

The Role of Business Incubators in the Development of Emerging Institutions for the State of Adrar- Algeria

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Abstract:

The study dealt with the role of business incubators in developing emerging institutions, a case of a state of institutionalized institutions for the state of Adrar, and aims at the imam with various theoretical concepts related to the incubators of business and emerging institutions, as well Until the homosexuality has strengthened and promoted emerging institutions that involve creativity capabilities. Where it provides instructions and expertise to the owners of institutions through training courses and seminars, as well as helping to create and increase job opportunities and increase the number of institutions, in addition to finding appropriate solutions to the various problems facing these institutions.

Keywords: business incubators, emerging institutions, and institutionalized institutions.

Classification JEL: M13.O14.O3

1. introduction

Interest in small enterprises and emerging enterprises has increased on the part of countries due to their contribution to economic and social development, but this sector still suffers from many problems and difficulties, especially in terms of obtaining the necessary financing, and given the position that business incubators occupy in many countries of the developed world and the impressive results they achieve. By strengthening and promoting emerging institutions by providing them with consultations and training courses that help them grow and be sustainable.

Accordingly, this study came to show the importance of establishing business incubators in Algeria, specifically in the state of Adrar, while presenting the role they play through their services and accompanying projects, initiatives and ideas before their launch and after their establishment, as well as evaluating their role in sending, creating and supporting these projects in the state of Adrar. In light of this, it can be proposed The following problem:

How do business incubators contribute to the development and promotion of emerging institutions?

1.1 Importance of the study: The importance of the study stems from identifying business incubators as one of the foundations for supporting and developing emerging enterprises and the role they play in economic and social development through their support for entrepreneurs and owners of innovative projects.

1.2 Study objectives: The study seeks to achieve a number of objectives at the theoretical and applied levels, as follows:

- * Providing theoretical foundations for the concept of business incubators and emerging institutions.
- * Identify the role of business incubators in supporting emerging institutions.
- * Reviewing the experience of the institutional nursery of the state of Adrar in promoting emerging institutions.

2. Basic concepts about emerging enterprises.

The term emerging enterprises is considered one of the terms for which a unified global definition has not been established. All countries and decision makers address emerging enterprises from several aspects, but the common feature in the definitions is the standards and characteristics of emerging enterprises, where, through several definitions, a set of the most commonly used characteristics to define a startup.

The term emerging enterprises in the English language means STARTUP, and it is a term consisting of two parts (START), which refers to launch and progress, and (UP), which refers to the idea of strong growth. The first use and appearance of the term emerging enterprises (STARTUP) was after World War I. Second, with the beginning of the emergence of risk capital companies. The French dictionary La Rousse defines emerging enterprises as those young, innovative enterprises. (Boualshaar, 2018)

A start-up is defined as an organization that seeks to market and offer a new product or innovative service targeting a large market, regardless of the size of the company, sector, or field of its activity. It is also characterized by high uncertainty and high risks, in exchange for achieving strong and rapid growth with the possibility of reaping huge profits in the event of its success. (Jalila., 2022)

Emerging institutions are also defined as a new, active and independent institution. This definition adds the criterion of activity and the criterion of independence as one of the important criteria for distinguishing emerging institutions. The term active indicates that the institution must have a contribution to the economy through the production of goods and services and the employment of workers, while the term independence refers to The newly established and active institution must be financially and legally independent and not affiliated with any institution. Therefore, it can be said that this definition focused on three criteria and conditions that must be present in the institution in order for it to be called an emerging institution. (Luger M. &., 2005)

2.1 Characteristics of emerging institutions: Emerging institutions have a set of characteristics that are unique to them and distinguish them from other types of institutions, which are mentioned in various definitions: (Hassan Youssef, 2021)

- A newly formed institution (young and temporary): Most of the emerging institutions we find in the experimental market, as it is known that they begin as ideas hypothesized by the project owner, that is, from the thinking process that leads to going out to work (before they are legally registered), and therefore they are young and exist for a certain period and then You move on to graduate “up-scale” and become a large organization, or you fail and move on to another opportunity.

- Innovation: One of the advantages of emerging institutions is the ability to create, innovate and constantly develop, such that they have the ability to create a new product or develop a capable product with new specifications, a new service, a new method of supply, and so on.

- High ability to grow and develop: The most common characteristic of emerging institutions is the ability to grow, conquer markets, and achieve very rapid and large revenues compared to the costs of establishment and work, which is what encourages those with money to finance them, as they are institutions that develop rapidly and have the ability to generate very large profits.

- Risk: It is working under conditions of extreme uncertainty because it is based on innovation in a market that is not new and is not saturated, and thus the difficulty of conducting market research due to the lack of information, if it exists, even if emerging institutions find themselves working in the unknown.

- Market diversification: Emerging institutions have excelled in the field of technology and technology, as they have moved towards digital markets, but with their spread, they are currently penetrating traditional markets such as agriculture, industry, education, and others.

- Group: The contractor forms a team with the aim of allocating the capabilities, each according to his skill in his field, especially since most of the owners of start-up companies are young university graduates or university graduates who usually have little experience, as they work to achieve integration between the team members to make the idea successful and launch their institution.

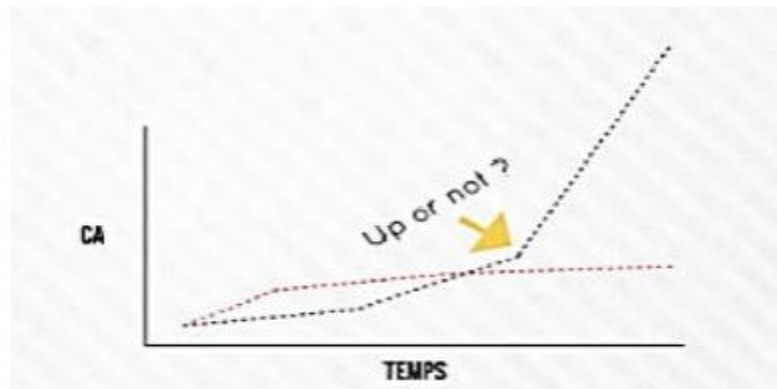
- Focus on one product/service: In this case, the contractor focuses on the innovative idea and develops it so that their minds are not distracted, in order to achieve what is required, since dealing with innovation is sensitive and requires a lot of effort.

- Capital and investors: Usually, the contractor starts by relying on self-financing or from friends and family, but every emerging institution based in the knowledge economy, we find, tends towards two types of investors, especially: risk capitalists and business angels, as they provide it with capital that Allow it to grow and develop.

2.2 The difference between emerging institutions and classic institutions:

Being a start-up is a temporary situation, either because the business model is not achieved and therefore the start-up fails or disappears, or because it succeeds and is absorbed or transformed into a classic or almost traditional institution, and the transition from a large start-up expresses the moment in which it is decided (Growth) is the future of the emerging enterprise, and therefore the most important element that makes the difference between the emerging enterprise and the classic one is significant growth, as shown in the following figure:

Figure No. (01): The difference between a classic institution and an emerging institution



Source: (Zubair, 2020, page 379)

The points of difference can be summarized as follows: (Alaeddine Boudiaf, 2020)

- a) There can be a similarity between the cycle of a classic organization that goes through a phase of launch, growth, then maturity and then begins to decline, while startup companies go through a series of unpredictable decline and progress in the phase between launch and growth, and once they reach the maturity phase they will continue to rise. And growth.
- b) The startup also offers its product to a very large market, unlike classic companies.
- c) In the emerging institution, despite the high risk associated with it, investors invest in this type of institution by balancing the huge potential return in the event of the project's success, while in classical institutions, the investor heads to a market in which the degree of uncertainty is low and achieves normal profits.
- d) In addition to the difference in funding sources, as the startup relies on angel investors, venture investors, and risk capital, due to banks' reluctance to finance this type of high-risk projects, while classic companies obtain funding from bank loans or government grants.

2.2.1 The startup life cycle:

These emerging institutions often stumble and go through severe fluctuations before they find their way to reaching the summit. This can be explained by the fact that the life cycle of the emerging institution passes through six basic stages: (Lamri-Khadija., 2020)

The first stage: Before launching, it includes presenting the creative idea designed for the project, in addition to a feasibility study and research on sources of financing. However, in most cases, startup companies depend on their own funding in addition to the subsidies they obtain from the state.

The second stage: the stage of launching the product for the first time, and this stage is accompanied by a high degree of risk.

The third stage: It includes the stage of initial enthusiasm where the product reaches its peak, and at this stage the product is exposed to what is known as comprehensive negative pressure until other people adopt the idea, implement it, and enter the competition, which leads to the transition to the stage of sliding into the valley.

The fourth stage: This is what the cycle passes through. It can also be called the valley of sadness or the valley of death, as it is characterized by very low growth rates.

The fifth stage: This is the stage in which the entrepreneur introduces modifications to the product so that the startup company begins to rise again. This is called the climbing the slope stage.

The sixth stage: The product goes beyond the testing stage to be launched in the appropriate market for it, and from here the idea of a boom in size (economies of scale) and achieving huge profits begins.

2.3 General concepts about business incubators

The origins of incubators date back to the first project that was established in the manufacturing center known as BATAVIA in the state of New York in the United States of America, in 1959, when a family converted the headquarters

of their company, which had stopped operating, into a business center, the units of which were rented to individuals wishing to establish a project, while providing them with advice and consultations. Since 1959, thousands of small and medium-sized companies have been established in this center, but these attempts to establish incubators were not followed up on a regular basis until the beginning of the eighties, specifically in 1984, a number of incubators were established, and this year only 20 incubators were operating in the United States of America. Only, at the end of 1997, the number of incubators in the United States reached about 550, with an average residency rate of about one incubator per week since the end of 1986. (Faisal., Juan 2019)

2.3.1 Definition of business incubators: There are several definitions, including:

Business incubators are defined as “a governmental or private institutional building that carries out a set of activities aimed at providing advice, counsel, services, and financial, administrative, and technical assistance to small business and industrial establishments, whether in the initial stages of starting the activity or during its practice, or through the stages of growth that the various establishments go through”.

(Noura Zubaidi, 2020)

The American National Business Incubators Association (NBIA) also defines them as: bodies that aim to assist emerging creative institutions and new businessmen, and provide them with the necessary means and support, expertise, places, and financial support to overcome the burdens and stages of launching and establishing, and they also carry out marketing operations and ten of the products of these institutions. (Jalila., 2022)

Business incubators are also known as stand-alone institutions (with their own legal entity) that work to provide a range of services and facilities to small investors who take the initiative to establish small enterprises. These institutions may be affiliated with the state, private institutions, or mixed institutions.

2.3.2 Definition of the European Commission: It is a place where newly established institutions are based in a limited space, with the aim of increasing their success rate, with the help of a standard building containing common equipment (telephone, fax, electronic media...) and providing them with management assistance and support services, with the main goal of local development. Job creation and, to a marginal extent, technology transfer. (Lamri-Khadija., 2020)

2.3.3 Types of business incubators:

Business incubators can be classified according to the types of institutions they incubate into three main categories:

(Alaeddine Boudiaf, 2020)

- **Public business incubators:** These are the incubators that deal with small projects with different and diverse specializations in all production, industrial and service fields without specifying a technological level for these projects, and focus on attracting agricultural business projects, light engineering industries, or those with distinguished craft skills for the sake of regional markets.
- **Specialized business incubators:** They are particularly concerned with developing some of the economic aspects of the region in which they are located, through industrial restructuring of the region or encouraging specific industries in it, or creating job opportunities for desired specializations or specific categories of job seekers there, or attracting investments of a special type.
- **Technical business incubators:** Small projects within the incubator are distinguished by their advanced level of technology, investing in advanced designs for new, unconventional products, and possessing advanced equipment and devices.

.1 Services provided by business incubators to emerging enterprises:

The business incubator provides all types of services required to establish and develop a small or medium enterprise,

including: (Jalila., 2022)

- Administrative services (corporate setting up, services, accounting, billing, equipment rental, etc.
- Secretarial services (word processing, photocopying, receptionist duties, filing, Internet fax, receiving and organizing correspondence and telephone calls, etc.

- Specialized services (product development consulting, packaging, pricing, product management, marketing services, etc.).
- Financing services (assistance in obtaining financing through financing companies or government programs to finance small projects, etc
- Public services (security, training facilities, computers, library, etc.).
- Follow-up and personal services (providing quick and direct advice and assistance, etc.

The following figure summarizes the most important services provided by business incubators to universities, research centers, governments, civil societies, in addition to companies, public and private sectors, and clients.

3. The third axis: The role of business incubators in creating and supporting emerging enterprises - a case study of the enterprise nursery in Adrar Province-

It is a public institution of an industrial and commercial nature with a legal personality. It was established pursuant to Executive Decree No. 03-79 dated 24 Dhu al-Hijjah 1423 corresponding to February 25, 2003. This decree determines the legal nature and basic law of institutional nurseries. The institutional nursery in the state of Adrar includes human resources estimated at 4 individuals, namely the director of the institutional nursery, an accountant, and companions who ensure that they provide support to owners of emerging projects and institutions.

A - Tasks of the institutional nursery of Adrar Province

The tasks of the institutional nursery of Adrar Province are represented in the following points:

- ☐ Reception, guidance, settlement and accompaniment for a specific period of time for emerging enterprises;
- ☐ Encouraging institutions by providing incubation services for newly established institutions;
- ☐ Providing temporary accommodation for emerging enterprises;
- ☐ Carrying out awareness-raising and training work for the benefit of youth and institutions in coordination with support agencies, financial institutions and educational institutions;
- ☐ Identifying opportunities for outsourcing the activities of large enterprises, especially industrial ones, with the aim of encouraging emerging enterprises;
- ☐ Assisting project owners with launch funds and other sources of financing.

B- Objectives of the institutional nursery of Adrar Province

The main goal of the Enterprise Nursery is to accompany, support and guide through local structures. It also aims, in coordination with various partners, to the emergence, growth and sustainability of emerging institutions. In addition to this main goal, the Enterprise Nursery aims to:

- ☐ Encouraging the emergence of innovative projects;
- ☐ Contributing to creating job opportunities and reducing the local unemployment rate;
- ☐ Contributing to achieving economic development;

Stages of incubation in the institutional nursery of Adrar Province

This stage includes the following:

Receiving owners of emerging ideas and projects;

- ☐ Selection process by the nursery manager;
- ☐ Conduct an initial feasibility study (model plan);
- ☐ Identifying suitable partners;
- ☐ Evaluating the owners of ideas and projects;
- ☐ Providing the needs of the owner of the project idea;
- ☐ Providing training needs;
- ☐ Redirecting the owner of the project idea.

A- The stage of preparation for incubation

This stage is considered a prelude to the incubation process, as the owner of the idea submits an incubation request to the incubator, then the owner of the idea signs the pre-incubation agreement and also signs the bylaws of the incubator. In addition to the owner of the idea submitting various documents necessary for the incubator, and preparing a detailed report on the project idea for the accreditation committee, the latter of which includes a group of specialists whose task is to evaluate the files submitted by the idea holders and choose good projects according to the applicable laws.

B- The incubation stage

After the various necessary documents are submitted by the project owner to the incubator, and the project is studied and approved by the accreditation committee, the incubation stage comes, where the incubation agreement is signed between the project owner and the incubator.

Within the framework of the agreement concluded between the project owner and the incubator, the latter is committed to the following:

- ☐ Providing an office equipped with the necessary means to carry out administrative work;
- ☐ Providing advertising services on the agency's website;
- ☐ Providing support and training to the project owner, and ensuring participation in the demonstrations organized by the incubator.

Table No. (01): Number of institutions incubated within the Adrar Incubator during the period (2014-2021)

| years | Job positions achieved | Expected job positions | Institutions active in the market | Physically incubated institutions | Institutions to be embraced | Receiving institutions |
|-------|------------------------|------------------------|-----------------------------------|-----------------------------------|-----------------------------|------------------------|
| 2014 | 05 | 32 | 03 | 05 | 06 | 16 |
| 2015 | 04 | 35 | 01 | 06 | 08 | 18 |
| 2016 | 12 | 51 | 02 | 10 | 15 | 32 |
| 2017 | 07 | 62 | 02 | 10 | 13 | 28 |
| 2018 | 08 | 55 | 02 | 11 | 16 | 23 |
| 2019 | 21 | 30 | 05 | 06 | 08 | 22 |
| 2020 | 26 | 50 | 02 | 07 | 24 | 36 |
| 2021 | 30 | 62 | 03 | 08 | 23 | 62 |

Source: Documents of the institutional nursery of the state of Adrar for the year 2024

We note from the previous table and figure that the Adrar incubator during the period from 2014 to 2021 incubated many emerging institutions, as in the year 2021 the number of incubated institutions reached 08 institutions, including 03 institutions active in the market. These incubated institutions also provided an estimated 30 job positions during the same year.

The Adrar Incubator, through its human and material structures, has contributed to revitalizing the economic movement in the state of Adrar, by attracting innovative entrepreneurs and investing in them, which has had a positive impact on local development in the state of Adrar through the creation of new institutions and the provision of job positions.

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Table No. (02): Statistics of incubated projects, sector of activity, and number of workers expected to be employed by Adrar Institutions Nursery during 2021

| The number of workers expected to be employed | Date of establishment of the institution | sector | The project |
|---|--|--------------------|---|
| 16 | Under construction | Agriculture | Tomato drying and canning establishment |
| 02 | Under construction | Weaving and sewing | Al-Ramal Foundation for Fashion Design |

| | | | |
|----|--------------------|-------------------------------|---|
| 03 | Under construction | Interior Design | Home Decoration Foundation |
| 02 | Under construction | Architectural Engineering | Ibtikar Foundation for the Study of Economic Projects |
| 10 | Under construction | Recycling and waste treatment | Adrar Cleaning Services Est |
| 03 | Under construction | media and Communication | Content creation media organization |
| 03 | Under construction | media and Communication | Content creation media organization |
| 05 | Under construction | Agriculture | Dates packaging and packaging establishment |
| 02 | Under construction | Software | Software and applications organization |
| 02 | Under construction | Software | Web Development Foundation |
| 02 | Under construction | Transport and tourism | Hawass Company for digitizing the field of transportation and tourism |

Source: Documents of the institutional nursery of the state of Adrar 2024

The statistics in the above table during the year 2021 show that the Adrar incubator embraces various types of projects (agriculture, decoration, transportation and tourism, software...) without exception, that is, they are not limited to a specific type of activity, and these institutions are in the process of being established and will create job positions estimated at With 50 job positions. We also note that the agricultural sector, through the project (drying and canning tomatoes), alone will create 16 job positions.

Table No. (03): Statistics of training activities and media days of the Adrar Institutions Nursery during the year 2021

| Total achievement | the difference | Achieved | Expected | |
|-------------------|----------------|----------|----------|------------------|
| 06 | 02 | 06 | 04 | Open doors |
| 09 | 03 | 09 | 06 | Information days |
| 04 | 00 | 04 | 04 | workshops |
| 04 | 02 | 04 | 02 | Forums |
| 05 | 02 | 05 | 03 | Encounters |

Source: Documents of the institutional nursery of the state of Adrar 2024

In the formative aspect, the Adrar State Enterprise Nursery focused on developing entrepreneurial culture and innovation among young people through a series of activities carried out during the year 2021, where it organized open doors and information days to introduce the enterprise nursery and its tasks, in addition to workshops and training courses centered around entrepreneurship and how to establish and manage it. Enterprise. The following table also shows the number of beneficiaries of training in the field of entrepreneurship:

Table No. (04): Statistics of beneficiaries and field of training

| comments | Total achievement | the difference | Achieved | Expected | |
|--|-------------------|----------------|----------|----------|---------------|
| -- | 08 | 0 | 08 | 08 | the number |
| Search for entrepreneurial ideas Creating and managing projects Marketing Completion of the work plan | 04 | 0 | 04 | 04 | the topic |
| Artisans, emerging enterprises | 190 | -30 | 190 | 220 | Beneficiaries |

Source: Documents of the institutional nursery of the state of Adrar 2024

In addition to training courses in the field of entrepreneurship for the benefit of those with entrepreneurial ideas and emerging institutions, the Adrar State Nursery has participated in many forums, and has established partnerships with many state institutions, for example the Ministry of Justice.

Conclusion:

Business incubators are considered a smart choice for holders of entrepreneurial ideas and projects, who wish to establish institutions capable of survival and continuity, as this cannot be achieved without the presence of supportive and specialized bodies that provide future visions and strategic consultations and help in developing business plans, as the feasibility study helps in creating ways Which enables future problems to be overcome and solved, not to mention the other services and facilities provided by the incubator, financial, procedural, technical, technical, as well as continuous accompaniment services and periodic evaluation of the incubated projects, as well as training courses and programmes, all of which contributes to the success of these investments and reduces the risks of their failure, In light of the results reached, a set of recommendations will be proposed, the most important of which are as follows:

- Organizing the work of incubators and setting specific conditions and standards for incubating projects.
- Business incubators help those with creative and scientific ideas translate these ideas into reality.
- Weak financial support provided, especially with the overall increase in the prices of raw materials and equipment.
- Weak experience among beneficiary youth in dealing with strong competition, marketing problems, and introducing the product.
- Benefiting from successful international experiences in business incubators and how to finance emerging enterprises, especially with regard to Islamic finance.

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