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THE ROLE OF INCUBATORS IN STARTUP SUCCESS

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ARTICLE INFO	ABSTRACT
Article history Received:2025-09-30 Received in revised form:2025-09-30 Accepted:2025-10-03 Available online <hr/> Keywords: line"incubator", "startup", "entrepreneurship" JEL CODES: L26, M13, O31	<p>Startups face a wide range of challenges on their path to success, from obtaining initial capital to building a sustainable business model. Recently, business incubators have emerged as essential supporters for startups, offering a variety of services designed to help new ventures overcome these hurdles. This article examines the diverse ways incubators contribute to startup development and growth. Incubators provide vital physical resources such as affordable office space, reliable utilities, high-speed internet, and access to specialized technology, which help reduce operational difficulties. They also play a key role in connecting startups with funding sources, including angel investors and venture capital firms. Moreover, incubators foster a collaborative environment where entrepreneurs can engage in mentorship, share experiences, and network with peers, promoting knowledge exchange and encouraging startups to refine their strategies. In addition, incubators offer educational programs like workshops and training sessions that build crucial entrepreneurial skills in areas such as management, marketing, finance, and innovation. Together, these supports enhance the likelihood of startup success and contribute to broader economic development.</p>

INTRODUCTION

In today’s global economy, startups have become key drivers of innovation, employment, and overall economic progress. These fast-growing enterprises are making significant contributions across multiple industries—including technology, healthcare, energy, and education—by disrupting conventional business practices and introducing groundbreaking solutions. Despite their promise, startups often face a range of early-stage obstacles. Challenges such as obtaining initial funding, assembling effective teams, competing in crowded markets, and adapting to rapid technological shifts are common hurdles that many must overcome.

Against this backdrop, business incubators play a vital and transformative role. These organizations are specifically designed to support new and emerging businesses by offering a wide array of structured services. These include access to physical workspaces, funding opportunities, expert mentorship, legal and administrative support, and tailored educational programs. More than just offering resources, incubators create an environment that fosters collaboration, innovation, and knowledge-sharing, thereby minimizing the inherent risks of entrepreneurship.

In countries such as Azerbaijan, where promoting innovation and diversifying the economy are national priorities, the role of incubators becomes even more essential. Through a combination of government-backed programs, partnerships with the private sector, and international cooperation, the number of incubators in the country has steadily grown. These initiatives aim not only to strengthen the local startup ecosystem but also to elevate Azerbaijan's position in the global innovation landscape.

This article examines the critical role of business incubators in nurturing startup success, with an emphasis on Azerbaijan's expanding innovation ecosystem. It delves into the various forms of support incubators provide, evaluates their impact on business development, and explores how they contribute to the country's broader economic objectives.

SECTION TITLE

Business Incubators are one of the main part of getting success in startups. Business incubators support the growth of entrepreneurial projects as providing office space, technology, mentoring, educational programs, consulting services, legal compliance and financial sources. The incubator idea occurred in the 1950s and most of them used to attached at universities. Nowadays incubators are financed by government, private companies, and non-governmental organizations, educational institutions, like universities and colleges. The National Business Incubation Association (NBIA) describes business incubators as a catalyst tool for either regional or national economic development. So, Sherman and Chappell have defined business incubators as "an economic development tool primarily designed to help create and new businesses in a community. There are a lot of ways that incubators provide support to be successful for startups.

Approved by the President's Decree No. 753 on August 17, 2002, the "Program for the Development of Small and Medium Entrepreneurship in the Republic of Azerbaijan (2002-2005)" aimed to implement comprehensive measures to enhance the innovative activities of entrepreneurs. A key objective of the program was to develop innovation activities for SMEs by establishing the necessary infrastructure and mobilizing financial and organizational resources to make it a leading sector. In addition, the Decree dated September 10, 2002, "Additional Measures for State Protection in the Development of Entrepreneurship in the Republic of Azerbaijan," set the task of creating a technological business incubator. The Innovation and Digital Development Agency (IRIA) reported that there are approximately 220 active startups in the country. This figure was shared in their recent report. ASAN estimates the number of startups at around 80. Representing Azerbaijan in the StartupBlink international ranking, which evaluates startup ecosystems, this data is reflected in the global rankings. An expert pointed out that there are around 160 startups listed in the Startup.az "Startup Azerbaijan" portal database. Additionally, KOBIA reported that 135 startup certificates have been issued. Normally, statistics from IRIA and KOBIA could also be included in StartupBlink, where ASAN is influential, but for various reasons, this hasn't been achieved. Azerbaijan currently ranks low in the StartupBlink ecosystem ranking, placing 84th among 100 countries last year (<https://www.startup.az>)

Prominent incubators in Azerbaijan include:

- Barama Innovation and Entrepreneurship Center: Established in 2009 by Azercell Telecom LLC, this was the first known business incubator in the country, supporting the emerging startup ecosystem.
- High Tech Park Azerbaijan (HTPark): Although primarily a technology park, HTPark

offers programs and facilities to support early-stage startups, promoting technological innovation.

- Incubator of the Innovation Center of the Azerbaijan National Academy of Sciences (ANAS): ANAS runs an incubator to support tech startups by providing mentorship, networking, and resources. The State Fund for Development of Information Technologies (ICT Fund): This government fund offers financial support to tech startups to help them grow, although it isn't strictly an incubator.
- StartUp Azerbaijan: This initiative promotes entrepreneurship and innovation through various programs, including an incubation program.
- Other incubators include Innoland and the ABB Innovation Center's Incubation Programs.

Additionally, a strong focus is being placed on developing human capital, exemplified by initiatives like the Technest program, which has awarded scholarships to over 4,000 students in technology-related areas. This effort is designed to boost the number of skilled professionals contributing to the startup ecosystem

Some key objectives for the continuous development of incubators (by the government, businesses, and the public) are:

- Economic development and job creation
- Commercialization of research investments
- Real estate development ventures
- Promoting entrepreneurship in transition economies
- Opportunities for national immigrants and graduates abroad
- Boosting export production.

Structures such as incubators provide opportunities for knowledge transfer, experience sharing, network creation and cooperation, as the different incubated ventures share a common physical location (A.B. Bergek, C. Norrman, 2008). These structures play one of the crucial roles in developing the economic growth of the countries. Studies found that improvement of an entrepreneurial ecosystem causes a good network system, collaborative work and knowledge exchange, and partnerships with the firms.

First of all, **financial support**. Incubators often provide startups with essential financial support, offering seed funding, grants, or access to investment networks. The capital is essential for startups in their early stages, promoting them to develop prototypes, making market research, and recruiting skilled talent. They provide access to investors, specially, angel investors and venture capital.

In Azerbaijan, several strategic initiatives support the financial growth of incubators and startups. The government provides both grants and preferential loans, such as the \$10 million in grants and \$15 million in loans offered in 2023 (<https://eu4business.eu>). This funding supports over 100 startups, helping them to establish and expand their businesses by providing crucial financial assistance during their formative stages. Moreover, incubation centers within technoparks supply startups with essential infrastructure, including office spaces, equipment,

consulting, and mentorship services. This combination of physical and advisory support fosters innovation and sustains startup development. International collaborations, such as those funded by the EU and UNDP, further bolster the ecosystem by offering financial support for social entrepreneurs. These programs enable participants to secure funding for ventures that align with Sustainable Development Goals (SDGs).

Teambuilding support. One of the main support of incubators in startups is teambuilding process. So incubators frequently organize team building activities such as workshops, teamwork tasks. It is helpful in creating collaboration and strong work culture with the different individual members of startups. Because of such kind of activities different people who have startup ideas come together, make discussion and find a member for their team. Development of teambuilding process provide the administrative, human resources, production, research and development, financial, accounting, technical and marketing needs, during the establishing phase. It is often encountered some startups can't make their team. For example, because of lack of graphic designer the team who owns startup idea about building site can fail.

Corporate Partnerships. Incubators maintain corporate partnership which can cause sustainable growth for startups. As the companies which are in their maturity can transfer their knowledge, expertise and main points of how to become successful and penetrate in the market. As a result of this collaborations network opportunities can be ease between startups and corporate entities.

Fostering a Supportive Ecosystem. Incubators create a conducive environment for startups by offering shared office spaces, access to networking events, and mentorship programs. This fosters collaboration and allows entrepreneurs to connect with like-minded individuals, share experiences, and learn from one another.

Building a supportive ecosystem for incubators in Azerbaijan is key to advancing the country's goals for economic diversification and technological innovation. This ecosystem equips startups with critical tools, resources, and guidance to ensure their growth, integrating efforts from the government, private sector, and international partnerships to foster a thriving innovation environment.

Government Support: The Azerbaijani government plays a crucial role in developing incubators by providing financial support, implementing regulatory changes, and launching targeted programs. Agencies like the Innovation and Digital Development Agency manage various incubators, offering startups access to grants, loans, and other financial incentives. In addition, government-funded technoparks supply physical infrastructure, such as office spaces and cutting-edge facilities, while incubators provide services like business consulting and legal assistance.

Private Sector Engagement: Corporations and venture capital firms in Azerbaijan also contribute significantly to the startup ecosystem. They offer essential resources such as funding, mentorship, and networking opportunities, helping startups connect with industry leaders. These collaborations between incubators and private entities promote innovation and allow businesses to benefit from fresh talent and ideas.

Technology assistance and infrastructure. One of the key factors of successful startups is working of team member together continuously and to provide the collaborative work they need office space, utilities, internet connection and additional resources for comfortable working

environment. Especially, for technological projects high secured technology such as computer, internet connection, software and etc. are so important, so it protects the startups possible hacking. Incubators address this by offering technical support, such as access to specialized software, hardware, cloud services, and IT assistance. This helps startups efficiently develop, test, and scale their products. Additionally, incubators may provide services like product design, coding help, and IT expertise.

Infrastructure Support: Physical infrastructure is also important as technology support. Most of incubators provide office spaces, meeting rooms, and special areas which provide comfortable working environment, allowing startups to operate professionally. Lack of such kind of resources can cause some postpones and can slow down operations. Tech startups may benefit from labs or workshops where they can test products. By offering these resources, incubators foster operations in startups, letting them focus on innovation and development. Overall, technology and infrastructure support are vital for the development and success of startups, enabling them to create, test, and launch their products while encouraging collaboration and innovation.

They provide **Intellectual property management**. It is often observed that the start-up idea can be realized by the companies which host more capacity and power. They can make better customer satisfaction as a cheaper price because of less cost, better promotion campaigns, even better production and edits as a result of using full capacity and great network. Even if the real owner of the start-up idea implements his/her business, to compete with such kind of giants will be impossible and in conclusion failure will be inescapable. Most of people do not know the procedure of getting intellectual property such as patent, license and as a result of this action they can face with failure because of skipping the ownership.

Market research support. Market research is a significant part of any business activity, so also start-ups. Market research covers gathering, analyzing, and interpreting information about a market before the launching process. It includes customer requirements such as market trends, design, size, price, place and etc. Lack of market research can cause the failure of start-ups because of not taken into account the main customer preferences. Customer satisfaction provides long-term loyalty and as a result of it, at the same time profitability. Incubators also provide market research support as it is an essential part of start-up success. One of the key benefits of getting the support of incubators for market research is to attract professionals in this sphere and gaining guidance for your business. So, incubators usually have a network of specialist, and advisors who can support the start-up teams with great advice on market research. As not all start-up team members are aware about the market research strategies, incubators support teams to attract the specialists who can be helpful to make successful market research analysis.

Educational Programs. As it is known via education most of abilities can be improved, even someone does not have any capability to which sphere applied. The entrepreneurship education programs offered by schools, universities and other educational institutions has the capacity to motivate and attract pupils, students, graduates and other people who are interested to improve their knowledge and ability in entrepreneurship to engage in entrepreneurial ventures, and these people can be a source of nascent entrepreneurship (M. McAdam, S. Marlow, 2008).

Educational programs play a pivotal role in supporting incubators in Azerbaijan, significantly contributing to the growth of the country's startup ecosystem. These programs are primarily focused on developing entrepreneurship skills, fostering innovation, and building human capital

to ensure that incubators can nurture successful businesses. One key initiative is the integration of entrepreneurship and innovation courses in universities and technical institutes, which encourage students to think creatively and develop business ventures. Programs like Technest provide scholarships to thousands of students in technology fields, helping cultivate the technical expertise necessary for the startup ecosystem. Incubators also offer a variety of professional development opportunities through workshops, mentoring, and access to industry experts. These educational programs are designed to guide entrepreneurs through the complexities of launching and scaling a business, from ideation to securing funding. This support is often complemented by networking events, where startups can connect with potential investors and collaborators INBIA (The International Business Innovation Association). Moreover, international organizations such as the EU and UNDP collaborate on educational programs that help Azerbaijani entrepreneurs align their businesses with global standards and Sustainable Development Goals (SDGs). This exposure ensures that local startups are equipped not only with technical and business acumen but also with the strategic knowledge needed to succeed in the global marketplace INBIA. By investing in education and capacity-building, Azerbaijan's incubators are fostering a new generation of entrepreneurs ready to innovate and grow in both local and international markets.

CONCLUSION

In today's highly competitive, innovation-centered global landscape, business incubators play a crucial role in the success of startups. They serve as a vital bridge between early-stage ideas and fully developed, market-ready ventures by offering an environment rich in resources and guidance. By providing access to funding, office infrastructure, team-building opportunities, legal and administrative support, market analysis, and specialized training, incubators deliver the foundational tools entrepreneurs need to grow sustainable businesses.

In Azerbaijan, the development of the startup ecosystem has been significantly influenced by the active involvement of both government bodies and the private sector in expanding and enhancing incubator initiatives. Through targeted policies, investment programs, and educational efforts like the Technest program, the country has made notable progress in fostering entrepreneurship, building talent pipelines, and encouraging technological innovation. Leading incubators such as Barama and High Tech Park have already made a tangible difference in shaping the local startup environment. Nevertheless, substantial work remains to be done.

For Azerbaijan to climb higher in global innovation indices and emerge as a regional center for entrepreneurial activity, sustained efforts are required. These include widening access to capital, deepening international collaborations, upgrading technological infrastructure, and reinforcing protections for intellectual property. In summary, business incubators represent far more than just physical facilities—they are strategic drivers of innovation, economic diversification, and capacity development. Through mentorship, knowledge-sharing, and collaborative support, they empower startups to succeed in a competitive marketplace. As Azerbaijan continues to invest in this critical infrastructure, incubators will be at the heart of building a vibrant, resilient, and globally connected startup ecosystem.

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