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Investigating the relationship between the success and failure factors of business incubators and those of micro-enterprises

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Abstract

South Africa, like other developing economies, is viewing business incubation as a viable solution to develop sustainable enterprises that can grow the economy and reduce unemployment. The current economic climate has prompted all stakeholders to achieve sustainable and inclusive growth, and business incubation has been identified as a way to achieve this. Business incubators, however, experience challenges, and certain factors lead to their successes and failures that impact on the success or failure of the micro-enterprises they are supporting. Therefore, an exploratory study was undertaken to determine potential links between business incubators and micro-enterprises.

Case studies involving a combination of a business incubator and its associated micro-enterprise were conducted. The study shows that the success of the micro-enterprise and business incubator relies in the fact that both entities need to function as a for-profit business. This can be done by focusing, on a less granular level of the business operations, having an effective business strategy and operating model in place and identifying the success and failure factors. The functions identified impacted the way in which business incubators and Micro-Enterprises operate. Common functions that were found which may have successes on the micro-enterprises and business incubators were having learnership or internship programs in place that allow for continuous learning and close collaboration of information and knowledge sharing between the business incubator and the micro-enterprise. Other common functions which contribute to successes are having procurement strategies and identifying opportunities in the market place; micro-enterprises for growing their business, business incubators for identifying potential businesses to incubate to drive economic value. Among some of the enablers that were found through were aiming for financial management, sustainability, ensuring adequate funding and working with an entrepreneurial mind-set.

Keywords: business incubator, micro-enterprise, inclusive growth