

Potential for Implementation of Asia-Pacific Region Experience in Developing Business-Incubators in the Russian Far East

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Abstract. The proposed work explores the experience of business-incubators in the countries of the Asia-Pacific region and the possibility of their use in the Far East of Russia. China, Japan and South Korea were identified as Asia-Pacific countries whose experience could be implemented in the above-mentioned territories. The economic interaction between the Russian Far East and these countries has a rich history and traditions. The purpose of the work is to identify the most successful business incubation mechanisms in the APR countries (using the example of China, Japan and South Korea), single out problems in the development of business-incubators and consider the possibilities of implementing the established experience in the Russian Far East. The authors believe that the promotion of business-incubators will help increase employment opportunities, develop infrastructure, attract domestic and foreign capital into the region. This will improve the quality of life and reduce the population outflow from the Russian Far East.

1. Introduction

The Russian Far East is a significant link in the integration of Russia into the Asia-Pacific region (APR). The expansion of international contacts is based on a rich historical experience of interaction in the socio-political, economic and humanitarian spheres.

Facilitation of international and interregional relations in the Russian Far East could be realized through implementing the experience of foreign countries in the development of business-incubators. The spread of business-incubators began in the mid-twentieth century and continues today in the Asia-Pacific countries, which indicates the success of such a model for the market economy development, and increases the competitiveness of states.

The study of the noted range of questions will allow to analyze the experience accumulated by the leading countries of the Asia-Pacific region to revitalize business as a whole and to introduce innovations in various business segments in the Russian Far East. The obtained results will help assess the conditions to set up business-incubators in the Russian Far East, assist the development of the Russian Far Eastern region, and will give impetus to its integration into the Asia-Pacific region.

The proposed study, based on the analysis of official documents and materials from media resources, covers the experience of the Asia-Pacific countries in the development of business-incubators

and considers the prospects for cooperation between business-incubators in the Russian Far East and Asia-Pacific countries.

A number of aspects of the issue in question are in the focus of attention of domestic and foreign researchers [1–5]. Specialists analyzed approaches to the development of entrepreneurship in the countries of the Asia-Pacific region and questions of bringing up entrepreneurially oriented young people who form a package of business ideas; identified common features and peculiarities of the state policy of Japan, China and the Republic of Korea in the field of support and development of business-incubators.

The hypothesis of the work implies that the creation of favorable conditions for the development of small business in the Far East of Russia will give impetus to the integration of the Russian region into the socio-economic space of the APR.

2. Theory

In the Address to the Federal Assembly in 2013, development of the Russian Far East was listed among top-priority objectives by President of the Russian Federation V.V. Putin for the entire 21st century. [6]. Since then, special attention has been paid to the development of the Far Eastern region by domestic political elite at various levels. Nowadays, experts have worked out a considerable number of programs and documents aimed at qualitative changes in the region [7]. However, many issues require updating and a clearer solution.

An additional impetus to the setting out of Russian Far East can be given by the foreign investors' participation in the implementation of many projects in the region. Alongside with interstate agreements, active cooperation between representatives of small business is of particular importance for the expansion of a comprehensive dialogue. Small business is a stimulating tool for creating high competition in the market for goods and services, which leads to an improvement in the quality of goods and an increase in the standard of living; it forms the middle class, which is traditionally considered as the basis of the stability of any society [8]. The institutions that would contribute to the active involvement of the Far East of Russia in cooperation with foreign partners of the Asia-Pacific Region should include business-incubators. Business-incubators are one of the types of specialized infrastructure that provides support for small business along with funds, business centers, educational, informational and other service structures [9]. It is believed that the 1st business-incubator appeared in the United States in 1959, when people, left without work, opened their own enterprises in the premises that were empty after the factory closure [10]. Over the past years, many countries have adopted this successful experience.

The pace of cultivation of business-incubators in the Asia-Pacific countries is significantly different in every country, which is explained both by economic factors and by the specifics of state-political and cultural development.

The leaders in developing business-incubators are presented by the states of Northeast Asia (China, Japan and South Korea), which were included into this sphere in the last quarter of the 20th century.

In China, a program to set up and support incubators started back in 1987 in Wuhan, with financial, scientific and organizational support from the UNDP (United National Development Program). To build business-incubators in the country, the PRC authorities launched the China Torch Program, which includes the study and adoption of American experience in creating incubators and adapting it for China. As a result of this work, about 130 incubators and about 200 so-called “software parks” were already operating at the beginning of 21st century in China, which, according to their mission, can also be attributed to the family of incubators [11]. At the end of 20th century in Japan, there were about 200 incubators, and the national program provided for the creation of other 300 business-incubators for the period up to 2010. In South Korea, the national program concerning incubators started in 1993, in 1997 it received state support (the “Support Act for the Creation of Small and Medium Enterprises”), and by the beginning of the 3rd millennium there were about 200 business-incubators across the country [12].

As a rule, business-incubators are opened in regions where a large number of schools and universities are concentrated, i.e. where the number of fresh ideas for implementation will many times exceed the demand for them, therefore carrying out the competition and competitive selection between projects. At the first stage, to develop incubators, the Chinese regional authorities apply various schemes for further financing, covering all costs, while all income goes to the budget, to cover the difference between income and expenses or further subsidies. This creates conditions for increasing the efficiency of Chinese incubators and building not only techno parks and incubators in large cities of China, but entire business-scientific agglomerations. For example, techno park Zhongguancong, located in the north-west of Beijing, which is compared to the famous Silicon Valley; Donghu in Wuhan, specializing in optoelectronics, Zhangjiang in Shanghai, specializing in integrated circuits and pharmaceuticals, Tianjin - biotechnology and new energy, Shenzhen - telecommunications and Zhongshan - medical devices and electronics.

In 2016, the number of various business-incubators in the country amounted to 7,533, and China ranked first in the world. The active economic growth of China allowed the PRC leadership to announce the creation of innovative business-incubators, which will have to be the main pillar of the national economy model transformation that has begun. The achievement of the goal, aimed at the development of key sectors of the economy, according to experts in China, is possible by joint work of research institutes and higher educational institutions. The program to create innovative incubators and stimulate entrepreneurship is carried out in cooperation with 2 other national programs - Internet Plus and Made in China 2025. All three programs are aimed at developing the real sector of the Chinese economy and creating new employment opportunities [13]. The development of business-incubators had a positive impact on Chinese economy, while singling out the issue of training national specialists. According to the Ministry of Science of China, by 2020, at least 10, 000 business-incubators will operate in China, and 100 - outside the country, creating additional 3 million workplaces [14].

Unlike China, Japan has chosen its own path in cultivating business-incubators. After World War II, the Japanese government was puzzled by the question of the speedy withdrawal out of the crisis. In the postwar period, large corporations (zaibatsu) could not quickly solve the problems of unemployment and relieve social tension. Emphasis was placed on the development of small and medium-sized enterprises, distinguished by their ability to respond quickly to changes in external environment and being ready to provide a large number of people with jobs. In 1948, a special law under the Ministry of Foreign Trade and Industry of Japan established a board for small and medium-sized enterprises in order to promote their development. During the 2nd half of the 20th century the country worked out a system that guaranteed comprehensive support to small and medium-sized enterprises. However, it was clear that it was necessary to attract R & D to strengthen small and medium-sized business in the country.

Back in 1971, the term “venture business” appeared in Japan, that implies a business based on scientific research. Since 1999, the Law on Promoting the Creation of a New Business has entered into force in Japan, and the Japanese Council for the Support of New Business (JANBO - Japanese Association of Business-Incubators) began its work. This has given new impetus to the cultivation of entrepreneurship in Japan. By 2013, there were 269 business-incubators in Japan. In recent years, the country has occupied one of the leading places in the world in the number of innovations and technologies, but the number of sites for the development of young specialists remains extremely low, according to Japanese experts. In Japan, new entrepreneurs face obstacles in the form of tradition, lack of examples and risk aversion. The idea of entrepreneurship is completely contrary to the “Japanese dream”, based on the security and benefits of life-long work in a large company. Therefore, the desire to open one's own business may come across a misunderstanding of the wife or parents' disagreement. The Japanese education system does not imply independence, and, consequently, progressing of start-ups and even a basic understanding of their structure, development and the idea. Starting their own business, the Japanese face psychological pressure and fear. The business climate in this country is improving, but slowly. The development of entrepreneurship is constrained by several factors: cultural characteristics, lack of examples, and risk aversion. In Japan, the concept of venture capitalism and business angels is

still in its infancy: investors are willing to invest only in clear winners. Japanese banks, before approving a loan, require a proven business success story from a borrower. The well-known Japanese bureaucracy does not make the situation easy. Registration of a new company requires the preparation of multiple papers for various organizations. There is a growing understanding in the society that a country needs fresh ideas — in the form of new companies or innovations in existing ones. Despite the presence of these difficulties, Japan is far ahead of China in business development.

Another regional leader of the APR is the Republic of Korea. By Asian standards, the South Korean system of support for young entrepreneurs is very close to the ideal one. Back in the 1960s, South Korea was one of the poorest countries in the region. For half a century, the Koreans have managed to make a global technological leap and take a leading position in the APR in many spheres. The implementation of the science and technology policy was realized at several stages: in the 1960s, South Korea considered national policy aimed at supporting science and technology; since the mid-1970s the development of technological industries has continued, and new state-funded research institutes were established; the system of training research and engineering personnel was further developed [15]; in 1982, the First National Research and Development Program was launched. In the 1990s there is a new stage that includes the development of small and medium-sized business, ensuring the creation of new employment opportunities and sustainable economic growth. It was during this period (since 1991) that the Korean Incubation was launched by the Korean Institute of Technology (KeTECH). In 1993, Jungbu Industrial Consulting Corporation launched the first private incubator, named the Young Dong Business-Incubator, and thanks to the efforts of the Small and Medium-sized Enterprises Corporation (SBC), the first public incubator, called the Ansan Business-Incubator, started its work. The South Korean government involved both international organizations (for instance, The International Monetary Fund) and state authorities in the development of business-incubators. In August 1997, in the Republic of Korea, the Act on Support for the Establishment of Small and Medium-Sized Enterprises was adopted, which also referred to government support for business-incubators. During the period of 1997–2002, the number of business-incubators in Korea increased from 23 to 355. In 2002, 4,723 enterprises were located in incubators [12]. The development of business-incubators has led to an increase in the number of small and medium enterprises. By 2005, there were about 3 million small and medium-sized companies in the country, which accounted for 99.5% of the total number of enterprises. These companies, as well as in China and Japan, became a source of new jobs, they employed 87% of the country's population. In 2005, small and medium businesses provided half of GDP and 43% of South Korean exports [16]. The Government of the Republic of Korea is staking on the support and development of small entrepreneurs, counting on the formation of a new generation of businessmen. To solve the staffing issue, an educational business program for students, a business school for young people are being implemented in the country, business festivals and other events are held annually. A special program has been adopted to motivate and stimulate young entrepreneurs in order to create a generation of their own business owners. State financial support for business-incubators contributed to the fact that their number in the country is increasing annually. By the end of the 2010s, South Korea came out on top in the world in a number of key indicators, including the level of research and development, labor productivity, the level of technology adoption and patent activity. The South Korean government has expressed interest in reducing the proportion of people employed in large corporations.

The government of South Korea believes that the more diverse the business is, the richer and more stable is the economy as a whole. National priorities include information technology, biotechnology, new materials for construction, medicine, space technology, robotics, and etc. In all areas where breakthrough is possible in the coming years, Korea plans to become one of the world leaders.

The countries of the Asia-Pacific region are rather polarized in the context of the use of incubators as small business support institutions, they differ in their scientific, technological and economic potential. Nevertheless, the leading states of the Asia-Pacific Region see the basis for an economic breakthrough in the development of business-incubators.

3. Conclusion and proposals

The experience of the leading states of the Asia-Pacific region can be undoubtedly useful to the Russian Far East region. The first business-incubator in the Russian Far East was opened in 2006 in Yakutia, which became one of the 1st regions in the country where the institute of business incubation was introduced.

A particular problem for the development of business-incubators in the Far East is the solution to the issue of financing. In 2016, the Far Eastern regional authorities came to the conclusion that sponsoring and providing loans to small and micro businesses that are in their infancy is not reliable, and the region itself does not have so many available resources to implement all the ideas. The head of the expert community of the School of Economics and Management of the Far Eastern Federal University M. Krivelevich said that the policy of working with large and medium-sized businesses used by regional banks was not only suitable for the development of a smaller business, but was also prohibitive. The main problem for start-up entrepreneurs, as M. Krivelevich sees it, is the lack of the opportunity to receive financing. Solutions offered by large banks, such as Sberbank, VTB, do not bring serious relief [17].

The development of business-incubators in the Russian Far East is based in guarantee funds, which offered up to 5 million rubles without collateral security to young entrepreneurs. Such funds successfully operate in the Primorsky Territory. In addition to the guarantee funds, the regional small business support fund operates on the Khabarovsk Territory. Sakhalin region solved the problem differently, resetting the interest rate on investment loans for small businesses. For such a rich region, this move was a good contribution to its own development, which turned out to be payable. By the beginning of 2018, at least one business-incubator was opened in almost every part of the Russian Far East. Their main advantage for the region is that projects are financed domestically by other entrepreneurs and Russian banks, which does not allow ideas to “leak” abroad.

Despite the fact that the basic principles of incubation in the Asia-Pacific countries are the same, there are differences determined by economic, geographical, legal and other features. The activities of business-incubators depend on many factors, primarily on the state policy of the country where they are located.

In the Asia-Pacific countries, business-incubators are mostly highly specialized, i.e. work in one direction. In the Far East of Russia, as the country is occupying the largest area in the world, business-incubators operating on a wide profile should be developed.

The authors highlighted problems that should be solved in the near future for the development of business-incubators in the Far East of Russia:

1. Increasing government funding for business-incubators.
2. Improving the network of business-incubators operating at universities, research institutes, technology parks.
3. Promoting business-incubators through success stories.
4. Expanding information support.
5. When preparing business plans, promoting ideas and products, utilizing experience and advice of successful entrepreneurs.

The development of business-incubators in the Far East of the Russian Federation can be viewed as one of the mechanisms for the development of the region, its integrating into the economic and socio-cultural space of the APR, preserving the region’s population and improving its residents’ quality of life.

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