind and sort of businesses it attracts,

Incubators may choose to target firms that are located nearby to the incubator, or they may choose to target companies that are located across the country or across the world (not necessarily established in close proximity to the incubator). The incubation models must take into account the diverse demands of local, national, and/or worldwide businesses when deciding which ones to target. It is feasible to differentiate between incubated ideas that originate from an already existing organization (internal) and those that originate from all other persons and organizations (external) (external). As a result of their institutional mandate, UBIs and CPIs will primarily focus on exploiting the (patrimony of) abilities and knowledge of the organizations they are affiliated with. As a result, they tend to be more inwardly focused and prioritise commercial concepts generated by their "parent companies," resulting in academic and corporate spin-offs (respectively for UBIs and CPIs). When looking for fresh business ideas to incubate, non-affiliated BICs and IPIs are more inclined to go outside of their own walls. Depending on the needs of the hosted enterprises, the incubator may support from the earliest step of business idea definition all the way through to the independence of the ventures housed. Depending on the stage of the company development life cycle an incubator is working on (idea definition, early growth, acceleration, etc.); it may focus on developing certain talents. The average time it takes for a disease to incubate is referred to as the incubation period (period of time that the incubator is willing to host its companies). In addition to other factors, the business models of various organizations influence this component (the period of time that a company needs to spend in an incubator depends on its strategy, its life cycle, the markets targeted, etc.). Expenses are compensated for in part by the fees firms pay for the services they get from public incubators, which are non-profit organizations. Pay-as-you-go is a common business strategy for several services (likewise rents and telephone lines). Public financing is not available to private incubators. Furthermore, they purchase shares in their own firms in exchange for the services they provide, with the goal of eventually having complete control over the business. Incubators provide a wide range of services, based on the needs of the firms they are willing to incubate and, more crucially, on the skills and the knowledge base of the individuals who run them. BICs, IPIs, and CPIs, on the other hand, are more focused on providing tangible services (such as physical space and office equipment), whereas UBIs, on the other hand, provide both intangible and tangible services together. The fundamental disparities between private and public management teams may be explained by the variances in their reward systems. In private incubators, management teams put their own money into emerging enterprises and are actively engaged in the day-to-day operations. While in private incubators and accelerators, management teams serve as a kind of 'intermediary' between the new businesses they support and external organizations that may give them with the resources and expertise they don't have on their own.

3.THE LEGAL ASPECT BETWEEN THE INCUBATOR AND THE BUSINESS VENTURE

The following is the typical essential structure that is included in contracts between new businesses and incubators: The incubator's role is to (a) offer a physical location for work and meetings as well as the necessary infrastructure (both technical and office); (b) act as an intermediary between the incubated firm and educational and research institutions in order to further the incubated company's goals, and (c) aid the incubated company in its managerial and technological education via events, consultancies, access to faculty, researchers, and investors. The startup that is incubated receives the following benefits in exchange for the following commitments from the incubator:

(a) paying the incubator monthly amounts for the use of the infrastructure, (b) paying the incubator a value calculated as a percentage (usually up to 1 percent) of gross revenue during the incubation period, (c) to pay the incubator a percentage of its revenue (usually up to 2 percent) for a period after incubation (usually 2 to 5 years). This issue depends on the specifics of the agreement, the incubation period might be anywhere from 12 to 36 months. Therefore, the legal transaction between incubators and start-ups is essentially an unusual contract in which the incubator provides services and assigns the use of movable and immovable property in exchange for i) a fixed monthly fee, (ii) a percentage of the start-sales up's for a set period of time, and (iii) costs and expenses associated with the structure being used.

4. THE CONTRACTS SPHERE BETWEEN THE INCUBATOR AND THE VENTURE BUSINESS:

The following is a typical organizational pattern for the legal agreements that exist between start-up companies and accelerators:

(A) The contributions made by the accelerator include the following:

- (b) Making a financial contribution to the start-up, either in the form of a contribution to the share capital or in the form of a loan convertible into equity interests (in the case of a loan, this may be materialized in certain debt securities that are convertible into equity interest);
- (b) Providing mentorship and guidance to the start-founders and;
- (c) Providing access to the accelerator through (a.i) assign the use of space and infrastructure (technical and office); (a.ii) offer courses, training, lectures, and the like with a view to the managerial and operational development of the start-ups; (a.iii) provide support and management advice, especially with regard to the placement of products and services in the market, provide advisory services (with or without additional remuneration) in the accounting, administrative, and legal areas; (a.iv) facilitate telecommunication.

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