A Review of Indonesian Business Start Up Incubator Models

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ABSTRACT

The fast-growing global economy allows for many new business opportunities, and business incubators can be an effective way to grow those businesses. Business incubators are programs that help entrepreneurs grow their new businesses by providing access to resources such as capital, mentorship, business networks, and physical infrastructure. There are several reasons why a fast growing global economy can build a business incubator. The existence of fast growing markets in these countries creates many new business opportunities that entrepreneurs can take advantage of. Business incubators can help entrepreneurs develop these ideas into successful businesses. With increasing competition in the global market, entrepreneurs need to have access to adequate resources to grow their business. Business incubators can provide access to these resources, thereby helping entrepreneurs to compete in global markets.

Keywords: SME, Business Incubator, Strategy

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INTRODUCTION

The Business Incubator was initially implemented in New York, where a building that had been utilized for the incubation of chickens was later converted to an incubator for starting businesses (startup firms) [1]. Later, the idea of a business incubator was embraced by a number of nations and spread to other nations as a means of conducting sustainable business practices in the pursuit of high economic potential [2].
The following is how the USA National Business Incubation Association defines a business incubator: “A business incubator is an economic development tool designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services [3]. A business incubator’s main goal is to produce successful firms that will leave the program financially viable and freestanding”[4].

The UK Center for Strategy & Evaluation Services defines it as follows: “A business incubator is an organization that accelerates and systematized the process of creating successful enterprises by providing them with a comprehensive and integrated range of support, including: incubator space, business support services, and clustering and networking opportunities [5]. By providing their clients with services on a ‘one-stop-shop’ basis and enabling overheads to be reduced by sharing costs, business incubators significantly improve the survival and growth prospects of new start-ups[6]. A successful business incubator will generate a steady flow of new business with above average job and wealth creation potential [7]. Differences in stakeholder objectives for incubators, admission and exit criteria, the knowledge intensity of projects, and the precise configuration of facilities and services, will distinguish one type of business incubator from another” [8].

Business incubation is a coaching process for startup companies and/or the development of new products that is carried out by business incubators in terms of the supply of infrastructure and facilities for enterprises, as well as business development and support management and technology[9]. The business incubator is an organization that works to help small and medium-sized firms improve and develop new products so they can eventually grow into strong and competitive entrepreneurs [10].

Between the neoclassical and classical eras of capitalism, the idea of business incubation emerged [11]. Adam Smith (1776) defined classical capitalism as an economic system characterized by individual ownership of natural resources used to generate profits for the owner [12]. This philosophy has a tendency to be individualistic and ignore relationships and integration [13]. As opposed to the neoclassical theory, which holds that the market is made up of a large number of buyers and sellers who interact with one another to produce a formula where supply matches demand, or “equilibrium [14].” This theory sees every person as a component of a market economy system that must constantly evolve and adapt in order to satisfy offers and requests [15].

Small Office Home Offices (SOHOs) are one type of company incubation in the new economy, which is a period of time marked by a number of phenomena that interact and link to one another in achieving its aims [16], is a modern business idea that was developed as a result of advancements in the realms of technology, telecommunications, and digitization, which can make it convenient for decision-makers to act from any location [17]. In addition to having an incubator, business in the new economy can contribute to the creation of compelling and favorable market mechanisms since conducting a company through an incubator process makes competition inevitable [18].

Construction under one roof (in-wall) and construction outside the roof are the two methods used to promote small enterprises, medium-sized businesses, and cooperatives through business incubation (out-wall) [19]. The terms “model creation” and “fostering business incubation” are also used to describe the two patterns[20]. Systematically, business incubation is a tool for transforming less innovative and productive human resources into creative, productive, and cooperative workers who are motivated by entrepreneurship as the first step in developing business owners with comparative and competitive advantages as well as a clear sense of their future goals [21].

The community that participates in business incubation includes entrepreneurs, universities, financial institutions, business consultants, business legal counsel, private businesses, BUMN/BUMD, the government through connected technical agencies, and non-governmental organizations [22]. It turns out that different titles can be derived from the phrase “institution” that performs the incubation process, including: Business Incubator, Science Park, Technology Innovation Center, and others [23]. However, in
theory, every activity that is performed follows a similar pattern, namely the business incubation process[24]. There are various categories of business incubators (Campbell), including: Government and non-profit organizations fund incubators. Typically, job creation is done to reduce the rate of unemployment [25]. Science, technology, and intellectual property rights from research findings are the focus of this incubator [26]. Startup businesses can access laboratories, computers, university libraries, and specialized services through college incubators [27]. This incubator is backed directly by academic institutions and works with other interested parties [28]. Offices, production spaces, and facilities services are all offered by the incubator [29]. a few auxiliary office facilities Shared corporate branding occurs, and incubators are charged rent for using the space [30]. Similar business angels and venture capital businesses that share the tenant’s workplace (company), financed. This incubator gives its tenant list greater consideration. The most prosperous and rapidly expanding incubator model is this one. Incubators are created by established businesses to take over a tiny business and inject capital and even market knowledge. Every business incubator needs to be skilled at developing startup company strategies and connected to the local business community for business information and counseling. The business incubator concept was developed in universities as a means of commercializing research and creating new jobs, which in turn creates a chain of subsequent employment (job creation). It is anticipated that this concept will result in the development of business processes that have added value, are capable of producing fields of work, and are closely partnered with the government of the university, industry, and local community. This set of procedures will be able to transform new discoveries into innovations, leading to a process of value creation (value creation), which will favorably affect the commercialization of technology that can be used to create and improve social welfare (social wealth creation and social wealth improvements).

The model’s implementation experiences and issues are discussed with the appropriate parties. Through the FGD approach, socializing and problem-solving are carried out in order to achieve a shared understanding and synergy in the growth of business incubators as an organization that can create creative SMEs. Regarding the technique, the pilot incubator model is prepared in the following stages:

![Figure 1. Modeling strategy used while creating business incubators](image-url)
Starting with a review and analysis of pertinent policies linked to the topic. After that, consider the situational facts of implementation in the field based on data and knowledge of prior operations. A prototype model is then created for the future growth of incubator businesses using a descriptive analysis approach and sparse discussion-based workshop and business gathering organization. Regarding the four models the following illustration shows the pilot incubator that has been created:

Figure 2. Four prototypes of incubators

2. LITERATURE REVIEW

According to Harley, a business incubator is a group that systematizes procedures to aid participants or renters in establishing and developing the planned new firm by offering a range of services that are all inclusive and integrated, specifically:

a. Office, manufacturing, laboratory, or sales space that is transitory, flexible, and reasonably priced can all be considered incubator space.

b. Common areas and amenities including conference rooms, lobby areas, and canteens are offered to tenants.

c. Common Services, like using office supplies and secretarial assistance jointly

d. Access to specific assistance, intensive counseling support, and hands-on counseling

e. Multiple types of finance are offered to clients that need assistance in locating and acquiring financing for a business or otherwise.

3. METHOD

a. Model for a Creative Industry Incubator

Because it may generate foreign exchange while also fostering creativity and local economic progress, the creative industry sector is of major concern to the government-driven growth. There are 14 sectors that can be developed and facilitated according to the following model for universities, government agencies, and private organizations interested in setting up a creative industry/ICT incubator:

It is crucial to have the backing of the national and regional governments, the business sector, and universities (triple helix), especially when it comes to providing infrastructure and specialized help. According to the HR support, infrastructure, and support network held and mastered, this incubator offers a variety of sectors for individuals looking to expand. In addition, the incubator may help tenants grow and develop through the incubation process, beginning with pre-incubation, incubation, and post-incubation
with the emphasis as the groove above. Making renters into a brand-new, ethical, powerful corporation or organization that forms a cohesive business group is the desired outcome.

Figure 3. Potential sectors that can be developed and facilitated

b. Model for Agribusiness Incubators

As seen in the above image, stakeholders play a critical role in the growth of the agribusiness incubator. The incubator can choose one of the three primary sectors, or you can select one of them based on the level of HR support and owned and managed supporting infrastructure. Pre-incubation, incubation, and post-incubation of the following procedure are not drastically different from those of the prior model.

When it comes to agribusiness development, the expected results are mainly focused on: improving technological skills, boosting human resource capabilities, boosting negotiating strength, and ensuring raw material supply and price stability. Naturally, it is anticipated that tenants who have received incubatory support will be able to sustain stable business operations and recognize changes in the market. A thriving agriculture can undoubtedly develop into a significant economic force, provide assistance to nearby companies, and boost the rural economy.
Figure 5. Model for Incubator Support and Strengthening

The above-mentioned incubator's mentoring and strengthening model highlights some of the strengthening that must be done for tenants, such as QC (Quality Control), brand establishment, services, and funding. Quality Control improvement materials for products produced by tenants, particularly in terms of: (a) cost control (Cost Control), which aims to ensure that the final product offers a fair price competitive (Competitive price); (b) production control (Production Control), which aims to ensure that the production process (conveyor belt implementation process) can be smooth, quick, and the amount is in accordance with the target achievement plan; and (c) control of product specification standards cove (d) Product delivery time control (delivery control) related to the plan to manufacture a certain quantity of products that are delivered and received on time.

Brand building and image reinforcement on tenants’ manufactured goods are linked concepts. When purchasing a certain product or brand, people look for a trusted brand as a guarantee of the reliability of the product’s performance. When a brand is mentioned in relation to a consumer, a promise is made to that person that when they make a purchase, they will receive the greatest quality, convenience, status, and other benefits.

Services or services are intended to: (a) Self Esteem (give self-worth); (b) Exceed Expectations (beyond expectations consumer); (c) Recover; (d) Vision; (e) Improve (perform improvement improvements); (f) Care (giving attention); (g) Empower (empowerment); and (h) To carry out duties as a frontline, of course based on services that refer to customer satisfaction (customer satisfaction) served. finance or associated funding by improving tenants’ ability to assess the viability of actions taken to gain access to funding more quickly for both financial institutions and investors. Access to both internal and external finance is available to tenants.
Figure 6. Model for Tenant Incubator Financing

It is important to pay attention to tenant incubator funding, which was created with the interests of several stakeholders in mind. An incubator, tenant, LPDB, and banking are all included in the above-mentioned finance model. The aforementioned scenario illustrates how tenant finance Through this plan, the incubator can be pursued where:

a. The following are typical sources of tenant funding: financial institutions (banking and non-banking), grants, PKBL, CSR, and LPDB;
b. Incubator cooperatives, banking cooperatives, service cooperatives, and BUMD cooperatives are examples of cooperatives that can create a consortium;
c. Cooperatives accept credit applications from tenants;
d. Financial institutions receive technical recommendations from incubators;
e. The government is expected to serve as both a regulator and an enabler.

4. RESULTS AND DISCUSSION

Various factors to take into account while starting a business incubator, based on the expertise of several active incubators, including some of the following:

A precise definition or formulation of the goal of establishing a business incubator is required. Goals can be created based on requirements and anticipated outcomes, giving the incubator business guidance as it creates work plans and objectives to be met.

a. When examining the different types of business incubators, two categories may be made: profit-oriented and non-profit. The goal of the business incubator is to turn a profit; therefore, it is decided how much of the money will be used to fund operational costs. While non-profit business incubators receive management funding from the parent organization and support from additional sources of funding from many associated organizations or parties, the business incubator in this case functions as a cost center.

b. The development of business incubators involves human resources with knowledge of management, general business, and other supporting areas including rules and legislation, taxation, financial accounting, and other related areas. Since the incubator will serve as a business consultant, it is important that human resources have a theoretical and practical understanding of company management.
c. Prospective businesspeople and entrepreneurs should sign up for a business incubator. Prospective business owners can be either innovators themselves or outsiders who see a market opportunity in an innovation’s outcome.

d. The creation of networks between business incubators is necessary for the notion of new based business development technology to provide chances to reach the extensive development of entrepreneurship.

The amenities of a business incubator are essentially amenities normal to an office complex, which are then complemented by amenities for enhancing company resources. In actuality, the facilities found vary depending on the aptitude and financial assistance possessed. An advanced business incubator typically provides amenities including meeting spaces, cafeterias, security, furniture, office supplies, and telephones in addition to other equipment like a library, vehicle rental, cleaning and maintenance services, child care, and housing options.

Business incubators that focus on the creation and growth of start-up enterprises based on innovation, technology, and the arts typically offer services such as: access to finance, business mentoring, usage of common facilities, and business actor mediation with capital owners. A business incubator must specify the industry that will receive incubation, and this naturally depends on the incubator’s own goals as well as the specific requirements of the emerging company.

A potential usage study is necessary to identify the strengths, weaknesses, opportunities, and opportunities (SWOT Analysis) possessed with the following objectives:

a. Estimating business capabilities, providing context for resources possessed and those that must be supplied, potential actors’ businesses, and domain knowledge;

b. Learn about the market potential and entrepreneurial activities in your community.

c. Pay attention to the following as you go through the stages of preparing to construct a business incubator:

d. Form a work team for the establishment of a business incubator. This team was established as the person in charge of handling everything required in the early stages of building an incubator.

e. Goals for business incubators To provide an incubator direction in promoting its activities, clear goals must be set. The business incubator may be a for-profit or non-profit organization, as was already said. For instance, as a profit-making institution, of course, the process of incubation aims to increase institutional advantage in allowing and funding activity continuity in addition to increasing the tenant business;

f. Identification of financing sources

The funding source has a significant impact on how long the incubation phase will last. With the assistance of educational institutions, the government, banks, and other organizations that provide money for emerging business actors, business incubators can be developed (Startup Enterprise). The fund’s beneficiaries must share the same goals as those behind the creation of a business incubator;

g. Establishing standards for cooperation in business incubation

It is necessary to establish the incubation period so that tenants are aware of the time limit for the process. According to experience in nations with incubator programs, the cooperation lasts for two to three years. The determination of time parameters may also take organizational maturity or corporate earnings into consideration;

h. Creating a management structure for business incubators

A team of managers who can assess a business’s viability and help it become more successful and efficient in terms of technology, marketing, and management should run the incubator. Additionally, it has the ability to deal with entrepreneurs and comprehend their behavior;
i. Publications from incubator
   Publications are prepared to invite current and new business participants in line with the goals of the business incubator, fostering collaboration between linked organizations;

j. Choice
   A facility where emerging enterprises can operate to lower business risk is a business incubator. Because of this, a business incubator must conduct a careful screening of potential tenants before accepting those that have strong business prospects that can be evaluated from the business plan (business plan). Considering that many potential tenants lack business planning knowledge, a business incubator should offer knowledge-based business planning;

k. Network of collaboration
   Business incubators should offer local services as a starting point for cooperation in order to establish connections and share information and knowledge. Among the organizations in the collaboration network that can promote the growth of new business players are universities, the government, financial institutions, KADIN, and others;

l. Network of Business Incubators
   The network between business incubators in Indonesia has not yet been formed despite the fact that there are many of them. The network amongst incubators is crucial as a venue or method for exchanging information and expertise to boost business incubator efficiency;

Sangkat asserts that evaluating success indicators is necessary for all sorts of business incubators in order to determine the degree to which the incubation process has been successful. The administration of the incubator must have the ability to assess the actions taken. Indicators of success that serve as benchmarks for the incubator's performance include: (1) the addition of new businesses; (2) the creation of jobs; (3) economic growth; (4) the ability to get investment money.

Sangkat (2011) does not, however, provide a precise size of success in terms of boosting employment and economic turnover. In this situation, the business incubator team must design success criteria that center on current and potential tenants of the incubator, in addition to other criteria that are determined by the degree of engagement in the ongoing program. Measurable goals must be set, such as the goal of 100 coaching participants annually with a success parameter of 60% met in one program term, or the goal of ten tenants/business entities running a business annually with a success parameter of 60% (roughly five or six agencies are able to run their businesses successfully).

5. CONCLUSION
   Because the incubator can strengthen the capacity and business performance of new entrepreneurial candidates who are based on research and technology, the function of the business incubator is very critical in the development of Innovative SMEs;

   Incubators can be built in universities, government organizations, and other private institutions, therefore they are not just confined to the four colleges that have conducted the pilot. The four pilot models, (a) Green Energy/Energy Incubator Model Environmentally Friendly; (b) Manufacturing Incubator Model; (c) Models Creative Industry Incubator; and (d) Agribusiness Incubator Model, get serve as a guide for future development for public or private universities, institutions, government agencies, and banking institutions interested in establishing and developing a business incubator agency.
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