

## THE ROLE AND SIGNIFICANCE OF BUSINESS STRATEGY IN CREATING BUSINESS INCUBATORS – A CASE STUDY OF THE UŽICE BUSINESS INCUBATOR PAPER TEMPLATE FORMAT

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**Abstract:** The sector of small and medium-sized enterprises represents the most vital and economically efficient part of the economy and plays an increasingly important role in the implementation of structural reforms, especially in the function of creating new jobs and stimulating the growth of the overall economy. In recent decades, business incubators have been established as new models for developing small and medium-sized enterprises in developed countries, including ours. This paper aims to indicate the role and importance of business strategy in the creation of business incubators.

**Key words:** strategic management, business strategy, business incubators

### Introduction

The main goal of establishing business incubators involves supporting the development of small and medium-sized enterprises in the country. The priority is to create a favorable environment for the successful development of incubator clients. Behind this general goal lies a diverse range of motives for forming such a model of economic organization. The establishment of incubators is primarily based on international experience and the following objectives (Irwin D., 2001): Creating new jobs; Diversifying the local economy; Promoting economic independence for certain population categories; Transferring technology from universities and large enterprises; Regional economic development; Promoting entrepreneurship and assisting in the development of new enterprises; Increasing the number of small and medium enterprises that survive in the market; Reducing the risks of start-up business operations; Encouraging innovation and the development of new technologies.

In addition, the incubator serves as a source of new ideas and knowledge that are constantly improved with the help of domestic and foreign consultants from various fields. Close collaboration between complementary organizations is crucial because without such collaboration, it is not possible to achieve all the set goals. The services provided by the incubator reduce operational costs by eliminating the need for entrepreneurs to deal with matters not directly related to business. Rents below market prices, offered by most incubators, also reduce operational costs for new businesses in their crucial early stages.

There are different models of incubators, ranging from those that only provide space or services to virtual ones. Incubators can be divided into (Penezić, 2009): high-tech incubators linked to universities and research and development organizations, general-type incubators, and sector-specific production-oriented incubators.

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In addition to business incubators, clusters, industrial zones, and technology parks are also listed as new developmental instruments (Penezić, 2009). The most important types of institutions offering business incubation services are (Penezić, 2009): Classical business incubator (BIC - Business Innovation Centre), Innovation centers, Managed workspace, Enterprise Centers - Incubators without walls, Industrial park, Business park, Technology center, Technopolis, Export zones, Science and technology parks, Virtual business incubators, and Clusters and networking (Penezić, 2009).

Business incubators are often connected to research institutions and universities, serving as a natural link between academic research and the application of results in small and medium-sized enterprises. Many of them focus on spin-off companies, and the target group (as potential entrepreneurs) includes not only researchers but also final-year students (Penezić, 2009). Collaboration between the university and the incubator should aim to create opportunities for establishing a technology-science park, and business incubators should be accessible to students for gaining practical experience, such as identifying business initiatives from the university and their further development within the incubator and parks, providing students with opportunities to develop practical skills and professional improvement, utilizing resources provided by the business incubator for preparing and participating in projects, offering graduates the opportunity to volunteer in the incubator, and attending training organized for residents in the incubator itself. Establishing collaboration between universities as educational and research institutions and business incubators aims to establish and maintain a long-term partnership between the educational system and the local economy (Stanković, Đoković, 2019).

### **The Importance of Business Strategy in Creating Business Incubators**

The success of a newly established incubator depends primarily on the commitment of the management and the bodies of the business incubator to follow positive global experiences, adapt them to their needs, and apply them. They should be committed to the following principles (Mašić, 2009):

- Achieve consensus on the mission that defines the role of the incubator in the local community and develop a development strategy with measurable goals to be achieved;
- Develop the business incubator towards financial sustainability through the development of a realistic business plan;
- Employ leadership that has the strength and capability to fulfill the mission of the business incubator and help member companies grow and develop;
- Develop the infrastructure of the business incubator, resources, methods, and tools that will serve to provide business support to member companies according to their needs and requirements;
- Integrate the work program of the business incubator into the economic strategies of the municipality and region;
- Continuously develop support from stakeholders, including networking with institutions that can support the incubator;

- Maintain an information system that is used by the management of the business incubator and collect statistical data and other data that are relevant for program evaluation to improve effectiveness and track member needs.

### **Starting a Business Incubator**

One of the most crucial steps in launching a business incubator is conducting a feasibility study (Stanković, Đoković, 2019). Primarily, it helps in achieving consensus and motivating leaders (municipal, state, non-governmental sector, profit organizations), institutions, and organizations interested in the development of the local community. The study defines creative ways to overcome obstacles and serves as a good introduction to the development of a high-quality business plan.

It protects the project from critical mistakes and can also contribute to better informing citizens about the project, raising awareness of its significance. Above all, it facilitates the development and improvement of contacts with existing business incubators in the environment. The process of preparing, establishing, and operating business incubators is a complex one that requires expertise and dedicated efforts. Developing an incubator requires a foundation based on broad knowledge, legal foundations, practical experiences, and various other areas, leading to the involvement of numerous partners. Among these partners can be international agencies, states or state agencies, companies, banks, universities, and other private sector organizations, depending on their specific goals and objectives (Obradović, Đorđević, 2004). Most business incubators worldwide are supported by public agencies, governments, academic institutions, or arise through their collaboration. One reason for this is the substantial fixed costs associated with purchasing or constructing physical facilities. On the other hand, there is a significant potential for public-private partnerships in industrial development. Most business incubators are not self-sustainable in the first five to seven years. The private sector will participate in the incubation process only when the state enables funding for initial operations. The primary task of the incubator's founder is to involve other partners in various phases of the project, such as the incubator concept, current state analysis, business plan preparation, implementation, promotion, training, employment, and additional activities. In challenging socio-economic situations, close collaboration between complementary organizations is crucial. The role and responsibility of each actor must be explicitly defined from the beginning.

Establishing a business incubator involves several steps (Penezić, 2009):

**Formation of a Working Group for Establishing a Business Incubator:** Comprising representatives of future incubator founders, local government and institutions, universities, and other interested parties.

**Formation of an Expert Team for Establishing a Business Incubator:** Involves proposing experts of different profiles to carry out specific activities during the incubator's establishment process. It is recommended that the expert team consists of both international and local experts.

**Selection of Incubator Management and Other Positions:** Criteria for positions in the incubator management and other staff, as well as the necessary documentation for

staff application, are defined. The incubator usually has a small number of employees, depending on the specific type and number of services it provides to its members - the so-called "tenants."

**Procurement of Management and Other Staff Equipment:** After appointing management and other staff, the procurement of necessary equipment is initiated.

**Establishment of the Business Incubator:** The first task of the appointed management is to complete the procedures for establishing the business incubator, i.e., organizing physical infrastructure for the needs of the incubator's management, staff, and tenant companies.

**Introduction to Business and Training of Incubator Management and Staff:** The selected incubator management and staff are trained for specific functions and services of the incubator, including human resources management, planning and reporting techniques, negotiation skills, accounting procedures, handling IT infrastructure and equipment, as well as other training and education programs necessary for successfully fulfilling managerial and support tasks and services within the business incubator's activities and functions.

**Tenant Application Process:** The incubator management, in collaboration with the working group, announces a competition for selecting incubator tenants by defining criteria for selecting ideas and providing all the necessary documentation that candidates need to submit during the application process (CV, recommendations, certificates). After the announcement of the competition, the incubator management, with the working group, reviews the submitted ideas and proposals, interviews the candidates, and selects the best ideas.

**Contracting and Placing Selected Incubator Tenants:** The incubator management, in collaboration with the working group, negotiates accommodation conditions for tenant companies that will be in the incubator for the next 2 to 3 years. General conditions are defined to reduce the operating costs of newly established companies by providing rents below market value (with the rent gradually increasing each subsequent year), offices, and other necessary space, as well as assistance in joint investments.

**Procurement of Equipment for Incubator Tenants:** After selecting the best ideas for incubator tenants, the incubator management initiates the procurement of necessary equipment.

**Establishment and Development of Common Incubator Services:** The incubator management and staff initiate all predefined services that will be offered to tenant companies: planning, reporting, accounting, negotiation, marketing promotions, business plan writing training, public relations, trade fairs and exhibitions, business promotion activities, legal assistance, training and education, access to finances, creating business networks with other companies, communication procedures, handling IT and other equipment, and other services. This process includes equipment purchase, installation, operation training, and maintenance training.

**Incubator Management Reports:** The management has the obligation to regularly report to the working group monthly, quarterly, semi-annually, and annually on activities, achievements, problems, and other predefined reporting items. Special

attention is given to financial aspects and the implementation of planned activities in the reports.

**Monitoring Incubator Activities:** Partners directly involved in establishing the business incubator but not permanently present should regularly meet and analyze the progress of planned activities, as well as any problems in implementing planned activities. If there is a need for redefining or changing the incubator's operation, the working group makes appropriate decisions and measures that the incubator management implements.

**Working with Well-Rated Start-Up Companies Outside the Incubator:** The incubator management, in collaboration with the working group, continues to maintain contact with candidates whose business idea proposals were well-rated but did not become incubator tenants due to limited space.

**Promotional Activities at Trade Fairs, Exhibitions, Conferences:** The incubator management organizes all promotional activities for new tenants, such as participation in trade fairs, advertising in the press, and preparing brochures promoting the products of tenants.

**Collaboration with Foreign Business Incubators:** It is crucial for business incubators to establish collaboration and exchange experiences with business incubators in neighboring regions or other countries.

It is of great importance for the concept and success of the incubator to provide individual, high-quality, professional, and business advice to each small business. Without this, these spaces would be merely well-organized workspaces - similar to incubators but usually offering services exclusively related to land and property maintenance, catering to established small businesses.

The practice of incubators is not to extend hospitality to businesses for more than three years. During the period from the first to the third year, businesses are encouraged to "move on," relocating to another space (e.g., by increasing the incubator's rent), and the freed-up space is used for new businesses that are just emerging. It is crucial to have a policy for the proper selection and departure of businesses from the incubator (Stanković, Đoković, 2019).

The most successful incubators and well-managed spaces are those with a clear stance that they exist to stimulate employment growth, not to subsidize failing or inefficient enterprises. The fundamental objectives in the development of business incubators are focused on several significant goals, primarily strengthening infrastructure and expanding the space offered to users by individual incubators, as well as establishing a system for providing financial support from government bodies for the establishment and development of business incubators.

During the establishment of an incubator, it must be clearly defined whose interest it serves, and it must be ensured that the incubator operates (materially, in terms of personnel, financially). The founder must predefine the method of securing the necessary financial resources.

The admission of users should be based solely on the quality of the business idea and the quality of the entrepreneur. Upon admission to the incubator, mandatory entrepreneurship training is necessary – acquiring basic knowledge. The incubation

period should not be less than 3 years for service activities and 5 years for production activities.

Strengthening collaboration among existing incubators through the exchange of experiences, joint projects, consideration of establishing a common web portal and bulletin, is of great importance. Promoting the concept of business incubation and presenting the results of the incubator at conferences and fairs are significant activities. All relevant stakeholders should be involved in the incubation process – all levels of government, educational institutions, entrepreneurial associations, innovator associations, chambers of commerce, development agencies, international projects, and initiatives (Stanković, Đoković, 2019).

Continuous knowledge acquisition in management, marketing, and other areas is essential for incubator management, as well as establishing an evaluation system for incubator work. There must be an unbiased instrument for externally evaluating the incubator's performance to improve it. Founders must have a realistic assessment of the incubator's work and results.

Users of entrepreneurial incubator services are groups of people facing difficulties starting their businesses due to their social status, education level, years of business experience, nationality or ethnic background, disability, and similar factors. Among these groups, young people stand out, especially those belonging to minority groups. The social status of young people, particularly those in patriarchal rural environments, persons with disabilities, and national minorities, is at a low level.

The potential of these social groups depends on proper collaboration with those who can assist them, primarily referring to the state and its institutions through the redistribution of available resources. One way to involve them in the process is by providing institutional support through the establishment of business incubators whose primary goal is the overall development of society (Stanković, Đoković, 2019).

The selection of companies needs to be approached carefully; they must have significant potential for growth, an interest in innovation, high technology, and internationalization. The management team must gather information about employers in the region, types of businesses, general revenues and earnings, the local tax system, available office space at reasonable prices, infrastructure, and transportation networks. The analysis aids in creating the future business incubator, its purpose and goals, the types of companies that will be accepted, and in developing a business plan.

The key role in the success of the incubator is held by the management team or director, who must have extensive knowledge of entrepreneurship and business development. Other necessary resources include a secretary, accountants, lawyers, or other essential personnel, whether on a full-time or freelance basis. The European incubator practice has shown that incubators have 5 to 6 employees, half of whom are managers.

The location where it is situated significantly reflects the goals of the business incubator. In most transition countries, there are vacant industrial buildings that have not been used for a long time and can serve as premises for business incubators (Stanković, Đoković, 2019). An adequate facility should be functional in terms of

space, parking, energy availability, noise and environment, simple in terms of legal and ownership issues, available for use for the next 8 to 10 years, with space for about twenty small businesses. Urban areas are usually the most common choice from numerous locations.

## **Research**

### **Case Study: Business Incubator Užice**

"Business Incubator Center Užice" LLC is located next to the Belgrade-Užice main road, in the "L" Industrial Zone in Sevojno, 6 km from Užice. It was established in 2008 in partnership with the City of Užice and the Regional Development Agency Zlatibor from Užice. The construction of the incubator's facility, designed for the purpose of a Business Incubator, was planned through the National Investment Plan (NIP) and financed from the European Bank for Reconstruction and Development. The incubator has a business space of 1600 m<sup>2</sup>, within which a production building occupies 1138 m<sup>2</sup>. This building houses twenty business units ranging from 22 to 116 m<sup>2</sup> each, including 8 units with an area of 22 m<sup>2</sup>, 2 units with an area of 116 m<sup>2</sup>, 4 units with 90.50 m<sup>2</sup> each, 4 units with 56.16 m<sup>2</sup> each, and 2 units with 68.89 m<sup>2</sup> each. Next to the production building is the administrative part of the incubator, a business building where the following are strategically arranged: a conference room, two kitchenettes, a boiler room, a changing room, sanitary facilities with shower cabins, equipped office space with a computer and internet access (for the tenants' needs), halls, junctions for strong and weak electrical installations, 5 offices for rent with an area of  $\approx$ 15 m<sup>2</sup> each, and one space of 30 m<sup>2</sup>, as well as offices for the incubator's management (70 m<sup>2</sup>).

"Business Incubator Center Užice" LLC provides support to young economic entities in four-year cycles in the form of subsidized rental prices for business space, administrative-technical assistance, and training. Since its establishment, it has employed 5 people.

The activities supported by the incubator are production, innovative, and intellectual. In addition to supporting economic entities within the incubator, Business Incubator Center Užice offers counseling and training to potential entrepreneurs, as well as to economic entities already operating in the market. Through collaboration with the National Employment Service (NSZ), the incubator assists in creating a Business Plan for incentive measures awarded by the NSZ. This service is of a voluntary nature, while those intending to implement a project through leasing space in the incubator receive an additional 10 points when scoring for ranking purposes in the allocation of funds.

By the decision of the Assembly of the Incubator on December 29, 2011 (the decision was made based on the economic crisis and the overall state of the economy), the incubator expanded its business collaboration to include companies older than four years, with their rent calculated at commercial rates.

According to the current situation, the tenants of BIC Užice are:

**DOO ARMIDA** (production of sanitary fittings): The leased space is part of shop number 9, with an area of 11 m<sup>2</sup>, at a commercial price. According to the incubator's assessment, the company has a good production program but poor organizational quality, weak marketing, and placement of finished products. Armida settles its claims based on invoices from Business Incubator through compensations with a delay of up to 4 months. The number of employees is four.

**ZR VELVET FURNITURE** (production of upholstered furniture): Leased spaces include shops number 1, 11, and 12, with a total area of 288 m<sup>2</sup> at €1.4/m<sup>2</sup>. According to the Business Incubator's assessment, the company has a good program, confirmed by the market. The organization of work is good, with assistance in invoices, offers, and market monitoring provided entirely by the Incubator. Obligations from incoming invoices are settled in currency or by the next invoice date. They have a range of products for both domestic and international markets. Since the beginning of operations, they have expanded significantly, acquired new machines, improved and expanded production, and thereby increased the number of employees. The number of employees ranges from ten to fifteen, depending on the workload, with the help of interns (3-5) from the Technical School in Užice.

**DIA-CO DOO Užice** (production of machine parts on CNC machines): Leased spaces include shops number 13, 14, 17, and 18, with a total area of 169 m<sup>2</sup>, as well as office space with an area of 16 m<sup>2</sup>. The company is subsidized in terms of prices. The company has a good program, confirmed by the number of employees, working hours, and the market. Since moving into the Business Incubator and starting a business, the company has expanded significantly, procured new machines, improved and expanded production, and thus increased the number of employees. Obligations from incoming invoices are settled in currency or by the next invoice date. The number of employees ranges from ten to fifteen, depending on the workload.

**METALPOKS** (production of wall and floor coverings with installation): The leased space is shop number 2, with a total area of 56.16 m<sup>2</sup> at subsidized prices. The company has a good program and a large number of partners. The organization of work is good, and obligations from incoming invoices are settled in currency. The business is at a high level, a good practice example. The number of employees is seven.

**BOMIX LLC (IMPORT, EXPORT, WHOLESALE AND RETAIL OF TEXTILES)**: Leased spaces include shops number 4, 5, 7, and 15, with a total area of 260 m<sup>2</sup> at €1.4/m<sup>2</sup> (the price agreed at the city level to avoid moving production to the municipality of Čajetina for better conditions). Also leased are two offices, number 33 and 34, with an area of 45 m<sup>2</sup> at a price of €2/m<sup>2</sup>. The company is highly advanced, well-developed, and operates with a high business code. A large number of both domestic and foreign clients visit daily, which is highly positive for the Incubator and other tenants. Obligations from incoming invoices are settled in currency. The company has a fair relationship with its employees and good collaboration with the Incubator.

The company employs twenty-five individuals.

**ASSOCIATION FOR CEREBRAL AND CHILD PARALYSIS UŽICE:** Leased space includes shop number 3, with a total area of 90.5 m<sup>2</sup> at €0.8/m<sup>2</sup>. The association is well-organized, connected with all local institutions, receiving good support and understanding. Within the Incubator, through the activity of drying fruits and vegetables, they generate additional income to finance their association and the needs of members. Machines and equipment are financed through a fund from the Ministry of Justice, obtained from collected penalty postponements. Assistance in rent came as a subsidy from the city of Užice. Through a project, they received funds for a cooling chamber for storing finished products. They registered "Naše zeleno polje" LLC, whose founder is the Association, intended for employing persons with disabilities. The Incubator assists the Association within its capabilities and capacities. Obligations from incoming invoices are settled with the City Budget, justified by the Business Incubator for the previous month, with a note that the expended, measured, and calculated electrical energy and additional costs arising from the production process are not included in the contractual obligation between the City and the Business Incubator but will be subsequently credited to the Association or the newly established company. The number of employees ranges from five to ten, depending on whether it involves education, production, or training.

**RMD (THERMOPLASTICS PRODUCTION COMPANY):** Leased spaces include shops number 6, 10, 16, 19, and 20, with a total area of 207 m<sup>2</sup> at €0.8/m<sup>2</sup>. The company is newly formed with pre-arranged contracts for Hong Kong, India, and the military industry. They operate with a high business code, and there is a significant number of daily visitors, which is positive for the Business Incubator and other tenants. Obligations from incoming invoices are regularly settled. The company has a fair relationship with its employees, good collaboration with the Incubator, and other tenants. The number of employees, currently ten in one shift, is planned to introduce two shifts and expand to three shifts, which, if the plan is realized, would reach around 40 employees in this company alone in 2023.

**COCA-COLA HBC (NON-ALCOHOLIC BEVERAGES PRODUCTION AND TRADE COMPANY):** Leased spaces include shop number 8 and an office on the upper floor of the administrative building, number 44, with a total area of 40 m<sup>2</sup>. The company is commercial, a globally recognized brand. They have a high business code, a fair relationship with their employees, good collaboration with the Incubator, and other tenants. Obligations are regularly settled. There is a significant number of people communicating with the leased space throughout the month, and their comments on the Incubator and the provided conditions are an excellent advertisement for the Incubator. The company has twelve employees.

**ISCAR TOOLS LLC BELGRADE (PRODUCTION OF HARD METAL CUTTING TOOLS AND INSERTS):** The leased space is an office in the administrative part of the building with an area of 29 m<sup>2</sup>, as a representative office of the Israeli company, with a contract signed for a period of 4+4 years. The company operates in over 50 countries worldwide, with the founder of the company and the parent company located in Israel. They have a large number of partners and collaborators. The number of employees is three.

**BUSINESS AGENCY (ACCOUNTING AGENCY):** The agency operates with a large number of clients, including many tenants and the Business Incubator itself. The agency has five employees.

The Incubator's capacity is 100% occupied, with ten tenant companies operating within it, employing about 100 individuals, with a tendency to increase this number. Tenants collaborate effectively, organizing joint visits to fairs and workshops, creating a positive business atmosphere. Regular communication between tenants and employees in the Business Incubator has led to problem-solving through short meetings and agreements. Tenants consistently meet their obligations to the Incubator, and the Incubator, in turn, fulfills its obligations to suppliers regularly. This business model has been established since mid-2018. A significant problem for tenants is the lack of trained workers, such as carpenters, machinists, tailors, upholsterers, and other craftsmen, as well as the issue of the departure of trained labor abroad.

### **Services Provided to BIC UŽICE Tenants**

The services offered by the Business Incubator to its tenants encompass professional, technical, and spatial capacities.

#### **Professional Services:**

- *Assistance in drafting business plans,*
- *Shared administration,*
- *Support in promotion activities,*
- *Legal assistance and business advice,*
- *Centralized database access,*
- *Participation in seminars, fairs, and other business events,*
- *Organization of meetings with bank representatives and donors,*
- *Information gathering on public calls and conditions,*
- *Aid in applying for public projects,*
- *Workforce training through intermediaries and in collaboration with the National Employment Service (NSZ),*
- *Training and consulting, courses covering various fields and entrepreneurship.*

#### **Technical Services:**

- *Maintenance of shared spaces and offices,*
- *Maintenance of high and low voltage installations,*
- *Maintenance of plumbing and sewage installations,*
- *Facility maintenance, locksmith and carpentry work in functional condition,*
- *Maintenance of equipment, appliances, and devices,*

- *Security measures (fire extinguishers, video surveillance, hydrant network, insurance),*
- *Accessible approach to the facility, organized parking, and circular traffic route,*
- *Maintenance of external areas,*
- *Energy-related services (electricity, gas, air conditioning, fuel),*
- *Municipal services (sewage, water, waste removal and disposal),*
- *Communication services (postal, verbal, e-communication, and others),*
- *Other services arising in the course of operations, depreciation, or due to force majeure.*

#### **Spatial Capacities:**

- *Shared office equipped with communication, copying, and collaborative work tools,*
- *Kitchens furnished with complete kitchen appliances, devices, utensils, and more,*
- *Changing rooms with shower cabins,*
- *Storage spaces and auxiliary areas for maintenance and hygiene supplies,*
- *Canopy for machine repairs, temporary storage of finished products or raw materials, and similar,*
- *Meeting room for gatherings, conferences, and presentations.*

#### **Business Strategy of BIC Užice**

The primary goal is to create an instrument to support entrepreneurship, reduce unemployment, and establish a greater number of new enterprises. The aim is to develop tools to support young, technically educated individuals in starting and developing their businesses, enabling them to achieve economic self-sufficiency and remain in their hometown of Užice, as well as in the country. Strengthening entrepreneurs and increasing their numbers enhances the regional economy and reduces migration to the capital city, Belgrade, and Western European countries.

Objectives:

Objective 1: Create favorable conditions for the development of small and medium-sized enterprises, opening new shops or production-oriented companies that will be tenants of BIC.

Objective 2: Facilitate the employment of new workers, opening at least thirty new job positions annually within the companies of the tenants of the Business Incubator Center Užice and an additional twenty within local distribution channels through projects and expanding the network.

Objective 3: Improve working conditions and engage in diverse activities by respecting workers' rights, motivating them, providing a positive work environment, and more.

Objective 4: Increase labor productivity and the possibility of working in multiple shifts by connecting, networking, promoting tenants, and their products.

**Mission**

The mission of the Business Incubator is to promote entrepreneurship, conduct business education, provide consulting, expert support, and other forms of assistance to economic entities in their most critical development phases. It aims to contribute to creating new job opportunities, leading to an overall improvement in the economic situation in the city of Užice.

**Vision**

The vision is for the Business Incubator to become a key participant in promoting entrepreneurship in the Zlatibor District by providing services to tenants, other SMEs, entrepreneurs, and institutions essential for the development of the SME and entrepreneurship sector. It aims to establish interactive collaboration with key stakeholders, including local authorities, Chambers of Commerce, Entrepreneur Associations, the National Employment Service, the Republic Agency for the Development of SMEs, Regional Agencies/Centers for the Development of SMEs, associations for SMEs and entrepreneurship, financial organizations, donors, NGOs, and local media.

**Market Trends:**

From the perspective of territorial market access, the following target market segments can be identified:

1. *Employment of unemployed individuals, as well as employed individuals (potential technological redundancies),*
2. *Launching startup enterprises and existing business sectors,*
3. *Key stakeholders.*

The first target market segment includes the following target groups:

Employment, i.e., creating potential entrepreneurs who will employ others. This includes unemployed individuals, followed by employed individuals (potential technological redundancies), youth, women, national minorities, and persons with disabilities with a business idea.

The second target market segment includes the following target groups:

Launching startup enterprises and existing business sectors – small and medium-sized enterprises (SMEs) and entrepreneurs operating for no more than two years, those operating in the informal economy, and those on the brink of ending their business due to poor business policies.

The third target market segment includes the following target groups:

Local government, chambers of commerce, faculties, entrepreneur associations and SMEs, the National Employment Service, the Republic Agency for the Development of SMEs, Regional Agencies/Centers for the Development of SMEs, financial organizations, donors, NGOs, and local media, which can significantly contribute to

the initiation and development of entrepreneurs and their activities, as well as employment.

### **Market Segmentation and Tenant Selection:**

Market segmentation and tenant selection represent a crucial factor in the success of the Business Incubator Center. The selection process aims to choose potential BIC tenants who have the best business ideas and entrepreneurial potential for realization. To select the best candidates through the selection process, it is important to ensure significant public interest to encourage a large candidate pool. The more candidates participate in the selection, the higher the probability of choosing the best entrepreneurs with the best predispositions for growth and success. The profile of a future BIC tenant, or the profile of the target consumer/buyer, corresponds to the profile of a potential entrepreneur (an individual who will register their business within three months) or a startup company up to two years old. This includes a good business idea, a real market for the intended product, excellent knowledge of the production technology of the planned product, the potential to employ a larger workforce, appropriate education, and adequate psychological characteristics, i.e., a clearly defined entrepreneurial attitude.

### **Conducting Activities and SWOT Analysis:**

By conducting primary (field) and secondary (desk) research activities, the necessary information has been obtained to generate ideas for marketing actions. This includes identifying marketing problems and opportunities, evaluating marketing actions, comparing performance against set goals, and creating a general understanding of marketing phenomena and processes. Based on the collected and processed data by the management of BIC Užice, the following SWOT analysis matrix has been created.

#### **Advantages (S)**

- *Employment of the unemployed and technological redundancies resulting from the transition process.*
- *Alignment with the improvement of the effectiveness of the Government of the Republic of Serbia's policies and instruments for small and medium-sized enterprises aimed at stimulating and increasing private sector enterprises.*
- *Alignment with the Development Strategy for Small and Medium-sized Enterprises of the Government of the Republic of Serbia.*
- *Reduction in the failure rate of startup companies.*
- *Involvement of a large number of startup companies - exchange of information.*
- *Mobilization of the public and institutions towards encouraging the development of the private sector in Serbia.*

- *Support from the local community.*
- *A model for other Business Incubators in the environment.*

### **Weaknesses (W)**

- *Fear of starting their own business among individuals registered with the National Employment Service (NSZ).*
- *Mismatched profile of entrepreneur-tenants in the Business Incubator Center (BIC).*
- *Unequal financial capabilities of each BIC tenant.*
- *Diversity of vision and goals of each BIC tenant.*
- *Inadequate financial support for the development of existing businesses and the establishment of startup companies.*

### **Opportunities (O)**

- *Reduction in the unemployment rate.*
- *Synergy possibilities.*
- *Realization of a common final product.*
- *Increase in export opportunities – intensification of cross-border cooperation.*
- *Attraction of new donors.*

### **Threats (T)**

- *Lack of recognition of their own opportunities as tenants of the BIC.*
- *Failure to meet obligations on invoices by BIC tenants.*
- *Lack of interest from companies in networking.*
- *Bureaucratization in operations.*
- *Self-sustainability of the BIC.*

A general critique of all analytical methods is that in the decision-making process during the selection and formulation of business strategy, one cannot rely solely on the analysis of financial indicators and influencing factors. Not all phenomena can be categorized into patterns and models. Intuitive decision-making must be present in line with the latest trends in strategic management. This emphasizes the importance of creative thinking and decision-making techniques such as brainstorming and Delphi, with benchmarking being highly regarded.

### **Discussion**

As is the case in any other business, projects for creating business incubators can easily experience failure if thorough preparation is not given due attention. Failure has a significant impact on many project participants as well as society as a whole.

Therefore, promoters and sponsors of potential business incubators have an obligation to learn how to minimize the risk of failure to the greatest extent possible. One of the most crucial reasons for project failure is an incomplete understanding of the business incubation system. Misunderstandings and inappropriate expectations among promoters, stakeholders, and potential future clients often lead to poorly designed and poorly funded projects. Therefore, the first factor for success is that initiators, supporters, planners, and government institutions, as the most important actors, know and understand the subject and system of business incubation. This is why raising awareness before the planning phase is so important. Business incubators, like all other support measures, should actively stimulate business development and be integrated into the regional development plan; they should not be isolated activities.

Business incubators have not found fertile ground in Serbia, and their basic idea is not well understood. The uneven success rate of business incubators can be partially explained by a lack of appropriate business models and decision-making based on the assumption that simply providing physical space at favorable prices is enough for the development of SMEs. Some key reasons for their failure include decision-makers not understanding the business incubation process or realizing that incubators can support local economic development in certain, not all, sectors. Additionally, local needs and economic development policies at the local level were not well understood. In most cases, their capacities were not fully utilized despite high investments and subsidized prices. Based on the number of available incubation spaces, the most lessees can be accommodated in Business Incubators in Kruševac, Užice, Niš, and Subotica.

Biznis Inkubator Centar Užice is an excellent example of best practices in all stages of the strategic management process for the creation and development of a business incubator, aiming to create a larger number of successful small and medium-sized enterprises and overall economic development in the Republic of Serbia.

### **Conclusion:**

According to data from the American National Business Incubation Association (Penezić, 2009), when established in 1985, there were about 40 business incubators in the United States, increasing to approximately 1500 by early 2006. Since its inception in the 1950s in the USA, the concept of business incubators has continuously evolved and been embraced by other countries, reflecting highly specific economic, institutional, regional, and technological conditions.

The concept of business incubators can be traced to industrialized European countries during the 1970s and 1980s (Ahmetagić, Harmath, 2008). The first incubators in Europe were established in the early 1980s in England and Germany. In November 1983, the first incubator in Germany, the Berlin Center for Innovation and New Enterprises, was founded. This initiative, initiated by the Technical University of Berlin, was based on experience in technology transfer with the aim of

promoting collaboration between small and medium-sized enterprises and universities.

Business incubators have become tools to enhance regional and national competitiveness, fostering the emergence of innovative and high-tech-based companies. This transition accelerated in the 1980s, as the concept of incubators became closely linked with higher education and public research institutions.

In the 1990s, there was a trend towards developing business incubators in the form of science and technology parks that emerged around specific industry and technology-based clusters, such as biotechnology, information technology, and environmental protection technologies (Lalkaka, 2001).

The idea of developing business incubators quickly spread, and today there are approximately 1000 business incubators worldwide, with around 250 in South America, 1000 in Western Europe, 200 in Eastern Europe, around 300 in Germany alone, approximately 150 in Africa and the Middle East, and around 1000 in the Far East (European Commission, 2002). Incubators are not limited to developed countries; today, they are developing in developing countries and attract financial support from organizations such as UNIDO (United Nations Industrial Development Organization) and the World Bank.

Incubators are considered particularly attractive in transition countries, as they can help reduce barriers by combining know-how and reducing fixed costs.

The number of business incubators worldwide is rapidly increasing, with every major city now having at least one. In many developing countries, technology business incubators, often connected to universities, dominate. There is also a trend of establishing technology incubators as the first step toward future research parks. All incubation centers in Mexico, the Czech Republic, Hungary, Indonesia, and Turkey aim to connect with universities and commercialize technology.

The business strategy in the establishment process of business incubators is focused on fostering creativity, combining and developing business talents, technology, and capital as key elements for success in launching a new enterprise. The provision of business space is only one part of such a model that stimulates business activities. Incubators of this kind do not leave the entrepreneur to their own abilities and personal business qualities, thereby mitigating business risk. In this way, they collaborate with the entrepreneur until the commercialization of their business ideas, or until the entrepreneur "stands on their own feet." Entrepreneurial incubators with a strategy for creating new enterprises prevail globally. The rationale for this orientation lies in the understanding that modern technology relies on innovative processes, and these processes lag if there is no incentive for them at all levels of societal organization, the economy, and, especially, science. Thus, it has been recognized that numerous technological innovations with high applicability and commercialization potential exist worldwide, yet many remain unused. It is known that the transfer of innovation into production and commercialization is a lengthy and complicated process. However, the success of implementing technological innovation in production and commercialization depends not only on the creativity of the individual innovator or innovation-oriented company but also on the overall organizational, financial, production, market, and even societal structures.

Entrepreneurial incubators precisely connect the technical knowledge needed for technological innovation with the business knowledge required for its successful commercialization. On the other hand, successful technological entrepreneurship requires various knowledge, and few entrepreneurs possess all the necessary expertise. Therefore, the purpose of the incubator is to create a conducive environment in which, based on technological innovation, all other necessary knowledge for business success will be developed.

Business incubation systems are predominantly focused on addressing issues related to local economic development by enhancing the entrepreneurial base in terms of both quantity and quality. The primary goal is to create an instrument to support entrepreneurship, reduce unemployment, and establish as many newly founded companies as possible.

Business incubators are among the most significant instruments that can help foster the emergence of new sustainable businesses at the local level. This is particularly important because many businesses and entrepreneurs face initial challenges such as a lack of startup capital, insufficient experience in business management, and unfamiliarity with the market, both in terms of demand for offered products and in the context of new, unknown markets. The consequence of this is a very low number of newly established companies and, indirectly, a smaller number of new jobs at the local level. Business incubators represent one solution to this problem by supporting newly founded companies in all aspects of their operations.

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