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*Simon Kuznets Kharkiv National University of Economics, Kharkiv***EXPERIENCE OF CREATING AND FUNCTIONING START-UP CENTER**

*Many students, teachers, alumni and ordinary people have ideas relevant to business creation or new business activities in existing companies but they need encouragement and support in order to make their projects to become a reality. Economic development of these countries heavily depends on spreading the spirit of entrepreneurship across society and particularly in the academia. Objective of research is to enhance innovation policy and entrepreneurship activity in Ukraine by improvement of creativity, competitiveness and employability of Universities graduates and increase cooperation between HEIs, innovation and investment companies for knowledge commercialization*

*Key words: business, incubator, function, start-up, mentor, project, investor.*

**INTRODUCTION**

Modern business incubators are quite big enterprises (organizations), where a businessman on favorable terms is provided with an office, communication tools (office equipment), an opportunity to advertise oneself and one's products in printed and online publications, to train staff. The first incubators were established in Ukraine in the early 1990s and now there are about 60 – 70 incubators registered.

However, there is quite a small amount of successful examples of assistance in business development. Maintenance of functioning of incubators requests considerable expenses that partially should be subsidized by a government (i.e. France, Finland). Experience of foreign countries shows that expenses of running incubators are paid off in 4 to 5 years and that is quite effective when compared, for example, to production or social spheres. (Pay-back period usually exceeds 7 years).

**The article main idea is** to develop Start Up center's model to increase business activity and creativity of university students, and to organize an informational support of their start-up projects in the frames of Start-up centers [1]. This will help students to gain knowledge and experience in innovation business, intellectual property rights protection, real-world business projects development, sustainable relationships with domestic and foreign investors and partners. The expansion of business relations is mutually beneficial for both students and employers because it allows to increase creativity and practical value of university graduates, and provide an influx of new ideas into innovation business.

**Specific task of the research** include analysis of Start-up center's work, professional experience and cooperation network between incubators.

**1. Overview of experience of functioning of incubators and accelerators in Ukraine**

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Study session (1 month – 45 hours). In addition to 10-20 selected teams, every interested individual can join a study program according to the standard procedure.

1. Trip to Europe and Silicon Valley (the U.S.) (2 months). One representative of each team firstly goes to Europe and then to Silicon Valley. There will be meetings with experts and mentors scheduled on an everyday basis. GrowthUp gathers over 300 entrepreneurs thus forming a pool of mentors, from among invited mentors separate pools including from 3 to 10 entrepreneurs are formed individually for each Start-Up. In two months period a Start-Up receives from 1 to 2 preliminary applications for a patent and a trade mark at expenses of the incubator. Expenses for flights, mobility within Europe and the Valley, food and accommodation are covered by the incubator. During trips residents receive also a small allowance for pocket expenses.

2. Cooperation with worldwide known business incubators. Alumni can apply to one of the world's ten biggest business incubators in Europe or the U.S. (Seedcamp, 500s, etc) that are partners of GrowthUp. GrowthUp is a cofounder of Hacking New Europe group that is formed out of 20 European accelerators, seed funds and incubators that have an agreement on cooperation.

3. Investment. The best projects will be recommended for funding to a pool of business angels that are partners of GrowthUp. For time being GrowthUp is finishing creation of a fund designed for providing from 1 to 2 alumni with \$ 50 000 – 100 000 investment annually.

4. Maintenance. The incubator makes an access to different events (Techrunch Disrupt, Leweb, IDCEE, DEMO, TheNextWeb) available for its alumni; introduces to investors of the next rounds. GrowthUp is a partner of European venture fund Mangrove Capital Partners, has been actively collaborating with Russian,

American and European incubators (Almaz Capital, Runa Capital, DFJ, B2V and more then 30 others).

GrowthUp receives 5% of charter capital of a newly created Start-Up.

#### *Incubator Polyteco.*

Incubator Polyteco is based at KPI and cooperates with a science park “Kyiv Politechnika” which is aimed on commercialization of developments of University and Start-Ups of Polyteco. A Start-Up has its incubation period at Polyteco and after receiving the first investment goes into the science park for further development.

Technical support for Start-Ups at Polyteco is provided by internal experts and scientists of KPI.

Economic, legal and strategic expertise is performed by mentors - representatives of Ukrainian and foreign companies (Science and Technology Center in Ukraine, EDventure, Exigen Capital, Green Pickle International Ltd, Ukraine-Japan Centre of NTUU «KPI», System Analysis and Decisions, Helix Ventures, Independent Association of the Banks of Ukraine.

Not only students or alumni of KPI but everyone else can become a resident of Polyteco.

1. Infrastructure. Premises at KPI for 40 people where all conditions to work, hold meetings with mentors, presentations to investors are created.

2. Expertise and consulting. Residents can sign up for a meeting with an accountant, a marketing manager, a solicitor; make an appointment with a mentor or an internal specialist of KPI.

3. Investment. When a project begins to demonstrate an upward trend, the incubator offers it to investors – business angels or venture capital funds with which KPI and the science park cooperate both in Ukraine and abroad. Among foreign funds one might find Exigen Capital (USA), Green Pickle International Ltd (Ireland), System Analysis and Decisions (USA), Helix Ventures (USA). “Kyiv Politechnika” also has a strong cooperation with Independent Association of Banks of Ukraine (IABU) (includes more then 90 the biggest banks of the country) that has interest in developments in such fields as cyber security, energy, medicine, etc.

4. “Kyiv Politechnika” receives from 5 to 20 % of shares of a newly created company. Size of a share kept by “Kyiv Politechnika” depends on a level of a project and initial investment of an author. Polyteco is a part of a non-profit organization of KPI so shares of created companies go to the science park as it is registered as a legal entity. The incubator and the science park do not provide a Start-Up with start-up capital.

#### *EastLabs.*

EastLabs. This accelerator of Start-Ups was established in January 2012. The project is funded by Victor Pinchuk and that’s why all decisions related to funding of projects are made by a committee of

investment and consulting EastOne Group that had been founded in 2007. EastLabs has a database including more then 100 national and foreign mentors. Among mentors of the accelerator one can find representatives from the following companies United Online Ventures, UniCredit Bank, GIV Capital, TA Venture, WebMoney, Internet Invest Group, Startup Labs, Metan Development Group, AVentures Capital and others.

1. Study program (4 months). For duration of the study program all teams move to an office of EastLabs in Kyiv where the accelerator allocate 3 workplaces for each team-participant.

2. Investment. Projects receive \$ 20 000 for purposes of marketing and development of a project. The accelerator might execute further investment to projects according to a decision of an investment committee of EastOne Group.

3. Maintenance. After the program ends EastLabs introduce its alumni to both external and internal investors for the next round of funding if needed. Graduated teams become members of alumni community of EastLabs and can continue to approach the accelerator for consulting services from now onwards.

EastLabs receives 15% shares of a company where it invests EastOne Group’s money.

#### *Founder Institute*

Founder Institute is the first incubator of ideas in Ukraine which headquarter is located in Silicon Valley. There are more then 1000 mentors from 40 various cities of the world in a pool team of Founder Institute. Study program of Founder Institute in point of fact prepares Start-Ups for incubators of later stages such as EastLabs or Happy Farm, as well as attracting the first investment from business angels.

1. Study program (4 months). Classes are held one time per week at night time.

2. Selection of participants to a bonus pool. The best projects are involved in a premium fund, the so-called bonus pool, which is distributed in fixed proportions among administrators of the program, mentors and residents in the ratio of 40/30/30. If a graduate agrees to participate, one gets a certificate of attendance of the program of Founder Institute, as well as a share in accretion of the fund. Thus, even if a project does not get promotion, a resident may benefit financially by success of his fellow’s project.

3. Maintenance and investment. The first funding for further development and commercialization of an idea to the best alumni could be provided by a company KM Core. Mentors of the incubator who are business angels or members of venture capital funds can also make an offer to residents. Founder Institute has a right to redeem 3.5% of shares of a company at a market price. Conversion takes place on the same assessment on which comes the first qualified investor with an investment in a company from \$ 50,000. Conversion

takes place on the same assessment on which comes the first qualified investor with investment starting from \$ 50000.

*WannaBiz*

Wannabiz is situated in Odesa. Along with the incubator functions "School of Start-Ups" where everyone who is interested can attend master classes held by WannaBiz mentors and other invited experts for free.

At WannaBiz one of the mentors who have the most experience in the appropriate direction is secured for each team. Among mentors of the incubator there are representatives of the following companies: AVentures, Stanfy, AdCenter, Netpeak, SoftTechnics, InWeb, MMU Business School, etc.

WannaBiz acts on the classical scheme of a Start-Up incubator: "selection of applications" - "session" - "selection of applications."

1. Selection of teams (2months). WannaBiz selects from 3 to 4 main teams and from 8 to 10 reserve ones. Up to \$ 20 000 of start-up capital and office space to work are allocated to main teams. Reserve teams do not receive funding and office, but work with mentors and are involved in all activities of the incubator. These Start-Ups are more likely to receive funding in the following sessions.

2. Maintenance (1 month). After the end of a session WannaBiz assists its graduates in attracting the next rounds of investment (preparation of business proposals, presentations to investors, etc.) and ensures the further development of the projects.

WannaBiz receives a share in a new company varying from 10 to 25%. The size of the share depends on the amount of funding, intangible contributions.

*Happy Farm*

Happy Farm is the first business incubator of a full cycle in Ukraine that is situated on suburbs of Kyiv in village Schastlivoe. A team moves into the incubator to learn and develop its project constantly being in a business environment. During a year the incubator plans to execute 2 cycles - from enrollment of a team to a program to graduation.

Every Start-Up is accompanied by a member of the supervisory board of Happy Farm and these are businessmen already having successful experience in development own projects or venture capital investment.

1. Study program (2 months). Teams pass collective training sessions and individual counseling meetings with advisors and mentors.

2. Internship in the U.S. (1 month). Representatives of the top teams go to Silicon Valley, where a series of business and informal meetings with business incubators and accelerators of the U.S., IT-companies, investors, potential partners and media are specially designed for them. They also participate in

activities of the incubator for potential investors and partners.

3. Post development (2 months). Further development of projects, search and attraction of investment. Within the frameworks of visit to the U.S. and numerous meetings with potential investors and partners Start-Ups receive feedbacks and suggestions on how to complete their projects.

Happy Farm receives 15% of corporate rights in a company. The cost of services that are rendered to Start-Ups by Happy Farm within the incubator amounts \$ 70 000. From this amount the incubator depending on decision of the supervisory board can allot \$ 15 000 as start-up capital to a project according to its progress.

*Business incubator iHUB*

Business incubator iHUB was established on 11<sup>th</sup> December, 2012 with support from the government of Norway in cooperation with SIVA (State Corporation of Industrial Development of Norway) and Chamber of Commerce of Ukraine.

This is a constituent part of a network Seed Forum, an organization that is presented in more than 40 countries worldwide. There are more than 16 000 investors and 5 000 mentors in such an international pool. Over 11-years period of functioning of Seed Forum network more than 1 700 Start-Ups have received funding.

iHUB renders a full range of services, other than legal and accounting to Start-Ups.

1. Infrastructure. Office premises for 30 people with advanced equipment and appliances (soon there will be created 20additional workplaces), coworking with a seating area to relax.

2. Trainings and mentoring. Mentors and experts working with Start-Ups are selected individually for each project focusing on a project's needs. Also the incubator conducts collective trainings on how to create presentations and work with investors.

3. Global network, themed events. i HUB gives its residents an access to the base "Early Adopters" around the world to test a product on a real audience. Moreover, the incubator helps to work with a variety of partner business incubators and accelerators abroad.

4. Investment. As part of a global network of Seed Forum the incubator opens to residents an access to private investment conferences in 40 countries, where they can present their projects and attract funding.

**2. Experience of creating and functioning Start-Up Center "FIRST CAPITAL" (KhNEU)**

**Mission of Start-Up Center "FIRST CAPITAL":** to form entrepreneurial mindset and promote entrepreneurial activity of the youth of Ukraine, Belarus, Moldova [2].

**Objective of Start-Up Center:** to create the environment for developing and supporting creativity and business-activity of students and LLL

**Partners of the Start-up Center:**

partner-universities;  
other Start-up Centers and business-incubators;  
entrepreneurs and practitioners;  
companies and associations of entrepreneurs;  
local authorities.

**Tasks of the Start-up Center:**

1. To organize of the process of students' training and promotion of the development of training and methodological materials on 5 basic courses (disciplines).

2. To select trainers, consultants and developers of training and methodological materials (find, monitor, control of results of their activities).

3. To provide premises and recourses (informational, technical, training and methodological etc) for cooperation between students and young entrepreneurs (coworking).

4. To arrange individual consultations (intramural and remote) for students and LLL.

5. To organize a platform for communication between participants and partners of the Start-up Center (a portal, forums, Skype, wiki).

6. To develop and fill out with the content a web-site (portal) of the Start-up Center.

7. To carry out initial evaluation of students' and LLLs' business ideas.

8. To arrange and carry out crash-tests of Start-up projects of students and trainees of the Start-up center.

9. To arrange events for experience exchange between practitioners, entrepreneurs and students (business lunches, webinars, seminars, trainings).

10. To develop and support an informational infrastructure of the Start-up Center (network, hardware and software, administration of a portal and e platform).

11. To promote idea of "a young entrepreneur" among the youth (meetings with students).

12. To assist trainees of the Start-up Center in finding business partners.

13. To create and support an international network for communication between Start-up Centers, business incubators and academic partners.

14. To assist students in developing business plans and presentations of students' business ideas.

15. To provide an informational support for Start-up projects on international and regional levels (ad on a portal, references etc)

16. To hold media and promo events for support of the Start-up Center and Start-up movement

17. To create a database of Start-up projects of participants of the Start-up Center.

Results and indicators of the Start-up Center activities show in table 1.

Basic model of the «First Capital» are shown in the figures 1 – 3.

**Results and indicators of the Start-up Center activities**

Results	Indicators
Created infrastructure for mutual work of students on their Start-up projects;	Availability of specialized premises for training and coworking. The premises available for coworking not less than 4 hours per day Purchased, installed and available hardware and software for students (at least 10 workstations)
Created a team of trainers to train students at the Start-up Center (university);	Trainers are certified. Trainers have experience in teaching related courses.
Developed printed and electronic materials on five courses;	Not less than one e-textbook is developed for each course. Presentations for courses are developed
Arranged and carried out a series of trainings for students and trainees;	Not less than 20 students are trained
Developed and functions a WEB-site (portal) of the Start-up Center;	A portal is accessible 24/7 Free access to materials for distance learning Free access to webinars, online seminars.
Conducted evaluation of business ideas of students and trainees;	Conducting of mutual events to evaluate business ideas at least 1 time per quarter
Developed and conducted crash-tests of students' and trainees' Start-up projects;	Conducting of crash-tests at least 1 time per year
Created student Start-up teams;	At least 5 teams
In cooperation with other partners events to develop students' entrepreneurial activity held;	At least 1 time per month
Advices on development of Start-up projects provided to students;	As needed (at least 1 time per month)
Prepared materials and promo and media events to support Start-Up Center conducted	At least 1 time per month

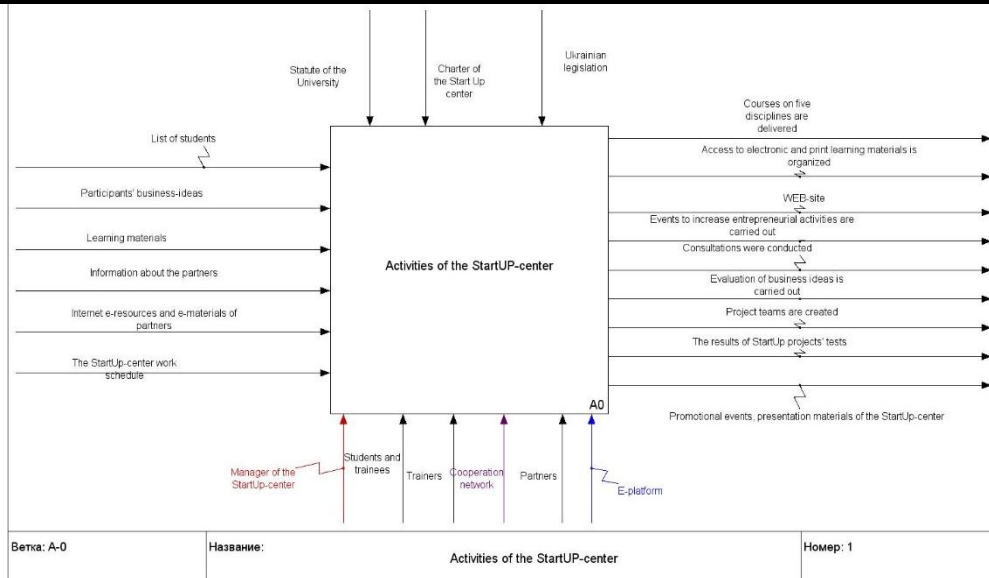


Figure 1. Activities of the StartUP-center

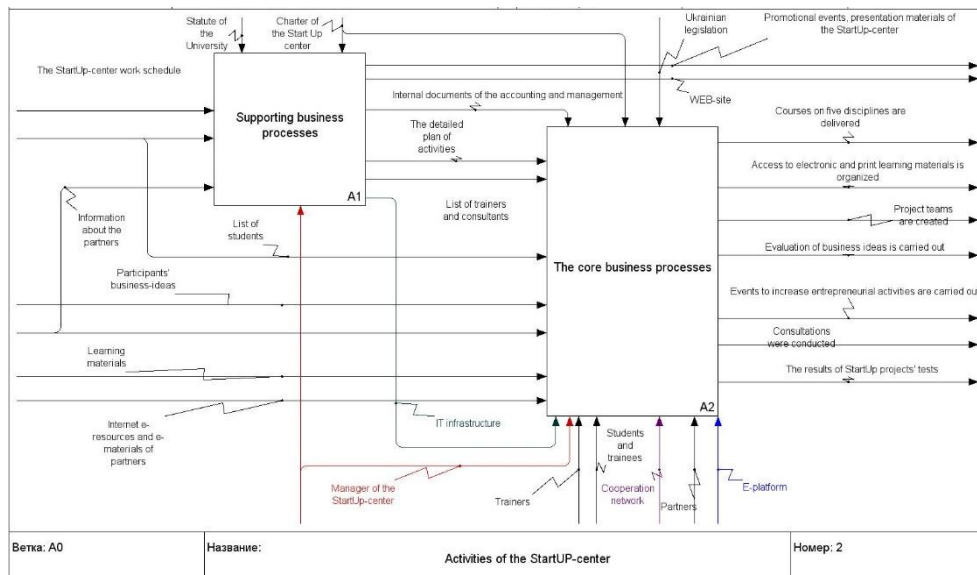


Figure 2. Activities of the StartUP-center (detailed)

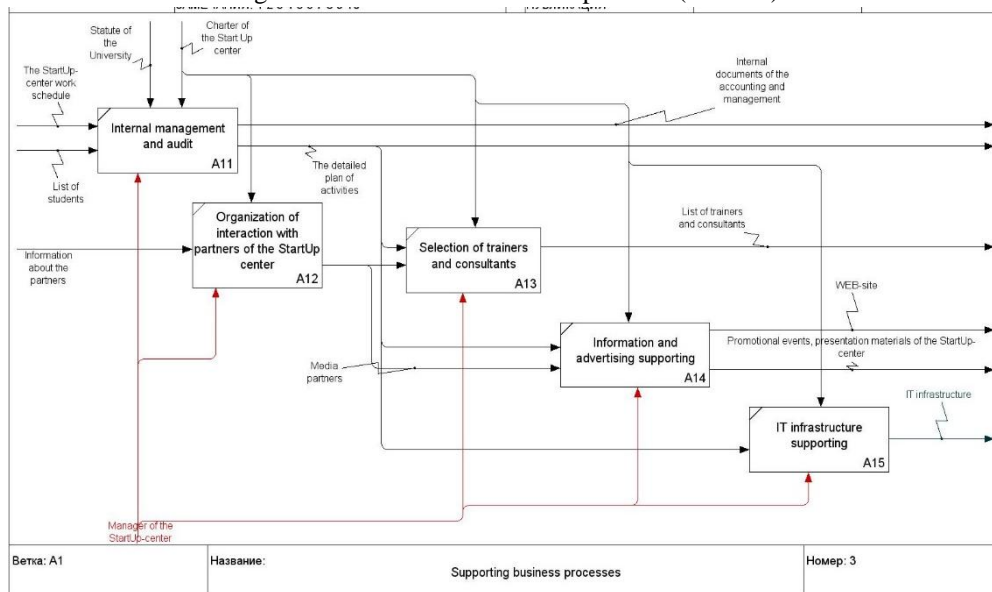


Figure 3. Supporting business processes

**Conclusion**

The given example is interesting in a way that a business incubator at University is not a separate department but an education program.

There is a wide a range of strengths from this kind of legal organization and it includes presence of a large range of educational programs, workshops and lectures, opportunity to attend events and receive necessary knowledge and advice on unique issues through undergoing individual trainings.

The key experience which is to adopt is securing an individual project manager and mentor to every team. It should be noted that in almost all countries of the world business incubators are supported by the state that carries out funding for the development of small business, especially in scientific and technical sphere. In 1998 the first Ukrainian association of business incubators Ukrainian Association of Business Incubators and Innovation Centers (ABIIC) was established

The Association consists of 100 individuals and 60 entities who predominantly are leaders of business incubators, business support centers, and other public organizations. At the same time, members of the Association are successful entrepreneurs, scientists, Ukrainian and foreign consultants. Despite the official state support (Writ of the Cabinet of Ministers of Ukraine in 2001 on the full support by the local authorities of acting and existing business incubators) the idea is still not widely used and well developed. Now they get the resources, rent premises at the cheapest rates, computers, telephones, the Internet – only basic conditions that are necessary for a start. In Ukraine nowadays, 75 business incubators exist and operate.

In Ukraine, business incubators have been established at expenses of international donor organizations for a long time. This leads to the fact that business incubators simply stop operating after completion of the funding program as means of regional and local programs for development of small businesses

cannot provide sufficient resources for business incubation.

Many business incubators have become regular commercial entities that rent out work space. Some existing business incubators are not engaged in incubating new businesses but work with constant firms on the basis of open-ended contracts.

Thus, business incubators can help provide business with an access to information, services of professional consultants. This can be achieved through creation of specialized organizations that provide Start-Ups and existing entrepreneurs with educational, advisory and information services in accordance with their needs and financial capabilities. Business incubators should be a link between entrepreneurs and local authorities. Every city should have its business incubator, and not only with premises for offices, but also production facilities for beginning businessmen.

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**ОПЫТ СОЗДАНИЯ И ФУНКЦИОНИРОВАНИЯ СТАРТАП ЦЕНТРА**

Золотарева И.О., Знахур С.В.

Исследование посвящено анализу направленной работы стартап-центров и бизнес-инкубаторов, которые в сотрудничестве с университетами обеспечивают повышение инновационной активности и креативности студентов. Рассмотрен опыт создания и функционирования стартап центра Харьковского национального университета "First Capital".

**Ключевые слова:** бизнес, инкубатор, функции, стартап, тренер, проект, инвестор

**ДОСВІД СТВОРЕННЯ ТА ФУНКЦІОНУВАННЯ СТАРТАП ЦЕНТРУ**

Золотарьова І.О., Знахур С.В.

Дослідження присвячене аналізу напрямків роботи стартап-центрів та бізнес-інкубаторів, які в співпраці з университетами забезпечують підвищення інноваційної активності та креативності студентів. Розглянуто досвід створення та функціонування стартап-центру Харківського національного економічного університету "First Capital".

**Ключові слова:** бізнес, інкубатор, функції, стартап, тренер, проект, инвестор