

The development of business incubation in China

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Business incubation centres have been developed on a large scale in China with government support. The intention is to promote commercialization of local hi-tech inventions. This has helped to stimulate rapid growth in the high-tech industry sector. Business incubation has led to strengthening of commercial production, industrial growth in more specialized areas, and diversification of investment options. This article discusses the development and growth patterns of business incubators in China.



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Introduction

Since the birth of the first business incubator (BI) in China—Wuhan Donghu Business Incubation Centre in 1997, Chinese BIs have made rapid progress. According to statistics from the Ministry of Science and Technology of China, China had over 110 BIs (the number would be much bigger if we consider some small BIs) at the end of 1999.

Chinese BIs have been set up over the past 10 years with government support in a bid to promote the commercialization of local hi-tech achievements. Most early BIs were founded by local science and technology commissions. Later ones were set up by Hi-tech Industrial Development Zones with the objective of fostering projects. These BIs are non-profit organizations, many of which are supported by local governments, not only with facilities but also with operational expenses. Today BIs cultivate a large number of rapid-growth enterprises for Chinese high-tech industries. This kind

of BI has been found to be more practical and effective in China during the transfer from a planned economy to a market economy.

The transfer to the new economy has clearly brought many changes to the Chinese economic environment. After 20 years of reform and exposure to the outside world, China is now in a period of unprecedented adjustment of business structures. The non-state economy is gaining more and more proportionately in the national economy (60-70% in coastal regions). Hi-tech industries have been greatly favoured by investors. Although the overall economic development is at an early stage, some industries related to the new economy, such as the internet, IT and bioengineering have made remarkable progress on a foundation of high education and scientific research. The Chinese capital market markedly favours hi-tech industries. A Growth Enterprise Market (GEM) will be opened in China next year for enterprises with rapid growth. This will pro