Incubating Women’s Businesses - What Works?

China: Confronting Layoffs with Enterprise Creation

Issue
When China’s state-owned enterprises underwent drastic reforms 10 years ago, women were a disproportionate number of those laid off. In China’s third largest city Tianjin, women accounted for 60 percent of those laid off.

After trying with limited success to find new jobs for all those laid-off, a new approach was taken to create jobs and to get women to generate their own income. In an innovative move, the Tianjin government agreed to set up China’s first business incubator targeted specifically at women entrepreneurs.

Incubators are comprehensive business start-up assistance programs, targeted at start-ups and early-stage firms. In general they comprise office space on flexible leases, access to equipment, shared office services, and often also provide hands-on management assistance – all under one roof.

Best Practice Solution
In China, the incubator concept was first introduced in the purpose-built business parks that in the last decade, have sprung up around China’s more affluent coastal provinces. These were dedicated to high-tech or high value-added industries. The Tianjin Women’s Business Incubator was the first to be established to meet the needs of micro and small enterprises, and women to boot.

This effort was jointly supported by the UNDP, AusAID, the Tianjin government, China’s Ministry of Trade and Economic Cooperation, and the All China Women’s Federation; and tapped into Australia’s expertise in business incubation. Total investment in the three year project has been US$2 million so far, a sum which is not unusual for projects of this kind in developing countries. This level of funding has helped the incubator tremendously.

The impact of that investment is that since the incubator’s start in 2000, close to 50 women-owned businesses have benefited from its services, and 3000 jobs have been created either directly or indirectly. Many of these start-ups and jobs have been in clothing and footwear manufacturing, while others have been in trading and services including book-keeping, and a large network of housekeepers. One innovative business is using recycled water to run a chain of car wash stations throughout the city.

Another factor in the success of the incubator is that early on, it was able to secure a large, centrally located building from the Chinese government. Tenants pay a small rent according to a means test, in order to instill a sense of responsibility and ownership, as well as provide revenue for the running costs of the incubator itself. Start-ups are given access to administrative support and legal and business advice, until their business gets off the ground, or for a maximum of three years.

Source: Julian Webb

Importantly, though the objective of the project is to help laid-off women workers, businesses that are selected for the incubator are chosen for their growth potential and sound business plans.

Because the Incubator is under the umbrella of the Tianjin Women’s Federation, clients benefit from...
complementary services offered by sister organizations, including micro-credit offered by the Tianjin Women’s Microfinance Organization. It gives out group loans of up to 4000 yuan (480 US dollars) which is usually seed money to set up small businesses. In addition, the Incubator works with entrepreneurs to access financing from commercial banks, which are able to offer much larger loans that are used to fund long term growth.

And the Incubator is expanding. In 2003, it received a grant from the InfoDev program of the World Bank to build up its website and thus reach out to even more women. Already up and running are lists of resources and information on starting and growing new businesses. And in the works are online forums and chat rooms that will allow women entrepreneurs to both get expert advice, as well as to talk and learn from each others’ experiences. The website also plans to host e-commerce shopfronts. Through their internet presence, the Tianjin Women’s Business Incubator hopes to become a resource for entrepreneurs not just in their home city, but for business owners throughout the country.

Already, the Tianjin Incubator is planning to mentor the establishment of a similar women’s business incubator in Lanzhou city, in western China’s Gansu province.

Results
• Approximately 50 women have set up businesses with the help of the Incubator since 2000.
• About 3000 jobs have been created from these women-owned businesses.
• Micro-credit loans coupled with services from the business incubator have proved to be a viable combination.

Jordan: Overcoming Structural Unemployment

Issue
With one of the youngest populations in the world – three quarters of the population is under 30 years of age – the kingdom of Jordan is eager to create jobs for its people and the estimated 70,000 new entrants into the job market each year. Unemployment is high in the country – around 13 percent, with women facing 21 percent unemployment. UNIFEM estimates that if underemployment is taken into account, this figure for females could be as high as 25 percent. However, women are well-educated – as many females as males go to both secondary school and university -- which means that there is a lot of potential going untapped in the Jordanian economy. Getting women into the private sector is not just a matter of gender equality, but a way to boost the economy as a whole. Jordan has few natural resources and its people, including women, are one of its strongest economic assets. In fact, the country is already promoting technology and education as its way forward.

Many women in Jordan see running their own business as a way for them to improve their status in society, as well as to increase their family’s income. As in many other countries, being a female entrepreneur in Jordan is not an easy task – women may face discrimination, they may not be regarded as serious businesspersons by both women and men, and they often have less social mobility.

Best Practice Solution
Being a woman in business herself, Widjan Talhouni Saket – now also a senator – realized these difficulties, and has been working with women at the grassroots level for the past 20 years. Through the Jordan Forum for Business and Professional Women (JFBPW), she and others at this voluntary organization have helped launch 250 lower and middle income women into business by providing facilities, skills and training.

Women can rent office space for a nominal sum at the center, and benefit from basic courses on business planning and accounting. They can also choose to take further business training courses. Additional support comes in the form of legal advice and computer usage training. An important aspect of the incubator’s work is for more seasoned members of the JFBPW to provide advice and referrals to newer business owners. This increases potential business leads and opportunities for start-ups, and is also a good model for a cycle of mentoring between established and new Forum members.

New businesses are allowed to remain in the incubator for 18 months, after which they are encouraged to find premises outside of the center.

The center’s business-friendly environment is also nurtured by activities other than the incubator project. One innovative program implemented by JFBPW helps women save both money and water. By encouraging women to use simple water saving devices, women both conserve up to 20 percent of weekly water usage, and cut their water bills – thus increasing their discretionary income.

More income is generated by the women who actually sell the water saving devices. In one of the first all-female sales teams of its kind in Jordan, JFBPW has organized a group of women which they call a ‘Women Sales Force’. The women enter the homes of other women directly – something a male sales person cannot do -- to tell them about the benefits of using water saving devices, sell the equipment and later, return to audit the homeowner’s water use. Think of it as the ‘Avon Lady’ selling a social good!
Results
- 250 women assisted in setting up businesses.
- Gradual positive shift in perception of women as business owners.
- Generation of new business ideas and increased business skills.
- Increased network of business contacts and mentors.

New Zealand: Collective Start-Up Beats High Overheads

Issue
When two young fashion design graduates in New Zealand’s city of Dunedin wanted to strike out on their own, they found that the costs of production equipment, office rental and a retail space for their creations was just too high for each of them to pay out individually. Furthermore, Dunedin’s population of 100,000 didn’t seem to be a big enough market to support their cutting edge designs. Still, Cat Callahan and Shelley Tipplady were hoping to stay in their hometown, rather than to move to one of New Zealand’s bigger cities, like Auckland or Wellington. But they did think they might want to copy an idea from one of those bigger cities – the two had read about a fashion incubator operating in Auckland and decided to approach the Dunedin City Council with the idea to open one locally.6

Best Practice Solution
Cat and Shelley persuaded the City Council that an incubator to support emerging local designers, would be the best way to keep talented graduates of the city polytechnic’s already established fashion school. Since the city recognized fashion as a growth industry for Dunedin, it was keen to support the idea. In October 2001 the Dunedin Fashion Incubator (DFI) officially opened, and has since supported about ten designers full-time at the incubator, with others coming in part-time to use production facilities, computer resources and to read up on trend forecasts and share trade information. Resident designers at DFI get priority access to production facilities, and pay a minimal fee each month for use of all services and facilities. However, the designers are still responsible for coming up with costs associated with developing, producing, and delivering collections.

The services provided include regular business and skills mentoring sessions, practical industry advice and daily contact with the incubator’s general manager (who is experienced in the fashion industry). The emerging designers also get pages within the DFI website to promote their collections online, and a retail space to sell their work. The incubator takes a portion of each sale, which contributes to the long term viability of the incubator since it provides an additional income stream. Right now, the incubator runs as a non-profit and is funded jointly by both local and central government agencies, and local organizations. In fact for the city, establishing the DFI has been a unique and successful exercise in cooperation between the local and central governments. Another way the incubator keeps young fashion entrepreneurs on track is to have quarterly reviews between designers and the incubator management. They meet and assess and discuss the business to date, and set goals for the future. This is especially important since designers are expected to be with the incubator for a maximum of two years, and then stay in business on their own. In fact, an important selection criteria for designers at the incubator is their commitment to remaining self employed in the fashion industry.

The incubator has been so successful in fostering young designers that they are now pushing to make links overseas. One designer, Philippa Beaton, has already shown pieces at the Melbourne Design and Fashion Incubator in Australia. And the DFI is keen to connect with other fashion incubators including those in Toronto, Canada; and Portland, New York and Los Angeles in the United States.

Results
- Business skills plus design expertise results in financially sustainable fashion enterprises.
- Establishment of a new growth industry (fashion) for Dunedin city.
- Incubator is a good marketing vehicle for unknown brands.

Advantages Women Derive from Business Incubators
- Emotional support and companionship.
- Exchange of ideas and inspiration.
- No long-term lease required, affordable rent.
- Use of expensive (and otherwise unaffordable) production equipment.
- Access to shared office facilities, including conference rooms, computers, telephones, fax machines, administrative support.
- Business skills training.
- Access to sources of credit.
- Access to industry information.
- Access to mentors.
- Publicity generated for businesses within the incubator; added credibility to new businesses.
Summary - Creating an Incubator that Addresses Women’s Concerns

Business Incubator: A comprehensive business start-up assistance program, targeted at start-ups and early-stage firms. Generally incubators comprise office space on flexible leases, access to equipment and shared office services. May also involve management assistance.

Development Challenge or Business Opportunity?
Entrepreneurship is a means of generating income and creating employment. Due to socio-cultural factors and sometimes legal and institutional constraints, women entrepreneurs typically find it more difficult than men to both start up businesses, as well as to expand existing businesses. Business incubators dedicated to developing women-owned businesses are one way to keep start up costs minimal and deliver assistance, to enable women’s enterprises to grow.

Best Practice Solutions
- Identify specific challenges that women in the local market face. The incubator’s activities should target these concerns. E.g. business skills training, cultural issues, help in scaling up businesses.
- Help match women’s resources and skills to existing market needs.
- Foster a supportive environment for new entrepreneurs, with mentoring, guidance and technical advice.
- Facilitate a forum to allow entrepreneurs to learn from each other. For example, through face-to-face meetings or if technology resources allow, via a website as in Tianjin, China.
- Offer links to complementary services such as legal advice, access to capital or referrals to financing schemes.
- The incubator actively promotes the contributions of women in business to the larger society, in order to create a better general environment for women to operate in.

Lessons Learned
- Rent subsidies for incubator members should be time-bound and gradually phased out to encourage sound business development and self-sufficiency.
- In general purpose incubators, have a mix of different business types. This contributes to the financial viability of the incubator as a whole, and also exposes entrepreneurs to a range of industries. Cross-selling between members of the incubator is also a major benefit. In developing countries especially, women might learn about non-traditional, non-handicraft based businesses.
- Since resources are limited, select committed entrepreneurs to join incubator. In developing countries, many women may run businesses for livelihood purposes, but not all are the best candidates for running a business with the potential to really grow and develop.

Notes
4. The project was designed by the Academy for Educational Development and is funded by USAID. Greater awareness of the need to conserve water in this desert country is also spread by the Ministry of Religious Affairs.
5. Through a Waqatet Program (Female Religious Leaders), water conservation methods are promoted to women worshippers and householders through the Kingdom’s network of mosques.