START - UP COMPANY AND BUSINESS INCUBATORS. WHAT ECONOMIC VALUE?

Irayen NAWEL*
Latroche AMINA**

Abstract: *This article addresses the issue of start-ups representing a new economic model through their business role, as well as business incubators that combine the entrepreneurship of start-ups with the resources that are usually available for new business activities, which calls for research into the concept of start-ups and business incubators and their importance in the national economy of any country.*

Keyword: *start-up companies; business incubators; entrepreneurship; innovation; entrepreneurship development.*

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Introduction:

The ability to generate and apply new useful ideas to specific issues by transforming them into solutions that add value to society is crucial to a country's development, and start-up is one way in which innovative ideas and can have a positive impact on emerging corporate societies.

The latter has a creative idea aimed at developing viable business models to meet market needs, as well as revealing unpredictable opportunities for others. Given the rapid pace of technological innovation, it has become difficult and competitive to bring new ideas to life.

The start-up is, in itself, a newly emerging business enterprise that intends to develop a viable business model to meet the needs of society by creating a useful link that is constantly improved through innovative solutions. The emerging firm is therefore best suited to developing economies, whose main objective is to reduce poverty and generate sustainable wealth through innovative solutions capable of solving industry-wide problems by creating an innovation ecosystem to provide solutions to the needs and requirements of individuals that foster a inclusive, efficient and valuable startup culture for all.

The creation of a vibrant private sector is important to promote growth for poverty reduction and employment creation. It is therefore important to strengthen an entrepreneurial ecosystem as an economic necessity to restructure business processes in order to revolutionize and build sustainable solutions for different

* Dr., Senior Lecture MCA, University Center of Tipaza Morsli Abdallah - Alegria.

** Dr., Senior Lecture MCA, Abdelhamid Ibn Badis University of Mostaganem.

sectors such as health care, education, tourism, clean energy, poverty, financial services, security, agriculture, etc. Each of these sectors poses many problems that entrepreneurs and startups can benefit from, not only for profit, but also for positive impact in our society by driving positive change based on emerging and corrupt technological innovations. It is therefore important to recognize and place at the heart of any strategy the significant impact of establishing emerging companies that design, develop and support products and services that meet the needs of society and are valuable to our developing economy.

Importance of research:

The importance of research is highlighted by identifying both start-ups and business incubators as the most important means of keeping pace with the repercussions of the digital economy. This requires an emphasis on the role of business incubators in establishing and maintaining start-ups.

Research Problem:

The problem of research is limited to answering the following question:
How do business incubators contribute to the strengthening of start-ups?

Research Aims

Through the research problem we try to highlight the concept of start-ups and business incubators and demonstrate the need to establish and develop start-ups by revealing the importance of business incubators in ensuring the continuity of start-ups.

Research Methodology:

In the light of the problem at hand, we will rely on the descriptive and analytical approach, using the legal provisions in force in this regard, to try to clarify the legislative framework for the establishment and development of an emerging company.

Research plan

We will try to solve the problem at hand by dividing this research into two sections. In the first section, we address the concept of start-ups and the identification of the most important stages of their lives, and in the second section, business incubators as a tool for the creation and development of start-ups.

2. The Concept of the start-ups

The emerging company is a manifestation of the modern economy, as the latter is the real bet for the development of a national economy, so the various definitions relating to the emerging company will be addressed on the one hand and the most prominent stages of its life on the other.

2.1 Definition of start-ups

A start-up company is each newly established company that offers an innovative presentation of new markets and/or needs that therefore require the search for a viable investible business model¹.

It is also defined as a company that has been established since the mid-1990s, and is now embedded in a new or renewed business sector, generating innovations and growing rapidly². "Start-ups are" a temporary organization looking for a profitable and enabling industrial business model. " Its mission is to become a company³.

In addition, start-ups are meant to be newborns fighting for existence. This type of company is defined as organizations that focus on creating high-technology and innovative products with little or no operational history, with the aim of achieving strong business growth in high-expansion markets⁴.

In line with what has been said, start-ups often face not only risks, but unpredictable uncertainty, which means an inability to identify and express all relevant variables affecting performance.

On the other hand, we can say that the emerging company is "a human enterprise designed to create a new product or service in conditions of extreme uncertainty." This definition emphasizes innovation and the concept of risk. The idea is triggered when the founder identifies a service or product that meets an unmet need.

In order to complement the above definition, we must refer to the characteristics of a start-up company:

1. Strong growth prospects.
2. Use of new technology.
3. The enormous need for financial funding.
4. The novelty of getting into the market, where risk is hard to assess.

These characteristics may be the main differences between a start-up company and small and medium-sized enterprises:

The first builds its business model and builds on the potential returns gained: Its main objective is awareness, to find and retain its first clients, and to adapt its product to demand.

The second is based on a well-established business model and seeks ways to implement it: Its main interests are to seek returns, optimize costs and build its business profile.

¹ Panorama La France, une terre propice au développement des start-ups ?, Février 2015.,[Accessed 15th 00 13 January 2021], Available from World; <https://www.coface.fr/Actualites-Publications/Actualites> -

² Chrystelle gaujard, l'idealtpe de la start-up : une synthese de l'organisation du travail et de l'emploi d'un contexte de ruptures start-up's idealtpe: a synthesis on the organization of work in a changing context cahiers du lab.rii – documents de travail – n°178 avril 2008,p.06.

³ Valentin bernet, l'approche lean startup Comment maximiser les chances de trouver son marché lors dulancement d'une startup,Travail de Bachelor,Hes-so Valais-wallis, 2014, p.4

⁴ Joanna Szarek, JakubPiecuch, The importance of startupsfor construction of innovative economies,international entrepreneurship, Vol. 4, No. 2 ,p.71.

It would be useful to emphasize that a start-up company does not necessarily evolve in new technologies, although often so, primarily as an innovative idea that would create value for a market of a certain size, certainly a young company but also a state of mind driven by the dynamic vision of its founder, who develops a corporate culture around the project.

If we go back to the Algerian legislature, it does not provide a definition of start-ups, but merely lists the conditions to be met by the start-up:

- 1- The age of the institution must not exceed eight years.
- 2- The enterprise business model must be based on products, services, business model or any innovative idea,
- 3- The annual turn over shall not exceed the amount determined by the National Committee,
- 4- The capital of the company shall be owned by at least 50% by natural persons, approved investment funds or other institutions holding the name of an emerging enterprise,
- 5- The growth potential of the enterprise must be large enough.
- 6- The number of workers shall not exceed 250. In addition, a start-up shall be granted for a renewable period of 4 years⁵.

The start-up development stages:

To complement this definition, it should be noted that the start-up company is in a temporary stage and needs to evolve towards a more classical business model at the end of its life cycle, the start-up company, if it continues to become a small and medium-sized enterprise⁶.

a- Preface Phase:

At this very early stage, the founder of the start-up company begins to undertake a range of activities to turn his idea into a profitable business, taking into account a higher level of risk or even uncertainty, continues to work on the idea of a new project, forms a team, uses personal funds, and asks family members and friends to invest in this idea.

This phase is characterized by the need for the founder of a start-up company to have access to resources without borrowing by creative methods. The purpose of this phase is to set the project up for growth by demonstrating product feasibility, cash management capacity, team building and management, and client acceptance. Furthermore⁷.

⁵- Consideration of article 11 and 14 of Executive Decree No. 20-254, dated 27 March 1442, dated 15 September 2020, concerning the establishment of a national committee to award an emerging enterprise label, an innovative project label, a business incubator, and to define its functions and composition, J. R.55

⁶ Djelloule Markria, Mouna Bouhmouch, Etude complémentaire sur les possibilités de Crowdfunding – ESS et startups au Maroc, organisation internationale pour les migrations, pp.24 ,25.

⁷ Matt Medlin, The Six Stages of a Startup's Life Cycle What you need to know to be prepared, p.10..[Accessed 11th 00 13 January 2021], Available from World; <http://clarknuber.com/wp>

b- Foundation Phase

After the preface phase, the founder enters a new phase, characterized by teamwork, prototype development, market entry, project evaluation, search for support mechanisms such as accelerators and incubators, and average investments for the development of the start-up company. Frankly, for most start-ups, the initial stage is a mess and is interpreted as highly uncertain.⁸

The foundation phase is characterized by the initial capital used to perform the product and/or service. We must point out that a large number of start-ups fail at this stage, as they are unable to find support mechanisms and will at best turn to a low-profit company with a low success rate. On the other hand, those who succeed in receiving support have a greater chance of becoming profitable companies.

c- Construction Phase:

The start-up phase occurs when a company sells its products, enters the market, and employs the first employees. Some scientists believe that entrepreneurship stops at the end of the innovation phase. This supports the argument that most theories covering start-ups are borrowed from theories of entrepreneurship rather than from theories of governance and regulation (see business theory focusing on start-ups). At the end of this phase, the organization/company is formed and corporate finance is the main option for financing the company. By financing the project, venture capital can facilitate the construction phase.⁹

**3. Business incubators as a tool
for the growth of emerging enterprises**

The innovative nature of start-ups does not allow them to clearly challenge all components of their market and, in fact, to undertake direct profitable activity. It must necessarily go through a testing and research phase to understand its environment and its customers and thus overcome the uncertainty inherent in any innovative enterprise, so very early support for business creation would increase 50% of the chances that start-ups will survive three years after their creation, necessitating the creation of structures dedicated to start-ups such as business incubators.

⁸ Veronika Jurickova, elena gregova, earnings of startups in different stages of development, p.p.3,4. [accessed 10th 00 07january 2021], available from world; <https://digilib.uhk.cz/bitstream/handle/20.500.12603/236/jur%20c3%ad%20c4%8dkov%20c3%a1%2c%20gregov%20c3%a1.pdf?sequence=1&isallowed=y>

⁹ Aidin Salamzadeh, Hiroko Kawamorita Kesim, startup companies: life cycle and challenges ,p.p.5,6,7 [accessed 15th 3015 january 2021], available from world; <https://www.researchgate.net/publication/315308370>

3.1. Definition of business incubators:

Business incubator is a structure that effectively hosts project leaders, supporting them at the forefront of their business creation. Incubator is a structure whose ultimate objective is technical verification of products (prototype, manufacturing process, while ensuring that these products are adapted to demand and market requirements; On the other hand, looking for financing to start the activities of future companies.¹⁰

It can also describe corporate embrace as a dynamic enterprise development process. The term refers to the interactive development process where the aim is to encourage people to start their own businesses and to support start-ups in developing innovative products. The real incubator is therefore not limited to office space with a joint secretary and a common fax mechanism. In addition to accommodation, incubators must provide services such as practical management, access to finance, legal advice, know-how and access to new markets.¹¹

The concept of business incubation is based on the premise of increasing corporate survival and growth through the development of mechanisms to ensure the early identification of firms that have great potential for success but are constrained by resources, thus creating innovative, competitive, profitable and sustainable firms¹².

In addition, business incubation seeks to achieve some of the key objectives, which include creating new jobs and businesses, fostering a climate of entrepreneurship, marketing technology, diversifying, stimulating and accelerating the growth of industry and local economies, reducing corporate mortality, reducing unemployment, increasing interaction between universities and promoting technology development.

Incubators are key actors in the entrepreneurial ecosystem by linking talent, technology, capital and know-how.

The business incubation programme, as a tool to promote innovation and economic development, is designed to be able to increase the value of foster companies with a view to increasing their survival rates¹³.

¹⁰-Minsita Traore , Konseiga,incubateurs, couveuses, plateformes de services et plateaux techniques de metiers »programme d'appui a l'emploi dans les zones frontalières et peripheriques au burkina faso appel a projets « territoires createurs d'entreprises,p.p5,6.,[accessed 14th00 25january 2021], available from World;https://programmeemploiurkinafaso.files.wordpress.com/2018/04/ef_emploibf_note-technique_incubateur_couveuse_pep_pds_pdm.pdf

¹¹ Rudy Aernoudt, incubators: tool for entrepreneurship?, small business economics, kluwer academic publishers, 2004,p.27.[accessed 12h00 14january 2021], available from world;; <https://www.researchgate.net/publication/5158236>

¹² look at this: ben shaib mohammed, saadi faisal, role of business incubators in the support and development of small and medium enterprises, case study of the national youth employment support agency, journal of development and research and studies, vol. 04, no. 06, joan 2016, el boyra, p. 56.

¹³ Fidelis a. Ayatse, nguwasen kwahar2 and akuraun s. lyortsuun,business incubation process and firm performance: an empirical review,journal of global entrepreneurship research,2017,p.3.[accessed 12th0011 january 2021], available from world ;file:///c:/users/hbunited/downloads/business_incubation_process_and_firm_performance_a.pdf.

Business incubation stimulates the creation and growth of companies and provides entrepreneurs with the expertise, networks and tools they need to make their projects work. Incubation programmes diversify economies, market technologies, create jobs and build wealth".

Incubators generally have some relevant features, which generally include:

- Provision of an orbiting working space providing common facilities, advisory, training and financial services, and a caring environment for chartered companies;
- A small management team with core competencies;
- Selection of start-ups entering the incubator to generally graduate after 3 year¹⁴

For the Algerian legislator, the same approach has been adopted in the emerging institution, and the conditions for granting the business incubator label without defining it in accordance with article 21 of Executive Decree N°. 20-254 is eligible for the "business incubator" label, each structure of the public or private sector or in partnership between the public and private sectors, are proposed to support start-up enterprises and innovative entrepreneurs in terms of accommodation, training, consulting and financing.

3.2 The importance of business incubators for start-ups :

Business incubator is an organization that helps and accompanies business creation. Its main task is to assist promoters of an innovative and technological project, as business incubation is a process of support that speeds up the successful development of start-ups by providing entrepreneurs with a range of special resources and services.¹⁵ These services are usually developed or coordinated by incubator management and purchased in the incubator and through its communications network.¹⁶ One of the main objectives of the business incubator is to establish successful, financially viable and independent businesses when the incubator leaves. Incubators have the capacity to create jobs, provide capital and market new technologies.¹⁷

In other words, the business incubator is a structure that effectively hosts project leaders and supports them at the forefront of their business creation. The incubator is a structure whose ultimate objective is technical verification of products (prototype, manufacturing process, that future companies ensure that these products

¹⁴ Elena Scaramuzzi, Incubators in Developing Countries: Status and Development Perspectives The World Bank, Washington DC May 2002 Public Disclosure Authoriz.p.4 .[Accessed 13th 00 15 January 2021], Available from World:<http://documents1.worldbank.org/curated/en/186751468770425799/pdf/266370WP0Scode090incubator%20Infodev.pdf>

¹⁵ See the article 25 of Executive Decree No. 2000-254, mentioned above.

¹⁶ Ben Naaman Jamal, Business Incubators and Their Role in the Development of the SME Sector, with Reference to the Legal Framework of Business Incubators, Journal of Economic Dimensions Volume No. 06, No. 02, University of Amhamad Bocara Boumerdas p. 496

¹⁷ -Mohamed Imam Salem, The Role Of Business Incubators In The Economic Development Of Saudi Arabia, International Business & Economics Research Journal – July/August 2014 Volume 13, Number 4,p.856.

are adapted to demand and market requirements on the one hand; On the other hand, looking for financing to start the activities of future companies.¹⁸

Business incubators develop businesses, helping them to survive and grow through their early stages as the first link that the founder of a start-up company, when they are the most vulnerable.¹⁹ Its programmes provide client companies with trade support services and resources specifically designed for young companies. The most common objectives of incubation programmes are to create employment in the community, promote an entrepreneurial climate in the community, retain business in the community, build or accelerate growth in local industry and diversify local economies.

Business incubation is a process aimed at supporting the development and expansion of growth-oriented enterprises. A business incubator would help to reduce the cost of launching the project, increase the confidence and capacity of the entrepreneur, and link the owner of the emerging enterprise to the resources needed to start and expand a competitive enterprise.

The founders of the emerging enterprise remain in the business incubator until an agreed milestone is reached, often measured in terms of sales revenue or profitability. Business incubation is one of many tools aimed at promoting enterprise innovation and growth²⁰.

Save Space

Space provision is critical for business incubation. Empirical evidence suggests that it is the most useful advantage for tenants. In addition, office space already includes some services that can be classified as shared resources. These include reception, secretarial, conference rooms, conference rooms or parking spaces, which can also be more specialized, such as laboratories and research equipment.²¹

Network Services

Creating opportunities for enterprise development is a form of integrating the work of preparing the founders of start-ups to build successful enterprises. This experience can be facilitated through formal or informal links with key actors and institutions in the community. This process requires more active participation in

¹⁸-Minsita traore/konseiga,incubateurs, couveuses, plateformes de services et plateaux techniques de metiers »programme d'appui a l'emploi dans les zones frontalières et peripheriques au burkina faso appel a projets « territoires createurs d'entreprises,p.5,6.,[accessed15th00 13january 2021], available from world;https://programmeemploiburkinafaso.files.wordpress.com/2018/04/ef_emploibf_note-technique_incubateur_couveuse_pep_pds_pdm.pdf

¹⁹« Startups » Et Territoire Les Structures D'aide A L'intégration De Ces Entreprises Caen Normandie Innovantes , Aucame , N° 85 - Mai 2016, . [Accessed16th00 126 January 2021], Available from World ;https:// www.aucame.fr/web/publications/quen_savons_nous/fichiers /QSN085_StartUp.pdf

²⁰ Business Incubation Definitions and Principles, Trainee Manual,infoDev, .[Accessed16th3030January 2021], Available from World;https://www.infodev.org/infodev-files/m1_traineeManual_20101029.pdf

²¹ Tiago Ratinho, Rainer Harms, Aard J. Groen, Business Support Within Business INCUBATORS,p.p.5,6. https://www.researchgate.net/publicati.[Accessed20th0030January 2021], Available fromWorld;on/228688536_Business_support_within_business_incubators

strategic planning, large-scale community partnerships and support for network activities.

Networking services consist of a range of relationships with different agents or organizations, which can provide critical resources to a start-up company, and access to online resources is critical for start-ups²².

In addition, relationships are also crucial sources for understanding customer needs so that companies can develop marketable products.

Capital support:

Start-ups are characterized by high risk due to high uncertainty about returns, lack of significant tangible assets, lack of a record of operations, and many start-ups may face many years of negative profits before they start seeing profits. Given this situation, banks and other intermediaries are unable to lend to or even barred from these firms, so often hidden capital is the source of finance in the early stages of development. Thus, these start-ups often seek to involve capitalists in their activities by offering to share returns in the form of equity joint ventures in order to obtain the necessary financing and benefit from the capital owners' management and finance experience.²³

Consequently, business incubators enable start-up enterprises to finance their projects through a network of external service providers²⁴.

The Algerian legislature, in accordance with law N°. 06-11,²⁵ has indicated to us that venture capital institutions participate in the capital of a company by providing shares of private or semi-private funds to enterprises in the process of establishment, growth, transfer or privatization²⁶.

Aware of the importance of emerging institutions at the economic level and in order to facilitate their launching, the Algerian State has established the Fund for the Financing of Emerging Enterprises, which relies on a financing mechanism based on venture capital investment and not on the various traditional financing procedures based on loans.

The 2020 Finance Act provides new fiscal measures and incentives for the owners of start-up enterprises, particularly those active in the areas of innovation and

²² See in this sense: Latifa Rajab, Riad Zerrougui, Yahya Bay Survival, Adoption of Business Incubators in Support of Small and Medium-Sized Enterprises is a key entry point for successful international economic development, *Journal of Economic Growth and Contracting*, volume 03, No. 03, 03, Adrar, 2020, p. 24.

²³ Mondher Cherif, Sana Elouaer, Venture Capital Financing : A Theoretical Model, *Journal of Applied Business and Economics*, p.1., [Accessed 22th 0031 January 2021], Available from World; http://accioneduca.org/admin/archivos/clases/material/venture-capital_1563993164.pdf.

²⁴ The Role of Business Incubators in Supporting and Developing Emerging Enterprises, *Journal of Economic Signs*, vol. 04, No. 02, Case Study of Algeria, University of Tahrie Mohamed, Bashir, p. 424

²⁵ Act No. 06-11 of 28 Jumada I 1427, corresponding to 24 June 2006, on a venture capital company, Official Gazette No. 42, 2006.

²⁶ Zeitouni Saib, Risk Capital as an Updated Mechanism in the Financing of Emerging Institutions, Lessons Learned, Case of Algeria United States of America, *Journal of Research and Postgraduate Studies*, vol. 13, No. 1, University Centre El Boira, p. 5.

new technologies, by relieving them of tax on profits and value-added charges in order to ensure that their performance is developed, thereby enabling the country to achieve sustainable economic development in the medium term.

The Act also provides for exemptions from taxes and customs duties in the exploitation phase and provides for easier access by these institutions to the property in order to expand their investment projects.

Training Programmes

Business incubators play a crucial role in creating and promoting some technology-intensive enterprises. Start-ups often lack the skills necessary for business survival, so business incubators begin to provide knowledge-based services and use physical infrastructure in the long term. Providing training and mentoring services is a basic service for business incubators. These services are essential for continuous learning, skills development and, ultimately, excellence. An earlier business incubator performance assessment study concluded that it provides business support services to clients, which may include training, mentoring, access to funding, etc. The most notable feature of business incubator services is that they provide services tailored to the requirements of each entrepreneur.²⁷

Conclusion

Finally, it can be concluded that changes in the global economy, in addition to accelerated technological developments, require the support of start-ups with innovative ideas with high growth potential, as they are central to business promotion and job creation. The main outcomes and suggestions can therefore be presented as follows:

Results:

- Emphasizing the inevitable role of start-ups and instead of looking at start-ups and economic problems as different aspects, we can link the two, and "use" start-ups to overcome them.
- Emphasis on the role of business incubators in ensuring the continuity of the activity of emerging institutions.
- Emphasize that business incubator is a development tool primarily designed to help create and develop start-ups.

²⁷ Cai Li, Naveed Ahmed, Sikandar Ali Qalati, Asadullah Khan, Shumaila Naz, Role of Business Incubators as a Tool for Entrepreneurship Development: The Mediating and Moderating Role of Business Start-Up and Government Regulations, p.4., [Accessed 15th 00 13 January 2021], Available from World; file:///C:/Users/hbunited/Downloads/sustainability-12-01822-v2%20(3).pdf

Recommendations:

- Activate national strategies for supporting start-ups with a view to creating confidence between consumers and start-ups.
- The need to foster an entrepreneurial environment as an economic necessity to restructure Algeria's way of doing business in order to revolutionize and build sustainable solutions for different sectors.
- Encourage investment partnerships between large and start-ups.