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ABSTRACT

Background: The study builds on existing literature on business incubation related resources, incubator performance and government policy as it relates to entrepreneurial practices. The outcomes of literature review propose two hypotheses. Incorporating business support with government policy as moderator, a framework is developed. The framework provides a starting point for researchers and practitioners to further examine entrepreneurship policies and practices. Objective: The aim of the current scholarly work is to develop a conceptual framework that examines the moderating role of government policy on the relationship between business support and incubator performance. Results: The literature review highlights that government policy has a significant moderating role on the relationship between business support and incubator performance. The study not only checks the moderating influence of government policy on the main construct of business support but also investigates its influence on each of the seven dimensions of business support and incubator performance relationship. Conclusion: For researchers, the framework clarifies the determining role of government policy in the business support – incubator performance relationship. For practitioners, the framework can be used to gain an understanding of the role of government policy on entrepreneurship development as well as economic development. The linkage between entrepreneurship and economic growth or development are multidimensional as it has been generally acknowledged that entrepreneurship is valuable for economic growth and development.

INTRODUCTION

It has been noted that why most small businesses fail is because of inadequate training or mentoring. Most small businesses at the beginning of their entrepreneurial life, more often than not lack the basic knowledge of business development, mentoring, training and book keeping. In line with this deficiencies associated with small businesses, business incubators typically provide all these mentioned services. Business incubation programme has been employed as a policy instrument in the development of entrepreneurship, job creation, wealth creation and above all for economic development. Entrepreneurship development is seen as the fulcrum with which the industrialisation of various countries revolve. Many countries globally have adopted the business incubation concept since

the first business incubator originated in the United States of America in 1959 (Hackett & Dilts, 2004). The business incubation programme is intended to nurture budding enterprises within one to three years in some kind of isolated location. Here in the controlled environment, all the required support resources (training, mentoring) and all, that are required for the young firm to survive are given to them in order to make them to flourish.

Business incubation programme participants come in different categories: incubatees, incubator management, suppliers, financial institutions, research institutes, universities, venture capitalists, business angels and other government agencies. This innumerable stakeholders and operators in the incubation industry present a challenging task for policy makers to synergize all their energies as each stakeholder’s objectives and motivations are

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different and at times may be counterproductive. To achieve successful incubation performance, these stakeholders therefore, need to collaborate and network, to achieve collective objectives which may be both tangible (financial and infrastructure) and intangibles (business support and government policy).

Business Support Services or simply called Professional business services are key component of third generation of business incubators. In line with this, it is assumed that business support is an important element for the attainment of small firms. Business incubators usually offer incubatees the much needed business support services as one of the resources needed by the tenants to be sustained and eventually become fully matured. Business support is one of the most intangible assets that incubator offers to its tenant firms. On the part of the entrepreneurs, the entrepreneurship effects on the growth of an economy just as any increase in the number of entrepreneurs may be construed as leading to increase in economic growth. This influence is as a result of the tangible demonstration of their skills and more specifically their proclivity to innovate.

Numerous scholars categorised business support into varied elements, (for example, Chan and Lau (2005) - mentoring, coaching and counseling; Aerts et al. (2007) – training; Pena (2004) – business plan development support; Bollingtoft and Ulhøi (2005) – seed and venture capital. These incorporated constituents are some of the elements necessary for the attainment of business incubation. Coaching and training as business support services are important aspects of learning within business incubators (Bruneel et al., 2012). In the absence of business support, the overall incubation programme will collapse for the reason that one of the cardinal part of incubation programme is the training, mentoring, book keeping, and business development and so on. Hansen et al. (2000); Mian (1996) generally cited coaching as an essential service that business incubators offer to their incubatees. Ratinho and Henriques (2010) view business support as a vital component of business incubation as well as its greatest multifaceted constructs. The essence of business firms coming to the incubator is to get some of those resources that they cannot afford. Therefore the coming of innovative firms to the incubators is to have access to these services such as training, mentoring, business development, and other administrative knowledge.

Similarly, the issue of government policy implementation also affect the programme performance. This can be further expounded by viewing the government as the provider of other resources. Therefore government pronouncement may affect the provision of the other resources (such as funding, infrastructure and other government commitment) negatively or positively. A well implemented positive policy by government will typically boost the performance of the incubators towards the incubates. Some of the government policies have created favourable environment for the development of high, medium and low technology industries. The policies are equally establishing a suitable management and operation system for high, medium and low tech industry, exploration of new financing channels including venture capital investment mechanism, developing domestic and foreign information sources, building information networks and formulation of long and mid-term development plans as well as implementation plans consistent with objective reality. In essence, it would be ideal to classify government related policies as the fulcrum with which other resources revolve. However, inconsistency of government policy usually affect the performance of the programme through instability of the initiative.

The motivation for this study is based on the fact that it has been revealed through the literature that limited research on business incubation development and practice in Nigeria exist. Currently, information associated with the incubation programme in Nigeria has been very scanty as well as predominantly descriptive – originating from communiqué of government agencies who are in direct involvement of incubation programme.

The popularity of business incubation programme is on the increase now especially as most countries of the world have seen it as an economic development tool. However, regardless of the growing popularity, there is still confusion concerning the true state of incubator performance. That is, if incubators are really achieving their objectives as well as the exact influence it has on businesses residing in incubators. In the recent past, performance assessment and benchmarking of business incubators have developed as the next level in studies related to business incubation.

This paper aims to develop a conceptual framework that examines the moderating role of government policy on the relationship between a critical success factor (business support) and incubator performance within the Nigerian perspective which before now have not been considered. The next section of this paper discusses the theoretical underpinnings as well as hypothetical development and its propositions alongside the conceptual model in relation to existing literature on business incubation and related constructs such as business support, and government policy. Afterward, a discussion related to the research method and the design that will be employed for the study. Later section deals with discussion on the research. The last section is on conclusion and recommendation for future research.

The Resource based view Theory and Hypotheses:

Prior scholars (Connor, 1991; Rumelt, 1987) have admitted that entrepreneurship is a complex
component of the resource-based framework. In the recent past, Nuade (2013) also reiterated the assertion. Nevertheless, Peteraf, (1993) acknowledged that RBV has become a leading exemplar for strategic management research. Numerous researchers (Barney, 1991; Barney, 1992; Reed and DeFilippi, 1990) have used the resource-based theory to contend that supportive or concerted abilities tend to be complemented to skilled competences and could function as a cause of competitive advantage (Lindelöf and Löfsten, 2004). More specifically, RBV theory has been extensively utilised in explaining business incubation success factors in numerous scholarly works (Somsuk and Laosirihongthong, 2014; Somsuk et al., 2012b; Laosirihongthong et al., 2013). The key concept of the RBV theory offered the foundation for comprehending the variables that would be employed in this study. In line with this, the theory can be used as a way of describing how business incubator’s resources and capabilities enable the whole lot of the incubator ecosystem in gaining competitive advantage as well as greater performance.

Similarly, in the case of government support policies, it is assumed that since government is in the lead of entrepreneurial development, it should provide the much needed resources within its capability. Such resources include provision of environment conducive to business that will highly promote entrepreneurship. Furthermore, government needs to enact policies that would be user friendly to the entrepreneurs.

The Technology Business Incubation thrives on its name “Incubation” which simply translated means nurturing, providing-for and catering-for, support or provision for the tenants. When this is in short supply or inadequate the budding entrepreneurs are choked and are therefore suffocated of entrepreneurial oxygen. Business assistance is one of the basic resources that entice the entrepreneurs to come to the incubator. The lack of business assistance usually affect the programme performance because those business assistance are more often than not the basis for attracting entrepreneurs to the incubator. Therefore, lack of business assistance or support affect the programme for the fact that the essence of coming to the incubator is to get business support such as coaching, training, business development and book-keeping. Once there are absence of all these, incubator performance will be affected negatively.

[1] Business Support and Incubator performance:

The critical success factors refer to those performance elements that must get the current attention of management if the establishment is to continue to be competitive (Rockart, 1978). The CSF (business support) increases the likelihood of incubator performance (Kumar and Ravindran 2012; Somsuk and Laosirihongthong 2014).

The relationship between business support and incubator performance may perhaps be understood from the resource based view (Barney, 1992; Penrose, 1959; Somsuk and Laosirihongthong, 2014) perspective. This theory considers firms as a collection of unique resources and capabilities that are valuable, rare, inimitable and non-substitutable (VRIN). It as well provides firms with sustainable competitive advantage. In the classification of resources, Pergelova and Angulo-Ruiz (2014) described how resources can be both tangible and intangible. Similarly, Theodorakopoulos, Kakabadse, and McGowan (2014) stated that the tangible elements of business incubators’ resources have been used as performance indicators, however, in the course of time, attention has been moved to intangible elements and social aspects of business incubation. Furthermore, in relation to the resource based view of the firm, Amit and Schoemaker (1993) reported that although firm’s tangible resources are important, the key focus is placed on the intangible skills and resources of the firm as they are viewed to be non-tradable, more difficult to imitate and take time to build internally. This theory suggests that, for the performance of business incubation programme, necessary resources particularly, business supports is needed.

Thus, the hypothesised relationship between business support and incubator performance is as follows: H1: Business support will positively influence incubator performance.

[2] Government policy as a Moderator on the Relationship between business support and Incubator performance:

On the basis of the literature, government policy is a well-established element that exerts a significant impact on range of activities. Cases in point include entrepreneurship and growth performance of SMEs (MohdShariff, Peou, & Ali, 2010), organisational learning for export activities (Chailom and Kaiwinit, 2010), green production adoption (Ruslan, Senin, and Soehod, 2014) and contingency factors and performance of R&D (Harash, AlTimimi, Alsaad, Al-Badran, and Ahmed, 2014). Furthermore, several studies have been conducted with regards to the role of government policies in the development of entrepreneurship generally (Friedman, 2011; Ihugba, Odii, and Njoku, 2014; Mason and Brown, 2011; Minniti, 2008). Their various contributions have been contradictory as well as supporting.

The kind of influence of business support on incubator performance is likely to differ according to the level of government policy. Government policy is a well-established factor that exerts a significant influence on a variety of activities such as financial crisis (Ha & Kang, 2015), university technology transfer (Guan, Xie, and Zhou, 2015), regional
innovation system (Yang, 2014), foreign direct investment (FDI) (Asiedu, 2006), technological change (Ashford, 1993), as well as incubator performance among others. The uniqueness of government role in almost all facet of national economy is derived from the fact that government is always in the lead of national activities before private sector participation comes in.

Despite these empirical studies on the role of government policy in explaining variety of entrepreneurial activities, only a few numbers of studies have been conducted to examine the government policy as a potential moderator on the relationships between business support and incubator performance. However, there were studies that endeavoured to study the moderating effects of government policy in other perspectives. For instance, MohdShariff et al. (2010) examined the moderating effect of government policy on entrepreneurship and growth performance of SMEs in Cambodia. The study findings showed that government policy moderates the relationship between entrepreneurial value, management and market practice and the growth performance of SMEs. Similarly in a study on the moderating role of government policy on contingency factors and performance of R&D concluded that the dimensions of government policy are important moderators on the relationship between strategy, organisational structure, financial aspect and performance of R&D (Harash et al., 2014).

On the contrary, a research on the effects of international experience, organisational learning for export activities and global competitive force on export marketing strategy, export advantage and performance of export firm in Thailand discovered that government support failed to act as moderating variable on the study (Chailom and Kaiwinit, 2010). As such, this call for additional empirical work on the moderating role of government policy on the relationship between the CSF and incubator performance relationships so as to better understand the predicting role of the said construct.

In this study, government policy was incorporated as moderator to see if this construct plays a significant role in strengthening both the negative and positive effect of business support on performance.

Government policy is chosen as the moderator for the reason that, assessing government policy as a moderator could increase researchers’ theoretical understanding and provide them with empirical evidence on how government policy might be a potential moderator. In addition, government is seen as an anchor to all other factors which are also essential and paramount to any incubation programme. Moreover, several studies have employed government policy as a moderator in past studies (e.g. Harash et al., 2014; MohdShariff et al., 2010; Yang, 2014; Ha and Kang 2015).

In advancing the argument for government policy as a moderator on the relationship between the predictor and outcome, the contingency theory (Blau, 1970) was employed. The central principle behind the contingency theory is that the effect of one variable on another variable depends on the level of a third variable. It is on this premise that this present study predicts the likelihood that government policy will lead to better performance of incubation programme.

The aforementioned contributions lead to the following hypothesis:

**H2:** Government policy moderates the relationship between business support and incubator performance.

Explicitly, this relationship is stronger when there is favourable government policy related to entrepreneurship

Figure 1 shows the proposed conceptual framework that incorporates business support and incubator performance through efficient and user friendly entrepreneurial government policies. The outcomes of a literature review propose two hypotheses. There are seven measures of predictor and moderator respectively, while five items measure the criterion.

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**Fig. 1:** Conceptual Framework.
**Methods:**

In validating this conceptual model, the process called for justification of measurements, structural model as well as direction for future scholarly work. Consequently, a quantitative research method will be employed in order to enhance the reliability of the measurements. This research will adopt the established scales instrument for assessing business support, incubator performance and government policy. Accordingly, the questionnaire that would be adopted will be used as the data collection instrument in this study. This is in consonance with Ticehurst and Veal (2000) study which postulated that questionnaire is used when quantifiable evidence about the population is judged to be in accordance with approved usage as an origin of evidence. The scholarly work will cover a data collection process of surveying stakeholders in Nigeria with direct involvement in the incubation initiative. A sample size of 163 will be drawn from a population of 282 managers and entrepreneurs within the Nigeria business incubation programme. In order to ensure an equal distribution of entrepreneurs in the 29 incubation centres located in the 6 geopolitical zone of Nigeria, a quota sampling technique will be used to select 163 determined sample size. According to Cooper and Schindler (2014) “Quota sampling can be described as a purposive sampling in which relevant characteristics are used to stratify the sample. Sekaran and Bougie (2010) viewed quota as a form of balanced stratified sampling, in which a predetermined proportion of people are sampled from different groups, but on a convenience basis”. The justification for using Quota sampling technique in this study was for the reason that when sampling frame could not be accessed, quota sampling (i.e., a non-probability sampling technique) is considered appropriate.

The analysis related to the measurement and structural model will be carried out by employing the Structural Equation Modeling (SEM) technique and using the Partial Least Squares (PLS) analytical software. The reliability analysis can be accomplished on all the variables (business support, incubator performance and government policy) in the research model of this study to assess the degree of internal consistency between measurements of multiple variables, which is interpreted like a cronbach’s alpha.

**Conclusion and Recommendation for future research:**

Business support is a very important component of business incubation programme. When there is lack of business support, the programme will fail because the essence of business incubation programme is to support and develop small business firms. This study offers several contributions to the literature in the field of entrepreneurship and strategic management. To start with, it improves an understanding of the role or importance of government policy to entrepreneurship development. The importance of government policy towards entrepreneurship cannot be overemphasized since, it in turn shapes the institutional environment in which entrepreneurial decisions are made (Minniti, 2008). The extant study has presented additional evidence to the growing body of knowledge concerning the moderating role of government policy on the relationship between the business support and incubator performance. Results from the literature
review offer support to the key theoretical propositions.

Similarly, as the RBV theory suggest that an organisation can attain sustainable competition advantage by controlling resources that are VRIN, a manager’s task is to assist the organisation in the use of resources effectively and efficiently. Thus the study will definitely assist managers in distributing the required resources to the incubator tenants in an optimal manner.

As a conceptual paper of this nature, future research should consider developing on this model. This can be achieved through empirical primary data collection from the business incubation programme stakeholders. In addition, future research may consider adding some other tangible constructs such as financial resources to this model in order to see the impact of the constructs on incubator performance.

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