


Business Incubation Initiatives' Impacts on Entrepreneurs and SMEs

Thobile Makhosazana Dlamini, Cape Peninsula University of Technology, South Africa

Oyebanjo Oyebanjo Ogunlela, Cape Peninsula University of Technology, South Africa

Chux Gervase Iwu, Cape Peninsula University of Technology, South Africa

Neeta Baporikar, Namibia University of Science and Technology, Namibia & University of Pune, India*

 <https://orcid.org/0000-0003-0676-9913>

ABSTRACT

Business incubation (BI) is a strategic tool that helps a country to grow its entrepreneurial base and reduce the high mortality rate of SMEs. The Kingdom of Eswatini adopted the business incubation initiatives to promote entrepreneurship and SME development. To date, no data exist on the impact made by business incubation initiatives. Adopting methodological triangulation of both quantitative and qualitative data collected through questionnaires and interviews where the participants consisted of SME owners, BI managers, and BI trainers, this exploratory study aims to investigate business incubation initiatives' impact on entrepreneurs and SMEs. Findings reflect that BI measures its impact by seeing an increase in revenue, increase in the number of people employed, and SME survival post the incubation period. Though SMEs agreed that the BI affects positively, the study also revealed that some SMEs remained in the incubation for more than 10 years. Policy implications emerging are the need to introduce graduation policy and proper determination of requirements for incubation.

KEYWORDS

Business, Development, Entrepreneurs, Facilities, Knowledge-Transfer, Support

INTRODUCTION

Small and medium enterprises (SMEs) are gaining recognition as important stakeholders in achieving economic development. This is because they generate jobs, reduce poverty, and generally improve standards of living (Fatoki, 2014; Gwija et al., 2014). Unfortunately, as several studies (Baporikar, 2021; 2020; Choto, et al., 2014; Iwu, 2017; Iwu et al., 2019) have reported, when an SME fails, the loss of jobs and poor economic outlook for those involved include the nation. However, with proper support, nurturing SMEs can adequately contribute to economic growth and provide employment (Choto 2015). The different support mechanisms that can keep SMEs in operation for longer include simple bookkeeping practices, marketing, management, and reduction in red tape such as making business registration simple (Baporikar & Akino, 2020; Fatoki, 2014; Iwu, 2017). Lately, business incubators (BIs) have emerged as an important contributor to the growth of SMEs in both developed and

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*Corresponding Author

developing countries. According to many researchers (Masutha & Rogerson, 2014; Ogutu & Kihonge, 2016), small business incubation is a strategic tool that helps a country to grow its entrepreneurial base, and reduce mortality rate of SMEs.

The National Business Incubator Association (NBIA) describes a business incubator (BI) as a business that helps new and start-up firms to develop by providing amenities such as management training and office space (NBIA, 2019). According to Wanyoko (2013), BIs have multiplied since their appearance over 50 years ago, and now offer a variety of incubation practices. Bruneel et al., (2011) classify three generations in the evolution of BIs as follows:

First Generation - BIs provides office or workspace and share essential resources in order for SMEs to enjoy economies of scale.

Second-Generation - BIs focus on providing coaching and training support. This support accelerates the knowledge curve of incubatees.

Third Generation - BIs provide incubatees with access to technological, professional, and financial networks, so that they become well-informed entrepreneurs.

In acknowledging the contributions that BIs have made towards improving economic development through SMEs, many countries have embarked on this initiative. In 1970, The Kingdom of Eswatini instituted a BI development policy through the formation of the Small Enterprise Development Company (SEDCO). As a first generation BI, it provides infrastructure and business development services; registration of start-up ventures, coaching and training on business management (MCIT, 2014). According to SEDCO data bank (2018), the SME sector includes textile, building construction, woodworking, manufacture of soap and non-edible oils, restaurant/butchery, and miscellaneous other businesses.

Eswatini Water Agricultural Development (ESWADE), established in 1999, is an example of second-generation BI. Its core mandate is to help communities to improve their quality of life through commercial agriculture. This is achieved through the registration and training of legally operating agri-business schemes, such as farming sugarcane and other crops, as well as livestock enterprises. Post the construction of a dam in a chiefdom or community to help the population of a project area to establish sustainable agricultural businesses, there is training in effective use of the irrigation infrastructure (ESWADE, 2019).

The Royal Science Technology Park (RSTP), which started operating in 2017 in Eswatini, represents the third generation of BI evolution. It is a platform for research and development in information technology (IT), production of high tech products, marketing and trading (RSTP, 2018). It nurtures innovation start-ups of electronics; communication technology; value-added agriculture; renewable energy; environmental management; and health and beauty (RSTP, 2019). This BI provides office space, which includes IT equipment, business development processes, fundraising support, and technical support for innovation development and validation. RSTP's objective is to help enterprises persist and grow through the vulnerable primary stages of business initiation to become bankable and competitive businesses.

BACKGROUND

The Kingdom of Eswatini recognises the importance of SMEs in job creation, poverty reduction, and economic development. In April 2001, through the Ministry of Commerce, Industry, and Trade (MCIT) the government of Eswatini established the SME unit (MCIT, 2006). The unit's objective was to make recommendations to government on SME policy issues and to encourage the formation of indigenous enterprise through an enabling business environment. MCIT (2006) defines an 'enabling business environment' as trading conditions in a region in which the government keeps licencing and

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