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DEVELOPMENT MEANS IN REGIONAL AND LOCAL ECONOMIC DEVELOPMENT

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***Abstract:** Regional development refers to the process of starting, structuring and reaching the sustainable development, where it is important to take into account very complex regional situation and to apply adequate actions and instruments. Business incubation is a process of dynamic development intended to initiate development of economies, especially and primarily the local and regional ones. This process minimizes the number of the enterprises ruined in the first (start-up) phase of their life cycle. Last 30 years were significant by an increased number of business incubators recorded in many developed countries and, also, by the first positive steps made in those less developed countries.*

***Keywords:** regional development, competitiveness of region, incubator*

Introduction

Effects of the medium-level (regional and local) on company development: The medium level is therefore the optimal level of significant influence on business strategies definition in the companies operating within those frames. This confirms the supposition made by Jörg Meyer Stamer (5, p. 53), according to which, at the global economy level, competitors to each other are not individual businesses but groups of industrial companies with network-shaped organisation and development schedule depending primarily on the economic and other potentials of only one location. Because of ever stronger pressure from the higher levels and the severe competition, local

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and regional communities feel it necessary for their regions to develop and support business environment to protect their own economies. Logical consequence is the obligation of the local factors to improve and make faster the privatisation process, because in the opposite case, businesses with the present business strategies and way of function are incapable of being competitive to the highly developed economies and their business. This is why the regional economic development is so important. Proof of this is that in the recent years, large number of development coalitions has been established almost all over the world.

Thus, it is necessary to define the local development alliances at the medium level as the adequate support to the business development within those frames.

Entrepreneurs' incubation support has stimulative influence on those making the decision to start a business, their operation & survival in business, and helps in realisation of a good business idea. Thus, the main business incubator effects are: in more rapid and easier starting, more easier access to financial sources and creditors in the *start-up* phase; advisory and educational assistance to newly established companies; easier access to domestic and foreign markets by enabling fast connecting and development, etc.

In addition to the effects imposed on the enterprises, one can expect certain effects on the local, regional, and wider community. Among the major effects there may be: VAT-based income for the municipality, region, and republic; newly opened jobs; income made on personal income of the newly employed labour; faster community development, etc.

Potential beneficiaries of a business incubator may be: entrepreneurs, newly established micro, and small enterprises, as well as the cooperatives and/or cooperative organisations performing the registered activity for longer than a year, and the existing rapidly growing enterprises oriented towards the business process innovation and new technologies which, applied by the enterprises performing their registered activity for not longer than a year, support their rapid development and increase the number of employees.

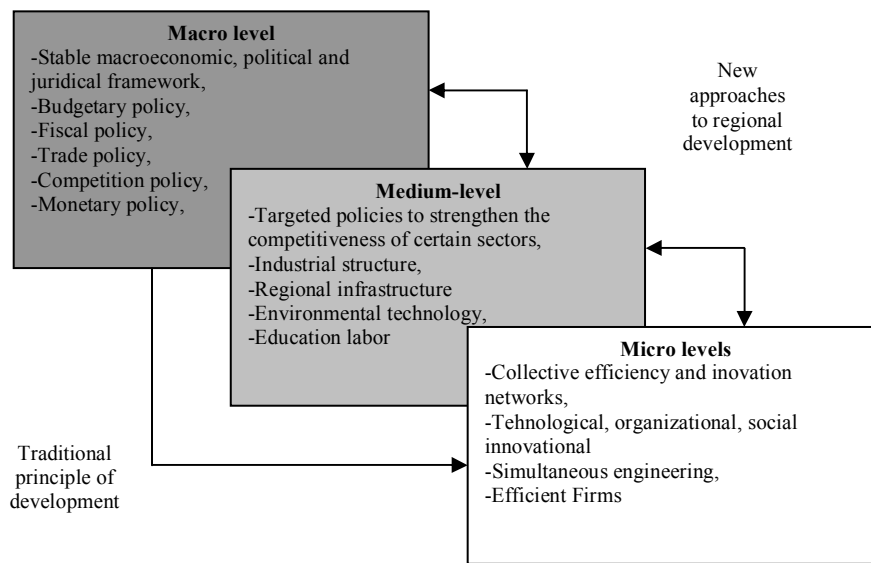
1. Regional economy competitiveness

Regional economy competitiveness building based on financing from a state level (traditional principle), with the aim of economy improvement in specific areas, did not prove to be efficient. Big investments have been made, but they did not result in development. New approaches to

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regional development have different implications: *the initiative comes from regions itself while the state gives support*. The support to regional development has the characteristic of interest. The aim of the state is to support regional development expecting the effects which should come as the result of development.

Figure 1. Determinants of Systemic Competitiveness



Source: Jörg Meyer/Stamer, (2002) *Participatory Appraisal of Competitive Advantage*, <http://www.paca-online.de>, version 3.2.

In building the economy and enterprises competitiveness regions are using various development means and methodologies.

At in-between-level (regional level), the level of municipalities, districts or regions, *support the efforts of enterprises to succeed in business is provided*. It is obvious that enterprises in new economy courses, especially in transition economies, need more and more supportive structures.

Enterprises at local level, due to the big pressure, which is a consequence of the world market globalization and liberalization, have interest to cooperate, and therefore, form various associations and cooperatives to have joint appearance on domestic or foreign market. The role of regional integration is more and more important in that sense. More than anything else, it is important to have clearly defined development policy at this level (table 1.)

Table 1. Priorities in regional and local development policy

	Regional development policy	Local development policy
Systematic competitiveness of in-between-level	-Development of regional economy -Centers for technological development -Research-development institutions -Education and training -Financial institutions	-Development of local economy -Institutions for education and training -Effective Chambers of Economy -Technological Centers, incubators

In-between-level presents optimal level for the support of the creation of necessary development strategies of enterprises which have business at that level. The policy at in-between-level (local or regional) should be based and focused on the creation of systematic competitive advantage of enterprise. Regulation policy of local communities should protect economy system from the uncontrolled imports in order to protect new activities in its area. Beside that, within the financial policy it is important to have means to initiate research-development activities for the needs of enterprises.

Globalization of the world economy makes pressure to enterprises, which reflects in bigger assistance requests from the enterprises towards local community. The result of that is that local communities more and more have an intensive influence on the creation of common development strategies. That certainly does not mean that regional communities should be independent, on the contrary, they have a need to integrate and connect in order to represent, first of all, their own interest, and after that general interests.

2. Purpose and objectives of the center foundation

Development incubation centers are founded for the purposes depending directly on the founder targets and expectation. Depending on the type, incubator centers may be classified as: corporate, technological, university, local, private, or public-private. Objectives of their foundation may differ depending on the above-mentioned incubator types based on their founders. Main objectives are generally defined towards: economic development initiation, new jobs creation, business operation diversification, making profit, credibility, etc. Example: University incubators are oriented to credibility, business diversification, and profit. Corporate and private incubators are oriented toward profit, while

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technology incubators are primarily credibility oriented. Public-private and local development incubators have the largest number of targets. Most important of them are new job opening and economic development, which are of less importance for the other types.

Promotion of favourable business environment is of vital importance for the enterprise development. In many countries, with developed economies, incubator centers have appeared with the aim to encourage economic activities development.

Table 2. Business development incubators developed in the countries of CEE

Country IB type	Inc.business	Classical business incubators ¹	Scientific and technological parks	Other types	TOTAL
Czech	16	4	4	-	24
Poland	53	-	3	-	56
Estonia	2	3	1	-	6
Hungary	17	8	4	6	34
Slovakia	-	5	6	-	11
Slovenia	9	-	3	1	13

Source: Database (2003) CUOA, UNECE, Geneva

Incubators are founded with the purpose to develop entrepreneurs-friendly climate and opportunities for creative ideas turning in the opportunity for entrepreneurship.

Careful analysis results have proved that the "incubated" enterprises are developing much faster, confirming that such a support to the enterprises in development is really necessary. As a rule, such support is needed more for the enterprises oriented towards the global market, the newest technology developments and innovations, but primarily and most of all - for the countries in transition. American research results gave evidence that state incubators can improve regional economy by 68% approx.; commercialize new technologies - 25%; and initiate economic development - by 22 %.

The main objective of a development incubator is to offer and provide its assistance to new enterprises at the beginning of their life-cycle, which will, in return, reduce the probability for the newly established enterprises to get ruined in their start-up phase, and also, to develop a sound basis for new jobs

¹ Breeding grounds and beginning units – workshops or workshop-companies

opened for large number of the workers fired in the process of privatisation and restructuring of the state and public enterprises.

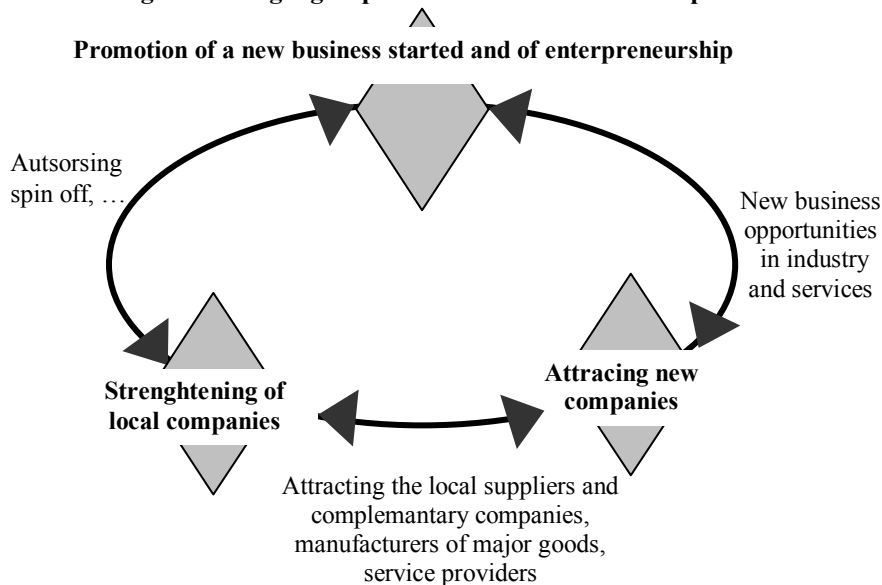
Getting incubated, local small enterprises are generating realistic chances for the employment rate increase, entrepreneurship development and, thus, for the development of national economy, as a whole.

3. About Business Incubation

Business incubators (i.e. Incubator Centers) represent tools of the economic development policy. Countries with developed economies have known and accepted such centers existence and they are given full support by the state, regional, and local communities. Opposite to the developed, countries undergoing the market re-structuring are still unaware of how important are the incubator centers, and that is why efficiency of this development instrument is pretty conditioned, i.e. questionable.

Business incubation through small enterprise breeding is in direct relation with the local and regional development. One of the major economic development target groups on these levels is new business initiation and entrepreneurship promotion.

Figure 2. Target groups of Local Economic Development



Source: B. Vojnovic, *Economic development managing through small enterprise (business) breeding*, Serbian Journal of Management, Technical Faculty at Bor, 2006, p. 106.

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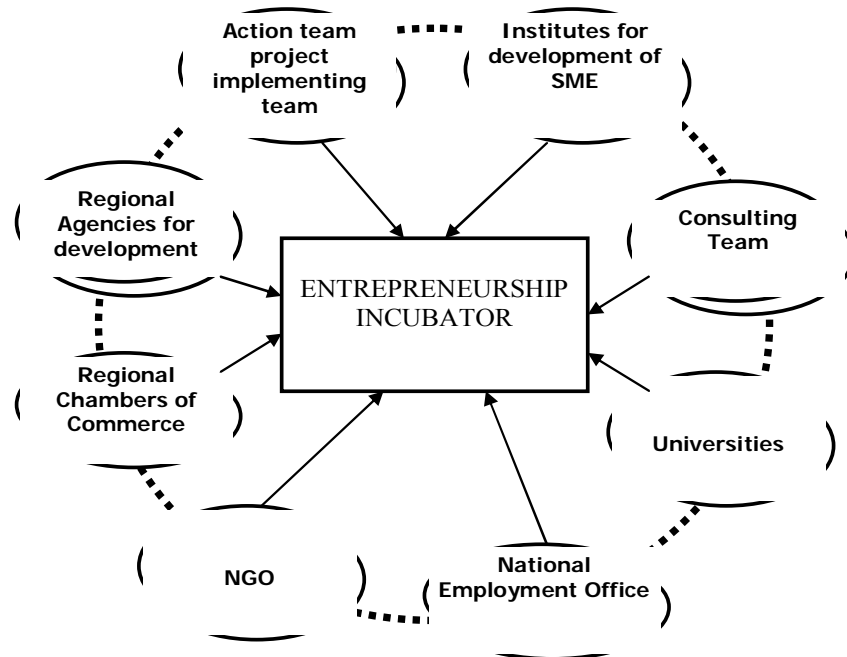
Business incubation is a process of dynamic development intended to initiate development of economies, especially and primarily the local and regional ones. This process minimizes the number of enterprises ruined in the first (start-up) phase of their life cycle. The start-up phase of an enterprise is the most difficult phase for its business operation and, also the phase in which the enterprise is most easily hurt due to the reasons resulting from: a lack of professional experience, a lack of knowledge, inadequate technology, a lack of financial sources for investment in production and development, having no access to any credit source, foreign capital, etc. Percentage of the enterprises ruined in these circumstances, is approx. 80%, while in business incubation the percentage is about four (4) times lower i.e. 20% approx. Also, entering business incubators, i.e. being "incubated" enables faster growth and development of the enterprise itself and, its direct influence on the employment rate increase and the entrepreneurship idea realisation.

Last 30 years were significant because of an increased number of business incubators recorded in many developed countries and, also, by the first positive steps made in those less developed countries.

For example, Germany had its first center established in 1983, and now, there are more than 200. In the USA - there are over 500. China was the first communist country that understood the importance of the centers for development, so that they have about 70 centers there. Through its entrepreneurship and innovation centers (European Business and innovation Centre Network) EU, is giving support to over 180 business centers in the EU member countries.

However, satisfactory development incubators operation requires support and development of agencies for regional development. Incubators should be based on partnership of the private and public sectors, including everyone interested in the development of economy - from national to local and individual level.

Figure 3. Composing elements for functional operation of small enterprise incubator



Source: B. Vojnovic, *Economy development managing through small enterprise (business) breeding*, Serbian Journal of Management, Technical Faculty at Bor, 2006, p. 107.

This means that countries in development should understand the importance of the support given to small enterprises and also, to have their activities oriented accordingly, and especially in the part related to establishment of institutions for development and support of newly established small enterprises. As a rule, even these organizations are short of experience since they are also in their initial (start-up) phase, having no certain knowledge applicable in practice, and that is why they should base their activities upon the experience of the developed countries and also to be capable of situational adjustment according to the existing economy (commercial) and other circumstances.

4. Feasibility Study of Entrepreneur's Incubator

Key steps of any entrepreneurial undertaking are: vision, mission, performance strategies, business plan development, and implementation.

Vision, as the initial phase of the undertaking, contains the basic idea of the project and projection of the desired future condition. **Mission** is

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showing crystallised version of the vision and expressing the intention and justification (i.e. usefulness of the project), and, of course, the general and specific objectives of the project. **Strategies** are defining the method/s considered as satisfactory and sufficient for the project objectives meeting. **Business plan** is the formal business document, referring to both the development objectives and the strategies defined to meet them.

Planning as the primary function of the management, is a pretty complexity. Such a high complexity of the planning proces comprises defining the objectives, defining the business policy/ies, formulating the strategy/ies, preparing the program/s and developing plan/s. [8, p. 319]

Business plan is based on the **feasibility study**.

Because of the lack of any strictly defined rule referring to preparation of business plan, and having in mind its being directly conditioned by the Feasibility study, the resulting conclusion may be that there are no strictly defined rules for development of the feasibility study, either.

Feasibility study can be structured as follows: [2, p. 78]

- 1) Introduction, history, product/s or service/s description,
- 2) Accounting review/analysis,
- 3) Management,
- 4) Marketing,
- 5) Finances,
- 6) Legal matter,
- 7) Taxes and
- 8) Enclosures.

However, Feasibility study referring to the business incubator realisation, should be structured including the following activities:

- 1) Local economy analysis ,
- 2) Clear definition of the BI objectives,
- 3) Defining possible location/s, type and legal status,
- 4) Defining the partner/s for the subject,
- 5) Defining the services based on the entrepreneurs' needs analysis,
- 6) Defining the required personnel, procedures and equipment, ,
- 7) Identifying the possible financial sources.

5. Types of the entrepreneurship development incubators

In developed countries, incubators are used for the big companies diversification. In the countries in transition, incubators are just one of the development tool forms, intended primarily to support the SMEs