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21563

113 p.  
tables  
diagrams



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**UNIDO PROJECT NO.  
SIPAK\95\802**

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**Strategy for the Establishment of  
Business Incubation Systems in Pakistan**

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**Report on Mission No. 1 (September\October 95)**

**prepared for**

- **the Experts Advisory Cell attached to the  
Ministry of Industries and Production**
  - **the Army Welfare Trust**
- 

**Based on the Work of**

- **Mr Thomas Carroll - UNIDO Consultant**
- **Mr Fabrizio Condorelli - UNIDO Small and Medium  
Enterprises Branch**

**United Nations Industrial Development Organisation  
Vienna**

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## ABBREVIATIONS and DEFINITIONS

<b>AWT</b>	Army Welfare Trust
<b>BCC</b>	Business Creation Course
<b>Business Incubation System :</b>	<p>a structured methodology aimed at implementing some or all of the following objectives :</p> <ul style="list-style-type: none"> <li>(a) developing SMEs in a special and intensive way in a particular Community or Region.</li> <li>(b) creating a particular category of SMEs (Small and Medium Enterprises)e.g. Fast-Growth Firms.</li> <li>(c) creating local Smart Infrastructure appropriate to an Information Society</li> <li>(d) transforming the rate at which new businesses commercialize successfully.</li> </ul>
<b>Business Incubator</b>	<p>as used in this Report, the term "Business Incubator" means a Business Incubation System (the "software") combined with an Incubator Building (the "hardware").</p>
<b>EAC</b>	Experts Advisory Cell attached to the Ministry of Industries & Production
<b>FGF</b>	Fast-Growth Firm
<b>PBI</b>	Pilot Business Incubator
<b>SMEs</b>	Small and Medium Enterprises

**Smart Infrastructure** : the infrastructure — talent, technology, capital and know-how — which is required for competitiveness in a (post industrial) Information Society.

## **ABSTRACT**

This Report relates to UNIDO Project No. S/PAK/95/802 titled "High-level advice to prepare a strategy for the establishment of business incubation systems in Pakistan". It is the first of a series of Reports on the issue of implementing business incubation systems throughout Pakistan in order to promote effective entrepreneurship and generate sustainable jobs.

The Report describes the outcome of Mission No. 1 in the period 26 September to 23 October 1995. The priority task of the Mission was to prepare a Feasibility Report on the establishment of a pilot, or prototype, Business Incubator which would serve 2 needs

- the Pakistan Army's need to offer career development and employment opportunities to retiring Army personnel. About 34,000 personnel, in the age range late '30s to early '40s, retire each year
- the need for a working model of a Business Incubator in Pakistan; on the premise that replicating such a working model will be the most cost-effective way in which to diffuse business incubation systems throughout Pakistan.

The Army Welfare Trust (AWT) and the Experts Advisory Cell (EAC) - the latter is attached to the Ministry of Industries and Production - plan to champion the Pilot Business Incubator (PBI). The Report provides them with a detailed policy framework for launching and developing the PBI.

The key objectives of the PBI are to

- (a) create Fast-Growth Firms i.e. Pakistan-owned, high-potential, businesses capable of competing in national/international markets
- (b) have the PBI function as a working model of business incubation and thereby facilitate the diffusion of business incubation systems throughout Pakistan
- (c) have the PBI become a Business Incubator Management Centre for Pakistan i.e. that it become a Centre of Excellence for the training of Business Incubator Managers and other SME specialists throughout Pakistan.

The Report concludes that the promoters (AWT and EAC) have the capacity to implement an effective Pilot Business Incubator; and that such an initiative has the potential to make a distinctive contribution to the small-scale industry sector in Pakistan. Accordingly, the Report recommends that AWT and EAC proceed immediately to implement the Pilot Business Incubator.

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**PART 1**

**BACKGROUND, TERMS OF REFERENCE, METHODOLOGY**

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## 1 INTRODUCTION

- 1.1 This Report relates to the preparation of a strategy for the establishment of business incubation systems in Pakistan in accordance with the UNIDO Job Description at Annex 1. The objective of the strategy is to promote effective entrepreneurship and generate sustainable jobs. The Report was prepared by Mr Thomas Carroll, a specialist in local economic development strategies and business incubation systems. It is the first of a series of Reports on the issue of implementing business incubation systems in Pakistan.
- 1.2 The Report describes the outcome of Mission No. 1 in the period 26 September to 23 October 1995. At the commencement of the Mission, Mr Carroll agreed its key objectives and methodology with Dr. Abd El-Rahim Marei, UNIDO's Country Director in Pakistan. In turn, Mr Carroll and Dr Marei agreed the Mission priorities with the Implementing Agency in Pakistan i.e. the Experts Advisory Cell (EAC) attached to the Ministry of Industries and Production.

It was agreed that Mr Carroll would focus on 2 tasks in Mission No. 1

- (a) accord top priority to developing a Feasibility Report on the establishment of a pilot, or prototype, Business Incubator by the Army Welfare Trust (AWT) and EAC. The Pilot Business Incubator would address 2 needs
- the Pakistan Army's need to offer career development and job opportunities to retiring Army personnel
  - the need for a working model of a Business Incubator in Pakistan. Replicating such a working model will be the most cost-effective way in which to diffuse business incubation systems throughout Pakistan
- (b) visit Gujranwala (ranked as the 4th industrial city in Pakistan after Karachi, Lahore and Faisalabad), and contribute to a local Workshop on Business Incubation, as part of the process of diffusing business incubation methodologies throughout Pakistan.

### 1.3 Pilot Business Incubator

Mr Carroll allocated 95% of his time to working with AWT/EAC on the feasibility of a Pilot Business Incubator ((PBI)). This entailed

- (a) researching the support infrastructure for the SME (small and medium enterprises) sector in Pakistan. In this context Mr Carroll made presentations to, and had discussions with

- Small Business Finance Corporation
- Punjab Small Industries Corporation
- Rawalpindi Chamber of Commerce and Industry
- Youth Investment Promotion Society.

The information collected from these meetings was complemented by a study of publications kindly provided by UNIDO Islamabad and EAC. The bibliography is at Annex B.

- (b) a series of presentations to decision-makers in
- the Army e.g. Lt. Gen. Moin uddin Haider, Adjutant General and Chairman of the Army Welfare Trust
  - AWT e.g. Lt. Gen. (Retd.) Farrakh Khan, Managing Director; Brigadier ((Retd.)) Mohammad Azad, Director of the Employment and Investment Advisory Division of AWT; and other senior personnel of AWT
  - EAC e.g. Mr Istaqbal Mehdi, Chief ; Mr Ejaz Rasul Chawdhry, General Manager; and other senior personnel in EAC
  - Askari Commercial Bank and Askari Leasing ; businesses established by AWT which have a potential role in the PBI
- (c) visiting 4 sites in the hinterland of Islamabad/Rawalpindi identified by AWT as potential locations for the PBI
- (d) preparing, at the request of AWT, a Pre-Investment Brief for the PBI. It is at Annex C

1.4 Diffusion of Business Incubation Methodologies

In the context of diffusing business incubation methodologies throughout Pakistan Mr Carroll addressed a Workshop on Business Incubation organised by Gujranwala Chamber of Commerce & Industry on 17 October. About 100 people were present - including local business people and representatives of Allied Bank, Pakistan.

- 1.5 This Report is addressed primarily to the stakeholders in the PBI. It provides a detailed policy framework for developing a PBI and diffusing business incubation methodologies throughout Pakistan.

Part 2 of the Report describes the evolution and principles of Business Incubation. Part 3 provides a Business Plan 1996-2000 for the PBI; it was prepared in close consultation with AWT/EAC. Part 4 summarises the conclusions and recommendations emerging from the Mission.

**PART 2**

**BUSINESS INCUBATION : Evolution and Principles**

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## 2. RATIONALE FOR BUSINESS INCUBATION SYSTEMS

### 2.1 Industrial Policy - Global Trend

Industrial policy, as it has evolved globally, is usually characterized by 2 key objectives :

- Indigenous Investment
- Foreign Investment, both direct investment and portfolio investment

The primary strategy is Indigenous Investment. In that context Industrial Policy places a particular emphasis on the development of small and medium enterprises (SMEs). SME Policy is the centerpiece of an Indigenous Investment Strategy. This is because SMEs are a dynamic force for the creation of jobs and for local/regional development. Accordingly, Governments are continuously upgrading their support systems for the development of SMEs.

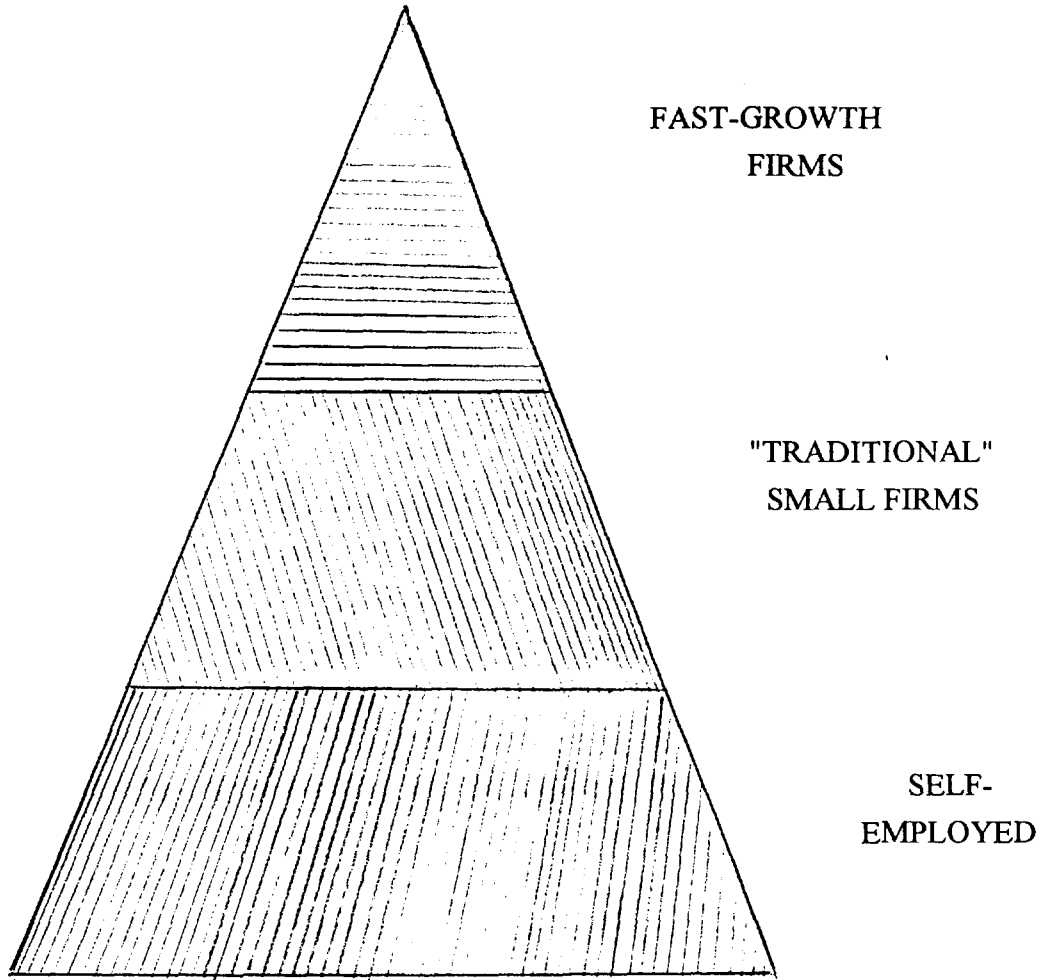
During the past 15 years a new SME Support System has emerged in Europe, North America and South East Asia : It is a business creation methodology known as Business Incubation which is tailored to local circumstances and local priorities.

### 2.2 Rationale for Business Incubation Systems

Typically, a Business Incubation System is implemented for some or all of the following reasons :-

- (a) to develop SMEs in a special and intensive way in a particular Community or Region.
- (b) • to create a particular kind of SME i.e. Fast - Growth Firms as illustrated at page 13.

There is a natural flow of entrepreneurship in every society which leads to the emergence of self-employed people and small firms selling products or



SMALL AND MEDIUM  
ENTERPRISES

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services to local markets: the 2 bottom segments of the pyramid at page 13. In this context a community may wish to add a layer of Fast - Growth Firms i.e. higher calibre SMEs capable of competing in national / international markets. This can be done by implementing a customized Business Incubation System

- (c) economic development in a (post-Industrial) Information Society necessitates a new kind of local infrastructure — sometimes referred to us Smart Infrastructure — which is illustrated at page 15.

Smart Infrastructure requires the linking of talent, technology, capital and know-how. Talent refers to entrepreneurs; creating a pool of such people creates the opportunity for growth, diversification and new business development. The second critical component concerns the ability to commercialize technologies that have real market potential within a reasonable time. The third element — capital — is the fuel for the development of a smart infrastructure and for making new business development a reality.

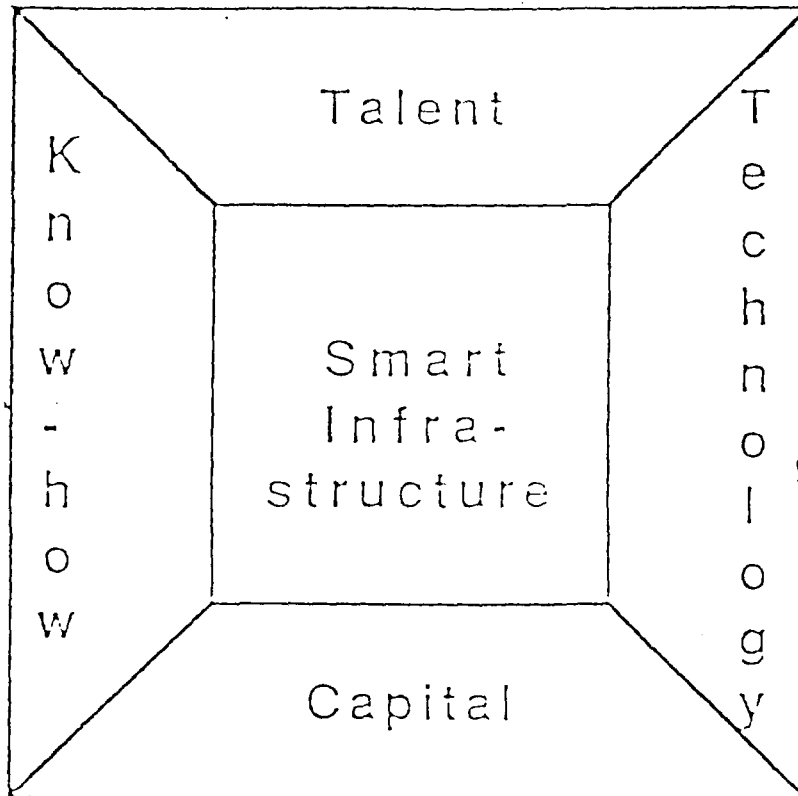
The sourcing and the fusion of these 3 elements - talent, technology and capital - is embodied in the know-how of a Business Incubation System.

- (d) A fourth factor which merits investment in a structured business incubation methodology is the high failure rate of SMEs which emerge conventionally as part of the natural flow of entrepreneurship. It is upto 70% within 5 years.

A Business Incubation System is a way in which to sensitize Industrial Policy to the growth dynamics of a new business. This offers the opportunity to stimulate the flow of new businesses, improve their quality



## Key Factors in the Development of a Smart Infrastructure



and enhance the likelihood of their commercializing successfully.

### 2.3 Pakistan : Small-scale Industry Policy Initiative

Estimates indicate that small-scale enterprises account for about 85% of total manufacturing employment and that as many as 9.0 million people participate in the rural informal sector. The dominant sectors are food and beverages, textiles and leather, and metal. Predominantly, these small -scale enterprises serve highly localized markets.

The EAC has been reviewing how to improve the contribution of small-scale industries to the development of Pakistan. In particular, the EAC has focused on how to stimulate the emergence of high potential businesses, out of the SME sector, throughout Pakistan by implementing Business Incubation Systems.

The EAC has a 2-stage strategy

- to implement a pilot Business Incubator in Islamabad/Rawalpindi in co-operation with the Army Welfare Trust
- to develop the PBI as a working model for the diffusion of Business Incubation Systems throughout Pakistan

The EAC's strategy represents a cost-effective approach to an initiative which has the potential to make a distinctive contribution to the small-scale industry sector in Pakistan.

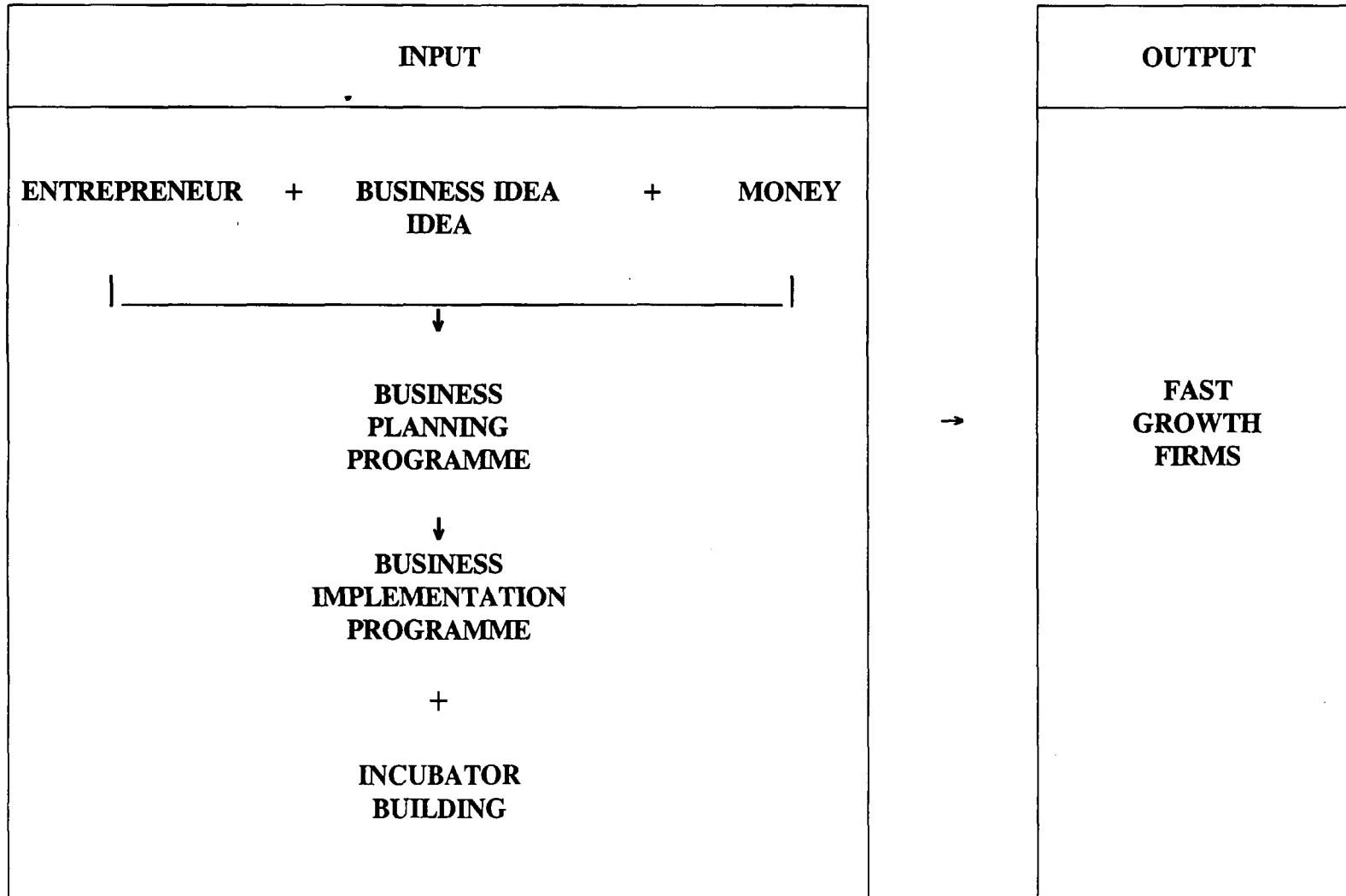
### 3. **BUSINESS INCUBATION : THE PRINCIPLES**

#### 3.1 **Key Components of a Business Incubation System**

Chapter 1 described the rationale for introducing Business Incubation Systems - internationally and in Pakistan. This Chapter describes the principles of a Business Incubation System.

The System has 7 key components as outlined in the schematic at page 18. They are as follows :

- every business has 3 components
  - an entrepreneur/champion
  - a business idea
  - a requirement for capital to fund the start- up and development stages of the business
- these 3 components are assembled through the medium of a Business Planning Programme (the 4th of the 7 components referred to above)
- the fledgling businesses which emerge from the Business Planning Programme will enhance their survival and growth prospects if they have the benefit of tailored advisory services and a base in the Incubator Building : this is organized through a Business Implementation Programme (the 5th of the 7 components)
- the 5 elements summarized above might be described as the "software" of a Business Incubator. The 6th element is the "hardware", the Incubator Building. It provides an essential base for
  - managing the delivery of a total Business Incubation System, as illustrated at page 18, to a cluster of clients with similar service needs

**BUSINESS INCUBATION SYSTEM**

- clients who will require Incubation Units and affordable Grow-on Space to enable them to remain in the Business Incubator for, say, 3 years.

The target output of a Business Incubation System can be one or more of the objectives described at 2.2 i.e.

- (a) develop SMEs in a special and intensive way in a Community or Region
- (b) deliver Fast - Growth Firms
- (c) implement Smart Infrastructure
- (d) maximize the success rate at which new businesses commercialize

As stated above, the sourcing and the fusion of the 7 key components just described are achieved through the medium of 2 Programmes; a Business Planning Programme and a Business Implementation Programme which are illustrated at page 20. This methodology addresses all of the issues involved in 2 critical stages of any business:

- the Planning (or pre-commercialization) Stage
- the Introduction Stage of the Business Life Cycle

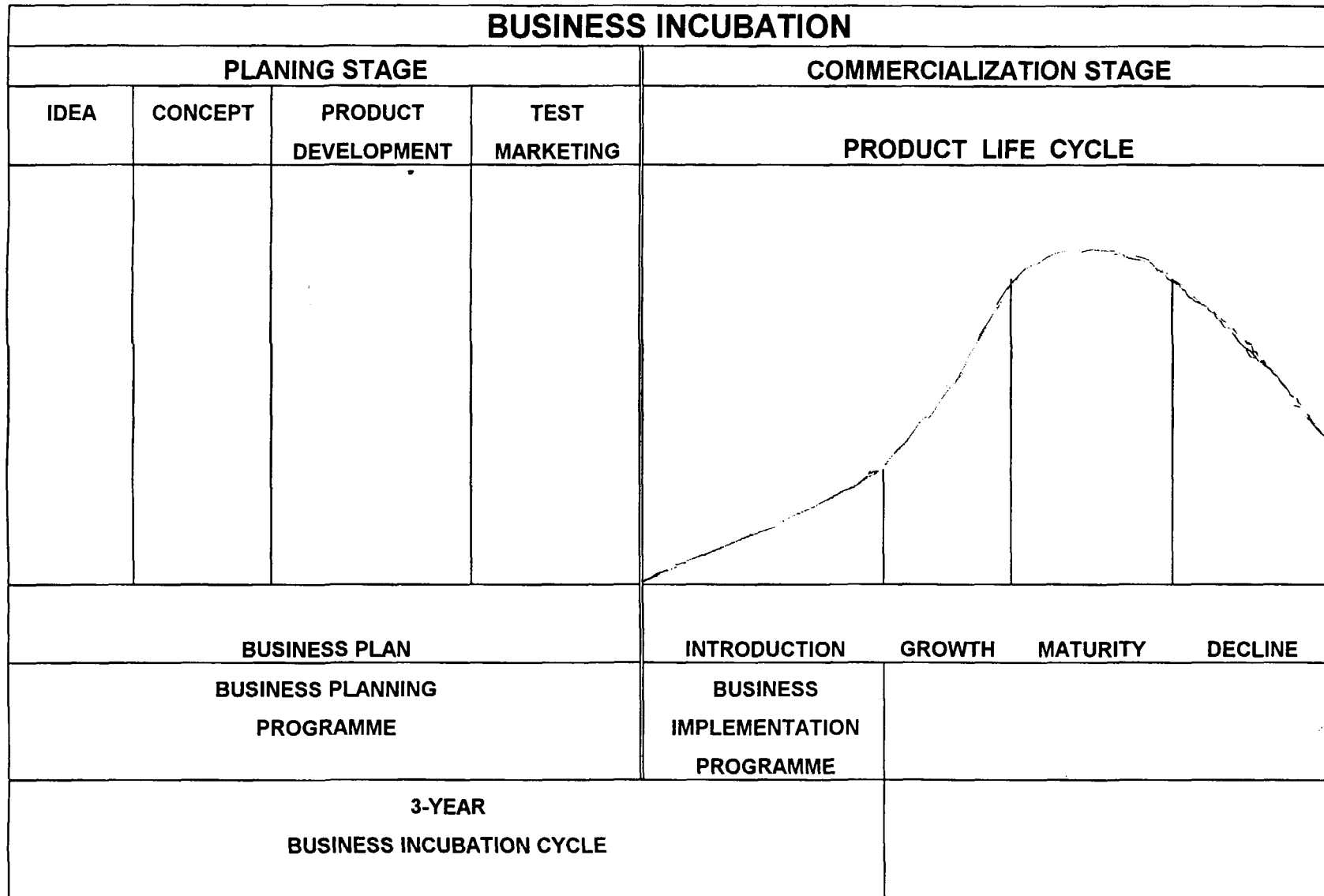
This is illustrated at page 21.

In summary, the Business Planning Programme and the Business Implementation Programme provide an integrated package of services, customized to the needs of each client, through a 3 - year Business Incubation Cycle, thus enhancing the likelihood of successful commercialization.

The organization of the Business Planning Programme and the Business Implementation Programme is now described.

**PBIC : BUSINESS INCUBATION SYSTEM  
3-YEAR BUSINESS INCUBATION CYCLE**

MONTH	1 2 3 4 5 6 7 8 9 10 11 12	13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36
<b>BUSINESS PLANNING PROGRAMME</b>	<div data-bbox="415 627 884 831" style="background-color: #cccccc; padding: 5px;"> <ul style="list-style-type: none"> <li>• BUSINESS CREATION COURSE</li> <li>• PRODUCT / SERVICE IDEAS</li> <li>• SEED CAPITAL</li> <li>• INCUBATOR SPACE</li> </ul> </div> <p style="text-align: center;">↓</p> <p style="text-align: center;"><b>BUSINESS PLAN</b></p>	
<b>BUSINESS IMPLEMENTATION PROGRAMME</b>		<div data-bbox="898 1227 1900 1337" style="background-color: #cccccc; padding: 5px;"> <ul style="list-style-type: none"> <li>• MANAGEMENT ASSISTANCE PACKAGE</li> <li>• INCUBATOR SPACE</li> </ul> </div>



### 3.2 Business Planning Programme (BPP)

3.2.1 The BPP assembles the 3 essential components of any business.

- an entrepreneur
- a business idea
- money; particularly, seed capital to fund the pre-commercialization and early start-up stages of a business

The target output of the BPP is a carefully constructed Business Plan ready for implementation.

The key elements of the BPP, as illustrated at page 20 are now described.

#### 3.2.2 Entrepreneurs

The prerequisites to the output of Fast-Growth Firms (FGFs) by a Business Incubator are

- (a) people selection criteria
- (b) the formation of Management Teams

People Selection Criteria : many people have an aspiration to run their own business; however, only a proportion translate their aspiration into a commitment to action. A Business Incubator can powerfully influence such action by delivering Business Creation Courses (BCCs) : the objective being to provide the psychological support, and know-how, which will empower people to move from the aspiration stage into effective entrepreneurship.

As is the case with the framework of the Business Incubation System, the BCC must be customized to local circumstances and local priorities. In particular, it should target a specific segment of the local entrepreneurship market i.e. those most likely to be successful in launching and developing FGFs. They are people who meet the following criteria



- expertise in a particular skill e.g engineering/technology, finance, marketing, general management
- a track record which suggests that he/she has the discipline and tenacity which are required for the long - haul process of launching and developing an FGF
- entrepreneurial drive

Management Teams : they are the second key prerequisite to the formation of FGFs. The thrust of the BCC must be to form multi-disciplinary Management Teams i.e. 2 to 3 people with sound education, business knowledge and management skills, ideally gained from industry and commercial life. They may have backgrounds and qualifications in engineering, science, food, finance, accounting, marketing or other disciplines.

Each BCC should have about 30 participants with a distribution of the skills referred to above.

A profile of a typical BCC is provided at Annex D

### 3.2.3 Business Ideas

The second essential component of any business is the embryonic business idea as shown on the diagram at page 18.

Identifying and evaluating a good opportunity is a most difficult task. Most good business opportunities do not suddenly appear but rather result from an entrepreneur being alert to possibilities or, in some cases, by establishing mechanisms to identify potential opportunities.

As reflected in the stories of millions of entrepreneurs throughout the world, there are many possible sources of ideas. Some of the most useful sources are consumers,

existing companies, distribution channels, public sector purchasing requirements. An example of how to search for innovative entrepreneurial opportunities is provided at page 25

Professional idea - generating methods have been developed and this is a service which should be offered by a Business Incubator to its clients. Examples of Idea-Generating Methods are

Brainstorming	Checklist Method
Reverse Brainstorming	Free Association
Synectics	Attribute Listing

A Business Incubator must be proactive in identifying "areas of opportunity" in which its clients can then search for specific business ideas. Examples of Areas of Opportunity are

- (a) the sub contracting needs of large businesses. For example, in the automobile assembly industry a wide range of components and sub assemblies is bought from a network of subcontractors.
- (b) Public sector purchasing requirements
- (c) technology trading opportunities. For example, in the USA there are thousands of young businesses with commercially proven products /services. These young businesses do not have the resources to engage in exporting. Many of them are amenable to having their products manufactured under license, or by way of joint venture, for a specific market.
- (d) emigrant networks are a source of intelligence on foreign markets and on specific products which could be manufactured for those markets.

**Using new technology,  
e.g. video & microwave**

**Using skills  
e.g crafts**

**Hobbies**

**SOURCES**

**OF**

**BUSINESS**

**IDEAS**

**Changes in  
legislation, e.g. car  
seat belts**

**Needs of special  
groups, e.g  
disabled**

**Waste recycling  
e.g cans, bottles**

**Making jobs  
easier, e.g tea bag  
strainer**

**Demographic changes,  
e.g. with people living  
longer the need for  
residential homes**

#### 3.2.4 Money

The third essential component of every business is capital to fund the pre-commercialization and start-up stages of the business : it is known as Seed Capital

Seed Capital is high risk equity capital which has to be committed to the business for 5 to 10 years. The amount required is usually beyond the reach of the vast majority of people wishing to establish an FGF.

The first task for the Management of a prospective Businesses Incubator is to identify sources of Seed Capital within the country's SME Support System; and to ensure that effective networking arrangements are in place for access by Business Incubator clients to those sources of seed capital.

If effective networking arrangements cannot be made the Business Incubator will have to establish its own Seed Capital Fund.

#### 3.2.5 Managing the Business Planning Programme (BPP)

Each client selected by the Business Incubator will have the services of the BPP, as described above, for an initial period of 12 months (as illustrated at page 20). At the end of that period each client should be a member of a Management Team in transition, at least, to the formation of a new business.

Specifically, by the end of the first year of the 3 - year Business Incubation Cycle each Management Team should have a well constructed Business Plan ready for implementation. An outline for a Business Plan is provided at Annex E. The salient benefits of a Business Plan are

- (a) it helps the Management Team to crystallize and focus their thinking about the business; to set objectives and goals; to decide on strategies for achieving them; and to monitor performance against them
- (b) it highlights all the time and effort which will be required to make the

business succeed

- (c) it provides the basis for detailed financial planning.

If a client has not made significant progress towards formation of a business by the end of the first 12 months in the Business Incubator, the services available from the Business Incubator should be curtailed / withdrawn. The primary objective of this approach is to ensure that the Business Incubator Management can deliver a quality service to each client selected into the Business Incubator.

### 3.3 Business Implementation Programme (BIP)

3.3.1 The 5th of the 7 components of a Business Incubator is a Business Implementation Programme (BPP) as shown at page 20. When a fledgling business emerges from the Business Planning Programme, described at 3.2, the Business Incubator's services are continued through the medium of the BIP. The business has now moved from the Planning Stage to Commercialization Stage as illustrated at page 21.

As shown at page 20 the BIP envisages that the fledgling business will remain in the Business Incubator for a further 2 years at least. The benefits to the fledgling business are

- (a) it facilitates continuation of interaction with Business Incubator Management and with formal and informal networks which are an integral element of the Business Incubation System. The opportunity to have dialogue with peer groups in the Business Incubator is in itself a powerful learning opportunity for fledgling businesses.
- (b) the start-up stage of a business tends to be one of turbulence and uncertainty; fledgling companies go through what is often referred to as a "valley of death". By remaining in the Business Incubator, the fledgling business minimizes overhead costs through the "valley of death" period which is usually very difficult in terms of cash flow

- (c) a Business Incubator offers an image-enhancing base for a fledgling business

### 3.3.2 The BIP delivers 2 services to Business Incubator clients

- Management Assistance
- Incubator Space

#### Management Assistance Package

Each business is unique as regards strategies, systems, organization structure and management style. Yet, they experience common problems arising at similar stages in their development. These points of similarity suggest that businesses pass through 5 stages which are labelled: Existence, Survival, Success, Take-off and Resource Maturity. They are now described

#### Stage 1 : Existence

In this stage the main problems of the business are obtaining customers and delivering the product or service contracted for:

- Can we get enough customers, deliver our product, and provide services well enough to become a viable business?
- Can we expand from that one key customer or pilot production process to a much broader sales base?
- Do we have enough money to cover the considerable cash demands of the start-up phase?

The organization is a simple one. Systems and formal planning are minimal to non-existent. The company's strategy is simply to remain alive.

#### Stage 2 : Survival

In reaching this stage, the business has demonstrated that it is a workable business entity. It has enough customers and satisfies them sufficiently with its products or

services to keep them. The key problem thus shifts from mere existence to the relationship between revenues and expenses.

A main issue is the ability to generate enough cash to stay in business and to finance growth to a size that is sufficiently large, given the industry and market niche in which the business competes, to earn an economic return. The organization is still simple. Systems development is minimal; formal planning is, at best, cash forecasting. The major goal is still survival.

### Stage 3 : Success

The company is now stable and can stay at this stage indefinitely provided environmental change does not destroy its market niche or ineffective management reduce its competitive abilities.

The decision facing owners at this stage is whether to exploit the company's accomplishment and expand or keep the company stable and profitable.

Organizationally, the company has grown large enough to, in many cases, require functional managers to take over certain duties performed by the owner.

If the owners decide to go for growth their task is to marshal the necessary resources. Essentially, this means making sure that the basic business stays profitable and developing managers to meet the needs of the growing business. This second task requires hiring managers with an eye to the company's future rather than its current condition.

### Stage 4 : Take Off

In this stage the key problems are how to grow rapidly and how to finance that growth. The most important issues which now emerge are the following :

- Delegation: can the owners delegate responsibility to others to improve the managerial effectiveness of a fast growing and increasingly complex

enterprise?

Cash: will there be enough to satisfy the great demands growth brings?

The organization is decentralized and divisionalised. The key managers must be very competent to handle a growing and complex business environment. The systems, strained by growth, are becoming more refined and extensive. Both operational and strategic management are being done and involve specific managers.

This is a pivotal period in a company's life. If the owner rises to the challenge of a growing company, both financially and managerially, it can become a big business. Too often, those who bring the business to the Success Stage are unsuccessful in Stage 4.

#### Stage 5: Resource Maturity

The greatest concerns of a company entering this stage are:

- to consolidate and control the financial gains brought on by rapid growth
- to retain the advantages of small size, including flexibility of response and entrepreneurial spirit.

A company in Stage 5 has the staff and financial resources to engage in detailed operational and strategic planning. The management is decentralized, adequately staffed, and experienced. Systems are extensive and well developed.

The company has now arrived. It has the advantages of size, financial resources and managerial talent. If it can preserve its entrepreneurial spirit, it will be a formidable force in the market.

In summary, the Management Assistance Package to be offered by the Business Incubator will



- sensitize the Management Teams of client businesses to the dynamics of a Business Life Cycle as summarized above
- help the client businesses to get through Stage 2 (Survival) while they remain in the Business Incubator

### 3.4 **Incubator Building**

3.4.1 This Chapter has so far described 5 of the 7 key components of a Business Incubator

- 1 the entrepreneur
- 2 the business idea
- 3 money to fund the start-up and early development stages of the business
- 4 how the 3 components above are assembled via a Business Planning Programme
- 5 how survival and growth prospects are enhanced via a Business Implementation Programme

The 6th of the 7 key components is the Incubator Building. It provides an essential base for

- managing the delivery of a total Business Incubation System to a cluster of clients with similar service needs
- clients who will require Incubation Units and some Grow-on Space to enable them to remain in the Incubator for at least a 3 - year Business Incubation Cycle.

This is summarized in schematic format at page 32.

**BUSINESS INCUBATION SYSTEM**

<b>YEAR NO.</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>BUSINESS PLANNING PROGRAMME</b>						
<b>BUSINESS IMPLEMENTATION PROGRAMME</b>						
<b>INCUBATOR SPACE</b>						

3.4.2 The actual amount of Incubator Space to be provided is a function of the following demand factors :

(a) Business Planning Programme

As clients progress through the Business Creation Course (the first element of the 12 - month Business Planning Programme) they will need a base in the Incubator : at that juncture, the space requirement will be about 125sq. ft. \ Management Team.

(b) Business Implementation Programme

As clients progress through the 2 - year Business Implementation Programme their space needs in the Incubator will increase. While there will be considerable variances as between clients' space needs, the space requirement can be estimated at about 500 sq. ft. / Fledgling Business.

(c) Grow-on Space

If clients are allowed to remain in the Incubator beyond the 3-year Business Incubation Cycle they will require Grow-on Space. Assuming that a client's Grow-on Space requirement for 2 years is provided by the Incubator, i.e 2 years on top of the 3-year Business Incubation Cycle, provision should be made for about 1000 sq. ft. / Business.

(d) Service Businesses

An important aspect of the Incubator is that it provide a dynamic "one-window" support infrastructure for its clients. In that context the Incubator should

- organize shared services which can be sold to its clients e.g. secretarial services, interpretation/translation services, consultancy services, patent agents, canteen service etc.
- facilitate private sector businesses which wish to sell such services to Incubator clients.

The estimated space requirement is about 200 sq. ft. \ service business.

(e) Incubator Management Company

The Incubator Management Company will require

- office space for its own staff
- a conference room / training centre, and meeting rooms, for its clients.

The space requirement can be estimated at 25% of the total of (a), (b), and (d) above.

(f) Public Areas

The next demand factor is the requirement of public areas - reception, canteen, corridors, toilets, etc.

This can also be estimated at 25% of the total space requirements of (a), (b) and (d) above.

(g) Throughput of Clients

The final, and key, determinant of space demand is the annual throughput of clients in relation to (a), (b) and (c) above. This data should be estimated for a 5- year period at least.

3.4.3 Summary

The 7 demand factors described above should be estimated for a 5- year period at least. This will show how the Incubator Building can be developed in stages in line with demand.

3.5 Output of Businesses

A Business Incubator is in the business of creating businesses : Fast- Growth Businesses (FGFs) which would not materialize without the Support Infrastructure which is integral to a Business Incubator. FGFs are high-potential businesses, driven

by Management Teams, capable of competing in national and international markets.

The output of FGFs is the 7th of the 7 key components of a Business Incubator. The promoter of a Business Incubator should have a rolling 5-year target for the output of FGFs.

### 3.6 Organisation, Management and Finance

3.6.1 A crucial determinant in the success of an Incubator is how it is organised, managed and funded.

3.6.2 The institutional arrangements usually require the participation of a number of promoters at local level - government, local communities and local business. It is vital that the promoters form an effective partnership for the operation of the Incubator as a specific kind of Support Infrastructure to upgrade the SME Sector. If the Incubator is to discharge this developmental role it is unlikely to break-even in the short-term (5-10 years).

In order to enable the promoters to decide how they will sustain the Incubator for 5-10 years a Business Plan is required. It should address all of the issues which are dealt with in this Chapter; in particular, the Mission and Key Objectives of the Incubator should be explicit, and agreed by the promoters.

The Business Plan should make the costs and benefits of the Incubator transparent for 5-10 years ahead. It should be updated each year, thus maintaining a 5-10 years projection.

3.6.3 A prerequisite for the development of a Fast-Growth Firm is to have a multi-disciplinary Management Team. Likewise, a Business Incubator must have a cohesive Management Team with a balance of expertise in the dynamics of business incubation e.g. entrepreneur training, business planning, business development. The Management Team must be dynamic and implement a corporate culture of service excellence.

**PART 3**

**PILOT BUSINESS INCUBATOR**

**5-Year Business Plan**

**1996 - 2000**

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## 4 PROMOTERS

4.1 The Promoters of the Pilot Business Incubator are the Army Welfare Trust (AWT) and the Experts Advisory Cell (EAC).

### 4.2 Profile of AWT

4.2.1 AWT was founded in 1971 in order to

- focus on the welfare of dependants of Army personnel as well as those disabled or retired
- find job opportunities for retiring Army personnel

AWT is managed as a commercial organisation by a Board of Directors. Guidelines to AWT are provided by a Committee of Administration, chaired by the Adjutant General of the Pakistan Army.

4.2.2 During the past 24 years AWT has developed a portfolio of businesses e.g.

- 7 manufacturing businesses which comprise a sugar mill, vegetable oil, rice mill, ginning and oil mills, shoe manufacture, a cement plant and a woollen mill
- 5 farms which produce cotton, fodder, paddy, sugarcane, sunflower and wheat
- 2 travel agencies
- real estate, including a 12-story commercial office block in Rawalpindi
- a restaurant in Rawalpindi

In addition to these wholly-owned businesses AWT is the major sponsor of financial services businesses such as

- Askari Commercial Bank Ltd
- Askari Leasing Ltd.
- Askari General Insurance Company Ltd.

Askari Commercial Bank, headquartered in Rawalpindi, has a branch network in 12 cities in Pakistan. Profit before tax in 1994 was US \$ 11.7 million; net assets were

US \$ 506 million; staff numbers were 465.

Askari Leasing, owned 50% by AWT, had a pre-tax profit in 1994 of US \$ 1.8 million (its first full year of operation); net assets were US \$ 5.4 million. Headquartered in Rawalpindi, Askari Leasing has branches in Karachi and Lahore.

Askari General Insurance Company Ltd. was launched in October 95.

- 4.2.3 One of the 9 Divisions of AWT is an Employment & Investment Advisory Division. It operates an Employment Bureau which is proactive in finding job opportunities for retiring Army personnel. The numbers currently retiring are about 34,000/year, of which about 500/year are Officers. Most of them are in the age range late 30's to early 40's and so they need to embark on a new career in civilian life.

Earlier this year, the Employment & Investment Advisory Division of AWT formed an Investment Advisory Cell. Its task is to provide ex-servicemen with professional advice on identifying, launching and running their own businesses. The Investment Advisory Cell has a nucleus of specialist staff : engineering, finance and marketing.

- 4.2.4 AWT's vision is to upgrade the services offered by its Employment & Advisory Division. It plans to do so by launching a Business Incubator which will target its services primarily at retiring Army personnel. The function of the Incubator will be to provide a "one-window" package of businesses development services which will greatly enhance the opportunity for retiring Army personnel to launch new businesses successfully.

### 4.3 Profile of EAC

- 4.3.1 The EAC is a semi-autonomous Agency attached to the Ministry of Industries and Production. It is a specialised body for industrial organisation and public enterprise management. The EAC originated in 1972 and its current Functions can be summarised thus

(a) monitoring the performance of public sector enterprises; advising them on



how to improve performance; setting short-term and medium-term targets for individual public enterprises - the achievement of these targets is tied to an incentive system for management of public sector enterprises

- (b) feasibility studies e.g. industrial projects
- (c) publications related to the Ministry of Industries & Production
- (d) special assignments e.g.
  - briefing papers for the Minister for Industries & Production on Industrial Policy for Pakistan
  - assistance to the Privatization Committee
  - developing the concept of Business Incubators as a mechanism for enhancing the creation of employment opportunities for retiring Army personnel.

#### 4.3.2 EAC's resources comprise

- 41 people with skills ranging through finance, business administration, economics, engineering, computerisation, public administration and human resource management.
- an extensive database on industry sectors in Pakistan.

4.3.3 As an Agency attached to the Ministry of Industries & Production, EAC has a particular interest in the diffusion of business incubation systems throughout Pakistan in order to strengthen the SME (small and medium enterprises) sector of the Pakistan economy.

In that context EAC plans to support the establishment of a pilot Business Incubator by AWT so that it can function as a working model of a Business Incubator which can be replicated elsewhere in Pakistan.

4.4 AWT and EAC have now formed a Steering Committee to progress the establishment

of the Pilot Business Incubator. The composition and tasks of the Steering Committee are described at Chapter 10 : Organisation and Management.

## 5 **MISSION and KEY OBJECTIVES**

### 5.1 Mission

The Mission for the Pilot Business Incubator (PBI) has been discussed extensively by AWT and EAC. It is to offer a one-window business development package primarily to retiring Army personnel, thereby empowering them to develop Fast-Growth Firms (FGFs).

FGFs are at the leading edge of the SME Sector. They are higher calibre businesses capable of competing in national/international markets. As such, FGFs have the potential to make a distinctive contribution not only to their promoters but also to the economy of Pakistan.

In summary, the Mission of the PBI is

"to create Fast-Growth Firms which will be promoted primarily by retiring Army personnel".

### 5.2 Key Objectives

The key objective for the PBI remains to be agreed in detail by AWT and EAC.

The Business Plan for the PBI, presented as part of this UNIDO Feasibility Report, has been constructed on the basis of the initial viewpoint of AWT's Investment Advisory Cell i.e. that the PBI target 30 new clients each year for its integrated package of business development services. On that basis the primary objective of the PBI is

"to deliver a net output of 20 FGFs by 2001".

Related to the primary objective are 2 other key objectives for the PBI

- (a) "to have the PBI function as a working model of business incubation and thereby facilitate the diffusion of business incubation systems throughout Pakistan"
- (b) "to have the PBI become a Business Incubation Management Centre for Pakistan". This objective envisages that the PBI will become a Centre of

Excellence for the training of Incubator Managers and other SME specialists throughout Pakistan.

## 6. **MARKETING PLAN**

### 6.1 **Introduction**

The Marketing Plan has a crucial role to play in stimulating high calibre people, e.g. retiring Army Officers, to use the services of the Pilot Business Incubator (PBI). The priority task of the Marketing Plan will be to develop the Corporate Identity of the PBI in order to create a flow of potential entrepreneurs with the talent and commitment to establish Fast-Growth Firms (FGFs).

The objective is to have the demand for the services of the PBI exceed its capacity thereby enabling Incubator Management to choose its clients from a stream of applicants. The facility to choose the right clients for the PBI will have a powerful influence on the outputs of the PBI i.e. FGFs.

Chapter 7 will deal with the input of the Marketing Plan on the output of FGFs. Chapter 8 will show how the targeted delivery of FGFs will drive the demand for Incubator Space and Grow-on Space.

### 6.2 The Marketing Plan for the PBI should be implemented through the following key actions

- (a) ensuring that Incubator Management is trained and committed to deliver a professional client-centred business incubation service
- (b) developing the brand identity of the PBI as a unique and innovative mechanism in Pakistan for launching FGFs, emphasising the benefits of that uniqueness both to potential entrepreneurs and to wider society in Pakistan
- (c) describing the "one-window" business incubation service of the PBI in terms that are clear and friendly to potential clients of the PBI
- (d) defining the terms under which PBI's services will be provided e.g. defining the service charges which a client will pay for using the PBI

- (e) promoting the PBI dynamically through all appropriate media e.g.
  - briefing relevant organisations so that they can refer suitable potential clients to the PBI
  - public relations events e.g. PBI Open Days aimed at obtaining editorial coverage in national and regional newspapers
  - advertising
  
- (f) having high quality promotional literature e.g. brochures, information leaflets, videos, transparencies : all aimed at showing clearly the benefits of the PBI.

6.3 The promotion of the Business Creation Course (described at Chapter 3 and Annex D) will be an important component of the PBI Marketing Plan.

6.4 The credibility of the PBI will be greatly enhanced as soon as it begins to deliver fledgling businesses. They should be featured as "role models" in order to strengthen the impact of the Marketing Plan.

6.5 Entrepreneurship Market-Segmentation

The primary target group of clients for the PBI is 500 Army Officers retiring each year . They tend to be in the age range late 30s to early 40s and they retire from the army with a gratuity. Some retiring Army Officers have used their gratuities as capital for their participation in businesses.

A prerequisite to the creation of FGFs is to form multidisciplinary Management Teams; assembling people with backgrounds in engineering/technology, marketing and finance. The PBI will do this by drawing its clients from the following segments of the entrepreneurship market

- about 70% will be retiring Army personnel
- the remaining 30% will be sourced
  - through referrals from organisations in Pakistan e.g. Small Business Finance Corporation, Punjab Small Industries Corporation, Youth

**Investment Promotion Society**

- by advertising e.g. targeting Pakistan emigrants with particular skills/market knowledge which they could apply in Pakistan
- through the public relations programme of the PBI

## 7 **BUSINESS INCUBATION SYSTEM**

### 7.1 **Introduction**

This Chapter summarises the specific business incubation system which the PBI will employ in order to deliver Fast-Growth Firms. The framework for the business incubation system was illustrated at page 20. The principles of the system were described at Chapter 3.

### 7.2 **Business Planning Programme (BPP)**

7.2.1 Each client selected by the PBI will have the services of the BPP for an initial period of 12 months. By the end of this period, the PBI will expect each of its clients to be a member of a Management Team in transition, at least, to the formation of a new business which is detailed in a Business Plan.

The 3 key elements of the BPP

- the Business Creation Course
- Product/Service Ideas
- Seed Capital

are now described.

#### 7.2.2 **Business Creation Courses**

The PBI Business Plan 1996-2000 envisages that the PBI will deliver 1 Business Creation Course (BCC) each year and aim to have 30 participants on the Course; 70% of whom will be retiring Army Officers. The remaining 30% will come from other segments of the entrepreneurship market.

A profile of a standard BCC is provided at Annex D. It has to be customised to the circumstances of Pakistan and this is now being done by AWT/EAC.

#### 7.2.3 **Business Ideas**

The Employment and Investment Advisory Division of AWT has already assembled a wide range of pre-feasibility studies which PBI clients can use to identify specific



manufacturing and service business opportunities.

AWT is also arranging to network other organizations which have a database of pre-feasibility studies. This has been done already with Rawalpindi Chamber of Commerce and Industry.

EAC also has an extensive industrial database which should be networked by the PBI.

#### 7.2.4 Seed Capital

In the context of preparing this Feasibility Report, AWT, EAC and the UNIDO consultant met the following organizations to ascertain the details of their financial support system for small industry

- Askari Commercial Bank Ltd (part-owned by AWT)
- Askari Leasing Ltd (part-owned by AWT)
- Small Business Finance Corporation
- Punjab Small Industries Corporation
- Youth Investment Promotion Society

The conclusion drawn from these discussions is that the financial support system for small industry, as it currently functions in Pakistan, will, at best, only partially address the seed capital requirements of PBI clients. If the PBI is to function as an effective one-stop-shop for the development of FGFs it will have to address that gap.

This issue had been discussed by AWT, EAC and the UNIDO consultant. In particular, the case for and against a Seed Capital Fund which could be accessed by PBI clients has been evaluated by AWT and EAC. The conclusion reached was to

proceed without a Seed Capital Fund for the first 2/3 years of the PBI; to use that period to determine the need for a Seed Capital Fund and to design effective Fund Management procedures.

#### 7.2.5 Output of BPP

The objective is to maximize the number of PBI clients who will have well-researched Business Plans ready for implementation within 12 months of their coming to the PBI.

The Incubator Management Team will work closely with each client to achieve this goal. If a client has not achieved this goal, then the services of the PBI may have to be withdrawn /curtailed. The primary objective of this approach is to ensure that the PBI staff can deliver a quality client-centred service to those clients who use the services of the PBI effectively.

#### 7.3 Business Implementation Programme (BIP)

##### 7.3.1 The business advisory services of the PBI will be continued for a period of 2 years from the start-up of the business. This will be done under the aegis of a Business Implementation Programme as illustrated at page 20.

The objective of the BIP is to maximize the number of fledgling businesses coming through the high risk start-up stage. The process to deliver this objective was described at Chapter 3; par. 3.3.

#### 7.4 Summary

In summary, through the Business Planning Programme and the Business Implementation Programme, the PBI will deliver an integrated package of services, customized to the needs of each client, through a 3-year Business Incubation Cycle as illustrated at page 21.

This intensive hands-on approach to industrial development is central to the uniqueness of the PBI's business incubation system.

## 8 **OUTPUT OF BUSINESSES**

### 8.1 **Input/Output Process**

This Plan reflects the initial thinking of AWT as to the annual number of retiring Army Officers likely to avail of the services of the PBI. On that basis the PBI will carefully select 150 high calibre people during the period 1996-2000 and deliver to them the Business Incubation System which was described at Chapter 7. The output will be 20 FGFs by 2001

The Flow Chart at pages 51-53 illustrates the process:

- (a) the PBI will deliver 5 Business Creation Courses; each catering for at least 30 high calibre participants
- (b) each Business Creation Course will deliver 10 Management Teams of which 5 will progress to become Fledgling Businesses
- (c) the Plan assumes that 20% of the total number of Fledgling Businesses (25) will fail during the period 1997-2000.
- (d) the net output will be 20 FGFs

### 8.2 **Impact of 20 FGFs**

The planned net output of 20 FGFs by 2001 will

- yield about 300 direct jobs i.e. an average of 15 jobs / FGF
- yield a further 300 indirect jobs associated with the servicing of FGFs
- provide Role Models of Pakistan-owned high-potential businesses which in turn will stimulate the creation of further FGFs
- demonstrate how a Businesses Incubator, offering a one-window integrated package of services, could be replicated in Pakistan.

### 8.3 Sensitivity Analyses

AWT and EAC plan to analyse the potential of the PBI to deliver a larger output of FGFs i.e. more than 20 by 2001. The input/output model provided at pages 51-53 will enable AWT/EAC to develop scenarios for the output of FGFs and to determine the required inputs.

**PBI BUSINESS INCUBATION SYSTEM :  
PLANNED OUTPUT OF FAST-GROWTH FIRMS (FGFs)**

YEAR	1996												1997											
MONTH	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
Business Creation Course	No. 1											[Redacted]		No. 2										
No. of Participants												30												
No. Management Teams												10												
No. Fledgling Businesses												10												
Losses @ 20%												2												
Net Output of FGFs												8												
Cumulative Output of FGFs												8												

**PBI BUSINESS INCUBATION SYSTEM :  
PLANNED OUTPUT OF FAST-GROWTH FIRMS (FGFs)**

YEAR	1998												1999															
MONTH	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12				
Business Creation Course	■				No. 3								■				No. 4											
No. of Participants	30												30															
No. Management Teams					10												10											
No. Fledgling Businesses	5												5															
Losses @ 20%					1												1											
Net Output of FGFs	5												5															
Cumulative Output of FGFs	10				9								8				13				12							

**PBI BUSINESS INCUBATION SYSTEM :  
PLANNED OUTPUT OF FAST-GROWTH FIRMS (FGFs)**

YEAR	2000												2001																											
MONTH	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12																
Business Creation Course	[REDACTED]				No. 5																																			
No. of Participants	30																																							
No. Management Teams					10																																			
No. Fledgling Businesses	5																5																							
Losses @ 20%																	1																							
Net Output of FGFs	5																5																							
Cumulative Output of FGFs	17				16												21												20											

## 9 **INCUBATOR BUILDING**

### 9.1 **Introduction**

Chapters 7 and 8 have described 6 of the 7 key components of the PBI's Business Incubation System

- 1 the entrepreneur
- 2 the business idea
- 3 money to fund the start-up and early development stages of the business
- 4 how the 3 components above are assembled via a Business Planning Programme
- 5 how survival and growth prospects are enhanced via a Business Implementation Programme
- 6 the output of Fast-Growth Firms

The 7th of the 7 components of PBI's Business Incubation System is the Incubator Building. It provides an essential base for

- managing the delivery of a total Business Incubation System, as described at Chapter 7, to a cluster of clients with similar service needs
- clients who will require Incubator Units and some Grow-on Space

### 9.2 **Incubator Space Needs - Details**

The PBI's Business Incubation System will deliver 20 FGFs in the period 1996-2001. The demand for Incubator Space is driven primarily by this factor. More particularly,



it is a function of the space requirements of

(a) Management Teams (Business Planning Programme)

The Flow Chart at pages 51-53 shows that the PBI will have to accommodate 10 Management Teams throughout the period 1996-2000. This requirement is estimated at 125 sq. ft./Management Team and the resulting need for Incubator Space is shown at page 58.

(b) Fledgling Businesses (Business Implementation Programme)

The Incubator will have to accommodate Fledgling Businesses for the duration of the 2-year Business Implementation Programme. This requirement is estimated at 500 sq. ft./Fledgling Business and the consequential need for Incubator Space is shown at page 58.

(c) Grow-on Space

The 5- year Plan assumes that the Incubator will provide the initial Grow-on Space requirements of businesses emerging from the Business Implementation Programme. This requirement is estimated at 1000 sq.ft. \ business and the details are at page 58.

(d) Service Businesses

AWT will organise shared services which can be sold to Incubator clients e.g. secretarial services, interpretation/translation services, consultancy services, canteen, etc. Where possible, these services will be delivered by private sector businesses. Their estimated space needs in the Incubator are shown at page 59.

(e) Incubator Management Company

The Incubator Management Company will require office space for its staff, together with a training centre/ conference room and small meeting rooms for its clients. The estimated space requirements are at page 59.

(f) Public Areas

The final factor determining the size of the Incubator Building is the requirement of public areas - reception, canteen, corridors, toilets. The details are at page 59.

9.3 Incubator Space Needs - Summary

The 6 demand factors listed at 9.2, based on the 1996-2000 Plan, can be summarized thus

YEAR	CUMULATIVE SQ. FT.		
	TOTAL	* INCUBATOR BUILDING	*GROW-ON SPACE
1996	3400	3400	—
1997	6800	6800	—
1998	8900	8900	—
1999	14,200	9200	5000
2000	19,200	Peak 9200	10,000
2001	22,600	** 7620	15,000
2002	25,100	5100	20,000
2003	27,600	2600	25,000
2004	27,600	2600	25,000

\* Includes Public Area Content - see 9.2 (f) - @ 20%

\*\* Space need reduces from 2001 because it relates only to the PBI Business Plan 1996-2000

9.4 Location Factors

It is important that the Incubator Building have an up-market image in an urban location and that it be readily accessible to its clients. Various location options have been examined by AWT, EAC and the UNIDO Consultant.

It is recommended that AWT/EAC

- (a) locate the Incubator Building (as distinct from the Grow-on Space) in Islamabad/Rawalpindi
- (b) identify an existing building which could be modified (at less than the cost of a new building)
- (c) organise the Grow-on Space at one or more locations in the hinterland of Islamabad/Rawalpindi e.g. on the Industrial Estate at Taxila being developed by Punjab Small Industries Corporation

#### 9.5 Construction Factors

If it proves necessary to proceed with a new building it should be designed to allow for its construction in stages e.g

Stage	Year of Construction	Construct Cumulative Sq. ft.		
		Incubator Building	Grow-on Space	Total
1	1996	6800	-	6800
2	1998	Peak 9200	5000	14,200
3	2000	7600	15,000	22,600
4	2002	2600	Peak 25,000	27,600

This construction schedule relates only to the PBI Business Plan 1996-2000. It shows that the demand for space in the Incubator Building will peak at 9200 sq. ft. in 1999 and decline to 2600 sq. ft. in 2003. Under this scenario the surplus space in the Incubator Building (from 2000 onwards) would be converted to Grow-on Space.

In practice, if the PBI proceeds it should have a rolling 5-Year Business Plan i.e. maintain a 5-year projection detailing the Inputs and Outputs of the Incubator. Each Stage will be demand-driven i.e. the amount of space to be constructed will be determined by the occupancy level achieved in the prior Stages.

PILOT BUSINESS INCUBATOR BUILDING :  
Space Requirements related to Business Plan 1996-2000

NO.	DEMAND FACTORS	1996	1997	1998	1999	2000	2001	2002	2003	2004
1	<b>MANAGEMENT TEAMS</b>									
	• 10 Management Teams in PBI from 1996 to 2000									
	• Estimate 125 sq. ft. \ Management Team — Cumulative Sq. Ft	1250	1250	1250	1250	1250	—	—	—	—
2	<b>FLEDGLING BUSINESS</b>									
	• Planned Net Output of FGFs Cum. Nos	—	5	8	12	16	20	20	20	20
	• No. Fledgling Businesses in Incubator during 2 - year Business Implementation Programme (BIP) Cum. Nos.	—	5	8	8	8	8	4	-	-
	• Estimate 500 Sq. ft. \ Fledgling Business Cum. Sq. Ft.	—	2500	4000	4000	4000	4000	2000	-	-
3	<b>GROW-ON SPACE</b>									
	• Planned Output of FGFs Cum. Nos.	-	5	8	12	16	20	20	20	20
	• Provide Grow-on Space of 1000 Sq. ft. \ Business emerging from BIP Cum. Sq. Ft.	-	-	-	4000	8000	12000	16000	20000	20000

NO.	DEMAND FACTORS	1996	1997	1998	1999	2000	2001	2002	2003	2004
4	<b><u>SERVICE BUSINESSES</u></b>									
	• Estimated No. Businesses Cum.	-	1	2	3	3	3	3	3	3
	• Estimate 200 Sq. ft. \ Business	-	200	400	600	600	600	600	600	600
5	<b><u>INCUBATOR MANAGEMENT COMPANY</u></b>									
	• Offices for Incubator Management Team + Training Centre \ Conference Room + Small Meeting Rooms Estimate 1500 Sq. ft. total Cum. Sq. Ft.	1500	1500	1500	1500	1500	1500	1500	1500	1500
6	<b><u>PUBLIC AREAS</u></b>									
	• Estimate 25% of Nos. 1 - 5 above Cum. Sq. Ft	690	1360	1790	2840	3840	4520	5020	5520	5520
7	<b>TOTAL (Rounded) Cum. Sq. Ft.</b>	3400	6800	8900	14200	19200	22600	25100	27600	27600

## 10 ORGANIZATION AND MANAGEMENT

### 10.1 Organization

#### 10.1.1 Steering Committee

A Steering Committee comprising the following people is being formed

- Adjutant General, Pakistan Army (Chairman)
- Managing Director, AWT
- Chief, EAC
- President, Askari Commercial Bank
- Chief Executive Officer, Askari Leasing

Its key functions will be to

- (a) evaluate the UNIDO Feasibility Report and then make a "go" or "no-go" decision on the PBI; this will include the development of sensitivity analyses related to
  - the number of FGFs to be delivered by the PBI as part of a 5-year Plan 1996-2000
  - the capital and operating budgets for the PBI; determining whether the PBI can break-even on its costs within 10 years; addressing the issue of how to financially sustain the PBI in the short, medium and long-term
- (b) examine the operation of a sample of Business Incubators in other countries as a basis for refining the model of PBI to be implemented in Pakistan
- (c) assuming there is a "go" decision on the PBI, to decide on the location for the Incubator Building and whether to proceed with an existing (modified) building or a new building
- (d) organise the overall funding and technical assistance requirements of the

**PBI**

- (e) co-ordinate the inputs of the stakeholders in the PBI i.e. Pakistan Army, AWT, EAC, UNIDO, etc.
- (f) organise the Incubator Management Company and recruit/train the Incubator Management Team.
- (g) ensure that clients of the Incubator have access to the Government financial incentives which operate in Special Industrial Zones in Pakistan.

It is envisaged that the Steering Committee will be the nucleus of the Board of Directors of the proposed Incubator Management Company

**10.1.2 Project Start-up Team**

Pending the recruitment and training of a full Incubator Management Team the Steering Committee will be assisted by a Project Start-up Team. It will comprise representatives from the Adjutant General's Office, AWT, EAC, Askari Commercial Bank and Askari Leasing.

Its key functions will be to

- (a) create an effective Marketing Plan for the PBI.
- (b) customise the Business Creation Course shown at Annex D to the circumstances of Pakistan
- (c) organize the ongoing preparation of Feasibility Studies likely to be relevant to PBI clients i.e. manufacturing and service business opportunities which are not capital-intensive
- (d) establish effective networking arrangements e.g. ensuring that PBI clients have access to existing sources of finance for small business in Pakistan.

## 10.2 Staffing

The planned staffing structure for the PBI is shown below

N O	Functions	1996 Nos.	1997 Nos.	1998 Nos.	1999 Nos.	2000 Nos.
1	Chief Executive	1	1	1	1	1
2	Manager - Business Creation Course	1	1	1	1	1
3	Business Development Advisers	1	1	2	2	2
4	Administration Unit	2	2	3	3	3
	Total	5	5	7	7	7

## 10.3 Staff Functions

### 10.3.1 Chief Executive

The Chief Executive will report to the Board of Directors of the Incubation Management Company and will be responsible for

- providing dynamic leadership of the PBI which should have a corporate culture of service excellence
- implementing the 5-Year Business Plan 1996 - 2000
- selecting, developing and motivating staff
- organizing and managing the quality of the totality of services of the PBI. Some of these services will be provided directly by the PBI; others will be networked from Service Providers e.g. Askari Commercial Bank., EAC, etc. In summary, the task of the Chief Executive is to ensure that the PBI



is client-driven and delivers an effective integrated package of services to its clients.

The Chief Executive will need to be a highly motivated and energetic manager capable of motivating both staff and clients; and creating a dynamic PBI environment which will attract clients of the highest calibre.

#### 10.3.2 Manager – Business Creation Course

The professional delivery of Business Creation Courses (BCCs) – described at Chapter 3 and Annex D – is crucial to the supply of high calibre potential entrepreneurs to the PBI

The BCC Manager will be responsible for

- marketing the BCC so that it attracts high calibre committed clients from 2 sources
  - 70% of the clients should be retiring Army Officers
  - 30% should come from other segments of the entrepreneurship market
- developing selection criteria and selecting the BCC participants
- organizing the delivery of the BCC inputs which is a detailed and time-consuming task
- maximizing the output of effective Management Teams

The BCC Manager should be a people - oriented person, ideally with a background in Management Training

### 10.3.3 Business Development Adviser – Management Teams and Fledgling Businesses

The Business Development Adviser will be responsible for

- managing a portfolio of Management Teams emerging from the Business Creation Course through a 3 - year Business Incubation Cycle
- delivering appropriate PBI services to each such Management Team under the aegis of the Business Planning Programme
- maximizing the conversion of Management Teams into Fledgling Businesses
- delivering appropriate PBI services to each such Fledgling Business under the aegis of the Business Implementation Programme.

The Business Development Advisor should have a background in private sector industry.

### 10.3.4 Administration Unit

This is an important resource in terms of ensuring smooth implementation of the PBI's operations e.g.

- (a) implementing an effective Management Information System which will provide prompt and reliable data for the Chief Executive and the Board of Directors
- (b) financial control
- (c) ensuring that effective security systems for client confidentiality and the PBI's property is in operation. This point is important because clients must have access to the PBI at all times.

#### 10.4 Recruitment Policy

A key prerequisite for the development of a Fast-Growth Firm is to have a multi disciplinary Management Team. Likewise, the PBI itself must aim at having a cohesive Management Team which will have a balance of expertise in the dynamics of business incubation e.g. entrepreneur training, business planning and business development

The PBI should consider recruiting its Management Team on the basis of fixed-term contracts; renewable if the planned outputs of the 5-Year Business Plan are delivered

#### 10.5 Remuneration Policy

The PBI should create a results - oriented culture in order to maintain a sharp focus on delivering the planned outputs of the 5-Year Business Plan 1996-2000. It is recommended that the PBI operate a Results - based Bonus Scheme. The financial details are at Annex G.1

#### 10.6 Staff Training

The PBI will require training in how to implement the planned Business Incubation System. This is the subject of a Technical Assistance Programme which will be formulated by the Steering Committee.

## 11 FINANCE

### 11.1 Introduction

This Chapter addresses the funding requirements of the PBI's 5-Year Business Plan 1996-2000 under

- Capital Budgets
- Operating Budgets
- Seed Capital Fund

Budget projections are shown at constant prices over the 5 - year period 1996-2000. The data is shown in US \$ on the basis of an exchange rate US \$ 1.00 = Rs 32.

While the Chapter deals with funding requirements it does not identify funding sources; this task will be discharged by the Steering Committee referred to at 10.1

### 11.2 Capital Budgets

11.2.1 The matter of the Incubator Building was addressed at Chapter 9. The Capital Budgets are based on the cost of a new building and the details are at Annex F. The provision of new Incubator Space and Grow-on Space would entail a total Capital Budget, phased over the period to 2003, of US \$ 621,000.

11.2.2 The adaptation of an existing building is likely to be the most cost effective approach to the provision of Incubator Space and this action is recommended.

### 11.3 Operating Budgets

11.3.1 The plan is to manage the annual Operating Budget of the PBI through the following Cost Centres

- 1 Staff
- 2 Business Creation Course
- 3 Property (Incubator Building)

#### 4 General Management

##### 11.3.2 Cost Centre — Staff

The PBI's staffing requirement was detailed at Chapter 10. The details of the Cost Centre are at Annex G.1

##### 11.3.3 Cost Centre - Business Creation Course

The Business Creation Course, in its standard format, was described at Chapter 3 and Annex D. The details of the Cost Centre are at Annex G. 2. An important element in this context is to charge a fee for participation in the Course. This is a mechanism for screening out people who do not have the necessary commitment and entrepreneurial drive to benefit from the services of the PBI.

##### 11.3.4 Cost Centre — Property (Incubator Building)

The details of the Cost Centre are at Annex G.3

##### 11.3.5 Cost Centre - General Management

A key element of this Cost Centre is developing the Corporate Identity of the PBI together with the marketing and promotion of its services to

- potential clients; including selected Pakistan emigrant networks
- stakeholders in the PBI e.g. Pakistan Army, AWT and EAC
- the wider community in Islamabad/Rawalpindi and Pakistan

The details of the Cost Centre are at Annex G.4

##### 11.3.6 Summary of Operating Budgets

The 4 Cost Centres are summarized at page 68. It shows that the net annual Operating Budget for the 5-Year Business Plan 1996-2000 will be as follows

PBI : OPERATING BUDGETS - SUMMARY

NO.	COST CENTRE	1996	1997	1998	1999	2000
		US \$	US \$	US \$	US \$	US \$
1	STAFF	37000	39000	55000	58000	60000
2	BUSINESS CREATION COURSE	500	500	200	200	200
3	PROPERTY (BUSINESS INCUBATOR)	6100	9500	11800	18100	22500
4	GENERAL MANAGEMENT	19600	10100	8600	9600	9100
	TOTAL <span style="float: right;">Rounded</span>	63000	59000	76000	86000	92000

Year	Operating Budget (Net)
	US\$
1996	63.000
1997	59.000
1998	76.000
1999	86.000
2000	92.000

#### 11.4 Seed Capital Fund

It is recommended that Phase 1 of the PBI (1996-98) proceed without the formation of a Seed Capital Fund. During this Phase the PBI will network the existing financial support infrastructure for small business in Pakistan. This process will indicate if there is a funding gap which would need to be addressed by a Seed Capital Fund from 1999 onwards.

#### 11.5 Summary of Capital and Operating Budgets 1996-2000

Year	Capital Budgets	Operating Budgets	Total
	US \$ 000	US \$ 000	US \$ 000
1996	87	63	150
1997	71	59	130
1998	50	76	126
1999	112	86	198
2000	115	92	207
<b>TOTAL</b>	<b>435</b>	<b>376</b>	<b>811</b>

It is recommended that the 5-Year Business Plan 1996-2000 be implemented in 2 Phases

- Phase 1 (1996-98) to proceed immediately; it entails an Incubator Building without Grow-on Space. The cost of Phase 1 (assuming a new building) is

- Capital Budget	—	US \$ 208.000
- Operating Budgets	—	<u>US \$ 198.000</u>
Total	—	<u>US \$ 406.000</u>

- Phase 2 (1999 - 2000) to proceed on the basis of experience accumulated in implementing Phase 1.

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## 12 COSTS and BENEFITS

### 12.1 Costs

The Feasibility Report recommends that the Business Plan for the PBI be implemented in 2 phases

#### (a) Phase 1\1996-98

Capital Budgets : Phase 1 will require an Incubator Building without Grow-on Space. The area required by 1998 is 8900 sq. ft.; it should have an up-market image in an urban location.

The adaptation of an existing building is likely to be the most cost effective approach and this action is recommended. The Capital Budgets in the PBI Business Plan are calculated on the basis of new building costs. On that premise, the Capital Budgets for Phase 1 will total US\$ 208,000.

Operating Budgets : Phase 1 will require Operating Budgets totalling US\$ 198,000.

#### (b) Phase 2\1999-2000

Capital Budgets : the key determinant is whether the PBI should provide Grow-on Space and, if so, the amount of such space for each FGF emerging from the Incubator Building. The PBI Business Plan assumes that each of the 20 FGFs emerging from the Incubator will take 1000 sq. ft. of Grow-on Space. On that basis the following Capital Budgets will be required to implement Phase 2 of the PBI Business Plan 1996-2000

<u>Year</u>	<u>US\$</u>
1999	112,000
2000	115,000
* 2001	74,000
* 2002	60,000
* 2003	<u>52,000</u>
Total	<u>413,000</u>

\*this provides Grow-on Space for Businesses following a 3-year Business Incubation Cycle in the Incubator.

Operating Budgets : Phase 2 (1999-2000) will require Operating Budgets totalling US\$ 178.000.

## 12.2 Benefits

The PBI Business Plan 1996-2000 will deliver 20 FGFs by 2001 and they will

- yield about 300 direct jobs i.e. an average of 15 jobs\FGF
- yield a further 300 indirect jobs associated with the servicing of FGFs
- provide Role Models of Pakistan-owned high-potential businesses which in turn will stimulate the creation of further FGFs
- demonstrate how a Business Incubator, offering a one-window integrated package of services, could be replicated in Pakistan.

The Incubator Management Company, through "learning by doing", has the opportunity to become a Business Incubation Management Centre for Pakistan. The vision is that the PBI will become a Centre of Excellence for the training of Incubator Managers and other SME specialists throughout Pakistan.

## 12.3 Sensitivity Analyses

Chapter 10 of this Report has described the composition and functions of A Steering Committee being formed by stakeholders in the PBI. The Feasibility Report reflects the outcome of discussions between those stakeholders and the UNIDO consultant.

It is a framework document for developing the PBI which must now be evaluated by the Steering Committee.

Their evaluation will include the development of sensitivity analyses related to

- (a) the number of FGFs to be delivered by the PBI Business Plan 1996-2000; in particular, quantifying the inputs required if the targeted output of FGFs is to be greater than 20
- (b) the provision of Grow-on Space from 1999 onwards i.e.
  - should the PBI provide Grow-on Space?
  - if so, how much and at what rent?
- (c) the Income which the PBI can generate from its clients e.g.
  - rent of space in the Incubator Building
  - secretarial services e.g. phone\fax\photocopying
  - management advisory services

The "bottom line" of these sensitivity analyses is to

- have clarity around the strategies required for the sustainability of the PBI in the short-, medium-, and long-term
- make explicit the inputs which will be required from each of the stakeholders in the PBI for its sustainability in the short-, medium-, and long-term.

The completion of these sensitivity analyses by the Steering Committee will provide a clear focus on the costs and benefits of the PBI (in the short-, medium- and long-term). This task is central to a "go" or "no-go" decision by the Steering Committee on the PBI.

**PART 4**

**CONCLUSIONS and RECOMMENDATIONS**

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### **13 CONCLUSIONS AND RECOMMENDATIONS : SUMMARY**

13.1 This Report relates primarily to the feasibility of developing a pilot, or prototype, Business Incubator in Pakistan. It would serve 2 needs

- the need of AWT to generate employment opportunities for retiring Army personnel
- the need of EAC for a working model of a Business Incubator which could be replicated throughout Pakistan.

The Report provides a 5-Year Plan 1996-2000 for the PBI which reflects the outcome of discussions between the PBI stakeholders and the UNIDO consultant. It enables the PBI stakeholders, via their Steering Committee, to proceed immediately to

- (a) evaluate the costs and benefits of the PBI
- (b) develop other scenarios for a 5-Year Plan 1996-2000 e.g.
  - increase the number of FGFs to be delivered by the PBI
  - decide whether to provide Grow-on Space in addition to an Incubator Building
  - decide on the feasibility of generating greater revenue from clients of the PBI
- (c) make explicit the inputs which will be required from each of the stakeholders in the PBI for its sustainability in the short-, medium-, and long-term.
- (d) make a "go" or "no-go" decision on the PBI.

13.2 It is recommended that the PBI stakeholders, via their Steering Committee and Project Start-up Team,

- (a) evaluate the UNIDO Feasibility Report and develop the sensitivity analyses referred to at 12.3
- (b) have a Task Force of 3 people examine the operation of Business Incubators in a developing country, such as China
- (c) based on the outcome of (a) and (b), agree on the Mission and Key Objectives of the PBI, and how it will be sustained in the short-, medium-, and long-term

(d) if there is agreement at (c), proceed immediately to

- an Incubator Management Company and recruit/train the Incubator Management Team
- organise the overall funding and technical assistance requirements of the PBI
- operate the PBI from an existing building with an up-market image in an urban location; if necessary, the PBI should locate in temporary space initially in order to have a quick start-up of its services
- formally launch the PBI; thus creating awareness of, and generating interest in, the services of the PBI
- commence the first Business Creation Course. The BCC is the most effective way in which to test market the services of the PBI. It is recommended that the first BCC target the highest calibre clients and that, if necessary, it have 50% Army personnel; 50% others.

### 13.3 Implementation Schedule

It is recommended that action on the

- recommendations at 13.2 (a), (b) and (c) be completed by 31 December 95
  - recommendations at 13.2 (d) be completed by 31 March 96.
-

**ANNEX A**

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**UNIDO Job Description**

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**UNIDO**  
**JOB DESCRIPTION**  
**(BL 11-51)**  
**SI/PAK/95/802**

The following job description relates to one international UNIDO expert requested by the project:

**Project Objective**      The project aims at advising the Pakistan Government with a strategy to promote entrepreneurship in the country through the establishment of a business incubation scheme.

**Post Title**                      *CONSULTANT ON BUSINESS INCUBATION SYSTEMS*

**Duration**                        1.0 month

**Date Required**                as soon as possible

**Duty station**                    Rawalpindi, Islamabad

**Duties**                            The consultant is expected to provide a high level advisory assistance through the Ministry of Finance and Economic Affairs of Pakistan to the Army Welfare Trust.

The consultant will specifically be expected to :

- 1      Receive a briefing in Vienna, at UNIDO headquarters, for a common understanding on the criteria of UNIDO approach to the incubator establishment in developing countries (including a package on pre-feasibility analysis to be tested in Rawalpindi), and on the results of the TSSI study on MSE in the rural sector of Pakistan.



- 2 Examine the adopted policy on the on-going, privatisation process and the actions to be taken by the local authorities to establish a framework, supporting the SME sector in Rawalpindi.
- 3 Analyze the major expectations of one project counterpart, AWT, in terms of job creation, enterprise creation and transfer of technologies to be reached through the establishment of a business incubation system in Rawalpindi.
- 4 Undertake a background analysis focused on the establishment of a business incubation system according to the objectives previously expressed by the AWT.
- 5 Identify the key characteristics of the type(s) of business incubation systems and the region(s) where it (they) may be located, and consequently, by designing and implementing surveys and questionnaires, he will assess :
  - The local support, i.e. the extent to which governmental and public local authorities are likely to be supportive in the introduction of economic policies to the SME sector and entrepreneurship promotion, through financial and fiscal incentive laws and regulations.
  - The industrial structure at local level, focusing the analysis on the main industrial centres, thus determining the strengths and weaknesses of the region(s) and related size and relevance of the small business sector.
  - The type of services already available to business in the region(s) and particularly focusing on the availability of premises, advisory, financial, training and technological

services.

6 Prepare a final report outlining :

(a) the findings of the background analysis and according to its results propose a strategy in terms of type(s) and location(s), legal, organizational and financial structure for the establishment of an incubation system in Rawalpindi, defining :

- Strategic objectives
- Steering Committee
- Location
- Appropriate premises and facilities and services to be provided
- The most appropriate legal status, according to the Steering Committee proposed and the national commercial laws
- Organisational structure
- Data for cash flow projections to establish and operate a business incubation system
- Admission and exit criteria
- Market testing for detection of potential entrepreneurs.

**Qualifications :** Post-University Degree in business administration or engineering;

- substantial experience in working with Science Parks and/or Business Incubators;
- substantial experience in dealing with small business
- experience in Asiatic countries businesses is desirable but not required.

**Languages** Fluency in English language.

**ANNEX B**

**Bibliography : Support Infrastructure for the Small and Medium  
Enterprises Sector in Pakistan**

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    - Experts Advisory Cell, Ministry of Industries and Production
  
  - 2 Promotion of Small-Scale Enterprises in Pakistan
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  - 3 The Informal Sector of Pakistan : Problems and Policies
    - Synthesis Report of the National Workshop

Authors :     Abid A. Burki  
                   Assistant Professor of economics  
                   Quaid -e- Azam University

Sabur Ghayur  
                   Programme Co-ordinator  
                   Friedrich Ebert Stifting (NGO).
  
  - 4 Small and Micro Enterprises Promotion in Pakistan :
    - Macro Economic Policy Framework and Implementation Issues - Outcomes of 3 Workshops organized in 1992

Author :       Swiss Development Co-operative  
                   Co-ordination Office  
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- 7 Industrialization in Pakistan : EAC document

- 8 Economic Survey 1994-95 :

Author/Publisher : Government of Pakistan  
Finance Division  
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Islamabad.

- 9 Rawalpindi : Potentials and Prospects

Author/Publisher : Rawalpindi Chamber of Commerce and Industry.

**ANNEX C**

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**Pre Investment Brief for Pilot Business Incubator  
(according to Standard Checklist for Pre-Investment  
Briefs in use by AWT)**

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**ARMY WELFARE TRUST  
INVESTMENT ADVISORY CELL  
13, IFTIKHAR JANJUA ROAD  
RAWALPINDI CANTT, PAKISTAN  
Telephone 051-519870 Fax 051-519716**

**Standart Checklist for Pre-Investment Briefs**

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- 1 Identification/Selection of the Project
- 2 Proposed Site
- 3 Land Required
- 4 Availability of Raw Material
- 5 Marketing of the Products
- 6 Capacity of Proposed Unit
- 7 Workable Capacity
- 8 Manufacturing Process
- 9 Refining Chemicals
- 10 Cost of Manufacturing
- 11 Margin of Gross Profit
- 12 Manpower
- 13 Estimated Cost of Project
- 14 Working Capital
- 15 If Financed
  - (a) Debit/Equity Ratio
  - (b) Financial Plan
  - (c) Mode of Loan
- 16 Pay Back Period
- 17 Completion Period
- 18 Technical Period
  - (a) Fabrication
  - (b) Erection

	(c) Installation
	(d) Commissionary
19	Risk Factors (If any)
20	Special Precautions
21	Market Survey



**ARMY WELFARE TRUST**

**Investment Advisory Cell**

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**PRE-INVESTMENT BRIEF :**

**Pilot Business Incubator  
at  
Rawalpindi**

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**October 95**

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## 1 **PROJECT**

This proposal relates to the development of a pilot Business Incubator by the Army Welfare Trust (AWT) in cooperation with the Experts Advisory Cell (EAC) at the Ministry of Industries & Production and UNIDO.

The Project's key objectives are

- (a) to develop a Business Incubator which will generate Fast-Growth Firms (FGFs) i.e. high - potential businesses capable of competing in national and international markets
- (b) to offer retiring Army personnel a one-window business development package which will empower them to develop FGFs
- (c) to develop the Incubator as a credible working model which will merit its replication by Government and / or other Agencies elsewhere in Pakistan.
- (d) to have the Business Incubator become in due course the Business Incubation Management Center for Pakistan

The data in this document is extrapolated from a 5-year Business Plan (1996-2000) for the Incubator which has been prepared by a UNIDO Consultant.

## 2. **PROPOSED SITE**

The image and location of the Incubator are critical to its success. It requires an up-market image in an urban location. A 2- phase development of the Project is envisaged.

Phase 1 (1996-98) requires an Incubator Building totalling 8900 sq. ft. It is recommended that the Incubator be located in a suitable existing building in Rawalpindi.

Phase 2 (1999 - 2000) will require Grow-on Space for businesses emerging from the

Incubator. Such space can be arranged at a number of sites in the hinterland of Rawalpindi. The 5-Year Plan 1996-2000 for the Incubator envisages a need for Grow-on Space totaling 25,000 sq. ft. The precise configuration of Phase 2 will be determined by the experience accumulated in implementing Phase 1.

### 3 **MARKETING THE INCUBATOR**

The Incubator's primary market is 500 Army Officers who retire each year. It is envisaged that 70% of the Incubator's clients will be retiring Army Personnel.

The key to creating FGFs is to influence Incubator clients to form multi disciplinary Management Teams e.g. engineering, marketing and finance. The Incubator must organize the supply of clients with a mix of such skills.

Accordingly, the Incubator will also target non-Army people with experience \ skills relevant to the development of FGFs. About 30% of the Incubator's clients will be in this category.

Incubator clients will be offered the opportunity, which is new and unique in Pakistan, to develop FGFs which will be beneficial both to themselves and to wider society in Pakistan.

### 4 **CAPACITY OF PROJECT**

The 5 - Year Business Plan, referred to at 1 above, has been conservatively constructed on the basis that 30 high-calibre and committed clients will use the services of the Incubator each year. This throughput of clients will lead to the creation of 20 FGFs within 6 years; employing a total of 600 people.

If market demand is greater the Project can be readily expanded to secure, say, 100 clients/year. This would generate 60 FGFs within 6 years; employing a total of 1800 people.

## 5 **INCUBATION PROCESS**

The Incubation Process focuses on sourcing, and then fusing, the 3 elements which are essential to every business

- an entrepreneur
- a business idea
- money (seed capital)

Each client selected by the Incubator is given a one - window package of business development services for a period of 3 years. The package includes a Business Creation Course which emphasizes Business Planning and the formation of a multi disciplinary Management Team as the pre-requisites to the launch of a successful FGF.

The Incubator Management Team must work closely with the client, rather than for the client, thus ensuring that the client is at all times progressing towards the launch of his FGF.

## 6 **MANPOWER**

The initial core staff should be

- the Chief Executive
- a Manager to develop and manage the Business Creation Courses
- a Business Development Adviser who will have a portfolio of clients emerging from the Business Creation Courses

An Administration Unit (1 or 2 people ) should provide a support service to the core staff.

It is recommended that Remuneration Policy include a Results-related Bonus Scheme; this will serve to sustain management focus on achieving the goals of the Incubator

## 7. **BUDGETS**

### 7.1 **Capital Budgets**

Phase 1, referred to at 2 above, will cost US \$ 208,000 (assuming a new building). This could be reduced significantly by modifying an existing building.

### 7.2 **Operating Budgets**

The Operating Budgets for Phase 1 (1996-98) will total US \$ 198,000 i.e. US \$ 66,000 / year.

### 7.3 **Policy Issues**

Incubators have emerged in more developed countries as an element of the Support Infrastructure for developing the SME (Small and medium enterprises) sector. As such, Incubators are not self-financing. However, it is important that the Incubator combine a developmental role and a commercial ethos.

The 5 - Year Business Plan for the proposed AWT / EAC Incubator provides for modest service charges. These can be, and should be, increased when the Incubator has gained a reputation for excellence.

## 8. **COMPLETION PERIOD**

The completion period for Phase 1 of the Business Incubator is 3 years (1996-98). During this period the Incubation Process will be refined and sensitized to local circumstances. With the benefit of this experience AWT and EAC will then be able to decide on the scale of investment for Phase 2 of the Incubator.

## 9. **TECHNICAL PERIOD**

If a new building is required the lead time for site acquisition \ development and construction will be 12 months. The modification of an existing building could reduce the lead time to 4 months.

10. **RISK FACTORS**

1. Retiring Army Officers will require fundamental Mindset Change in order to be effective developers of FGFs. A task of the Incubator is to facilitate such Mindset Change.
2. FGFs are a "new breed" of small business in Pakistan, distinct from the "traditional" small business towards which retiring Army Officers gravitate. Army Officers may continue to prefer the perceived easier route of going into a "traditional" small business.

11 **SPECIAL PRECAUTIONS**

- 1 An Incubator requires an up-market image in an urban location.
- 2 The Incubator Management Team must be recruited and trained to deliver a top-class professional Business Incubation Service.
- 3 The real impact of an Incubator will be apparent only after 5 years when there is a portfolio of FGFs in the marketplace. It is vital during the intervening period that AWT / EAC maintain their commitment to the Key Objectives of the Incubator.

12. **MARKET SURVEY**

The Employment and Investment Advisory Division of AWT is already providing a service to the Incubator's primary target market i.e. retiring Army Officers. The Business Incubator will enable AWT to upgrade this service. AWT already has an excellent understanding of the strengths and weaknesses of the primary target market of the Incubator. It will account for about 70% of the Incubator's clients.

The remaining 30% of the Incubator's clients will be well-educated \ trained people who are seeking opportunities to use their talents in Pakistan. Some of them may now be working/studying abroad and wish to return to Pakistan. Others may be middle managers in the public \ private sectors who see entrepreneurship as a career development option.

They will be motivated to use the Incubator as a unique opportunity in Pakistan to start a high - potential business.

13. **IMPLEMENTATION**

It is envisaged that a Steering Committee and a Project Team -representing the Army, AWT, EAC, Askari Commercial Bank and Askari Leasing - manage the start-up of the Incubator. Their tasks will include

- deciding the location of the Incubator and whether to start with an existing building.
- sourcing the funding requirements for Phase 1 of the Incubator
- recruiting the Incubator Management Team
- designing the Business Creation Course
- updating and upgrading the profiles of Business Ideas
- designing the Marketing Plan \ Corporate Identity Programme for the Incubator

The respective roles of AWT, EAC and UNIDO in implementing the Incubator can be summarized thus

- (a) AWT and EAC, as joint promoters, will have primary responsibility for implementing the Incubator
- (b) EAC will
  - ensure that Incubator clients have at least the same fiscal and financial incentives as apply to Small-Scale Enterprises elsewhere in Pakistan

- explore the availability of funds for the development of the Incubator from international sources e.g. World Bank, UNDP, Commonwealth Secretariat.
- (c) UNIDO has allocated 3 months of Technical Assistance "to promote entrepreneurship in Pakistan through the application of the business incubation concept". 80% of the Technical Assistance will be focused on the pilot Business Incubator so that it becomes a working model which can be replicated elsewhere in Pakistan. This strategy is the most cost-effective way in which to diffuse Business Incubation Methodology in Pakistan.

14. **RECOMMENDATIONS**

It is recommended that

- (a) AWT/EAC study the operation of a sample of Business Incubators in Europe \ North America
  - (b) AWT/EAC proceed immediately to implement Phase 1 of the Incubator in accordance with the Business Incubation Methodology set out in the UNIDO Feasibility Report.
-



**ANNEX D**

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**Profile  
of a typical  
Business Creation Course**

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## **INTRODUCTION**

The Business Creation Course (BCC) represents the founding phase in the launching of a new venture. It is a powerful and comprehensive training-based approach with an intensive combination of lecture, consulting and advisory services provided by experts

The BCC is led by experienced "role models" : people with a proven track record in the forming and managing of businesses.

It culminates in the formation of Management Teams which have the complementary skills needed to start and run a high-potential business.

## **OBJECTIVES**

The BCC aims to identify, train and prepare potential entrepreneurs to launch their own businesses. At its completion, each participant will be a member of a founding Management Team.

## **PARTICIPANT PROFILE**

The BCC is targeted at people working in senior managerial/technical Functions who have an aspiration to run their own business. They may have backgrounds and qualifications in engineering, science, food, finance, marketing or other disciplines. They don't necessarily require a product idea to gain entry to the BCC. However, their commitment and entrepreneurial drive must be clearly evident.

Each BCC will aim to have 20 such participants with a balance of the skills and experience required to establish Fast-Growth Firms (FGFs)

## **STRUCTURE**

Tutorial and consultancy sessions are normally held on 2 evenings per week and occasional Saturdays over a 6-month period. Within this period regular informal working sessions take place between the BCC Management Team and the participants.

The syllabus will explore every aspect of starting an FGF. It will highlight the commitment, tenacity and perseverance required. It will demonstrate how markets and products are identified, assessed, launched and their potential realised. It will clarify the wide range of financial and other assistance available from the State and other Agencies and how to avail of them. The emphasis will be on the need for rigorous business planning.

Successful and established entrepreneurs contribute to the BCC and provide advice, help and the benefit of their experience. Also included will be selected case histories and analyses of entrepreneurial successes and failures.

Participants will emerge thoroughly familiar with the preparation and presentation of business plans for their new businesses and with the skills and confidence to implement their plans.

## **CONTENT**

### **The Entrepreneur**

- Essential qualities and characteristics
- Key factors in starting a venture
- Why businesses succeed and fail

### **The Founding Team**

- Team-building processes
- Skills and disciplines needed for start-up
- Sound business partnerships - what can I contribute?

### **Framework for the Business Plan**

- Clarify mission and objectives
- Key functional areas
- Strengths, weaknesses, opportunities and threats

### **Market and Market Selection**

- Domestic and world markets
- Data search and information sources

- Market segmentation and innovation
- Practical analysis and research

#### Product Identification

- Product sourcing and evaluation
- Licensing, technology transfer and other opportunities
- Idea-Generating Workshops
- Zeroing in on areas of opportunity

#### Finance

- Sources of finance
- Venture Capital
- Tax and other implications
- Balance sheets, profit and loss accounts
- Cash flow projections

#### Support Systems for Entrepreneurs

- State and other services
- Grant schemes
- Export services and support

#### Forms of Organisation

- Partnership and joint ventures
- Limited companies
- Registration and incorporation

#### Legal Aspects

- Corporate Law
- Patents, trade-marks and copy-right
- Agents and services

### Producing the Business Plan

- Blueprint for the new Company
- Format and vital ingredients
- What the State and finance agencies look for
- Making a professional presentation

### Launching and Managing the New Venture

- Management - the critical fact
- Establish credibility of the new Company
- Maintaining a specialist image
- Growth phases and problems

**ANNEX E**

**Business Plan - Outline**

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## **Outline of a Business Plan**

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### **1     Introductory Page**

- A     Name and address of business
- B     Name(s) and address(es) of Principals
- C     Nature of business
- D     Statement of financing needed
- E     Statement of confidentiality of report

### **2     Executive Summary**

Three to four pages summarizing the complete business plan

### **3     Industry Analysis**

- A     Future outlook and trends
- B     Analysis of competitors
- C     Market segmentation
- D     Industry forecasts

### **4     Description of Venture**

- A     Product(s)
- B     Service(s)
- C     Size of business
- D     Personnel
- E     Background of entrepreneurs

### **5     Production Plan**

- A     Manufacturing process (amount subcontracted)
- B     Physical plant
- C     Machinery and equipment
- D     Names of suppliers of raw materials

**6 Marketing Plan**

- A Pricing
- B Distribution
- C Promotion
- D Product forecasts
- E Controls

**7 Organisation Plan**

- A Form of ownership
- B Identification of partners or principal shareholders
- C Authority of principals
- D Management-team background
- E Roles and responsibilities of members of organisation

**8 Assessment of Risk**

- A Evaluate weakness of business
- B New technologies
- C Contingency plans

**9 Financial Plan**

- A Pro forma income statement
- B Cash flow projections
- C Pro forma balance sheet
- D Break-even analysis
- E Sources and applications of funds

**10 Appendix (contains backup material)**

- A Letters
- B Market research data
- C Leases or contracts
- D Price lists from suppliers



**ANNEX F**

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**Capital Budgets 1996-2003  
(Cumulative)**

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**PBI : CAPITAL BUDGETS 1996 - 2003  
(CUMULATIVE)**

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No.		1996	1997	1998	1999	2000	2001	2002	2003
1	INCUBATOR SPACE NEEDS (as per details at Chapter 9)      Cum Sq. Ft	3400	6800	8900	14200	19200	22600	25100	27600
2	CONSTRUCTION COST@ US \$ 20 \ SQ. FT INCLUSIVE OF SERVICED SITE AND DESIGN FEES      Cum US \$ 000	68	136	178	284	384	452	502	552 Peak
3	OFFICE FURNITURE & EQUIPMENT      Cum US \$ 000	15	15	20	20	30	30	35	35
4	CONTINGENCIES @ 5%      Cum US \$ 000	4	7	10	16	21	27	32	34
	TOTAL      Cum US \$ 000	87	158	208	320	435	509	569	621

**ANNEX G.1**

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**Operating Budgets 1996-2000**

**Cost Centre - Staff**

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**PBI : COST CENTRE - STAFF**

		1996	1997	1998	1999	2000
1	<b>STAFF NOS</b>					
	– Chief Executive Cumulative	1	1	1	1	1
	– Manager, Business Creation Course Cumulative	1	1	1	1	1
	– Business Development Adviser Cumulative	1	1	2	2	2
	– Administration Cumulative	2	2	3	3	3
	<b>TOTAL NOS.</b>	5	5	7	7	7
2	<b>PAYROLL</b>					
	– Chief Executive (a) *Salary + Increment @ 5%per year US \$	10,000	10,500	11,025	11,576	12,155
	(b) Results-Based Bonus(5%) US \$	500	525	551	579	608
	– Manager, Business Creation Course					
	(a) * Salary + Increment @ 5% per year US \$	8000	8400	8820	9261	9724
	(b) Results-Based Bonus (5%) US \$	400	420	441	463	486
	– Business Development Adviser					
	(a) * Salary + Increment @ 5% per year US \$	8000	8400	17,640	18,522	19,448
	(b) Results-Based Bonus(5%) US \$	400	420	882	926	972
	– Administration Unit					
	(a) Salaries + Increments @ 5% per year US \$		6300	10,000	10,500	11,025
	(b) Results-Based Bonuses (5%) US \$		315	500	525	551
	<b>TOTAL PAYROLL</b> US \$	33,600	35,280	49,859	52,352	54,969
3	<b>STAFF TRAINING : Budget 10% of Payroll</b> US \$	3360	3528	4986	5235	5497
4	<b>TOTAL (Rounded)</b> US \$	37,000	39,000	55,000	58,000	60,000

\* includes Housing and Car Allowances

**ANNEX G.2**

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**Operating Budgets 1996-2000**

**Cost Centre - Business Creation Courses**

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**PBI : COST CENTRE - BUSINESS CREATION COURSES**

		1996	1997	1998	1999	2000
No.	SCHEDULE FOR BCCs	No.1	No.2	No.3	No.4	No.5
	EXPENDITURE (Gross)					
	Guest Lectures \ Contributors US \$	500	500	500	500	500
	Social and Catering US \$	500	500	500	500	500
	Stationery (Lecture Notes, etc) US \$	500	500	500	500	500
	Contingencies US \$	500	500	500	500	500
1	Total Expenditure US\$	2000	2000	2000	2000	2000
	INCOME: Participants' Fees :					
	30 Participants per Course					
	Course Fee per Participant US \$	50	50	60	60	60
2	Total Income US \$	1500	1500	1800	1800	1800
3	NET EXPENDITURE US \$	500	500	200	200	200

**ANNEX G. 3**

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**Operating Budgets 1996-2000**

**Cost Centre - Property (Incubator Building)**

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**PBI : COST CENTRE - PROPERTY (INCUBATOR BUILDING)**

		1996	1997	1998	1999	2000
INCUBATOR SPACE – Cumulative	Sq. Ft.	3400	6800	8900	14,200	19200
<b><u>INCOME</u></b>						
Rent and Service Charge as per details at next page	Total US \$	1876	5926	8476	14,676	20,776
<b><u>EXPENDITURE</u></b>						
Property Tax	US \$	?	?	?	?	?
Air Conditioning\Lighting\Heating	US \$	3000	6000	7860	13000	16900
Cleaning & Repairs	US \$	500	1000	1310	2170	2820
Depreciation	US \$	—	—	—	—	—
Property Insurances @ 3% of Property Value	US \$	2610	4740	6240	9600	13,050
Security Service	US \$	1500	3000	3930	6520	8500
Contingencies	US \$	350	700	920	1530	1990
	Total Expenditure US \$	7960	15,440	20,260	32,820	43,260
<b><u>NET EXPENDITURE (Rounded)</u></b>	US \$	6100	9500	11,800	18,100	22,500



**PBI : COST CENTRE - PROPERTY (INCUBATOR BUILDING)****INCOME BUDGET**

		1996	1997	1998	1999	2000
1	<b>CONSTRUCTION SCHEDULE</b> Cum. Sq. Ft.	3400	6800	8900	14,200	19,200
	1.1 Lettable Space Cum. Sq. Ft.	1250	3950	5650	9850	13,850
2	<b>OCCUPANCY LEVELS</b>					
	2.1 Budget (as a % of 1.1)	75%	75%	75%	75%	75%
	2.2 No. Sq. Ft. Rented Cum. Sq. Ft.	938	2963	4238	7388	10,388
3	<b>INCOME</b>					
	3.1 Rent : Budget an average of US \$ 1.00 \ Sq. Ft \ Year US \$	938	2963	4238	7388	10,388
	3.2 Service Charge Budget an average of US \$ 1.00 \ Sq. Ft. \ Year US \$	938	2963	4238	7388	10,388
	3.3 Total US \$	1876	5926	8476	14,676	20,776

**ANNEX G. 4**

**Operating Budgets 1996-2000**

**Cost Centre - General Management**

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