

Title: Factors contributing to success of Business Incubation in Fiji

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Abstract

Business incubation process seems to have worldwide accepted set of norms for establishment and characteristics for delivery of its services. However, the operational attributes accompany country specific modes derived from various factors connected to level of performance and socio-cultural settings of the country.

In Fiji, existence of business incubation for more than one decade shows dynamic nature of learning through “learning by doing process”; starting from a more pragmatic nature to a more focused approach. Evidence from bee honey industry, cash crops and cut flower industry are taken to investigate key factors for success cases. Interviews with a snowball sample of Business Incubation managers, incubates and market networks were conducted to identify contributing factors.

The analysis falls into descriptive domain rather than interpretive domain. The results derives that dynamic entrepreneurial leadership, industrial cluster approaches, modification of resources bases, and strategic partnership development with related players in the market seems to have contributed to the success in relatively remote areas in Fiji.

Keywords: Business Incubation, Entrepreneurial leadership, Social capital, learning by doing

1. Introduction

The concept of business incubation has been introduced to the world in 1960s and it gradually captured attention of both in developed countries as well as in developing countries. The first incubator was privately owned and established in 1959 in Batavia, New York. There are approximately more than 7000 business incubators worldwide (NBIA, 2012). Business incubators generally aim to maximize the chances of success of start-up companies by creating a supportive environment. Typically, this involves offering management assistance, mentoring, access to financing, flexible and low-cost leases, office services, etc. Business incubation concept now widely spread all over the world and diversified into many possible models providing different ranges of services based on the requirements of national economies. The typical services offered by an incubator are;

- “(1) Shared office space, which is rented under more or less favorable conditions to incubates,
- (2) A pool of shared support services to reduce overhead costs,
- (3) Professional business support or advice (“coaching”), and
- (4) Network provision, internal and/or external. “ Bergek and Norrman (2008)

Gstraunthaler (2009) emphasized the importance of understanding the stand of their own position by the managers of the BIs and their own set of tasks towards satisfying the needs of the customers. The dual responsibilities of BIs: serving the incubates they host in one hand and fulfilling the stakeholder’s requirements on the other hand are considered as critical factors for the business success of BIs.

For developing countries, the concept of business incubation has become appealing as it can make significant contribution to job and wealth creation. However, the countries that stepped into the establishment of business incubators have faced many issues within and beyond business incubation process. Montigny (2007) pointed out that the key issues encountered by developing countries are as expansion of incubation function, successful connection to venture capital investment, increasing demand for incubator services, strengthening services towards internationalization. The way that different countries respond to those issues may have taken different paths of progress. Further, measuring effectiveness of business start-up facilities is considered as a difficult task (Sheman, 1999) and still a generally accepted method of measuring performance of BIs is absent.

The service function by the host to satisfy the incubates and fulfillment of stakeholder's requirements are equally critical for success of newly established BIs especially for those who are in infant stage of business incubation. Failure of BIs to focus on assisting clients has been discussed by Kilcrease, K.M. (2011). Lichtenstein and Lyons (1996) has come up with design parameters for BI services which are dealing with resource needs. Lichtenstein et al (2004) described the process of development of enterprising communities based on the enterprising behavior and activities. He advocates the role of entrepreneurial leadership towards developing entrepreneurial communities based on the eight point short-comings. The present paper attempts to move into a further dimension of operations of BIs by addressing the issue on how BI managers incorporate parameters of dynamic leadership and modification of resource base into their success stories.

Typically, a remotely located geographical regions in a developing country contains a variety of resources, out of them are sometimes very specific and rich in nature. Further, such regions, due to disparity of economical activities contain a higher level of labour surplus that can be diverted alone a track that can generate additional income. More importantly, the portion of available free time by housewives is also significantly high. The understanding of such factors blended with cultural norms and practices in the social fabric are useful for the BIs managers to design pre-incubation services and then follow up with mechanisms to fulfill the demands of the customers. This paper describes how BI concept in Fiji successfully blended their approaches in a comparatively remote geographical area in contrast to the approach to serve the incubates through typical services in a more urban area that may need more professional approach. It was also attempted to identify the key features in the development of business incubation process in Fiji by taking into account a couple of success stories of business supported by its incubators located inside and outside the major urban areas.

2. Methodology

The investigation commenced with analyzing information available from secondary sources. Subsequently snowball sampling technique was used to understand the level of influence made by BI concept in Fiji. The CEOs and respective officials were participants of the sample. Having understood the process that the BIs establishment gone through, a sample of incubates were selected for further data gathering. Finally, the participants from the market links were interviewed for the purpose of creating supplementary set of information to re-impose the findings.

3. Findings

3.1 Background on business incubation in Fiji

The concept of Business Incubation was introduced to Fiji under the umbrella of National Centre for Small and Micro Enterprises Development (NCSMED) in 2002. The objectives of this BI were to develop, promote and support small and micro enterprises. During later part of 2002, NCSMED was further strengthened by bringing in micro finance unit of the Ministry of Finance into the NCSMED with a view to embark on facilitating business development and investment in an accelerated phase. As a result two business Incubators have been established in Ra and Suva in 2008.

In the same spirit, with a view to improve the livelihoods of the people of the Northern Island of Fiji, NCSMED commenced a programme called "Northern Development Programme (NDP)" which is somewhat different to the Business Incubation model established in Suva & Ra. The NDP mainly facilitate "Enterprise Development" rather than incubation of business ideas.

3.2 Business incubator in Rakiraki District

The initial concerns of the Business Incubation Center in Ra were substantially on assisting the new start-ups with basic requirements such as provision of space (instead of rental space or home based operations) and provide access to essential support facilities. Accordingly, the BI in Ra, it is mandated to provide;

- Flexible space and leases, many times at very low rates
 - Fee-based business support services, such as telephone answering, bookkeeping, secretariat, fax, internet, copy machine access, and meeting rooms
 - Business and technical assistance either on site or through a community referral system
 - Business mentoring
 - Supply chain development
 - Assistance in obtaining funds
 - Networking with other enterprises
- (NCSMED, 2014)

The initial phase of the BI in Ra can be considered as a platform for institutional learning. Among many lessons, the designers learnt that remoteness of the BI to the major markets limits the level of operations of incubates. On the other hand, learning from the fact that location factor in business development is critical in selection process, the designers moved into a strategic selection process by focusing on more “resource based” start-up business enterprises. Accordingly, business enterprises on bee keeping and cash crop enterprises were evolved and promoted. The choice of focused support on bee keeping & honey production is considered as a right strategic decision for many reasons.

Among them are;

- “Bee keeping requires less time, capital and infrastructure investment
 - Honey and bee wax can be produced from an area of little agricultural value
 - The Honey bee does not compete for resources with any other agricultural enterprise
 - Beekeeping has positive ecological consequences
 - Bees play an important role in the pollination of many flowering plants
 - Honey is highly nutritious food
 - Beekeeping can be initiated by individuals or groups”
- (NCSMED, 2014)

Apart and above all of the above reasons, expertise on bee keeping was available within the locality. One of the existing firms that exports bee honey was willing to assist in mentoring, training, supplying material as well as linking the start-ups with the local market.

In the cash crop sector, one of the major constraints was inadequate supply of seedling which is normally imported to Fiji. The authorities have taken a decision to establish and maintain a nursery to meet the demand for seedling. In 2010, the BI extended its supported to establish a nursery to meet the demand of rising of seedlings. Support for business start ups in floriculture is another strategic choice of the BI management. Understanding the social fabric in Fiji where there is higher potential of women based enterprises development merely for diverting their unutilized capacity to make extra income generation and understanding the environmental and technological issues related to the floriculture, the business Incubation Center in Ra has facilitated creating income generating opportunities for women by setting up of horticulture business in Lautoka. Further, the BI has directed women entrepreneurs to connect with the exporters in cut flower industry which strengthened the healthy operations in their supply chain.

The BI in Suva (Suva is the capital of Fiji) focus on incubation of service sector start ups. The incubates came from a variety of service industries. The BI in Suva has the capacity to accommodate 10 incubates at a time and typically they are provided with conventional BI facilities such as free of charge office space, meeting place, access to internet and business advice etc. It seems NCSMED do not encounter problems related to demand from incoming potential incubates. However, a screening process is in place to select tenants from limited applicants. The inadequate demand in the light of expanding economy and broadening nature of business opportunities indicate the need for more aggressive promotion of BI concept and development of new business ventures. The level of operation and number of incubates using the BI services do not provide room for any useful analysis at this stage. However, it is worthwhile to notice the importance of service quality and employee behavior in service based incubators as a key factor for success (Babbar and Koufteros, 2008).

4. Discussion

The experience of BI process in Fiji suggests that the strategy to purposefully alter and modify the existing resource base and creating new resources coupled with outreached BI services have produced reasonably successful results while market based approach with centralized services yet to produce considerable output. In line with the findings of Haapasalo and Ekholm (2004), it is observed that the approach of the BI to connect incubates with the well established export oriented supply chain members seem to have heavily contributed to the success of incubates. Evidence does not support for success of more urban setting where a more demand based entrepreneurial ideas can be originated. This instance, the findings fall in of the entrepreneurial leadership style derived through “learning by doing”. Further, BI was able to connect the market links and fill up the gaps to make the business process run to fulfill the expectations of the incubates. In the light of current social, economical and political environment, a similar entrepreneurial business leadership should evolve to stimulate entrepreneurial business ideas, shaping and orienting them to business language, incorporate taste of innovativeness, tap market intelligence in regional as well as global context, deal with technological needs and related issues, product/service quality enhancement, e- business and export/import facilitation.

5. Policy implementation

Fiji as a leading economical hub of small islands in the pacific region is facing a greater transition period to accommodate fast social and economical growth. Many opportunities are at arm’s length, but need appropriate touch to make them open. Purposeful guidelines, and policy directions coupled with appropriate incentives can be used as tools to open windows of opportunities.

With respect to business incubation, empowering the regulatory bodies with adequate capabilities to understand and handle the chain of business development process including quality assurance and export marketing, concentrated efforts and financing in business development in prioritized business sectors, promoting networks within existing service sector organizations (e.g. business sector to link with knowledge based organizations such as universities) and not last, the strengthening national intellectual property laws are few area where decision making bodies need to revisit and design strategies for the future.

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