

BUSINESS INCUBATORS SUPPORT COLLEGE PERFORMANCE

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ABSTRACT

Business incubators have a very important role in developing entrepreneurship, since it gives large opportunity to its participants to develop their business skill during incubation. The Indonesian government today provides a major boost to the development of business incubators in universities or other form of higher education institutions. The purpose of this research is to analyze the validation of the establishment of business incubator in colleges. In Ministerial Regulation (*Permen*) Minister of Cooperation and Small Medium Entrepreneurship the Republic of Indonesia No. 24/2015 explained that the head of the university, the Rector or the Director may issue a business incubators license. Thus, internal validation can be done by university or college management through the issuance of Decree (SK) Establishment complete with personnel appointed as manager. Furthermore, the college, has to provide a place or room consisting of office space, tenant room at least 3, discussion room 1, and tenant production display room. External validation is carried out by tenants through their success of becoming independent businessmen after being forged or incubated in a business incubator for a maximum of 3 years in one incubation period.

KEYWORDS: business incubator, internal validation, external validation

INTRODUCTION

Business incubator in Indonesia has been started since 1994. It was the government of Indonesia when it addressed the existence of business incubator through the Ministry of Cooperatives and Small Enterprises. However, the existence of business incubators in Indonesia has only been handled seriously since the issuance of the Decree of the State Minister of Cooperatives and Small Medium Entrepreneurs in 2002. The decision (in Nindyawati et al, 2013:2) includes:

- 1) incubation is the process of fostering for small business and/or new product development by incubator with the provision of business facilities and infrastructure, business development, and management support and technology;

- 2) incubator is an institution engaged in the provision of facilities and business development, both management and technology for SMEs to improve and develop business activities and/or product development.

Over time the government seems to be increasingly serious in developing business incubators as reflected by the issuance of Presidential Decree No. RI. 27 of 2013 on Entrepreneurial Incubator Development or more popular with business incubator. Furthermore, the Presidential Regulation is elaborated in more detail in the Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia No. 24 of 2015 on Norms, Standards, Procedures and Criteria for the Implementation of Entrepreneurial Incubator.

In Presidential Decree Republic of Indonesia. No. 27 of 2013 is described, the entrepreneur incubator is an intermediary institution which incubates the Incoming Participant (Tenant); incubation is a process of coaching, mentoring, and development provided by the Incubator of Entrepreneurs to the Incubator (Tenant).

In addition, in the Regulation of Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia No. 24/2015 explained that the determination of norms, standards, procedures and criteria for the implementation of entrepreneurial incubator aims to increase the effectiveness of: (a) the implementation of entrepreneurial incubator; (b) the development of an entrepreneurial incubator; (c) a common perception of standard procedures relating to the incubator; and (d) implementation of qualified Human Resources Development of Cooperatives and Micro, Small and Medium Enterprises through incubation process. In relation to the legality of the implementation of business incubators in universities or higher education institutions, in the ministerial regulation is explained that the head of the university or higher education institutions (rector/director) can issue permits to run business incubator in the college concerned.

The originator of business incubator development is Mr. Joseph L. Mancuso in New York United States, in 1959. Batavia Industrial Center, New York with his business partner Charles Mancuso & Sons was recorded as the beginning of a business incubator model in the United States (Setyobudi, nd). The main purpose of the business incubator is to produce an independent company, especially in the financial aspect. The proven success of the business incubator development eventually became the basis for the establishment of a similar business incubator in another country, which subsequently spread to almost all over the world, and reached Indonesia in 1994 (Nindyawati et al, 2013). Business incubators serve as economic strategies for building and developing social and economic growth, commercializing new products and new business processes and models. According to Al-Mubarak et al (2015)

there are three types of business incubators in the United States, which are related to economic development, technological commercialization, and entrepreneurship. Through research conducted in New York (USA), the three types of business incubators found that incubators functioned as: (1) dynamic models of efficient and sustainable business development, (2) useful tools for job creation, (3) a method to develop and support corporate innovation to create the best environment for business growth, both in the early and developing stages, and (4) major contributors that provide added value to the business by developing a center of science, research and development for the incubator domicile region, increasing collaboration between universities with business investment (Al-Mubarak et al 2015: 8).

Business incubator is not homogeneous; but different in types and purposes. In many literatures it is mentioned that the business incubator is divided into two based on the purpose of its establishment, which is not profit-oriented (non-profit) and the profit oriented (for-profit). Non-profit-oriented business incubators are typically formed and owned by government agencies or government-owned corporations, with the main objective of opening employment, and restructuring and strengthening the business climate (Allen and McCluskey in Branstad, 2010). While profit-oriented business incubators are established and owned by private companies, whose goal is to create new entrepreneurs to access the resources they have (Gassmann and Becker in Branstad, 2010).

It is generally agreed that the establishment of a business incubator aims at encouraging and assisting entrepreneurs towards continuing business development. The fundamental difference between a business incubator lies in its funding source, whether it comes from a private investor, a government, or a college. So that will affect the purpose or direction of its development, such as universities tend to aim for transfer of technology, as dissemination of research results. Meanwhile, government-built business incubators tend to aim to encourage the growth of the business community; and the private sector is more focused on return on investment (Hannon and Chaplin in McAdam and Marlow, 2008).

Talking about business incubators it cannot escape with entrepreneurship. In Indonesia the term 'entrepreneur' is identical to the business practitioners, but entrepreneur is more emphasis on the soul, spirit, and then applied in all aspects of life. It is further explained that entrepreneurship is the same as entrepreneur (English), which is actually adopted from French, meaning between taker or go-between. Joseph Schumpeter provides entrepreneurial understanding, is a person who breaks down the existing economic system by introducing new goods and services, by creating new organizational forms or processing new raw materials (Alma, 2014). While Priyanto (in Soeprapto, 2012) states that entrepreneurship is something

that exists in the soul of a person, society and organization that will result in various business and business activities.

This paper, which is the result of research concerning the model of tourism business incubator development in universities, especially State Polytechnic of Bali, will discuss the important role of business incubator in supporting the existence of college. The main purpose of this writing is to illustrate that universities, especially those running vocational education, must have a business incubator unit to support its existence as a self-employed skilled workforce agency.

RESEARCH METHOD

This research was conducted at Politeknik Negeri Bali (State Polytechnic of Bali) and in two universities or college that already have business incubator unit, namely Udayana University and Politeknik Negeri Malang (State Polytechnic of Malang). The object of this research is the development model and validation of business incubator in university or college.

Data were collected through focus group discussions (FGD) with lecturers of entrepreneurial subject, management of State Polytechnic of Bali, and students' representative from each department; workshop with all FGD participants, library reviews and benchmarking to universities and/or college that have successfully run business incubators, namely Udayana University Entrepreneurship Development Center (EDC) and Entrepreneurship Training Unit (ETU) State Polytechnic of Malang. Data concerning the phase and validation of business incubator development was collected.

The instruments used in this research are in-depth interview guides, recording devices, and cameras to capture the necessary photographs.

The data is then processed by qualitative descriptive method, by comparing and complementing the data taken from literature review and benchmarking results. The business incubator development model obtained in the first year of research was revised according to the findings of this year's research.

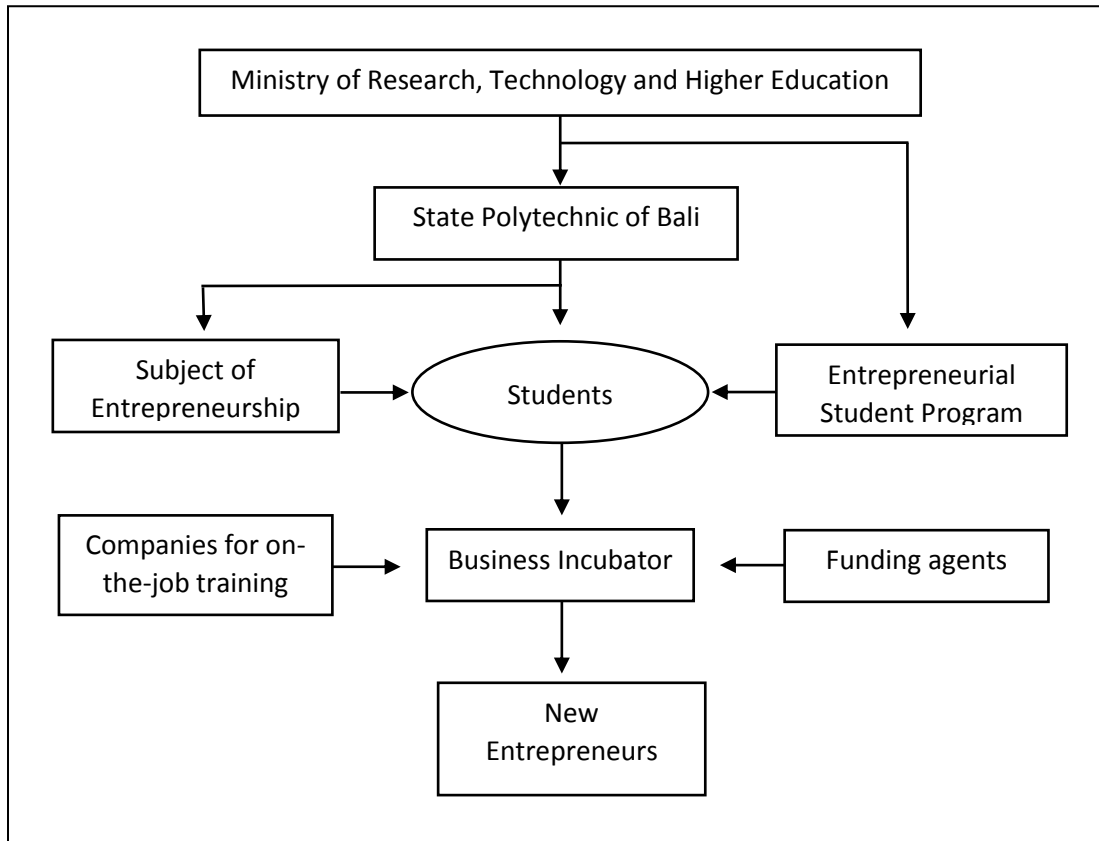


Figure 2.1 Draft Model of Business Incubator Development

RESULTS AND DISCUSSION

1. Higher Education as a Manpower Agent

Universities or higher education institutions have an important position in the economy of a country. Miner et al in Jamil et al (2015) says "The universities are at the center of the position in the economic growth of a country by playing an active role in research and development, innovation, incubators and technology parks, and commercialization". In addition, universities are also mandated as ready-made labor producers, which are categorized as ready in terms of knowledge, skills and mental. However, given the very limited field of work and contested by many people, one solution is to open their own employment by doing business or becoming an entrepreneur. In fact only a small percentage can do that. There are several factors that cause such a thing, for example, the most basic, entrepreneurial mental attitude.

Currently, universities or higher education institutions are considered to still focus on output, simply as an educational institution that graduated undergraduate, and has not been able to produce graduates who are able to create jobs. That is, universities have not been able to instill entrepreneurial spirit to the students. Cases in Indonesia, survey results show that the total number of students from Aceh to Papua is 5 million. Of the total is known to be 83% want to become employees, 4% want to be entrepreneur, and the rest want to become non-governmental organizations (NGOs) and politicians (Tempo, 2017). Today the Indonesian government has made many efforts to optimize universities as a place to grow young entrepreneur, such as grant through the Student Entrepreneur Program (PMW) scheme, and granting authority to higher education institutions to allocate loads of courses of entrepreneurship.

2. College Business Incubator

The main purpose of business incubator in college is to prepare graduates to be ready to be businessman since they are still in college, so that once they graduate become self-employed entrepreneur. Consequently, universities must prepare places, technological facilities, guidance, network and product markets (Jamil et al., 2015).

Universities are seen as the most relevant institution in preparing young entrepreneurs. In addition to the related technology transfer of research results, also college graduates are most prepared in terms of mental and knowledge stock, when compared with high school graduates, for example. Of course this statement is not entirely true, considering not a few successful entrepreneurs do not get education up to college. In Indonesia, the government's attention to the importance of entrepreneurship in universities is evidenced by the offer of various types of competitive entrepreneurship programs, which until now have continued with the name of the entrepreneurial student program (PMW). The program initiated by the Ministry of Research, Technology and Higher Education received a positive response from the young entrepreneurs through the organization of the Young Entrepreneurs Association of Indonesia (HIPMI) through the establishment of HIPMI Higher Education on June 15, 2011, which are aimed at developing and empowering entrepreneurship in universities (HIPMI-PT, 2011).

College business incubators typically have three main objectives, namely technology transfer, promotion of entrepreneurship, and the leading commercialization of research outcomes (Zucker et al. Lockett and Wright; Noura et al. In McAdam and Marlow, 2008). In addition to these goals there are other objectives, such as the establishment of entrepreneurial spirit, civil responsibility (to society), image formers and as a new source of income (Albert

and Gaynor in McAdam and Marlow, 2008). The attention of academic colleges to the existence of business incubators is quite large. Evidenced by the number of research and scientific publications conducted by researchers or academics in scientific journals that have high impact factor in the past 10 years (Jamil et al, 2015).

3. Model of Business Incubator Development of Higher Education

In principle, universities are given the authority to determine the model of logging and management of business incubators. The survey results show that there are two models of business incubator development in universities, which are first structured directly under the management of universities, in the form of institutions, centers or units; both of which are under institutions, centers or units within a college management structure. Another form, which is the development of the two, is the incorporation of business incubator units in Entrepreneurship Development Center (EDC) units or sub-units such as at Udayana University or Entrepreneurship Training Unit (ETU) such as in State Polytechnic of Malang. In both models the role of EDC or ETU has a role beyond the business incubator. The model of a business incubator structure directly under the management of a college (rector/director) has a wider and more liberal role in engaging entrepreneurship-related relationships with outsiders. Thus, he becomes faster forward, because it can freely do coordination under the management of the institution. On the other hand, if its existence as sub-institution or sub-unit, then its movement will depend on the institution or unit. That is, the more understood leaders of institutions or units concerned with business incubator, it is likely that the management of business incubator is more advanced. However, in many cases the head of the institution or unit is less well understood and lacks of the "soul" of the business, so the attention to the business incubator is lacking.

Related to the legality of the implementation of business incubator in universities, in the Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia No. 24/2015 mentioned that the head of the university (rector/ director) can issue permission to run business incubator in the college concerned. That is, college management are given full authority to issue a decree of the establishment of business incubator. This ease is a testament to the support and seriousness of the government in improving the ratio of entrepreneurship Indonesia, which currently only reached 3.1%, an increase compared to the year 2013/2014 which only reached 1.67% (Humas Kementerian Koperasi dan UKM, 2017).

The model of business incubator development in college can be seen in the following figure.

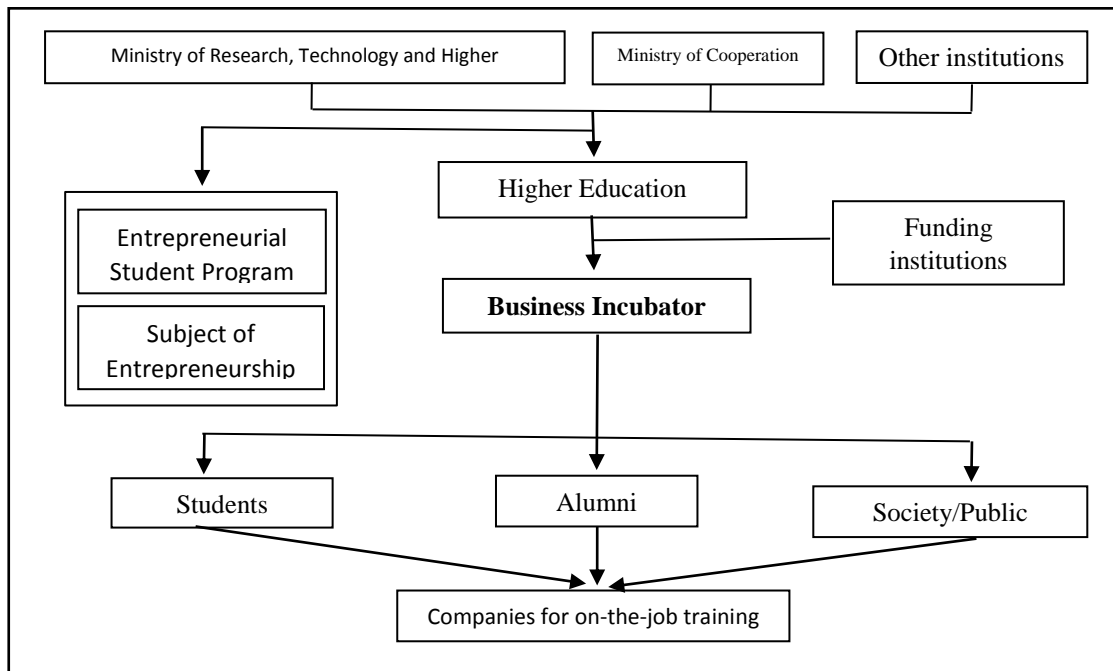


Figure 3.1 The Model of Business Incubator Development in College

CONCLUSION

Higher education institutions have a very important role in the development of manpower or human resources. One of the roles of colleges or universities in developing ready-to-work human resources is to develop business incubators as a place for students and alumni to prepare themselves as self-employed entrepreneurs. In addition to students and alumni, college business incubators are also required to develop entrepreneurship for the surrounding community, in particular. Thus, the existence of higher education is increasingly taken into account, and if proven to create new entrepreneurs, then the college will be the choice of society.

The government of Indonesia has given authority to the management of college or university to issue a decree of the establishment of business incubator. Management of the institution has full authority to develop management structure of the business incubator. The model of a business incubator structure directly under the management of a college (rector/director) has a wider and more role in engaging entrepreneurship-related relationships with outsiders.

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