

Enhancing the business environment through the creation of three Business Incubators

The experience of Turkey



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SMEs: the leverage of the Turkish economy



After the severe economic crisis that hit the country in the early 2000s, **Turkey** has known a **rapid and constant growth** in the decade **2002 - 2012**. This remarkable progress was the result of a sound macroeconomic strategy which put in place structural reforms allowing the Turkish economy to become well integrated into the globalized world.

Such integration continued to grow even in 2008, when the financial turmoil slowed down all the major global economies. In that period, **Turkey** shown a **remarkable resilience** which become a source of inspiration for other emerging countries.

Nowadays, **Turkey** is the **17th largest economy** in the world. Climbing that ladder of economic success was made possible by a number of factors: the increasing role of the private sector in Turkish economy, the **enhancement of efficiency** of the financial sector, the **strengthening** of the **social security** system.

Moreover, the process of accession to the European Union has additionally fostered and anchored the reforms, making the **country the largest EU economic partner**, accounting for around 40 percent of Turkish trade.

Sharpening the competitiveness of Turkish start-ups to favour local development

SMEs play a **pivotal role** in the Turkish economy, making up **99 percent** of the number of **total enterprises** and employing more than three quarters of the working population. This is the reason why one of the core national priorities is boosting SMEs and creating a favourable climate for investments. In order to achieve this purpose, in recent years, **Turkey** has started to apply the model of business incubators (**İŞGEM**).

All over the world, business incubators have proven to be a **formidable tool** to enhance local economic development, especially where the productive fabric mostly relies on SMEs.

Incubated companies have **created** several **million direct jobs**, have increased the tax base of their countries, have re-used hundreds of abandoned commercial buildings and have contributed to the local business infrastructures by creating even more indirect jobs in other industry sectors.

In Turkey, the business incubator model has proven to be successful as well. More specifically, the “**İŞGEM**” business incubator model has been conceived especially to create a **favourable business environment for start-ups** to compensate for the lack of financial, knowledge and networking resources that newly established enterprises face at their inception.

Within **İŞGEM**, incubated firms are in general provided with office space, shared equipment, administrative services and other **value-added business services**, which tend to evolve continuously in the direction of innovation support and provision of flexible **financial support**.

The **İŞGEM** model has proven to be efficient as far as the business incubation services it provides, but it needs to be enhanced, particularly in less developed regions.



KASTAMONU İŞGEM formal opening, held on Friday 2nd September 2016 and attended by over 100 people from Municipality, Governorship, Chambers, University and local companies.

The project: the establishment of 3 new incubators



In May 2014, a consortium led by **Eurecna**, in partnership with Eduser (TR) and Integration (DE), started the implementation of the EU project: “**Technical Assistance for the Establishment of three Business Incubators in Selected Regions and Development of a Network among Incubators in Turkey**”.

The project has been supervised by the Ministry of Science, Industry and Technology, DG for EU and Foreign Affairs, Regional Competitiveness Programme Coordination and Implementation Directorate – MoSIT/R-CP-CID.

The consortium has worked closely with the KOSGEB, the Small and Medium Enterprises Development Organisation (beneficiary of the project) and with the following local stakeholders: Kastamonu Union of Tradesmen and Craftsmen Chambers; Malatya Chamber of Commerce and Industry; Tokat Tradesmen and Craftsmen Union of Chamber. Its two main objectives are:

Establishing 3 new business incubators in the selected regions (**Kastamonu, Malatya and Tokat**) in order to develop and spread more focused, specialized, comprehensive entrepreneurship support mechanisms.

Encouraging **networking between new and existing incubators** for the strengthening of cooperation among them.

Actions & Facts

- ▶ Recruitment and **capacity building** of key incubator staff;
- ▶ Preparation of a **specific business plan** and development of **tailored incubation strategy** and action plan for each incubator, in collaboration with local stakeholders;
- ▶ Support to incubators during their initial operation;
- ▶ Delivery of **entrepreneurship trainings** for potential incubator clients;
- ▶ Capacity building of local external trainers and consultants;
- ▶ **Awareness raising activities** about incubation services for local stakeholders and other local institutions and potential entrepreneurs.



3 new incubators
established and developed.



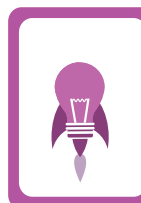
290 would-be entrepreneurs
enabled to develop their own business idea.



52 businesses working from the 3 incubators, **employing 139 people** (end of June 2016).



Over 80% occupancy rate of the new incubators within 18 months from start of operation.



216 start-ups supported through the advisory services.



A pool of 155 trainers and consultants trained over the 3 İŞGEM areas.



A €139,344 combined income of the 3 incubators for the first 5 months of 2016.

Nurturing a business idea under the İŞGEM roof



Solid management, tailored business services and shared practical resources are the best keys of success for an incubator. This would not be enough though, without the presence of entrepreneurial and motivated tenants who understand the advantage of sharing spaces and business perspectives with other tenants in order to establish fruitful synergies to achieve success.

This is the **case of Dilek**, a housewife who had a business idea and managed to realize it by participating in the “New Entrepreneurship” training organized in the Kastamonu İŞGEM, where she received coaching and financial support to enhance the business plan for her textiles production. Moreover, **the incubator offered her a wide network and synergies**, and Dilek is now planning to expand her business and to launch her products in the national and international markets.

Another interesting **story** is that **of Fhari**, a former employee who decided to go to the İŞGEM of Malatya to develop his own business by establishing a start-up. At **Malatya**, the **İŞGEM staff supported him by undertaking a market research**. This allowed Fhari to understand where the production of his start-up (machinery and mechanic parts) could position in a market that was just around the corner... the industrial zone of Malatya!

After having prepared a detailed business plan, Fhari delivered a high quality job. His efforts paid back and the good advertisement did the rest, allowing him to expand his enterprise.

As a result, Fhari is now a very satisfied businessman... and a proud, **successful tenant example!**



Elements of transferability

Drawing from the past to boost the future

The setting up of the three Turkish **incubators** has benefited from the over two decades of **experience** that **Eurecna acquired on the field** by developing different types of incubators in over 15 countries.

This experience has made Eurecna familiar with practically all the most successful business incubation models. Within the three Turkish business incubators, **Eurecna's know-how** has been **capitalized and adapted** to territorial needs.

Therefore, each of the three new incubators has been taking advantage of the lessons already learned by other incubators. At the same time, they are **developing and testing new approaches** that will prove useful to enhance the İŞGEM business model at national level, and that are already being capitalized in other Technical Assistance projects run by Eurecna in Turkey.

Sustainability report

The conditions for sustainability have been created in accordance with three directives:

1. **Financial sustainability of each incubator:** strongly dependent upon the right initial choice of business model;
2. **Organisational sustainability:** counting on a highly capable staff within each incubator and a motivated pool of trained personnel to remain in the incubator beyond the duration of the project;
3. **Sustainability of the incubated SMEs:** through the generation of a large pipeline of good and innovative business ideas which have chances to succeed both in their start-up phase and in their further (accelerated) growth and expansion and become the winners of the future.





“Establishing business incubators is a challenging task, especially in secondary towns without links to leading universities. The incubators the project has established successfully demonstrate the impact that can be achieved in creating a home for new entrepreneurs that disrupt existing economic structures, introducing new products, services and ways of organizing. The management and support systems developed for the 3 incubators are now widely distributed nationally as a core resource to raise professional support standards.”

Mr. Peter Milford

Team Leader of the project

“We are ourselves incubator managers and providers of advisory services to innovative SMEs and technology-based start-ups. This project has provided us the opportunity to capitalize Eurecna know-how in one of the most dynamic and challenging economic contexts.”

Mr. Mario Costariol

Managing Director of Eurecna S.p.A.



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