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PROBLEMS OF THE BUSINESS INCUBATORS IN MÉXICO

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ABSTRACT

The Faculty of Accounting and Management of the Autonomous University of Coahuila projects to create a business incubator to support students that are entrepreneurs. Incubators created in other universities of the country, do not achieve continuance and the expected success. Therefore, the objective of this study is to identify the problems faced by other incubators to know the panorama that are before them. The results show that the informal economy, the excessive bureaucracy and the corruption beset the creation and permanence of such incubators. It is concluded that the government should show more political will to support the business incubators and counteract the poverty that in a good measure is the incubator of hired killers (sicarios) trapped by the organized crime.

JEL CLASSIFICATION & KEYWORDS

■ M10 ■ M20 ■ M150 ■ M50 ■ PROBLEMS ■ BUSINESS INCUBATOR ■ MEXICO

INTRODUCTION

As of the 40's the conurbation of Monclova, Coahuila went through essential transformations in its economy and labor market (Corrales, 2005). The arrival of Altos Hornos de México (AHMSA) the biggest steel company in the region incorporated a significant amount of the labor force and drove the creation of considerable amount of small and medium sized companies whose production and profitability turned around the demand of such steel industry. (Cárdenas &y Redonnet, 1991). Due to changes in the socio -economic policies in México, AHMSA was privatized. Its privatization and subsequent economic crisis had an effect in the unemployment and sub employment of the region economically active population (Rojas, 2008; Rojas, 2015; Garza, 2016). From 24,216 workers that AHMSA had in 1987, the quantity diminished to 12,378 in 1991 (Rojas, 2008). Presently and according to calculations made by some researchers, AHMSA has approximately 1,800 non-union workers and 6,100 union workers.

As an educational institution focused to the field of the management sciences, the Faculty of Accounting and Management (FCA) has before it a big challenge: to bind efficiently the higher education with the economic context, which it is unfavorable to the employments offer. One of the ways to promote this link is through the creation of a business incubator that helps the formation of employers and not only be a generator of employees. However, in México the creation and permanence of incubators is a difficult and rough process (De la Cueva, 2013), which can have an effect in the success of this project. Therefore, the objective of this research is to identify the problems confronted by other incubators with the purpose of knowing the panorama they face in México.

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Concept and mission of a business incubator

The business incubators support the creation and development of small or micro businesses in their first life stages with the objective to diminish the inherent risk at the creation of a new business (Valdés, 2015). In an incubator are analyzed the ideas of new businesses and are selected for implementation the more viable projects (Sánchez, 2013). For this document, a business incubator is: "A support center for students that are entrepreneurs and facilitates them the creation and permanence of a business; provides them a physical space and services for specialized assistance, customized tutorials, design of businesses plans and access to loans" (Civaj, 2008). According to Barreto (2008), an incubator has the mission to promote the entrepreneurial culture; create employment in the locality; propel the region economic development and promote a managerial attitude. Abduh (2007) adds that for a business incubator to achieve its mission it should add value to the community in which it is operating and use incubator practices that allow the new entrepreneurs to get over obstacles.

Problems facing the business incubators in México

Informal economy predominance

A great amount of households heads belong to the informal economy and this influences in the decision that the youngster takes at the moment to choose the economic activity to which he will focus (Vidales, 2013). Such author mentions that nearly 60% of the employments in México are informal and adds: "...the informal economy is a result of the bad economic performance of México and is not a cause. To reduce the informal economy it should be…promoted the entrepreneurship as an economic agenda. Unfortunately, to have 60% of the employments in informal activities does not help to promote a culture of entrepreneurship among the young people" (Vidales, 2013., p. 15). In Table 1 below it is shown the reasons, and its corresponding percentages, that keep people in the informal economy.

Table 1: Reasons people stays in the informal economy

Reason	Percentage
To supplement the family income.	36
Earns more in the informality, than in a formal job.	34
He could not find a formal job.	13
Family tradition.	5.5
Loss of employments or flexible work shifts.	11.5

Source: Self-elaboration from data produced by Vidales (2013)

In September 2016, it was made a census among the students of FCA. The objective was to identify how many students presently have a business. The data showed that from the 1,244 students enrolled at the Faculty, 99 reported having some business. From these 99, only 56 people agreed to register the information about their business. This, in turn, leads us to conclude that 43% of the present

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entrepreneurs would rather prefer to maintain themselves in the informal economy, which confirms the mentioned by Vidales (2013).

High levels of bureaucratization and lack of coordination between the government and the university, Rubio (2007) advise that things that are in common in México are the bureaucracy that produces a standstill and that the citizen lives are besieged not only by the insecurity, but also by the excessive bureaucratization. The more drastic is that this bureaucratization "...kills all initiative and impedes the creation of employments. The Entrepreneurs do not see their way out among many regulations so much useless as conflicting" (Rubio, 2007).

The creation of incubators in México is a process full of bends and problems because a lot of programs and governmental bodies which are highly bureaucratized (De la Cueva, 2013). Such author found in the bureaucracy a strong obstacle to which will face the business incubators. In table 2 it is summarized the data obtained by De la Cueva (2013) with respect to the problems found.

Table 2: Problems detected at the businesses incubators.

Category	Description
Linking	Lack of communication and coordination between government and university.
	Lack of experience in the program.
Incubators	Lack of staff 100% dedicated to the incubator.
	The methodology is not in accordance with the entrepreneur.
	Lack of consultants with experience.
	Lack of monitoring to the incubation process.
	Carelessness of incubates.
	Lack of organization at the university and seriousness of its incubators.
Entrepreneurs	They expect fast results without taking into account the need of the incubation to evaluate the viability.
	Not so innovative projects.
	Abandonment.
	Lack of vocation.
Procurement of resources	High level of bureaucracy (too much paperwork), procedures and requirements to get the resources.
	Long waiting time for the management to obtain resources.
	Lack of funding of the projects.
	Few selected projects.

Source: Self-elaboration from data produced by De la Cueva (2013)

Some corruption examples: the newspaper "El Universal" (2013) published that The Technology Based Incubator Centre from the National Polytechnic (CIEBT-IPN) has a past due accounts higher than 47 million of pesos. It is mentioned that the "failure" cause of these projects is due partly because the impossibility to collect the loans given to entrepreneurs as part of the Seed Capital Program. But also, due to certain documented irregularities released by El Universal about the illegal handling of resources "It was informed that presumably in 2008, 2010 and 2011 resources were diverted from the Small and Medium Sized Companies Fund of the Economy Secretary, since some of the resources never get to the "entrepreneurs" and was simulated a delivery of the money to fake beneficiaries. Among the faults was the use of the Taxpayer Identification Number of legal and natural persons to register before the Tax Administration Service nonexistent or "facade" companies as alleged beneficiaries; they falsified signatures to simulate procedures before the CIEBT-IPN or make receipts, they use Voters Register Cards to justify the creation of false employments, the Centre charged up to 50 thousand pesos for the consultation services for each entrepreneur, that in some cases never received, besides invoicing twice for this concept".

Another example is Empreser, an incubator in the state of Baja California which from 2009 to 2012 received nearly 70 million of pesos to generate new businesses, but actually only employ it to train entrepreneurs, of which only a very small portion managed to be a "success case" (Mercado, 2013): "In a random survey...some entrepreneurs mentioned that besides the backing that the government and the Federation awarded to Empreser for the training, the entrepreneurs should pay 3 mil 300 pesos, receiving a receipt without any letterhead. The training received was rated as mediocre, and commented that from the 12 courses received at an average duration of two and a half hours each one, "none was worth the amount of money the government paid for them". In this case the aforementioned author denounces three-way-money transfer of resources, opacity and alteration in the number of businesses created.

Conclusion

This article addressed the problems that beset the creation and functioning of the business incubators in México. The existence of the informality in the economy, the excessive bureaucracy and the corruption. It would be advisable to the Mexican government to demonstrate more political will to take down the corruption and reduce the bureaucratic obstacles with the objective to support the creation of business incubators. This, as a measure to counteract the poverty, which to a large extent is the incubator of a good number of sicarios for the organized crime. The economic environment around the FCA, is characterized by the unemployment and sub employment. Most of our students come from families of limited resources that live in areas where frequently operates the organized crime. Those students, who work in legal businesses, earn weekly between 35.00 and 45.00 dollars. While the organized crime pay around 200.00 dollars to sicarios of low level. Therefore, a way to help the students increase their income is providing them advice and transparent financing to motivate their entrepreneur spirit through the creation of a business and counteract the possibility that they are attracted by jobs that are not appropriate neither for themselves nor for the Mexican society.

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