ROLE OF BUSINESS INCUBATORS IN ENTREPRENEURSHIP DEVELOPMENT IN PAKISTAN

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Abstract

The concept of incubation has received popularity all over the world due to its ability to create such an environment which is conducive for the development of entrepreneurship. The current study was aimed at studying the role of business incubators for the development of entrepreneurship in Pakistan. Using a sample size of 42 entrepreneurs, the data were collected through a structured questionnaire on the effectiveness of business incubators. The results obtained through SPSS analysis showed that the role of incubators is effective in providing consultancy and networking services to entrepreneurs whereas on training, provision of infrastructure and marketing side, they have to work even harder to provide the required results. The findings of the study are helpful for policy makers to craft policies in order to make the role of incubators, even more effective for the promotion of entrepreneurship and eventually wealth accumulation in Pakistan.

Keywords: Business Incubators, Entrepreneurship, Wealth Accumulation, Pakistan.

1. Introduction

The concept of incubation has received popularity all over the world due to its ability to create such an environment which is conducive for the development of entrepreneurship (Eshun, 2009; Mahmood *et al*., 2015). The business incubators can play a crucial role to reduce business risks and motivate innovations for business. It is a combination of activities including the provision of infrastructure, practical policies and regulation to convert innovative business ideas into economic value. Some researchers limit the scope of incubators in such a way as they think them to enable more business start-ups and result in lesser failures (Hackett and Dilts, 2004). However, the scope has been broadened by including job creation, economic self-efficacy, and diversification of the economy, the exchange of technology between universities and corporate world and sharing of experiences of endeavor (Chandra and Chao, 2016; Mahmood et al., 2015; National Business Incubation Association, 2014; Tang et al., 2013). On the other hand, an entrepreneur has been defined by various researchers in different ways and with the passage of time the term has become more complex (Bergek and Norrman, 2008).

In Pakistan there are a large number of universities, both public and private which offer different courses with a number of specializations. Some of these universities help in providing innovative business ideas and to reduce unemployment. However, the graduates from local universities are less competitive than those of foreign. Moreover, the entrepreneurs here also lack the required entrepreneurial skills as well as financial support to successfully execute

their businesses in this global competitive business environment. Thus, the business incubators are needed to play their important role in such an environment (Shahzad *et al.*, 2012; Xu, 2010).

The number of incubators is increasing all over the world as a way to direct robust economic growth, thus the concerns to evaluate their performances is also increasing among government and other institutes who actually support these incubators(Lalkaka, 2002, 2006). However, a review of past studies shows that very few researches have been devoted to evaluate the incubation impact on entrepreneurship development. Thus, there is acute research gap available in this area of study, especially with reference to Pakistan, so, the current study is an attempt to contribute into the literature of incubation by analyzing its role in entrepreneurship development in Pakistan.

With the passage of time, it is increasingly recognized that innovations and entrepreneurship are the main drivers of economic growth in Pakistan, thus, measures are being taken to deepen science and technology initiatives in order to enhance the innovative base of the economy. Thus, the efforts to support the environment of new business creations and their success, gave birth to business incubators in Pakistan. In a study, TBIs should be initiated by the collaboration of government and the private sector to nurture the entrepreneurial society (Jamil *et al.*, 2015). Currently, around 32 BIs are operating in Pakistan.

1.1 Research Objectives

This research was carried out to achieve the following objectives:

- ✓ To identify the services provided by incubators in Pakistan;
- ✓ To investigate the entrepreneurial skills of entrepreneurs and their perception of incubation;
- ✓ To highlight the main key areas of weaknesses for incubators in Pakistan and to recommend actions to tackle them

1.2 Research Questions

In order to better address the objectives of research, following research questions have been formulated:

- ✓ What services are provided by business incubators in Pakistan?
- ✓ What entrepreneurial skills the entrepreneurs possess and what is their perception of incubation?
- ✓ What are the key weaknesses of incubators in Pakistan?

1.3 Research Significance

The undertaking of this research is a great contribution to the existing body of knowledge through highlighting the important role of incubators for promotion of entrepreneurship development in Pakistan. The studies conducted so far on the topic are scattered and are not empirically tested. Thus, the current study fulfils this gap and the findings of the study, if applied practically will help a lot in boosting the entrepreneurship development and ultimately the economic growth in Pakistan.

2. Literature Review

The researchers have presented different theories of entrepreneurship as Schumpeter in 1949 has considered the role of an entrepreneur as someone who has initiated and helped in sustaining the process of development through the circular flow of the economy. On the other hand, the economic theory of entrepreneurship says that entrepreneurship is successful only when the economic environment is favorable while some studies have presented an exposure theory of entrepreneurship that the exposure to new opportunities and ideas lead to create entrepreneurial activity in the economy (Mahmood *et al.*, 2016).

The history of business incubators (BI) can be traced back in the mid of last century, when there was high unemployment rate as a result of the great recession of U.S.A and U.K leading to a major collapse of industrial sectors. During that time it was increasingly felt that there is need of newer strategies which could help regenerate the income levels of industries and increase the entrepreneurial activities in the economies.

Studies have provided that BIs play crucial role in creation as well as the promotion of some technology intensive businesses. Such organizations often lack necessary skills for the survival of business, thus the second generation of incubators started providing knowledge based services long-with physical infrastructure (Jamil, Ismail, and Mahmood, 2015b; Wonglimpiyarat, 2014). The researchers have found that the provision of training and coaching services are important services provided by BIs. Coaching is considered necessary for ongoing learning and skills development process and ultimately the strong performance (Somsuk and Laosirihongthong, 2014). The studies conducted to evaluate the performance of BIs concluded that they provide business support services to their clients which might include: training, mentoring, access to finance etc. The best thing about them is that they provide tailor made services as per the requirements of each entrepreneur. Incubators have been found as helping to create culture of entrepreneurship. They act as a promoter for the development of cohesive business, and support networks which include universities, finance providers, business schools, business organizations, large companies and government bodies. However, the qualification and experience of staff of incubators is more important to provide effective services to businesses. It is because if the incubator staff does not possess the advanced knowledge and skills it will lead to create a vicious circle of low skills (European Commission, 2013; Jamil, Ismail, and Mahmood, 2015a).

While measuring the performance of business incubators, it is revealed in the literature that the evaluation of business performance of incubators is a complex procedure since there is not a single standard to do this. Secondly, most of the studies in literature deal with performance of incubators in developed countries and very less in developing countries. Eshun (2009) has suggested that efforts of government should also be included to evaluate performance of BIs. Porter, in his model of entrepreneurship, has identified three stages of development in countries and suggested to measure the performance of BIs as per developments in economic innovations such as: factor driven stage, efficiency driven stage and innovation driven stage.

Figure 1: Entrepreneurship and Economic Development

The countries in factor driven stage compete through low value added or low cost efficiencies. The efficiency driven stage countries employ the latest and advanced technologies and they compete on efficiency and through economies of scale. The third stage is innovation driven that is based on a high level of knowledge. The competition is driven by the latest innovations in these countries. Thus, the policies of incubators should be closely aligned with the development stages in each country.

3. Methodology

3.1 Research Method

The research methods for the purpose of carrying out any research study have been mainly grouped under qualitative and quantitative research methods. The qualitative research methods dive deeper into the research area using either structured or unstructured techniques as for instance interviews or group discussions etc. On the other hand, quantitative research methods are those which focus on objective measurement of research problem using statistical and mathematical analysis of the data collected through questionnaires or surveys etc. The current research has used both qualitative and quantitative research methods and has used the review of literature as qualitative technique while structured questionnaires to collect data as quantitative measure.

3.2 Study Sample

Study sample is the representative part of the overall population of research. This study has targeted entrepreneurs engaged in receiving incubation services from BIs. A sample of 42 entrepreneurs (50 questionnaires were distributed and received back 42 complete and valid responses with a response rate of 84% which is quite good) has been selected for this purpose, belonging to different business sectors with high potential of entrepreneurship including: telecommunication, banking and financial services and education. The people serving at top positions have been selected to gather data.

3.3 Sampling Technique

There are a number of sampling techniques used in research which are mainly grouped into random and non-random sampling. This study has used simple random sampling technique, a type of random sampling techniques, for the selection of sample. This technique has been primarily used due to its convenience to use and simplicity. Moreover, the previous researches with similar objectives of research have also used the same sampling technique.

3.4 Research Instrument

The data for this research has been collected using structured questionnaire since this is a quantitative research. The questionnaire has been opted from previous research of Dahleez (2009). It has been modified as per the requirements of this study. The final version used to collect data consists of 21 questions on characteristics of infrastructure facilities, marketing facilities, training facilities, networking and consultancy services. All questions in questionnaire have been measured on a 5 point Likert scale ranging from ‘strongly agree to agree’.

3.5 Reliability of Instrument

This research adopted a questionnaire used in previous researches which have proved its reliability and validity. However, a test of cronbach’s alpha has been run on the collected data and has obtained the following results.

Table 1: Reliability of Scale used

Cronbach's Alpha	N of Items
.909	21

The Cronbach’s Alpha of the scale for all 21 items is 0.909 which is greater than 0.7, thus the scale is highly reliable.

4. Results

This section presents the results of the study. It has performed the tests of frequency distribution and mean as well as standard deviation the frequency distribution of responses against all the questions of study have been performed to check how many of the respondents are agreed or strongly agreed to the effectiveness of the role of BIs for the development of entrepreneurship in Pakistan. On the hand, mean of all the questions and their respective dimensions have been checked to analyze the trend of the overall responses while standard deviation has been calculated to determine the degree of variation among responses. Moreover, the results of mean have also been calculated to confirm the frequency distribution of responses.

Table 2: Frequencies and Mean scores of items for incubators effectiveness

S. No.		Strongly Agree	Agree	Mean	S.D
	Infrastructure Facilities			**2.914**	**0.564**
1	The BIs helps in providing the affordable infrastructure and office facilities	3	18	3.36	0.958
2	The BIs help in establishing the business at prime locations	0	18	3.14	0.899
3	The BIs help in getting the best quality office equipment	0	17	3.14	0.843
4	The BIs facilitate in sharing office facilities	0	9	2.52	1.065
5	The BIs facilitate in hassle free workplace environment	0	7	2.14	1.083
	Marketing Services			**2.651**	**0.803**
6	The BIs help in providing both local and international market opportunities	0	8	2.62	0.909
7	The BIs provide display centers	0	16	2.52	1.065
8	The BIs provide a platform for the participation in exhibition/Business fairs	0	12	2.81	0.969
	Training Program			**2.919**	**0.643**
9	BIs help in improving the capacity building skills	0	20	2.93	1.156
10	BIs help in improving the product development skills	1	16	3.1	1.031
11	BIs help in improving the business management skills	0	12	2.81	0.969
12	BIs help in improving the marketing skills	0	11	2.62	1.035
13	BIs help in providing customized training skills	0	17	3.14	0.843
	Networking			**3.373**	**0.963**
14	BIs provide latest information on exhibition regulations and specific sectors	0	27	3.24	1.144
15	BIs help in networking with chambers and associations	10	10	3.26	1.38
16	BIs provide latest information on technological updates	8	14	3.62	0.909
	Consultancy Services			**3.295**	**0.741**

17	BIs provide consultancy services for right project identification	12	14	3.81	0.969
18	BIs help in development of management and marketing facilities	0	17	3.14	0.843
19	BIs provide consultancy services in designing brochures, websites and business cards	9	13	3.52	1.065
20	BIs provide consultancy services on cash management and raising money through banks	7	15	3.4	1.083
21	BIs help businesses in the use of different accounting software	9	3	2.6	1.547

Table 2 shows the results of frequencies of the responses against various items of incubators' effectiveness. Moreover, it is also showing the results of the mean and standard deviation of all questions as well as for the composite dimensions of these questions. In this regard, the first dimension has the mean score of 2.914 with standard deviation of 0.564 which shows that as per the responses of business personnel, the services of BIs are not much effective. Moreover, the provision of hassle free work environment and the sharing of the office facilities is not facilitated by the BIs as indicated by the results of frequencies.

The dimension of marketing services has a mean value of 2.65 with a standard deviation of 0.803 which means that the provision of marketing services are not satisfactory on the part of BIs as perceived by business personnel. On the other hand, the provision of display centre as well as the exhibition is somehow perceived better by businesses.

The training programs offered by BIs have a mean score of 2.919 with a standard deviation of 0.643 which means that businesses perceive it positively, however, still the mean value is low. On the other hand, the results of frequency distribution show that training for capacity building and customized services has been agreed by greater number of respondents as to be successful than other items of the dimension. The fourth dimension of the study, i.e. networking has a mean value of 3.373 with a standard deviation of 0.963 which is the indication of improved networking facilities provided by the BIs. This is the first variable about which the response of businesses is positive which is the clear depiction that they have improved networking facilities in place due to the BIs. The responses to individual questions of this dimension also show that many respondents are agreed that BIs provide timely updates about different exhibitions and technological advancements.

The last dimension of study, i.e. consultancy service also has positive response from the sample selected for study. It has a mean score of 3.295 with a standard deviation of 0.741. Thus, as per respondents, BIs provide true consultancy services, helpful for business. The responses to individual questions of this dimension also show that BIs provide improved consultancy services in order to raise money, cash management, marketing, right project identification and designing brochures and websites. The results of the study have indicated that BIs in Pakistan provide effective networking and consultancy services while the other variables like marketing infrastructure, training and marketing facilities are not well provided by these facilities. Thus, on the whole it can be said that incubators provide effective consultancy and networking facilities. The results of study are consistent with (Shahzad *et al.*, 2012) who have also studied the role of BIs in development of women entrepreneurship in Pakistan and found mixed results.

In the light of results of study, some important recommendations could be made to policy makers in order to increase the entrepreneurial activity and consequently the wealth accumulated in the country. In this regard, the entrepreneurs have agreed upon the effective role of incubators in providing the consultancy as well as networking services to business. Thus, the provision of these services should be made at greater scale and the level of other services should also be improved in order to further help the entrepreneurs in country for the survival and development of culture of entrepreneurship.

5. Conclusion

Business incubators have greater role to play for the success of entrepreneurship in every part of the world. The literature of study has also revealed and stressed on the important role played by BIs. However, the results of current research are showing mixed findings. Despite of the importance of these BIs, they are not playing the required role for the business community as well as economy of Pakistan. They are good at providing the networking as well as consultancy services for businesses while the provision of infrastructure facilities, training and marketing needs are not satisfactorily provided by them. However, it is also possible that the BIs might play a positive role in other aspects as well, i.e. for training, marketing and infrastructure, facilities but the business community under study is not satisfied currently due to higher expectations of services because of the intense competition and challenges faced by businesses are increasing day by day.

5.1 Limitation of Study

The current study has comprehensively analyzed the role of BIs for the development of entrepreneurship in Pakistan. However, like all other researches, it has certain limitations which must be considered while taking into account the results of study. In this regard, the main limitation of study is that it has not taken the responses of the representatives from BIs due to which it is not fully clear as to whether the BIs are not providing the effective services or the business community due to its higher expectations have underestimated their role.

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