The Analysis of the Influence of Business Incubator to Small and Medium Enterprises (SMEs) Success

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Abstract: Business Incubator (BI) is a facility aimed to create a supportive environment for SMEs to grow, so BI can minimize the failure rate of SMEs especially on start-up phase. The achievement of BI toward SME development can be seen from two aspects, namely hard outcome and soft outcome. Hard outcome gives influence in SMEs toward statistic aspect, such as, increasing the capital and product development. While the soft outcome gives influence through the entrepreneurial skills such as, sense of confidence and widespread business network. This research aims to explain the influence from incubator hard outcomes and incubator soft outcomes toward SMEs success. This research conduct case studies on 18 respondents from Balai Inkubas Teknologi - Serpong. Methode used in this research is multiple linear regression. The result of this research explain that incubator hard outcomes together with incubator soft outcomes have a significant influence toward SMEs success. Despite all that, incubator hard outcomes do not have any significant influence, however, incubator soft outcomes have significant influence.

Keywords: Business incubator, SMEs, Incubator hard outcome, Incubator soft outcome, multiple linear regression

1. Introduction

Small and Medium Enterprises (SMEs) are one of the aspect that play an important role to improve the national economy especially in developing countries, such as Indonesia. In Indonesia, SMEs have a significant role in developing the nation's economy, such as building GDP around about 63.58%, absorb labor by 99.45% and export value to reach 18.72%. SMEs are one of the most important aspects to increase national economy. However, there are some obstacles to develop SMEs in Indonesia (Marsuki, 2006). Based on BPS’s data, there are several problems that will be faced in order to develop the SMEs sector, such as (1) capital, (2) raw material, (3) marketing, (4) human resources and management, (5) networking and partnership, and (6) infrastructure and government policy. To be able to develop SMEs sector, it needs a proper and stable environment to suppress and control any of them.

Business Incubator (BI) is a facility created to support the growth of SMEs and minimize the failure rate at start up phase (Stephens, 2012). BI has purpose to develop SMEs sector through entrepreneurship training, also gives access to capital resources and market opportunity as well as expand networking and partnership. However, there is no guarantee that by joining BI then all the SMEs member will be success. BI can increase the success of SMEs around 31.5%. Based on Hubeis (2009) around 80% start up company failed in their first years. This situation explain that BI has high potential in order to increase the number of SMEs success.

Based on this research, it needs some explanation about the influence of BI’s success rate towards the SMEs success, also the factors that have a significant role in order to increasing SMEs success. This research will examine a case study at Balai Inkubas Teknologi – Serpong, about the BI influence towards SMEs success. The BI aspects that explained in this paper are BI’s hard outcomes and soft outcome. Based on Stephens (2012) the measurement of success of BI is not only determined by statistics aspect like revenue but also how much the ability of entrepreneurship increases. The ability of entrepreneurship is one of the most important aspects that can make SMEs become successful (Rubin, 2015). The result of this research is evaluation and measurement influence from BI outcomes toward SMEs success, so BI can improve their methods to make good outcomes and increase the SMEs success.

2. Literature

2.1. Small and Medium Enterprises (SMEs)

Small and Medium Enterprises or SMEs is an independent productive business unit, run by an individual or a business entity in all sectors of the economy. SMEs have a direct impact on the economic development in both developed and developing countries. SMEs have the ability to create jobs at minimum cost and have high flexibility (Munizu, 2010).

2.2. Business Incubator

Based on Perpres No. 27 Year 2013, Entrepreneur incubator is an intermediate institution that undertakes incubation process towards incubation participants (tenant). Incubations have a role on coaching and mentoring program. Business Incubators aim to create and develop new business that have high economic value by stimulating the innovation process to create bridge between the market failures and improving access to capital on a firm at early stage (Allen, 1990).

2.3. Influence of Business Incubation

Business Incubator (BI) has a role in developing SMEs by creating a supported environment for SMEs tenants to grow and innovate by giving access to market opportunities and sources of raw materials (Stephens, 2012). Based on Nahavandi and Chesetteen (1998), SMEs that has joint BI have more high potential to become success than SMEs who have not join BI yet. This research indicates that BI have
influence at SMEs success. Measurement of influence BI towards SMEs needs to be broader than statistical outputs like revenue (Stephens, 2012). Based on Stephens (2012), personal development of the SMEs owner is an important feature of business incubation because improving their personal skill, such as, confidence and networks has a positive impact on SMEs successful.

2.4. Multiple Linier Regression

Linear regression analysis is a statistic method that aims to make a model to explain the correlation between Independent variable and dependent variable. There are two types in linier regression, those are simple linier regression and multiple linier regression. Multiple linier regression is a linier regression analysis that uses two or more indepenet variables. The general formula for multiple linier regression is:

\[ Y = a + b_1X_1 + b_2X_2 + \ldots + b_nX_n + \epsilon \]

Wherein:
- \( Y \) = Dependent Variable
- \( a \) = Constant
- \( X_1, X_2, \ldots, X_n \) = Regression Coefficient
- \( \epsilon \) = error

3. Methodology

3.1. Type and Source Data

The data used in this research is primary data from SME’s tenants that is registered for one year at BalaiInkubasiTeknologi – Serpong.

3.2. Sampling Technique

Sampling technique used in this research is non-probability sampling. Non-probability sampling makes different opportunities for research population to become a research sample. The samples in this research were selected by using purposive sampling technique that meets the criteria.

3.3. Data Collection Technique

The data shown in this research was obtained through depth interview with SME’s owner, using questionnaires which have been prepared beforehand. The questionnaire in this research is made by likert method with one until five interval.

3.4. Multiple Linier Regression

In this research, soft outcome incubator and hard outcomes incubator become independent variable that explain the influence of BI towards SME’s succesful. Soft outcome incubator illustrates that BI develops the SMEs owner personal skill and increase entrepreneurship skill. In this paper, soft outcome incubator is measured by three categories such as, building SMEs owner confidence, marketing and financial knowledge, and networking and partnership. Different from soft outcome incubator, hard outcome incubator explains influence of BI from statistics of productivity, innovation, and amount of employee.

There are four main steps in multiple regression analysis:

a. Validity and Reliability

Validity and reliability are used in order to make sure all the variable that used in this research can represent all measurement point according to purpose of the research. Based on Basuki (2016), the correlation requirements on the validity test is 0.30 while the correlation requirement in the reliability test is 0.6.

b. Multiple Linear Regression Analysis

Multiple regression analysis is an analysis that aims to examine the influence of incubator hard outcomes and incubator soft outcomes to the success of SMEs, with the following equation:

\[ Y = a + b_1X_1 + b_2X_2 + \epsilon \]

Wherein:
- \( Y \) = SMEs succes
- \( X_1 \) = incubator soft outcomes
- \( X_2 \) = incubator hard outcomes

\[ \text{c. Hypotesis} \]

- \( H_0: \beta_{1,2} = 0 \) – There is no significant influence from incubator soft outcomes and incubator hard outcomes towards SMEs successfull
- \( H_a: \beta_{1,2} \neq 0 \) – There is significant influence from incubators soft outcomes and incubator hard outcomes towards SMEs successfull
- \( H_0: \beta_{1,2} = 0 \) – There is no significant influence from incubators soft outcomes and incubator hard outcomes simultaneously towards SMEs successful
- \( H_a: \beta_{1,2} > 0 \) – There is significant influence from incubators soft outcomes and incubator hard outcomes simultaneously towards SMEs successful

There are two way to do hypotesis analysis,
1. t-test
   t-test was conducted to determine the influence of each independent variable to the dependent variable. This test done by comparing the value of \( t_{\text{statistic}} \) with \( P_{\text{value}} \) on signification level 5%. If the value \( t_{\text{statistic}} \geq P_{\text{value}} \), then the independent variables together have a significant effect on the dependent variable (Basuki, 2016).

2. F-test
   The F test is performed to find out whether all independent variabellsimultaneously have a significant influence on the dependent variable. This test is done by comparing the value of \( F_{\text{statistic}} \) with \( P_{\text{value}} \) on signification level 5%. If the value \( F_{\text{statistic}} \geq P_{\text{value}} \), then the independent variables together
have a significant effect on the dependent variable (Basuki, 2016).

Table 1: Research Variabel

<table>
<thead>
<tr>
<th>Variable</th>
<th>Sub Variable</th>
<th>Indicator</th>
<th>Measurement Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs successful (Y)</td>
<td>Financial</td>
<td>Increasing revenue</td>
<td>Likert scale</td>
</tr>
<tr>
<td></td>
<td>Marketing</td>
<td>Repeat order minimal by 2 times</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Business legailty</td>
<td>Alteration business legality before and after join IB</td>
<td></td>
</tr>
<tr>
<td>Incubator’s soft outcomes (X₁)</td>
<td>Confidence</td>
<td>Increased confidence for doing business</td>
<td>Likert scale</td>
</tr>
<tr>
<td></td>
<td>Marketing and financial knowledge</td>
<td>Increased marketing and financial knowledge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Networking and Partnership</td>
<td>Increased Networking and Partnership</td>
<td></td>
</tr>
<tr>
<td>Incubator’s hard outcomes (X₂)</td>
<td>Productivity</td>
<td>Increased number of product</td>
<td>Likert scale</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td>Increase of product variant</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employees</td>
<td>Increased number of employees</td>
<td></td>
</tr>
</tbody>
</table>

4. Result and Discussion

In this research, the validity of research instrument measured by corrected item-total correlation. Based on the data analysis on Tabel 2, all the research instrument shows pearson correlation with value above 0.3, this explains that all the research instruments used on questionnaire are valid value and can be used in this research.

Table 2: Validity measurement

<table>
<thead>
<tr>
<th>Sub Variables</th>
<th>Variables</th>
<th>Pearson Correlation (S₂g. (2 tailed))</th>
<th>SMES Successful (Y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>X₁</td>
<td>K₁ X₂ X₃ X₄</td>
<td>0.806 0.829 0.700</td>
<td></td>
</tr>
<tr>
<td>X₂</td>
<td>S₁ S₂ S₃ S₄</td>
<td>0.908 0.694 0.392</td>
<td></td>
</tr>
<tr>
<td>X₃</td>
<td>H₁ H₂ H₃</td>
<td>0.420 0.815 0.803</td>
<td></td>
</tr>
<tr>
<td>X₄</td>
<td>L₁ L₂ L₃</td>
<td>0.000 0.000 0.000</td>
<td></td>
</tr>
</tbody>
</table>

Reliability test in this research was measured by cronbach’s alpha value. Research instrument is reliable if cronbach’s alpha value is higher than 0.6. Based on data analysis on Tabel 2, all the research instrument shows cronbach’s alpha higher than 0.6, so this explains that all the research instrument used in this research is reliable.

Table 3: Reliability measurement

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMES Succes (Y)</td>
<td>0.721</td>
</tr>
<tr>
<td>Incubators Soft Outcomes (X₁)</td>
<td>0.717</td>
</tr>
<tr>
<td>Incubators Hard Outcomes (X₂)</td>
<td>0.703</td>
</tr>
</tbody>
</table>

Before measuring the multiple linear regression, it is needed to know that data used in this research fulfills the classic assumption. There are three categories at the classic assumption. First is normality test which can measure with Kolmogorov-Smirnov test. In the case of a large sample, most researchers use K-S test to test the assumption of normality. This test should not be significant to meet the assumption of normality. Based on data analysis on Table 4, signification of Kolmogorov-Smirnov test is 0.200, so that it is proven that the research instrument used is normal distribution or meet the classic assumption.

Table 4: Normality Test

<table>
<thead>
<tr>
<th>Normality Test</th>
<th>Kolmogorov-Smirnov</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statistic df</td>
<td>Sig.</td>
<td>Statistic df</td>
</tr>
<tr>
<td>Unstandardized</td>
<td>0.146 18</td>
<td>0.200</td>
</tr>
<tr>
<td>Residual</td>
<td>a. Lilliefors Significance Correction</td>
<td></td>
</tr>
</tbody>
</table>

The second test is heteroscedasity test by look scatter plot between ZPRED and SRESID. Look at scatterplot at picture 2, there is no significant pattern or all the dot is spread evenly, this pattern indicates heteroscedasity does not occur, so all variables used in the measurement meet the classic assumption. Third is multicollinearity which can be measured by seeing VIF, when VIF is under 10 point it indicates that the multicollinearity does not occur, based on Tabel 5, VIF for variabel in this research is under 10 point, therefore it shows that the multicollinearity does not occur. Based on normality test, heteroscedasity test and multicollinearity all instrument that used in this research meet the classic assumption.

4.1. Multiple Linear Regression

In this research, multiple linear regression used for analysis correlation incubators soft and hard outcomes toward SMEs successful with signification level 5%. In this research, the dependent variable determined by the success of SMEs which is also affect the independent variable such as soft outcomes incubator and hard outcomes incubator. Based on the data in Table 5, the regression model is:

\[ Y = 0.669 X_1 + 0.335 X_2 - 0.158 + e \]

This model shows Constanta B is negative, which explains that when independent variables is zero then the dependant variable will be also in negative, so it mean that SMEs
successful will be difficult to achieve without any incubators business role. Independent variable in this research shows positive value which means that everytime the value increases, it will increase the success number of SMEs. Soft outcome incubators value is higher than incubators hard outcomes, so it indicates that the increase of soft outcomes incubators will increase the SMEs successful which is higher than the hard outcomes incubators.

Table 5: Multiple liiner regression result

<table>
<thead>
<tr>
<th>Coefficients a</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Collinearity Statistics</strong></td>
<td>VIF</td>
<td>Tolerance</td>
<td>Sig.</td>
<td>T</td>
<td>Standardized Coefficients</td>
<td>Unstandardized Coefficients</td>
</tr>
<tr>
<td><strong>Model</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.968</td>
<td>0.041</td>
<td>3.912</td>
<td>-0.158</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incubator Soft Outcomes</td>
<td>1.026</td>
<td>0.975</td>
<td>0.033</td>
<td>2.349</td>
<td>0.492</td>
<td>0.285</td>
</tr>
<tr>
<td>Incubator Hard Outcomes</td>
<td>1.026</td>
<td>0.975</td>
<td>0.209</td>
<td>1.312</td>
<td>0.275</td>
<td>0.255</td>
</tr>
<tr>
<td>a. Dependent Variable: SMEs Successful</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5 summarizes the descriptive statistic and analysis result, as that can be seen that P value from independents variable have positive value but not all of them is significant with the dependent variable. Based on the result in Table 5, it explains that incubator soft outcomes has P value which is smaller than the t statistic. This is show incubator soft outcomes has significant influence towards SMEs successful. On the other hand, the incubator hard outcomes has P value higher than t statistic, so it means that the incubator hard outcomes does not have any significant influence toward SMEs successful.

Based on Onferi (2012), the research indicates that the personal development of tenant (SMEs) is an important feature of business incubator. In this research, personal development is measured by soft outcomes incubator variable which is explained by self confidence, entrepreunerial skill, and networking. Stephens (2012) explained that incubator business can improve self confidence from tenant. Self confidence is one of aspects that built personal maturity skill, Irawan (2016) on his reseacher explained that personal maturity skills have significant influence on SMEs successful. According to Irawan (2016), not only personal maturity skill but also entrepreunerial skills have significant influence on SMEs successful. Networking in SMEs have a role to become marketing assistant to inform customer about SMEs existence, and it can be a way for SMEs owner to sell their product. Based on Zhang (2016), there have been a significant knowledge interaction and network evolution among of tenants in business incubator.

In this research, hard outcome incubator explains that by the Increase number of product, emoloyees, and variant product. In this research shows that hard outcomes incubators have a positive value that will not give any significant influence towards the success of SMEs. It is possible because the sub variable in this research did not showed the aim of this variable as well. Even though SMEs in Balai Inkubator Teknologi-Serpong is difficult to incrasethe employee or variant product, the revenue that they gain increases. The difficulty of adding the number of employees caused by all the works already using mechanical machines that no longer need a person to operate it. Also, it

Incubator business gives impact on tenant (SMEs) ability, based on Vanderstraete (2012) incubator business has a role to create customer value. Even thought the incubator business cannot give service for the tenant which will make the business fails (Udel, 1990). Service on incubator business has a role to create customer value for SMEs. Based on Stephens (2012) research, it explains that the measuremnt of incubator outcomes needs to be broader than a set statistic output, because based on the conceptual framwork from Stephens (2012) analysis, that personal development from tenant is important to make the business successful.

The research indicates that the measurement of business incubator outcomes need to be broader than a set of statistic. On Tabel 6, $P_{value}$ for both independents variable show smaller value than $F_{statistic}$, so both independents variable simultaneously have significant influence toward SMEs successful. In this model, the $t_{statistic}$ and $F_{statistic}$ used are $t_{statistic}$ and $F_{statistic}$ in signification level at 5%. This explains that:

Table 6: F-test result

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>26,945</td>
<td>2</td>
<td>13,472</td>
<td>4.210</td>
<td>0.035^a</td>
</tr>
<tr>
<td>Residual</td>
<td>48,000</td>
<td>15</td>
<td>3,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>74,944</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: SMEs Successful
b. Predictors: (Constant), HardMeasurment, SoftMeasurment

On Table 7 above, it shows the coefficient determination from multiple liiner regression model. The value of $R^2$ in this model is 36%. This value explains that the incubator
hard outcomes and incubator soft outcome are variables that explain SMEs successful in the amount of 36% and their is 74% portion of SMEs successful that explained by another variable that not used in this model.

5. Result

Incubator business has a role to develop successful SMEs and minimize the failure rate. Incubator business aims to make suitable environment for SMEs to grow up and gain successful. The success of the business incubator in developing the SMEs can be measured not only from the statistical aspects but from the personal development aspect too. In this research, incubator hard outcome explains the statistic aspect, while incubator soft outcomes describes personal developing. In this research, it is known that incubators soft outcomes have significant and positive influence towards SMEs successful but hard outcomes incubators does not have any significant influence towards the success of SMEs. Therefore, soft outcomes incubators and hard outcomes incubators together have a significant influence towards the success of SMEs.

References

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Author Profile

Esfi Riandini received her Bachlore degree of Science from Sebelas Maret University in 2014. During 2014-2016, she work at Science Center. 2016 until now she is study management business on Business School Bogor Agricultur University.