

IMPLEMENTING ENTREPRENEURSHIP SUPPORT PROGRAMS IN MONGOLIA: WOMEN'S BUSINESS CENTER

Bat-Orshikh Erdenebat¹, Bolortsetseg Gelegnamjil²

Development Solutions NGO, Women's Business Center

Abstract

The aim of this article is to review the impact of entrepreneurship support programs in Mongolia in the course of about 30 years after taking the first steps of decentralization. Business incubation centers are very important means of supporting the development of micro, small and medium enterprises, which are known to create employment, generate income and contribute to economic development and growth. Currently, in Mongolia, there are dozens of business incubation and training centers addressing a critical demand to provide support services including training, consulting and assistance in gaining access to capital and markets. This article investigates the challenges faced by the existing business incubators and concludes that their support programs are still needed to be further developed and put into practice.

Keywords: Business Incubators, Management Practice, Support Programs, Performance

INTRODUCTION

A significant portion of Mongolia's private business sector is comprised of household and small medium enterprises (SMEs) as well as startups, highlighting this as an area of potential growth. SMEs contribute about 25% of GDP and employ roughly half of the total workforce¹. In addition, as of the second quarter of 2018, 86% of all enterprises had less than nine employees (11% higher than the previous year) and 66% of were located in Ulaanbaatar city². Particularly, in ger areas, entrepreneurs tend to establish more business workshops and factories utilizing affordable and available resources such as plots of land and low paid labor market. However, those entrepreneurs lack business services and financial supports to start and/or expand their businesses. Under these circumstances, it is crucial to support SMEs by addressing their specific needs, which are: business enabling environment, promotion of entrepreneurial culture, financing, business development services, innovation and technology development, adaptation and market access.

Business incubation centers play an important role in socio-economic development and address to a critical demand from local entrepreneurs to receive day-to-day professional and high-quality business support and development services in an enabling environment that fosters the entrepreneurship. In addition, the Government of Mongolia has adopted employment and

¹ National Statistical Office, 2018

² National Statistical Office, 2018

SME support packages encouraging and promoting to increase SME access to local micro-financing fund and procurement activities.

According to the National Business Incubation Association, world's leading Business Incubator Association in the USA, critical considerations in the definition of an incubator include the provision of the following items:³

- Management guidance;
- Technical assistance and consulting tailored to young growing companies;
- Access to appropriate rental space and flexible leases;
- Shared basic business services and equipment;
- Technology support services; and
- Assistance in obtaining the financing necessary for SME growth.

The goal of the Incubator is to implement the activities mentioned at above by building an enabling environment for local business entrepreneurs to start up and manage small and medium enterprises with the following three potential outcomes⁴:

1. Enabling inclusive environment created for entrepreneurs to receive business services and financial assistance;
2. More entrepreneurs start an innovative business as a result of gained competencies and skills;
3. More existing household businesses and SMEs run their business in the professional and sustainable ecosystem.

Several years ago, there was a government funded incubator in each district and aimag in Mongolia. Unfortunately, the boosting period did not continue longer because of its traditional model which did not help work sustainably. Statistically, there are up to 10 business incubators and 8 co-working spaces operating actively in 2018. However, they are still struggling to sustain their operations and offer customized business support services to the target beneficiaries. In order to enhance the aforementioned activities, international surveys present the following key challenges among the failing incubators:

- Uncomprehensive business plan and strategy;
- Outdated business development methodologies and programs; and
- Lack of performance monitoring and reporting.

In response to these key challenges, this paper examines the applicability of a new approach of business incubation model and explores the current status of relevant practices. Nevertheless, we will discuss the innovative determinants brought into the management practice, business support programs, and performance outcomes to potentially create more sustainable and demand-driven incubators in Mongolia.

METHODOLOGY

There was an end-line survey which aimed to capture the effectiveness, impact and sustainability of the Women's Business Center (WBC) Incubator. To do this, quantitative and qualitative data were captured through a desk study of relevant documents and a survey of 28 BI beneficiaries, which was incorporated with the findings from a focus group discussion (FGD).

³ National Business Incubation Association, http://www2.nbia.org/resource_library/what_is/index.php

⁴ MARS Incubation model, www.marsincubation.com

Based on information collected through the desk study and field research, the survey highlights the incubator's management practice, support program, and performance monitoring in the following areas⁵:

- current business profile and involvement in the WBC project;
- changes in women's knowledge and attitudes towards business, and impact on business operations after involvement in the WBC; and
- satisfaction with the WBC project.

Applying a simple SWOT analysis on the WBC model to review the impact of determinants providing more opportunities to the beneficiaries. The participants highlighted the following strengths and weaknesses of the WBC project:

Table 1. Pros and Cons of the WBC project

Pros	Cons
<p>Management practice-related:</p> <ul style="list-style-type: none"> • Comprehensive business plan • Friendly staff and welcoming attitude • Precise structure of the WBC office and staff's job descriptions • Co-working office • Regular communication and information sharing • Fair BI participant recruitment • The Project management is good • Proper selection and recruitment of the stakeholders <p>Business support services and activities-related:</p> <ul style="list-style-type: none"> • High-level BI program • Updated business information • Good quality of training content and use • Qualified trainers • Library with business books • A child-care corner, self-kitchen • Efficient financial support • Access to mentoring and exhibition free of charge • Plenty of networking opportunities <p>Performance outcomes-related:</p> <ul style="list-style-type: none"> • Exclusive focus on women (no age and disability discrimination) • Frequent monitoring • Feedback after each activity • Software data collection and reporting program • Updated data of BI programs 	<p>Management practice-related:</p> <ul style="list-style-type: none"> • Multiple stakeholders • State-owned space, working timetable • The procedure is very bureaucratic <p>Business support services and activities-related:</p> <ul style="list-style-type: none"> • Poor choice of library books • Lack of business mentors • Lack of vocational training activities • Not digitalized • Overloaded classes <p>Performance outcomes-related:</p> <ul style="list-style-type: none"> • Too many complicated indicators • Reporting frequency is very high • More time for data input

Source: Findings of the End-line Survey and FGD results

⁵ There is a research indicating that inactive incubators are lack of effective management policies, performance monitoring and evaluation procedures, and their value added support programs. Sarfraz A. Mian, The University Business Incubator: A strategy for developing new research/technology-based firms, The Journal of High Technology Management Research, Volume 7, p. 191-208

The SWOT analysis shows that the WBC has prepared a comprehensive business plan, BI program as well as the performance monitoring to run the operation sustainably.

WOMEN'S BUSINESS CENTER INCUBATOR MODEL

With pioneering support from the Korean International Cooperation Agency (KOICA), the Mongolian Chamber of Commerce and Industry, Golomt Bank, and Development Solutions, the Foundation and the City of Ulaanbaatar have established Mongolia's first Women's Business Center (WBC) to support women's entrepreneurship.

WBC is committed to help entrepreneurs to start and grow their businesses through educational workshops, one-on-one assistance, co-working and business facilities, and connection with local resources. Since opening in 2016, the WBC has already received close to 5,000 visitors, and registered over 2,000 entrepreneurs who are learning to access capital, loans, and customers; build networks; and market, manage, and grow their businesses.

The local incubation center clients are existing household businesses and SMEs as well as future businesses. They will have access to all programs and services available in the center as part of their monthly member/lease agreement. Per unit service fees will be required for additional office services and special programs from clients and other stakeholders.

In June 2017, the WBC opened a new business incubator (BI) to increase women's contribution to the Ulaanbaatar economy by providing women entrepreneurs with access to state-of-the-art facilities (including computers, sewing and handcraft rooms, and a food-processing unit). A four-month accelerated incubator program (for small and start-up businesses) includes operating space, training and mentoring, and access to a business development fund. Since the launching of the WBC, 28 participants have graduated from the BI.⁶

The BI management practice:

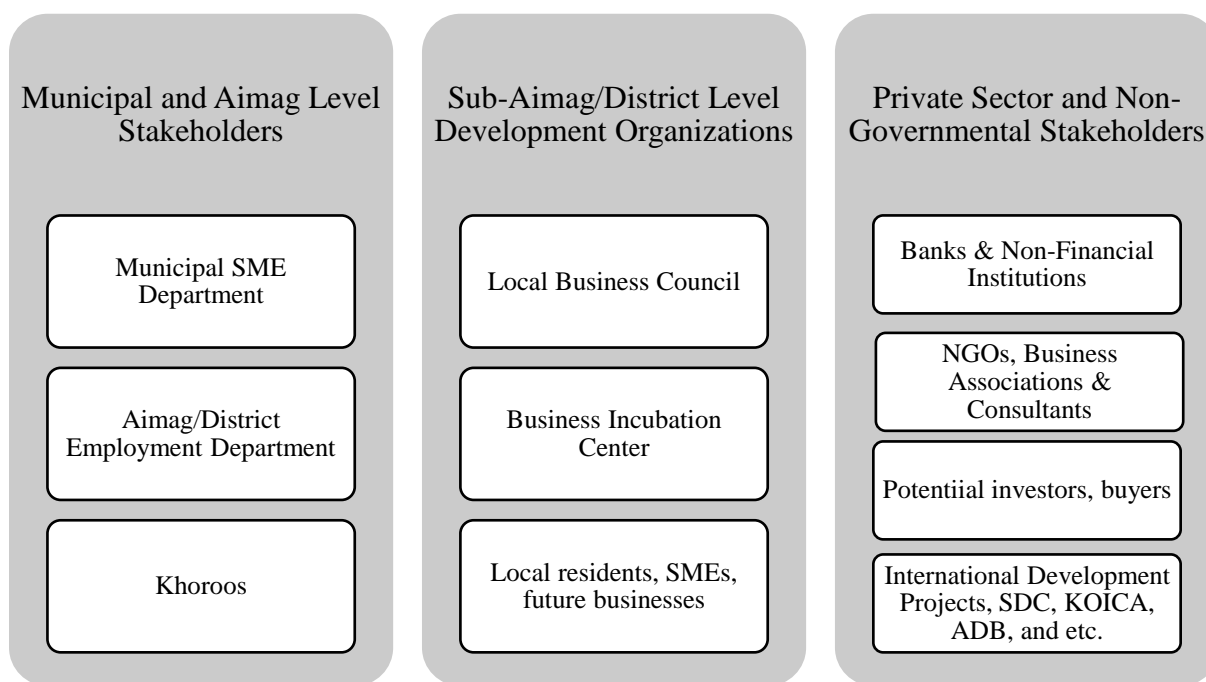
The Incubator was launched and implemented under the cooperative agreements and referral relationships with existing partners in Municipal/District and Non-Governmental sectors at macro, mezzo and micro level.

In the business plan of the Business Incubation Center will identify the potential stakeholders namely and their roles and responsibilities in details. The staffing, stakeholder communications, budget, financing and sustainability issues will be determined and planned based on the feasibility study, market analysis, financial analysis and preliminary draft of the incubator localization, analysis of engineering costs, architectural draft and etc. The private sector will be the main contributor in the facility development as expected.

There will be at least two staff in each incubation center. They are able to serve for clients and facilitate the center activities to assist and nurture local entrepreneurs. Each center may have the capacity to serve 100 clients at minimum per month, and nurture 8-12 businesses per annum, which is forecasted based on the current incubation centers' data. The Incubation Center is organized to implement the standardized client selection and graduation process, including application process, evaluation criteria and graduation policies, which is critical to a successful incubator.

⁶ ToR and WBC project documents

Figure 1. WBC Stakeholders



The daily operation of the Incubator can be financed from various sources in cash or non-cash forms. In the international practice, personnel and fringe cost is usually stated in the Municipal/District annual budget. And the operating costs, including utility, maintenance and marketing expenses are covered by income generated from business services. There are some other income generation opportunities, such as contractual work fee, donation or membership fee.

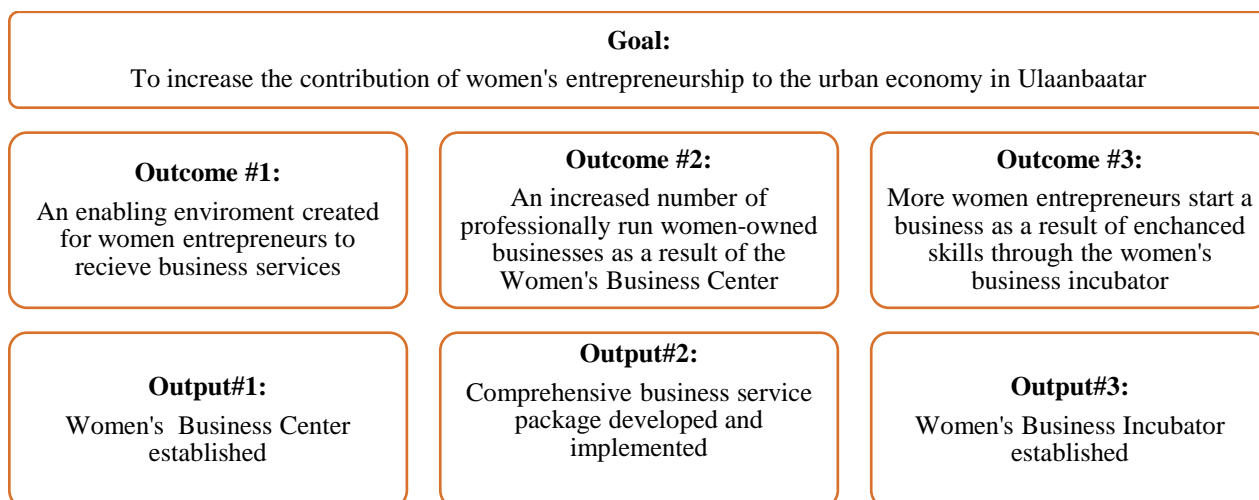
BI program:

The program, as the first-time pilot in Mongolia, provides four stages of intensive business support: business registration, product development, market penetration, and establishing binding contracts with investors and larger vendors. Incubator participants also have access to regularly organized pop-up-shop events and other sales or investment opportunities. Those without their own office may use the incubator at no cost while in the program. This four months of intensive development becomes a platform for networking and companionship, and alumni often return to the center to help other women. There is a mentorship component matching BI participants with mentors for a year-long mentoring relationship,

Performance outcomes:

Unlike other existing incubators, the performance reviews are conducted by the donors and partner organizations every quarter. To do this, WBC has identified its incubation program's goal, outcomes and outputs as shown at Figure 2.

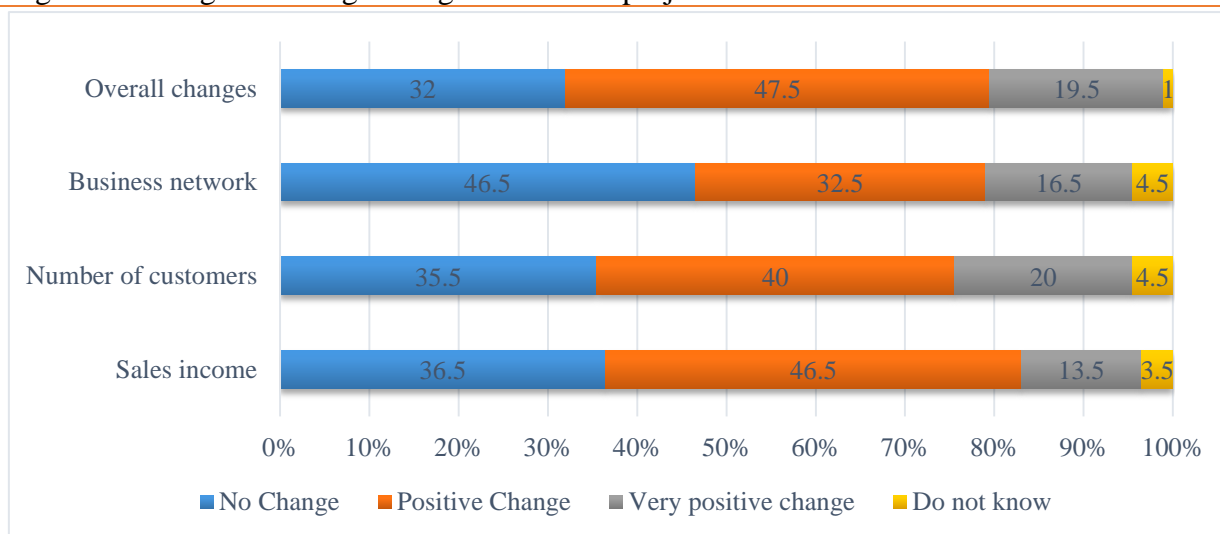
Figure 1. WBC Goal, Outcomes and Outputs



Source: WBC Factsheet

In order to manage the vivid and fair monitoring and reporting, the incubator carefully collects and input data into the reporting system. Therefore, the number reports are easily produced at a given time and condition. The incubator staff and monitoring officer are highly responsible for the performance update and reporting to the donors.

Figure 3. Changes after registering in the WBC project



Source: Findings of the End-line Survey

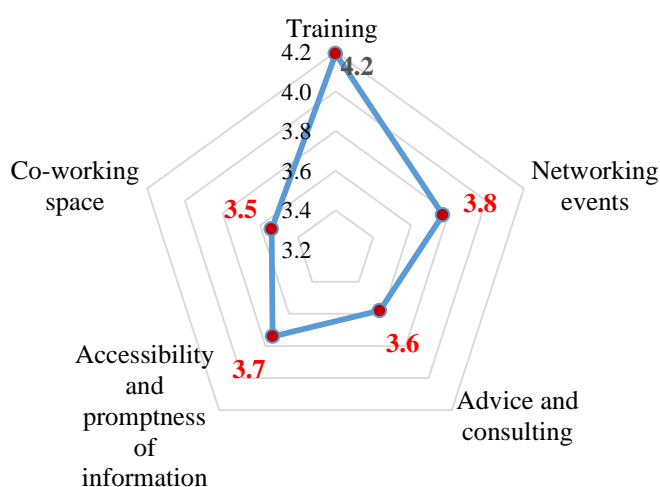
It is evident from the end-line survey result that the number of legally registered, taxpaying business, increased from 40% to 61% as compared to the baseline study. Also, the number of women running very micro businesses (revenue of less than MNT 10 million) decreased, and the number of small size businesses (revenues of MNT 10-50 million) increased as compared to the baseline.

The beneficiaries of the WBC project are satisfied with their registration and participation in the project. Most of the women-owned businesses highly rated the training and advisory services available to them through the project. The most satisfied participants are the businesswomen who graduated from the Business Incubator program. They saw the WBC project and BI

program’s approach was very innovative, needs-based, and an efficient means of support received as compared with the government approaches to small business support. In other words, the project’s chosen theory of change, implementation methodology and performance quality was well received by their targeted beneficiaries.

Analyzing the BI participants’ satisfaction was a crucial and critical part of the survey.⁷ The training contents and trainers were very popular and innovative among the local incubators, so it was measured at 4.2. And the networking activities, mentoring and consulting services were highly satisfied with its organization and trendy styles. The co-working space is generally available in the most of incubators which is not a surprising service for the beneficiaries.

Figure 4. Satisfaction indices of key services



Source: The findings of End-line Survey

CONCLUSION

Even though there is limited service time and state-owned space, the incubator is working properly in the framework of the partnership among the government, donors, education and banking institutions as well as communities.

Another key aspect of the project is that women business owners are getting strong awareness of their potential for economic empowerment, which enables women to take on a more leading role in business and their wider communities. Due to the nature of the BI program’s participatory and collaborative approach, women have learned the importance of learning from each other and sharing knowledge, positive attitudes and enabling behaviour change. The WBC helped the women participants build a strong foundation for business creation; therefore, the project has achieved its initial purpose.

⁷ The satisfaction on the trainings received the highest score, while satisfaction on the co-working space received the lowest score among the other services. The satisfaction index lies in the range of 1 and 5. 1-5 scale of influencing is the range from “Very unsatisfied” to “Very satisfied”. Index is close to 1 is regarded as very low satisfaction, and it is close to 5 is regarded as very high satisfaction.