

**“Business Incubation and Support System in Asia-Pacific: Establishing
International Cooperation among Asian Incubators ”**

By

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Honorary President, National Incubator Network Association, Malaysia

BACKGROUND OF SPEAKER

... 15 Years in Business of Incubation

- **President, Asian Association of Business Incubation (AABI)** 2008-2009
- **President, National Incubator Network Association (NINA)** 2004-2007

- **Executive Director, Kulim Hi-Tech Incubator** Dec 99-Present
- **Vice President & GM, Kulim Tech Park Corp** Dec 99-Present

- **Vice President** Oct 96- Nov 99
 - **Technology Park Malaysia Corporation**

- **Director** Nov 93-Sep 96
 - **Taman Teknologi Malaysia,**
 - Ministry of Science, Technology & Environment
 - **Government of Malaysia & UNDP Project**
 - “Strengthening Incubation Management in Malaysia”

- **Member, Science Park and Innovatn Centre Expert (SPICE) Group** 2006- Present

CONTENT OF PRESENTATION

- **Part 1: Background & Historical Background**
 - Background: Incubators in Asia (and Malaysia)
 - Incubator Generation Model

- **Part 2: Internationalization of Business Incubation**
 - Why need for Internationalization?
 - Types and Forms

- **Part 3: Business Incubation and International Support through Asian Incubation Movements**
 - Asian Association of Business Incubation (AABI)
 - Incubation Asia-Pacific (IAP) Network

- **Final Thoughts and Concluding Remarks**

Part 1: Overview

... Asia now has Most No. of Incubators (1700 +)

Country	Nos. of Incubators
USA/Canada	1300+
China	600+
South Korea	270+
Japan	200+
India	110+
Taiwan	97+
Malaysia	88 +
Uzbekistan	20+
Europe	900+

BUSINESS INCUBATORS IN MALAYSIA

■ NINA Members (Tech-based Incubators)	25 +
■ MARA (Indigenous/Bumiputeras)	18 +
■ State Econ Devmt Corp	17 +
■ Handicraft Incubators	9
■ MARDI (Agri)	10
■ Universities	4 +
■ MECD	2 +
■ Others	3 +

TOTAL	88+

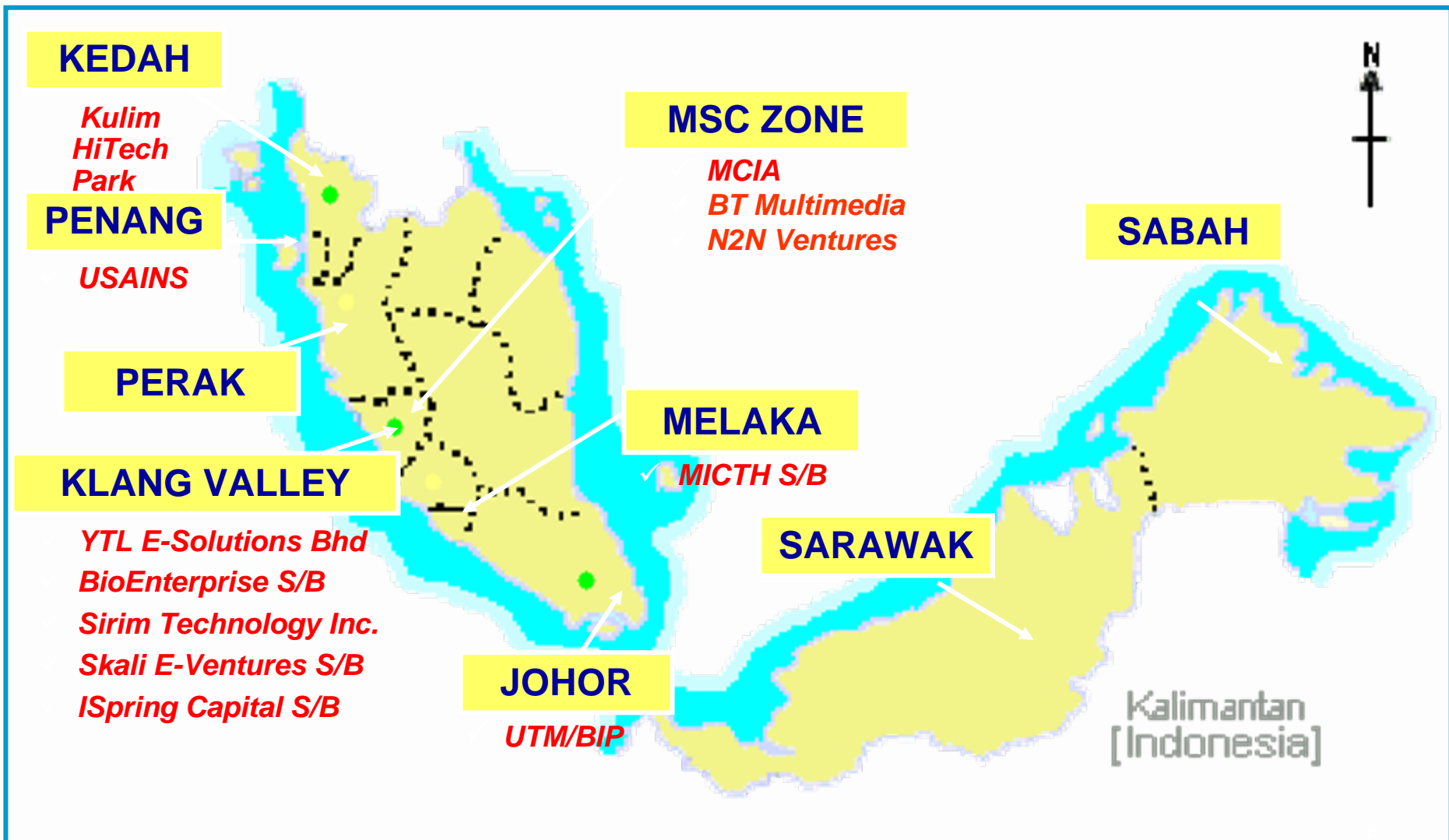
TYPICAL INCUBATOR

Average Incubation Floor Area, m2 = 4,000 ~ 5,000

Average No of Incubator Clients = less than 40

25+ MSC-Status Incubators in Malaysia

.. National Incubator Network Association (NINA) members



Business Incubation - Definition

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 coordinated by incubator management, and offered both in the business incubator and through its network of contacts.

Source: NBIA website

Evolution of Incubators

... Transformation from 1st to 3rd Generation Incubators

1st Generation

Real estate, shared facilities
Reactive support,
Landlord-Tenant Relationship

2nd Generation

+ Advisory services,
Proactive support

3rd Generation

+ Access to funding, Co-venturing
Accelerating progress, Mentoring +
Technology Labs

1990 - 1994

1995 - 1999

2000 - 2010

Incubator/(Physical Facility)

Effective Incubation
Process and Conducive
Ecosystem

MSC Status Incubators

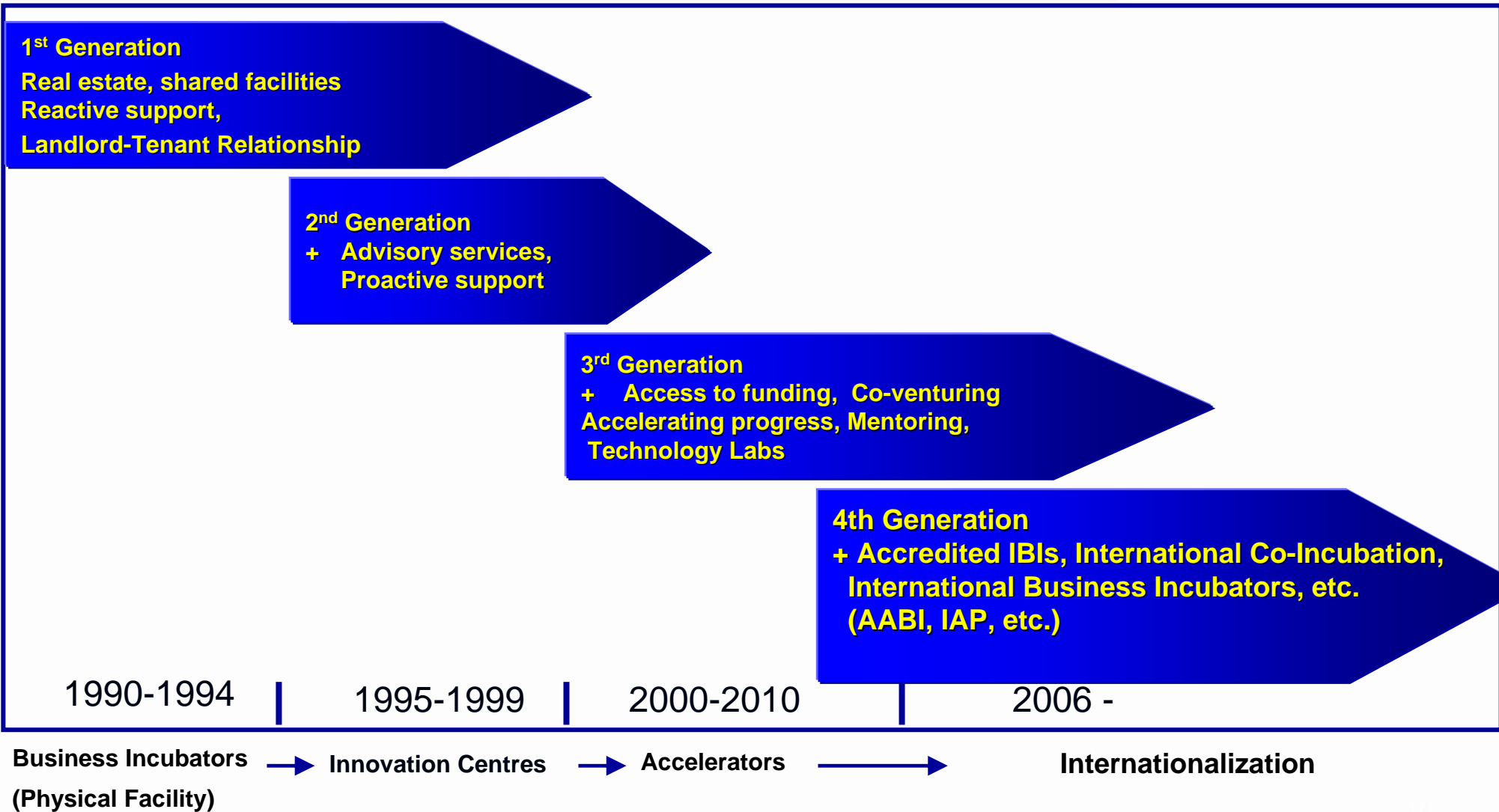
Caution/Danger

... Significant Number of Incubators are still in “1st Generation” versus in “3rd Generation” Category.

Number of Incubators	88
1st Generation Incubators Real Estate, Landlord, Shared facilities, Reactive Support	38
2nd Generation Incubators Real Estate, Landlord, Shared facilities, Reactive Support + Consulting/Advisory	44
3rd Generation Incubators Facilities + business advisory services + Acceleration Technology Labs	6 MSC Tech Com/ KTMSB/ SIRIM (STI)/ Tech Park Msia MIRC/Sohosuite/ BT Multimedia

Evolution of Incubators (... planning for Malaysia)

... Transformation from 1st to 4th Generation Incubators



Part 2. Internationalization of Business Incubators

... Types or Forms of International Incubation

1. **Foreign Companies based in Local Incubators** (*conventional*)
 - Single desk – short stays – no services.
 - Test-the-Market Desk and Services.
 - Section of Incubator.

2. **Business Incubators Abroad**
 - By Government (French incubator in Singapore, China with others, etc.)
 - By Corporate (BT Exact in Malaysia)

3. **Business Incubators (Solely) for “Born-Global” Companies**
 - International New Ventures, Global Start Ups, etc.
 - Small domestic markets, far from major markets, etc.
 - Countries such as New Zealand, etc.

Definition: "Born Global" Companies

- Starts to export less than two (2) years after the establishment of the firm.
- Views the world as their marketplace from the outset.
- See the domestic market as a support for their international business.
- 25% of the firms had an intensive export within the first two year after the establishment of the firm.
- Export in average 75% of their sales.
- Internationalization of these firms often starts with international networks.

Part 2. Internationalization of Business Incubators

... Types or Forms of International Incubation

4. **International Business Co-Incubation (BI to BI) “point-to-point”**
 - e.g Shanghai-Montpellier, Renssalaer – Montpellier, etc.
 - Incubating each others client companies.

5. **International “Soft Landings” or International Business Incubation.**
 - Accreditation by AABI, NBIA
 - EurOffice (Torino) ? Accredited ?

6. **Business Incubators Designed by Regional Networks.**
 - infoDev recipients, 5 regions
 - Asia Pacific, MENA, Central Asia, Latin America, Africa, etc.
 - Regional & World forums, etc.
 - “Incubation Asia-Pacific Network” initiative.

Part 2. Why Internationalize ?

... incubator & clients perspectives

A. Research “Knows No Boundaries”

- **Outsourcing of R & D**

- **Main motives:**

- Access to high skills of research personnel @ lower cost (India,
- Proximity to foreign markets; effective IPR regimes
- Rising output of engineers/scientists, with English language

B. Increasingly Global Economy (and Associated Problems)

- Problems (Climate, poverty, fuel costs, etc) becomes opportunities.

C. Financial and Non-financial Incentives

- MSC-Status Incubators (encouraging private incubators)
- British-Telecom incubator in Malaysia.

Encouraging Establishment of Private Incubators in Malaysia via MSC-Status Incubators

- **MULTIMEDIA SUPER CORRIDOR - MSC.**
- MSC – 50km x 15 km Development to Promote Growth of ICT.
- **Introduction of “MSC-Status Incubators”** to promote growth of “private-owned” incubators.
- Results = Nine (9) incubators
- Including One International Incubator (BT Exact)
- MSC-Status Incubators receives same incentives as MSC Status-Companies:
 - **NO INCOME TAX** for up to 10 years .
 - No duties on import of multimedia equipment.
 - **UNRESTRICTED EMPLOYMENT** of local and **foreign knowledge workers.**
 - **FREEDOM** of ownership by exempting companies with MSC Status from local ownership requirements.
 - **FREEDOM** to source capital globally for MSC infrastructure, and the right to borrow funds globally.
 - No Internet censorship.
 - Receive competitive telecommunications tariffs.
 - Participation in Tender key MSC infrastructure contracts.

Eligibility Criteria for MSC Status Incubators

- Must be directly engaged in incubation / acceleration related activities
- Incubator technology focus; specifically in ICT e.g. software development, engineering, e-commerce, telecommunications, wireless, mobile applications, bio-technology/bio-informatics
- Tenancy must house ideas, seed, start-up, early growth companies
- Must offer business support, advisory services, mentoring, coaching and training
- Physical Facilities must offer the following basic facilities:
 1. Internet access with minimum bandwidth of 128Kbps .
 2. Shared facilities e.g. meeting rooms, reception and audio visual systems
 3. Minimum of 2000 sq ft for incubation activities
- Must have a trained Incubator Manager
- Must establish a separate legal entity to qualify for MSC Status Incubator
- Must demonstrate funding and fund-raising capabilities
- Must comply to MSC-TeDD's Incubation Best Practices

Part 2. Why Internationalize ?

... incubator & clients perspectives (cont'd)

D. Need for New Markets, Saturated Domestic Markets, etc.

- Outsourcing as part of world trade.

E. Domestic SMEs and incubator clients need assistance that major organizations (incl incubators) can easily procure.

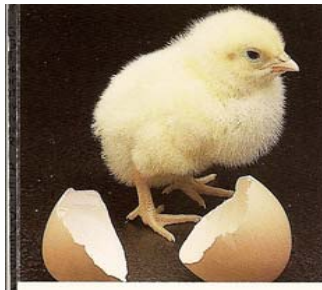
F. Need for inward investment (AABI Accredited IBIs or “Soft Landings”)

International Soft Landings or IBIs

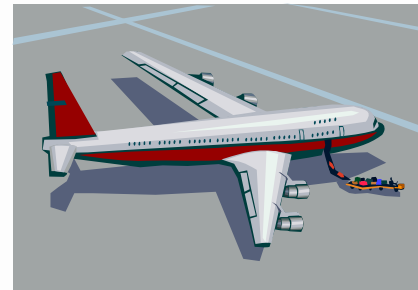
- Clients interested in the honesty of those helping them enter new mkt
 - They want to trust "primary" contact to link them with appropriate advisors, distributors, sources of clients, etc.
 - Many horror stories about untrustworthy consultants and advisors
- Third party accreditation by Experienced panel (e.g AABI Experts)
- Criteria: Sound Track Record in helping foreign clients, strong domestic network.
- AABI Accredited IBIs/Soft landings – Six (6)
(Shanghai, Hong Kong, Kitakyushu, Trichii, Singapore, NTU)
- US NBIA Accredited IBIs/Soft landings – More than 10

Names of International Incubation

- International advanced companies don't like being in “incubators” or “hatcheries.”
 - Change of name: *International Business Incubator*,
 - *US Market Access Center* www.usmarketaccess.com
- “Soft Landings” is a description that is here to stay.



vs.



International Soft Landings or IBIs (cont'd)

.. via AABI Accredited International Business Incubators (IBIs)

- **Honesty in referrals, advice, evaluations.**
- **Protection of IP and business confidentiality.**
- **Saving time and money – speed to market and fewer mistakes.**
- **Becoming an accepted member of a community – overcoming loneliness).**
- **IBIs have been vetted by third party international experts**

Inter-Incubators Cooperation in Asia (cont'd)

... via **AABI Accredited International Business Incubators (IBIs)**

<u>Incubator</u>	<u>Economic Entity</u>
1. <u>Shanghai Technology Innovation Center</u>	People's Republic of China
2. Hong Kong Science and Tech Parks	Hong Kong
3. TREC STEP, Tiruchirapalli	India
4. <u>Kitakyushu Telework Center</u>	Japan
5. <u>National Taiwan Univ. Innovation & Incubation Center</u>	Chinese Taipei
6. <u>JTC Technopreneur Center</u>	Singapore

International Soft Landings Incubators

.... *NBIA has more than 10 IBIs*

- US Market Access Center, San Jose, USA
- Emerging Technology Centers, Baltimore, USA
- University of North Dakota Center for Innovation, Grand Forks, USA
- Technopolis Ventures, Espoo, Finland.
- Twin Technology Business & Innovation Center (TWINBIC), Helsinki, Finland,
- ATP Innovations, Sydney, Australia.
- Wallonia Space Logistics, Liege, Belgium.
- @Wales Digital Media Initiative, Cardiff Bay, Wales.
- .. *And more*

Part 3: Business Incubation Support in Asia Pacific

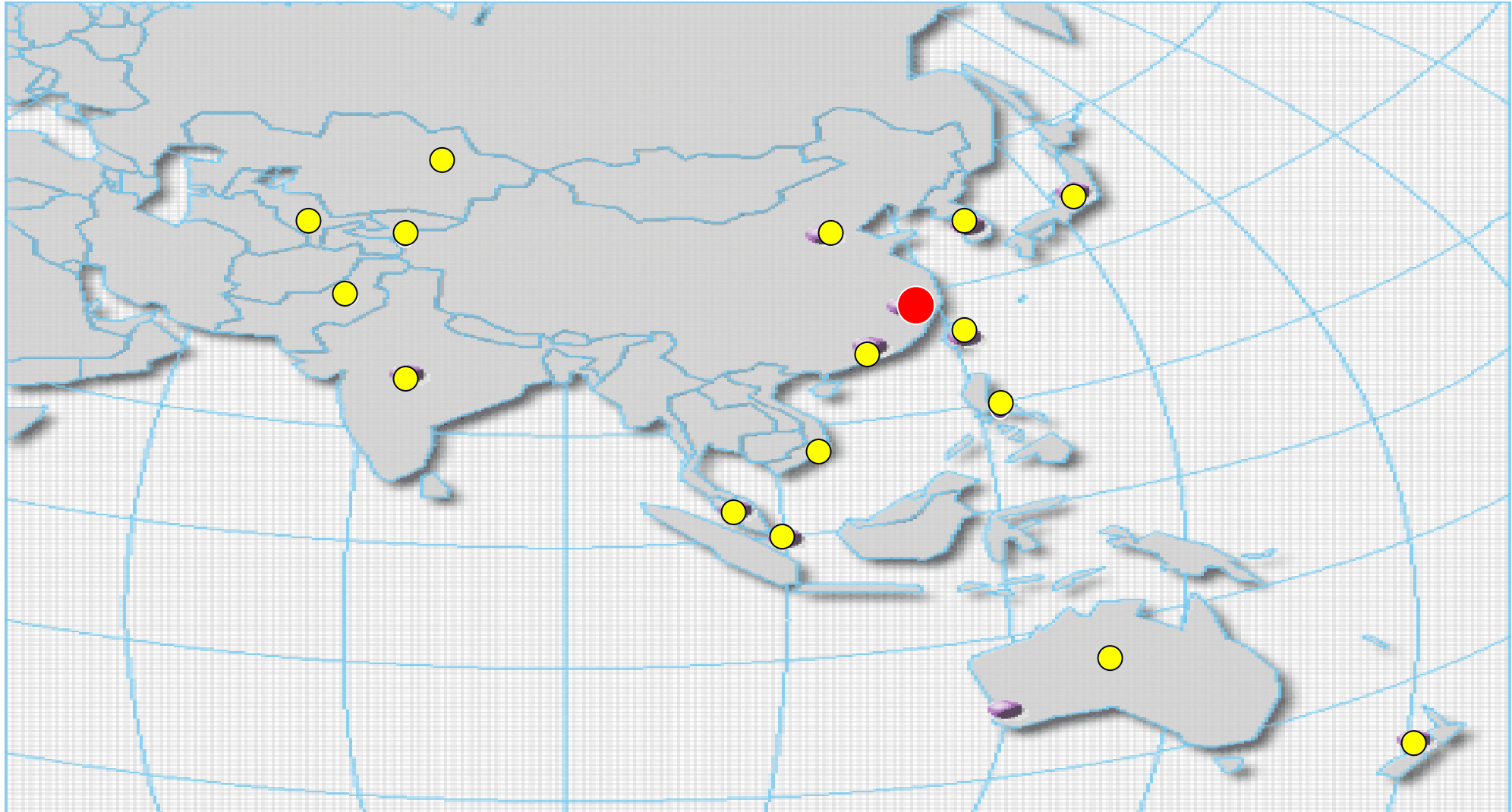
.... Networking Between Asian Incubators

- **Asian Association of Business Incubation (AABI)**
- **Founded** in April 30, 2002 during NBIA's Annual Conference
- **Mission**

“To Promote Business Incubation Activities by Facilitating Information Exchanges among Asian Incubators, Incubator Clients and Related Organizations. “

Asian Association of Business Incubation (AABI)

... Majority of AABI member countries are in East Asia



Part 4: Business Incubation Support in Asia Pacific

.. Asian Association of Business Incubation (AABI)



1. AABI Association Members cover 16 countries or economic regions:

- Korea
- China (Shanghai, Beijing)
- Malaysia
- India,
- Kazakhstan
- Australia
- New Zealand
- Uzbekistan
- Chinese Taipei
- Japan
- Singapore
- Philippines,
- Kyrgyz Republic
- Hong Kong China
- Pakistan
- Vietnam

2. AABI Incubator Members

Xi'an International Business Incubator, Thailand Science Park, etc.

Capacity Building, Assistance, Cooperation & Sharing

- **AABI Autumn Training Workshops for Incubator Managers (Shanghai in Oct 08)**
- **AABI International Conference as the exchange event (KL June 08) (Seoul Oct 08)**
- **AABI Journal for academic articles on business incubation and Innovation (APJIE)**
- **AABI Award for Best Practice Incubator**
- **Dr. Horiba Entrepreneur Award (USD 5,000 First Prize)**
- **TORCH Entrepreneur Award (for 2009 onwards)**
- **AABI Newsletter (every two months)**
- **AABI website as an information platform**
- **AABI Accreditation for International Business Incubator (IBIs)**

Inter-Incubators Cooperation in Asia (cont'd)

... via **AABI Accredited International Business Incubators (IBIs)**

<u>Incubator</u>	<u>Economic Entity</u>
1. <u>Shanghai Technology Innovation Center</u>	People's Republic of China
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5. <u>National Taiwan Univ. Innovation & Incubation Center</u>	Chinese Taipei
6. <u>JTC Technopreneur Center</u>	Singapore

Inter-Incubators Cooperation in Asia (cont'd)

... via **AABI Accredited International Business Incubators (IBIs)**

Programs and Areas of Assistance that an IBI could offer include:

- **Domestic Market Research and Entry Assistance**
- **Access to capital and potential funders**
- **Arrangement to meet CEOs of potential client companies**
- **Intellectual property protection assistance**
- **Translation services**
- **Language training**
- **Help with import/export laws**
- **Help meeting government regulations**
- **Patent assistance**
- **Immigration & visa assistance**
- **Housing assistance**
- **Cultural training**
- **Help obtaining business licenses**

Cooperation Among Asian Incubators

... INCUBATION Asia-Pacific Network (IAP)

NEW!!!

- **Another Initiative for Inter-Asian Incubators Cooperation !!**
- **Founding Members of IAP Network:**
 - **Australia, India, Philippines, China, Thailand, Vietnam, Malaysia, & AABI**
 - **Secretariat: India**
 - **Majority were ex-infoDev recipients**
- **Activities of IAP Network:**
 1. **Capacity Building: Face-to-Face Training and On-Line Training.**
 2. **Regional Workshop & Policymakers' Forum.**
 3. **Webcasts (training, expert speeches, etc.).**
 4. **Weblogs.**
 5. **IAP Newsletters.**

Part 4: Business Incubation Support in Asia Pacific

... Cooperation Among Asian Incubators (cont'd)

- ❑ INCUBATION ASIA-Pacific Network (IAP)
- ❑ **MOU Signed between AABI and Incubation Asia (Nov 2007).**
- ❑ **Joint Promotion of IAP Network and AABI Programs.**
- ❑ **Members of IAP automatic becomes Incubator-Member of AABI.**
- ❑ **IAP Network's coordination meetings at AABI International Conferences.**



infoDev World Bank Funding Alert !!!

- Request for Funding (RFP)
- March 08 – Three (3) Categories

MOU Exchanged between AABI President (Mr Annuar M Saffar) and IAP Steering Comm member (Ms Naowarat Ayawongs), witnessed by Hon. Deputy Minister of Science, Technology and Innovation, Malaysia

External Business Incubation Support for Asia Pacific

... International Cooperation SPICE, GBIN, iDisc

- 1. **Science Parks and Innovation Centre Expert (SPICE) Group**
 - Based in Berlin, Germany.
 - Global network of individual experts, by invitation.
 - 76 members represent 26 countries, 41 associations.
 - Aims: increase the knowledge about business incubation, international business cooperation and promotion
 - Assistance: Surveys, data, ABC of business incubation.

- 2. **infoDev Incubator Support Centre (idisc.net)**
 - Virtual networking and knowledge-sharing platform for incubators
 - Focus Working Groups: Women, Youth, High-Technology, etc.
 - Assistance: Tools for incubators, training materials, etc.

Final Thoughts

.... Internationalization & Support

1. **Internationalization of Business Incubations.**
 - **Types, Forms, Needs.**

2. **Two Major Initiatives to Support Business Incubation at Asia-Pacific Level:**
 - **AABI** – **Association of National Associations !**
 - **Incubation Asia Pacific** – **Association of Incubators in Asia Pacific !**

Two Movements to COMPLEMENT each other and support incubation and innovation activities at Asia-level!

3. **External Support to Asia-Pacific incubators**
 - **Science Park and Innovation Centre (SPICE) Group (www.spicegroup.de)**
 - Consultancy, expert advice, surveys, etc.
 - **infoDev Incubation Centre Support (www.idisc.net)**
 - Virtual networking and knowledge-sharing platform for incubators
 - Focus Working Groups: Women, Youth, High-Technology, etc.

Conclusion

... New Members for AABI

- ❑ **AABI New Membership as at June 2008:**
 - **Vietnam - National Association Member (Hanoi Univ of Technology/Incubator Club)**
 - **Thailand - Incubator Member (Thailand Science Park)**

- ❑ **Rule of Thumb (7 incubators per 1 mil population)**
 - **Thailand - 64 mil - 420? incubators**
 - **Vietnam - 81 mil -**
 - **Philippines - 76 mil -**
 - **Indonesia - 237 mil -**
 - **Malaysia - 26 mil - 88+ incubators (now)**

- ❑ **Other Economies of China ? Major Cities? West Asian Countries?**

END OF PRESENTATION

■ THANK YOU

annuar62@gmail.com

www.aabi.info

www.spicegroup.de

www.idisc.net

ACKNOWLEDGEMENT

- *Jusoh, Sufian. (2006). Incubators as Catalysts in Developing High Tech Businesses: Malaysia's Experience, Africa Tech Development Forum Journal Vol 3(1).*
- See also www.btds.biz (publications).