



Establishing Relationships that Strengthen the Business Incubator and Services Rendered to Businesses

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1. Abstract

Innovation and entrepreneurship are critical drivers of social and economic development. In difficult economic times small businesses face enormous challenges in running their businesses, even if they are based on good business ideas. With increase in awareness around the world, especially in developing economies, about the need to promote Innovation and Entrepreneurship, policymakers and other stakeholders are increasingly viewing business incubation as an important tool to unleash human ingenuity, enable competitive enterprises and create sustainable jobs. This has resulted in the growth of Business Incubators which support new ventures, help overcome the challenges faced by entrepreneurs and establish an ecosystem for the venture initiation process so that start-ups are successful. Many start-ups face trading difficulties since their inception and entrepreneurs who take risks to begin businesses in this climate need advice and support from all possible quarters if they are to survive. For entrepreneurs, managing money is critical in the first months of trading; expensive premises and long term leases can lead the businesses into trouble. Entrepreneurs working from home and through small offices inside houses are continuously disturbed by children and family members although the visiting customers expect a business environment. Providing space, electricity and basic amenities required by entrepreneurs initially is not enough, they also require incubation managers to be prepared and equipped in all functional areas of the business incubation process. Making incubations successful requires incubation managers to understand the commonalities among the business incubators. The present study focuses on the reasons of satisfaction of the incubatees' over various facilities provided at the incubation centres and the involvement of incubation managers. *The researcher used questionnaires for incubatees which included close/ open ended, multiple choice, nominal and ordinal questions. Mentoring and assistance in obtaining finance were the two factors found to be most important in creation of successful ventures.*

Keywords: Business Incubation, Entrepreneurship, Incubation Infrastructure, Incubation Managers.

2. Introduction

Budding entrepreneurs require incubation because they have a great idea which requires specific equipment and skilled resources. They have unique business models but are not able to muster up enough resources to support the initial run; they have new technology but require help to take it to the market. An incubator provides mentoring and advisory

services to a start-up and networks it with businesses². Incubators provide infrastructure and connectivity, mentoring, networking with potential investors and financial support. Incubators are looking for innovative product and service companies that make a difference to large, undeserved population². The programmes conducted by National Science and Technology Entrepreneurship Development Board (NSTEDB) have created awareness among Science and Technology persons to take up entrepreneurship as a career. Academicians and researchers have started taking a keen interest in such socially relevant roles and have engaged themselves in several programmes initiated by NSTEDB. About 100 organisations, most of which are academic institutions and voluntary agencies, were involved in the task of entrepreneurship development and employment generation³. They give financial support to the young entrepreneurs through NSTEDB sponsored incubation centres.

3. Methodology

The present study focused on the incubatees' reasons for satisfaction over various facilities provided at the incubation centres. *The researcher used questionnaires for incubatees which included close/ open ended, multiple choice, nominal and ordinal questions.* The objective of the present study was to assess whether incubatee satisfaction has any role in functioning of incubators. The questionnaire for incubates focused on mentoring, assistance in obtaining finance, seed money, incubation space, business promotion, business plan development, and legal expertise. *Accordingly the researcher used closed/ open ended, multiple choice, nominal and ordinal questions. Necessary care was taken to ensure that the questions were simple, direct, and unambiguous and maintained an appropriate sequence.* The draft questionnaire was designed keeping in view the research objectives. It was reviewed and scrutinized at various stages of discussion with experts. A total of 120 incubatees and their employees were interviewed but only 100 fully filled up questionnaires were finally selected for the research analysis since the remaining were incomplete in many respects and hence were discarded from the final research. *The non-probability purposive/judgmental sampling technique was used. The research study being conducted with a purpose in mind, the sample was selected to include people who evinced interest and excluded those who did not suit the purpose. Multivariate Linear Regression Analysis was used for statistical analysis.*



4. Result

To establish relationships that strengthen the business incubator and services rendered to businesses various factors were considered. The researcher intended to develop a statistical model to predict incubatee satisfaction towards incubation facilities provided by incubators which was dependent on different parameters. The researcher believed firmly that following seven factors mentioned would be predictors to predict dependent variable incubatee satisfaction towards incubators.

1. Mentoring; 2. Assistance in obtaining finance; 3. Seed money; 4. Incubation space; 5. Business promotion; 6. Business plan development; 7. Legal expertise⁴

In order to have the data the researcher had devised a questionnaire and responses from one hundred respondents were recorded. Each of these eight variables were measured on an ordinal scale wherein respondents had to choose

between the available five options ranging from highly satisfied to highly dissatisfied. In order to develop the statistical model to measure the incubatee satisfaction, the researcher thought Multivariate Linear Regression Analysis (MVLRA) was the best tool which could be used only under the assumptions of normal distribution. Ordinal regression and log linear regression are the tools that can be used when the measurement of variables is on an ordinal scale. Using monotonic function such as log transformation, the ordinal data can be transformed and used for MVLRA. Therefore, after transforming the data using monotonic function – log transformation, the ordinal variables were converted into variable measured on internal scale and tested for normal distribution. All the variables were found to follow normal distribution and hence MVLRA was performed. Total incubatee satisfaction towards incubation is shown as the dependent variable.

Table 1: R Square Change Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.895(a)	.800	.798	.0992792	.800	393.102	1	98	.000
2	.958(b)	.918	.916	.0640712	.117	138.297	1	97	.000
3	.990(c)	.980	.979	.0317826	.062	298.203	1	96	.000
4	.991(d)	.982	.981	.0302221	.002	11.169	1	95	.001
5	.993(e)	.986	.985	.0272085	.004	23.210	1	94	.000
6	.995(f)	.989	.989	.0236156	.004	31.778	1	93	.000
7	1.00(g)	1.000	1.000	.0034916	.010	4162.344	1	92	.000

a. Predictors: (Constant), Mentoring; b. Predictors: (Constant), Assistance in obtaining finance; c. Predictors: (Constant), Seed money; d. Predictors: (Constant), Incubation space; e. Predictors: (Constant), Business promotion; f. Predictors: (Constant), Business plan development; g. Predictors: (Constant), Legal expert; h. Dependent Variable: Incubatee satisfaction

Mentoring explains variance up to 80%. When all factors Mentoring, Assistance in obtaining finance, Seed money, Incubation space, Business promotion, Business plan development, and Legal expert put together the predictors explain up to 100% which implies that in order to judge the

incubatee satisfaction, all the independent variables must be put together for a perfect fit.

Model Parameters

The next part of the output is concerned with the parameters of the model. The first step in our hierarchy included mentoring and although these parameters are interesting up to a point, the research is more focussed on the final model because this includes all predictors that make a significant contribution to predicting total incubatee satisfaction for an incubation centre. Thus, the research considers only the lower part of the table.



Table 2: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
7	(Constant)	.012	.002		5.033	.000
	Mentoring	.106	.004	.120	29.816	.000
	Assistance in obtaining finance	.102	.004	.125	25.546	.000
	Seed money	.132	.007	.132	17.887	.000
	Incubation space	.129	.004	.144	34.145	.000
	Business promotion	.269	.008	.262	35.467	.000
	Business plan development	.108	.004	.143	27.984	.000
Legal expert	.144	.002	.170	64.516	.000	

a. Dependent Variable: ln Incubatee satisfaction towards incubation centre

$$Y = 0.012 + 0.106 X_1 + 0.102 X_2 + 0.132 X_3 + 0.129 X_4 + 0.269 X_5 + 0.108 X_6 + 0.144 X_7$$

Where, Y = Incubatee Satisfaction towards incubation centre,

- X₁ = Mentoring
- X₂ = Assistance in obtaining finance
- X₃ = Seed money
- X₄ = Incubation space
- X₅ = Business promotion
- X₆ = Business plan development
- X₇ = Legal expertise

Incubatees were quite happy with mentoring and they closely monitored product development of the incubatee company. Incubators aided in obtaining funds for the incubatee companies at post incubation phases through a network of **venture capitalists** from all over India, limited seed money in the form of soft loan was also provided to start-ups at reasonable rates of interest. Furnished rooms of different sizes, Seminar/Conference rooms for business meetings were also provided. Incubators helped in finding business partners & venture capitalists and provide consultancy on business promotion. Incubation centre managers along with management consultants, help start-ups to strengthen their business and financial plans. A panel of highly qualified legal experts such as CAs and CSs advise companies in their legal matters.

5. Conclusion

Strengthening the business incubator and services rendered to businesses required mentoring, assistance in obtaining finance, seed money, incubation space, business promotion, business plan development, and legal expertise. The incubator also helped the entrepreneur locate potential source of finance and, in some cases, put together a team to directly assist the entrepreneur in securing funding¹. The revenue streams of the incubator would primarily be what it charged its incubatees. Incubators are faring well because of the support from NSTEDB.

6. References

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