Briefing on the development of an ICT business incubator in Ethiopia

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Understanding characteristics of incubators: 
Space + Services + Capital

• Shared Workspace and Facilities
  • Flexible configurations and flexible leases
  • Facilities typically include conference rooms, phone system and broadband connectivity, security, etc.

• Business Advisory Services
  • Basic assistance provided by incubator staff (business plan)
  • Mentoring/coaching by staff and outside entrepreneurs
  • Access to external network of service providers (e.g., accountants, lawyers), plus universities, tech parks, private enterprises, etc.

• Access to Capital
  • Sometimes in-house seed equity or small loan fund
  • Affiliated angel investors and venture capital funds
  • Relationships with banks

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Understanding characteristics of incubators: Client entry and exit

• Rigorous selection process for new entrants
  • Not every firm that wants admission is accepted
  • Incubators seek firms with strong growth potential

• Client firms must leave incubator in finite period, e.g., 2-5 years
  • Objective is to create strong firms that can stand on their own feet after period of initial assistance
  • Must make way for next batch of incubated firms

• Most incubators serve 20-40 firms at any one time
  • Over a ten year period, the number of firms served can be substantial
Planned Ingredients of incubator success

• Focus on companies with growth potential
• Government provides policy and financial support, but does not run the incubator directly
• Established as a public-private partnership
• Run like a business, seeking to break even
• Strong network of strategic partnerships with educational institutions and business service providers
• Entrepreneurial and well-trained management team, with remuneration linked to performance
• A pro-active Managing Board to mobilize support and provide strategic guidance for incubator management

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Put building blocks in place

• The regional states provided buildings
• Put building blocks in place and let the incubator develop
  – It will be a mix of capabilities that create synergy and minimize risks
  – Market analysis has been done
• Created a lively, customer-oriented atmosphere. Make the incubator a happening place!
Planned Building Blocks

- Coffee Shop
- Internet Access
- Business Center
- Short-Term Office Space
- Retail Shopping
- Pre-Incubation
- Incubation
- Training
- Small Business Finance
- Professional Services

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Key Players

- **ICTAD Project** contribute significant resources to and directly develop the incubator
- **Stakeholders** are members of the community with an indirect interest in the success of the incubator
- **Steering Committee (at each regional state)** is composed of representatives of private, universities, government and NGOs
- **National Board** composed of different representatives from federal
- The **General Manager** reports to the Board and has overall responsibility for the day-to-day operations of the incubator
- **Strategic Partners** consisting of other organizations committed to assisting the incubator extend its capabilities
- **Mentors and Coaches** drawn from government, the private sector, etc. provide general guidance and specific expertise to client companies
Function of Board and Steering Committee

• National Board
  – Establishing strategic priorities and goals
  – Long term planning
  – Raising funding and other needed resources
  – Supervising the work of the General Manager
  – Exercising financial oversight and control
  – Overseeing legal and contractual obligations
  – Monitoring and assessing performance
  – Liaison with stakeholders and the community

• Steering Committee
  – Meets more frequently
  – Makes decisions on legal, contractual obligations, ICTAD project management
  – Recommends policy decisions for Board approval
Recruitment, Compensation and Training

• Recruitment should be competitive and public
• Compensation based on private-sector salary scale
  – Must be able to attract people with strong private sector business experience
• Modest base salary with large performance bonus
  – Bonus decided by fulfillment of objectives for incubator, department and individual
• Staff retention is critical
• Training ongoing, but especially in startup phase
  – Study of literature on business incubation
  – Study tour of incubators in developed & developing countries
  – Internship at good incubator
  – Membership and participation in incubator associations
• Recruit 1-2 key staff as soon as project begins
Incubator Building

• Took flexible approach to get started, but should converge to objectives in medium-term
• At least 2,000 m² of usable space, >67% rentable to client companies or otherwise producing revenue (rest for common and staff use)
• Should be able to accommodate at least 10-15 companies
  – May include anchor tenants and partners, esp. in early years
• In reasonably central business area, close to public transport, restaurants and shops
• Space divided into rooms of variable size, with some scope for flexible configuration
• Short, flexible lease terms for clients
• Layout should promote interactions between clients and between clients and staff
Incubator Facilities

• Broadband is essential
• Cat 5 cabling to every room
• Reliable power supply, stable voltage
• Accessible from early to late, preferably 24/7
• Shared facilities include front desk, conference rooms, training room, lounge, mailroom, PBX, fax, and photocopier
• Inexpensive but bold and cheerful décor
• “Pre-incubation” space consisting of furnished, modular cubicles
Some key tasks ahead

1. Form project team
   • Initially need at least 1 full time person, rapidly increasing as incubator staff is hired
2. Complete the Renovating incubator buildings
3. Recruit incubator managers and staff
4. Train incubator managers and staff
5. Develop network of partnerships in order to provide incubator clients with access to seed finance, training, technical and business support, etc.
6. Develop preliminary business and marketing plan
7. Launch business plan competition to recruit incubator clients
8. Develop incubator operating procedures
9. Countdown to launch
In conclusion

• Time is running short. There are only three years left in the ICTAD Project. We must start to focus on implementation!

• There is a huge amount of work to do. Identify a focal person who can champion the project

• We should start looking for new national and international partners beyond ICTAD now!

• We need to find solutions to Ethiopian needs, while learning from international experience
A call for partnership

• We are now looking for experienced individuals or organization to establish partnership for the implementation of the four incubator centres to be established in four regional states.
I THANK YOU