

## Performance Effectiveness and Commercialization Strategy of Business Incubators from the Tenant's Perspective

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### Abstract

The government places great emphasis on business incubation programs within the university. The main reason established a business incubator at universities is to reduce the problem of unemployment in Indonesia. This study aims to describe the business incubation process, analyze the effectiveness of the performance of the Undip KKIB (Klinik Kewirausahaan dan Inkubator Bisnis Universitas Diponegoro) from the tenants' point of view, and find out the role of the Undip KKIB business incubator in the commercialization strategy of its tenants. The method used in this research was the qualitative method. The data collection technique used was the interview technique. This study used three informants with different backgrounds. The first informant is a KKIB tenant who has been incubating. The second informant is a KKIB tenant who has passed the incubation, and the third informant is a representative of the KKIB business incubator management. The first result of this study indicates that the KKIB Undip business incubator has been good in terms of excellent service and incubator programs, reliable incubator human resources, and tenant business growth that has increased since joining the business incubator. The last result shows that they have business matching and business pitching to commercialization strategy. For further research, the performance and commercialization of business incubators in different aspects will be examined, with more informants is expected.

Keywords: Business incubation, incubator, tenant, business incubation process, performance, strategy commercialization.

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### 1. Introduction

In March 2020, based on data obtained from an electronic magazine belonging to the Ministry of Cooperatives and SMEs of the Republic of Indonesia, the ratio of entrepreneurs in Indonesia was at 3.47% [1]. This number is relatively low compared to other neighboring countries such as Thailand (4.26%), Malaysia (4.74%) and Singapore (8.76%), and several developed countries which are far above 14% ([www.kemenkopukm.go.id](http://www.kemenkopukm.go.id), 2020). Ideally, the ratio of entrepreneurs is around four percent (4%) of the total population to encourage the national economic growth rate [2].

It means, the government gives high hopes for students. So, they will not only focus on being job seekers but are also capable of being job creators. Therefore, the government has prepared several programs to optimize economic development, one of which is by establishing a business incubator. Business incubation programs have been used as an instrument of entrepreneurship development policy to increase new groups of companies and address their needs at an early stage whose existence is still vulnerable [3].

Entrepreneurial university is a developed concept to ensure that the knowledge produced contributes to regional economic development [4]. There are several

reasons why university business incubation programs are so important. First, business incubation programs offer a rapid evolution from scientific knowledge to marketable products or services. Second, the role of incubators in the business and innovation ecosystem is increasingly important. Through their flexibility and openness, they can act as knowledge connectors and even as intermediaries in networks. Third, many policies were made by-laws changed and regulations that specifically target the establishment of university business incubation programs [5]. Many activities such as collaborating research and industry, creating creative ways to commercialize patents, and entrepreneurship training are developed for students and firms to achieve their aspirations [6].

The Ministry of Research, Technology, and Higher Education of Indonesia cooperates with universities, private institutions/foundations, and the government in the business incubation program. There are 86 business incubators registered with the Ministry of Research, Technology, and Higher Education of Indonesia, in which 70 of them based in universities in Indonesia [7].

Incubators can provide a variety of services. However, there is no universal agreement on how they operate in the real world. Tenants should understand the business strategy and implementation like formulation of

business plans, organization strategies, and institutions [8]. It means, the incubator is needed to solve difficulties and the tenant's progress as a new business.

In other words, incubators have to provide more than just primary services such as office rental and co-working space for tenants with a strategy-oriented approach [9]. That is necessary because of the possibility that the tenants do not have much time to achieve goals such as increasing the scale of their business and the lack of abundant human and financial resources [10]. As strategic paths, a business model to generate revenue streams from a pure target market is needed [11]. It shows the need to ensure efficient planning and implementation by tenants through business experimentation and organizational learning. Therefore, it provides the tenant's perception of the effectiveness of the business incubator on their business. It also shows that their aspirations are needed to measure incubator performance. Incubators can use each response and suggestion from the tenants in improving them in the future [12].

An entrepreneur is a person who perceives profit opportunities and initiates actions to meet currently unsatisfied needs or to increase efficiency [13]. Entrepreneur is also defined as someone who is accustomed to creating and innovating to build something of value around perceived opportunities [14]. The characteristics of an entrepreneur are: someone who exhibits initiative, creative thinking, can regulate social and economic mechanisms to change resources and situations into practical calculations and accepts risks and failures. Unlike the entrepreneurs, the businessmen only follow existing business ideas and are only fixated on getting a stable financial profit.

Entrepreneurship are divided into two (2) types, namely: Entrepreneurship Small and Medium Enterprise (SME) and Entrepreneurship Innovation-Driven Enterprise (IDE) [15]. Here are the differences between the two:

Table 1  
Entrepreneurship SME vs IDE

<i>Entrepreneurship SME</i>	<i>Entrepreneurship IDE</i>
Focus on addressing local and regional markets only.	Focus on global markets
Innovation is not necessary to SME establishment and growth, nor is competitive advantage.	The company is based on some sort of innovation (tech, process, business model) and potential competitive advantage.
Non-tradable jobs; jobs generally performed locally, e.g. restaurants, dry cleaners, service industry.	Tradable jobs; jobs that do not have to be performed locally.
Most often family business or businesses with very little external capital.	More diverse ownership base including wide array of external capital providers.

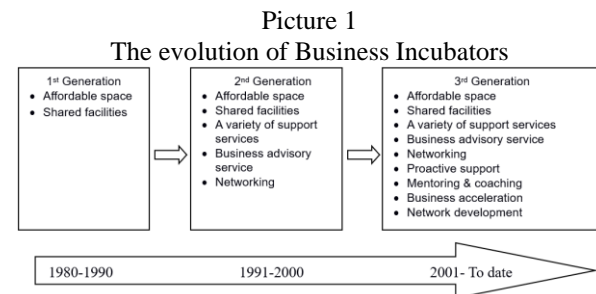
The company typically grows at a linear rate. When you put money into the company, the system (revenue, cash flow, jobs, etc.) will respond quickly in a positive manner.

The company starts by losing money, but if successful will have exponential growth. Investment requires. When you put money into the company, the revenue/cash flow/jobs numbers do not respond quickly.

Business incubation is a social and managerial process that aims to support the development and commercialization of new products, new technologies, and new business models [16].

The outcomes of the incubation process as five mutually exclusive outcomes measured in terms of tenant growth and financial performance at the time of tenant exit. Its final statuses are: the tenants survive and increase profitability; the tenants survive and grow and are on the path to profitability; the tenants survive, but does not grow and is not profitable or only slightly profitable; while still in the incubator, tenant's operations deferred, and the losses got minimized; the tenant's operations are stopping when still in the incubator, and the losses high [17].

A business incubator is an economic development tool designed to help create new businesses in the community [18]. By providing support services, such as assistance in developing business and marketing plans, building a management team, obtaining capital, and access more specialized professional services, Business incubators assist new business. They also provide flexible space, shared equipment, and administrative services.



The main goal of a business incubator is to produce successful companies that will make the program financially viable and self-sustaining [19]. Graduates of this incubator potentially create jobs, revitalize the environment, commercialize new technologies, and strengthen local and national economies. Definition of university business incubator is a university-based institution that provides support for new business startups through tangible and intangible services [18].

Startups need mentors, and advisors to understand and survive in their market [20]. The participation of experiential people from the same industry could help a new venture to survive. Third, the incubator also needs to improve their ability and work with various sources of funding, patent application and other assistance related to legal issues. This study explores

incubation process in Indonesian business incubators, and identify supporting factors of a learning process for their tenants, to what extent their practices had adopted to the best practices of the global business incubation programs. Principally, business incubation is not just about the physical facility but how the incubation program able to drive the mindset change of the entrepreneurs through knowledge sharing, skill and capacity building program, and various networks [21].

The effectiveness of business incubators is measured using effectivity resources [22]. Their characteristics such as a different tenant selection process, the quality and support of the existing management team, the ability to benefit from a network of incubators including actors outside the program and the extent to which knowledge transfer will be applied such as patents or spin-off projects [23].

There are two types of performance measurement for business incubators, such as hard measure and soft measures. This hard step is closely related to clear targets such as sales turnover for tenants and the number of tenants for incubators. In soft measures, incubators are evaluated based on an improved and productive network. And incubators are expected to have a higher level of expertise and support from their stakeholders [22].

The act of commercializing innovation included in the definition of innovation. The commercialization of innovation is an activity required to introduce an innovation to the market [24]. Technology commercialization is a means to exploit technology resulted from research in either production or consumption activity so that the researcher can gain profit from the activity. In most cases, many technology products resulting from research happened to fail to be launched to the market due to the valley of death. This obstacle usually occurs in the transition process between technology development and technology commercialization. Hence, critical action is needed to accelerate the technology commercialization in order to ensure the commercialization potency of research output does not fall into the valley of death. A university is expected to take part in this process in order to accelerate the transfer of new technology products to the market [25].

## 2. Research Method

This study used a qualitative approach with the type of case study research. Qualitative research can be interpreted as “an approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem [26]. The aims of qualitative research are to reveal the meaning of an occurrence for people who are involved in it. In conducting a study qualitatively, researchers are concerned with identifying how people describe their

own experiences, how they construct their worlds, and what meaning they attribute to their experiences.

A qualitative study approach incorporates several salient characteristics. First, the aim of the study is to understand the experiences that people have. Second, the instrument for data collection and data analysis is primarily the researcher. Third, the data from the study is analyzed inductively. In other words, from the data the researcher will generate explanations in the form of concepts, hypotheses, or theories. Finally, rich description will be produced from multiple sources of data such as documents, field notes and interviews.

Case study is a research methodology, typically seen in social and life sciences. There is no one definition of case study research. However, very simply that a case study can be defined as an intensive study about a person, a group of people or a unit, which is aimed to generalize over several units. A case study has also been described as an intensive, systematic investigation of a single individual, group, community or some other unit in which the researcher examines in-depth data relating to several variables [27].

This study interviewed three informants from different backgrounds. Two informants have backgrounds as Undip KKIB tenants, and one informant from management of Undip KKIB. This study used the triangulation method to test the credibility of the data. The researcher used source triangulation to re-compare the degree of confidence in information obtained through different sources. The next stage of this analysis is member check, with the checking process of the data obtained by the researcher to the data provider. The purpose of a member check is that the information the author obtains and uses in writing the report is by what the informant intended.

This study will discuss the performance of business incubators from the tenant's point of view using 2 (two) measurements, namely "hard output" and "soft outcomes" measurement. The "hard output" includes the business growth of tenants. Then, for soft outcomes, the incubator is evaluated from the services provided and the quality of human resources in the Undip KKIB business incubator. Both hard and soft measurements based on previous research.

## 3. Result and Discussion

In this study, the effectiveness of the Undip KKIB business incubator performance using hard and soft measurements was conducted. As a result, the aspects reviewed in this study are as follows: services and programs that have been running, the quality of human resources owned by the business incubator, tenant's business growth after participating in the business incubation program. The results of the Incubator service and programs sub-theme are showed on Table 2.

**Table 2**  
**Sub-theme Grouping: Incubator Services and Programs**

Representative Quotations	Organizing Themes
"All infrastructure services are qualified, such as office facilities, wifi, a meeting room, and the co-working space that supports us in doing business."	Infrastructure
"...there was a lot of training carried out at the Undip Incubator."	Program
"If we want to handle legality, we can be linked by KKIB."	Value-added service
"My perception of KKIB's performance is good. I got a lot of information, a lot of access about how to scale up the business. I got it through the KKIB business incubator."	Business Strategy
"Then, we will be facilitated regarding the necessary needs, like IT's service."	IT services

It is found that the services and programs, so far, have been good. In terms of the available resources and services, it has also exceeded the tenant's expectations. Then in terms of the program has also been going very well.

**Table 3**  
**Sub-theme Grouping: Incubator's Human Resource**

Representative Quotations	Organizing Themes
"Everything is qualified. There is Ms. X. She is an expert in the business field. She knows how this business to be hacked, so it can grow faster. There are many inputs from Ms. "X" that make us think about what we never think before. Therefore, many ideas given by business mentors at KKIB."	Competence
"... At Undip, the mentor is an expert, they are all great at Undip."	Competence
"...Indeed, we finally meet mentors who could lead us to the right path. Because what? Because if we did not meet them, we might take a long time or process to get to that point. Because we are self-taught, we were groping if we did not have a mentor."	Value-added

The interviews show that the HR in the Undip KKIB business incubator is the best and very reliable in their fields.

**Table 4**  
**Sub-theme Grouping: Tenant's Business Growth**

Representative Quotations	Organizing Themes
"Yes, if in terms of business development, such as profits, it is quite good, it is enough to increase..."	Profitability
"Because our business is in tourism, we were being incubated for the construction of a system for digitizing tourism. What we get there is an additional investment for capital. The profits increase maybe about 20% in the beginning. In 2020, our profit target should be up to 50% but we stop the projects working on because of the pandemic."	Profitability
"In early 2020, starting from late February to early March, we have a big effect. In the early days of Covid, we got a positive impact. So we do have an	Sustainability

Representative Quotations	Organizing Themes
increase. The increases are in users and sales. And Alhamdulillah, we control it until now and still holding on to it. This covid pandemic has indeed become one of our turning points."	Development
"In terms of management, such in terms of revenue management, thank God there is an increase. Then in terms of human resources, thank God, our employees are still growing. One of them is because of the role of the business incubator."	

Based on the results of the interviews, it shows that the business growth of tenants has increased rapidly since joining the Undip KKIB business incubator. It can be seen from the increased profits, resource development in the form of increase human resources owned by tenants, and the survival of startups despite the Covid-19 pandemic.

**Table 5**  
**Sub-theme Grouping: Coomercialization Strategy**

Representative Quotations	Organizing Themes
"So, in the context of commercialization, we have a matching program. Business matching and pitching, something like that. In which we have the tenants meet not only with investors but also with the user partners and others."	Networks
"Well, yesterday Indofishery wanted to move there. So, we asked the Undip Incubator to facilitate us to several experts such as food experts, packaging experts, marketing experts, and others at FEB. We asked for input regarding the commercialization of the product. Finally, we get the feedback, it should be like this or that. Then we apply it to the product and "Alhamdulillah" it is now a development process."	Marketing Strategy
KKIB Business Incubator is an incubator owned by Diponegoro University. And of course, we have links with alumni, who spread out in national, multinational, foreign companies, ministries, or other institutions. So, here we are as the link and match it to link this tenant with the customer, especially the B2B, business to business."	Networks
What KKIB is doing is just connecting. Where should this tenant's product be promoted to help this tenant to grow up? Their function is there, looking for people who can help tenants like investors."	Networks

From the results of Table 5, the roles of business incubators in commercialization of tenants' products are providing assistance in formulating business strategies and optimal marketing strategies, as well as establishing a good network between tenants and potential investors. This can be realized through services and programs provided by business incubators such as business consulting, procurement of business matching programs, and business pitching. Another thing that the incubator does in the commercialization strategy of tenant products is to maximize the network with alumni, potential investors, potential customers, and other stakeholders.

#### 4. Conclusion

The performance of the Undip KKIB business incubator has been effective based on the tenant's point of view. It measured from 3 aspects, namely the services and programs provided by the business incubator, the quality of human resources in the business incubator, and the growth of the tenant business. From the three indicators, the tenants obtained satisfactory results. The two informants with tenant backgrounds both confirmed this. The role of the Undip KKIB business incubator in assisting formulate a tenant business commercialization strategy focuses on market analysis, marketing strategies, and business models. In addition, the Undip KKIB business incubator also arranges business matching and business pitching to commercialize the tenant business. For further research, examining the performance and commercialization of business incubators in different aspects with more informants is expected. Thus, it will make the future research is more complex and more representative.

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