

Conference Paper

Business Incubation and its Role in the Creation of Entrepreneurs in South Kalimantan

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ABSTRACT

The creation of new entrepreneurs in the City of Banjarmasin and South Kalimantan Province is one of the missions of the local government as a commitment to encourage more people to start a business in the region. The Local Government took the initiative to develop a Business Incubator (Kawal Incubator and Inbitek Borneo Incubator) as a medium for developing and creating new and more focused entrepreneurs. This Study aims to analyze the role of business incubation in creating new entrepreneurs for 90 tenants from Kawal Incubator and 40 tenants from Inbitek Borneo. This research uses descriptive qualitative research with the Reflective, Recursive Design and Development Model (R2D2) model. Currently, the local community (Kasel Creative Forum) manages a business incubation run by the City of Banjarmasin, while Inbitek Borneo is managed in-house. The Study shows that Full Stack Incubation Services are needed; legal facilitation, photo product, Business Logo, Digital Marketing, Funding opportunities (Credits and Grants), and access to the market. The Funding scheme provided by the government is too rigid to match the dynamism of business incubators; it requires more flexible financing. The incubation model also determines the success of the creation of new entrepreneurs, especially in the recruitment process, selection of mentors and mentors, curriculum, and program escalation.

Keywords: Corruption crimes, return of state financial losses

Introduction

Local governments have an important role in providing a broader and more sustainable space as one of the strategies to encourage the growth of new entrepreneurs (Rahim et al., 2017). In general, there have been various efforts made by the government to motivate the public to be interested in becoming entrepreneurs, one of which is by providing assistance and low-cost credit. Still, overall, the number of entrepreneurs has not increased significantly (Mayasari et al., 2019). The same thing has been done and has become a commitment by the South Kalimantan Provincial Government and the current Banjarmasin City Government, trying to encourage and motivate people to start businesses or become entrepreneurs.

The South Kalimantan Provincial Government and the Regency and City Governments have implemented several policies to foster and develop entrepreneurship, including policies for providing programs and budgets, establishing regional apparatus, and facilitating public services (Enggok, 2021). The South Kalimantan Provincial Government and Regency and City Governments, one of which is the City of Banjarmasin, have been more than sufficient to stimulate the formation of new entrepreneurs. However, there are still limitations, especially in the resources owned by the government and the business actors. This condition makes the policies taken by the government not optimally successful (Huda et al., 2020). For the implementation of policies to be more focused, especially on the aspect of the resources owned, it is necessary to

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have coaching facilities and to empower and guide new entrepreneurs through a business incubator (Du et al., 2019).

The business incubator has a concept to help entrepreneurs translate ideas into workable and sustainable businesses and provide entrepreneurs with the skills, networks, and tools needed to make their businesses successful (Darmawan, 2019). Incubator services at business incubators generally include space and facilities for shared business activities, program provision (monitoring, coaching, and business consulting), support for facilities in research and business development, and access to technology use and enhance the capabilities of business actors (Dlamini et al., 2022). Through business training programs, provision of initial funds, assistance to gain access to capital, and efforts to create business networks (Eshun, 2009). In addition to the concept, there are two principles for a business incubator to run effectively (Yunani et al., 2022), namely:

1. It must have a positive impact on the community's economic empowerment; and
2. A dynamic model that can follow developments and is self-sufficient.

To achieve these principles, the incubator management team must carry out several objectives:

- a. Has a mission and strategic planning as well as community development goals.
- b. Able to achieve financial independence through a realistic business plan.
- c. Recruit a reliable management team with appropriate compensation.
- d. Building commitment to the vision and mission.
- e. Prioritizing services to tenants, including proactive consultation, and making references.
- f. Develop incubator facilities, resources, methods, and tools.
- g. Integrating incubator programs and activities into the community and contributing to broader economic development.
- h. Gather stakeholder support, and build networks; and
- i. Maintaining the management operating system, collecting statistical data and important information for evaluation, as an effort to adjust tenant needs.

In Indonesia, the Incubator has been developed since 1992 at the government's initiative through the Department of Cooperatives in collaboration with universities. These efforts continued in 1997; the Entrepreneurship Culture Development program was held in universities, one of which was the New Entrepreneurial Incubator (INWUB). Thus, in 1999, the number of incubators reached 29, most of which were university programs (the research team of the Bank Indonesia Credit Bureau). According to the Ministry of Cooperatives and SMEs from hundreds of incubators that have ever been established, in 2004, there were only 56 incubator units throughout Indonesia, most of which were carried out by universities, and only a few were active. Several factors that cause the underdevelopment of incubators in Indonesia are:

1. Limitations in the provision of operational facilities impact the low ability to absorb inwall tenants.
2. Lack of seed capital supports that incubators have not been handled professionally, and many inwall tenants cannot obtain initial capital even though the business is feasible to finance.
3. The government's commitment and support are relatively lacking and inconsistent in developing the Incubator.

The South Kalimantan Provincial Government has a business incubator, namely the Borneo Business and Technology Incubator or Borneo Inbitek, which was established by the Regional Research and Development Agency (Balitbangda) of South Kalimantan Province. Inbitek Borneo was established in 2018 with the Decree of the Head of Balitbangda No.88/Bid.1/Balitbangda/2018. Inbitek Borneo will carry out its activities with APBD funds and grant funding from the Ministry of Cooperatives and SMEs in 2021. Furthermore, the Banjarmasin City Government has a business incubator, the Kawal Incubator, under the Banjarmasin City Cooperative, Manpower, and Micro Business Office. The Kawal Incubator carries out activities

with funding sources from the APBD and CSR. The two business incubators have differences, including the number of tenants, concepts, and funding. Another difference is that the local community (Kalsel Creative Forum) currently manages a business incubation run by the Banjarmasin City Government, while Inbitek Borneo is managed in-house. Based on this background, this study aims to analyze the role of business incubation in creating new entrepreneurs for 90 tenants from Kawal Incubator and 40 tenants from Inbitek Borneo.

Material and Methods

This study uses a qualitative approach with a descriptive analysis method, which combines the implementation of observations, relevant theoretical, logical, and pragmatic thinking, questionnaires, and in-depth interviews. The model used in this research is the basic model R2D2 or Reflective, Recursive Design and Development. The structure of the R2D2 model consists of four stages, namely (1) definition, (2) designs, (3) development, and (4) dissemination. The approach is constructive interpretive, collaborative, and linear (Yunani et al., 2022). The concepts of the R2D2 model are:

1. It is repetitive and contemplative.
2. Involving users in a collaborative and participatory manner.
3. Believing that planning is constantly evolving.
4. Conducting process evaluation planning authentically; and
5. Using subjective qualitative data as material for revising the developed method.

The criteria used to analyze the role of business incubation at the Borneo Inbitek and Kawal Incubator include:

1. Recruitment process.
2. Programs and curriculum.
3. Incentives for tenants; and
4. Exit Strategy (KPI of incubation program objectives).

The following is the business incubation model used in this study:

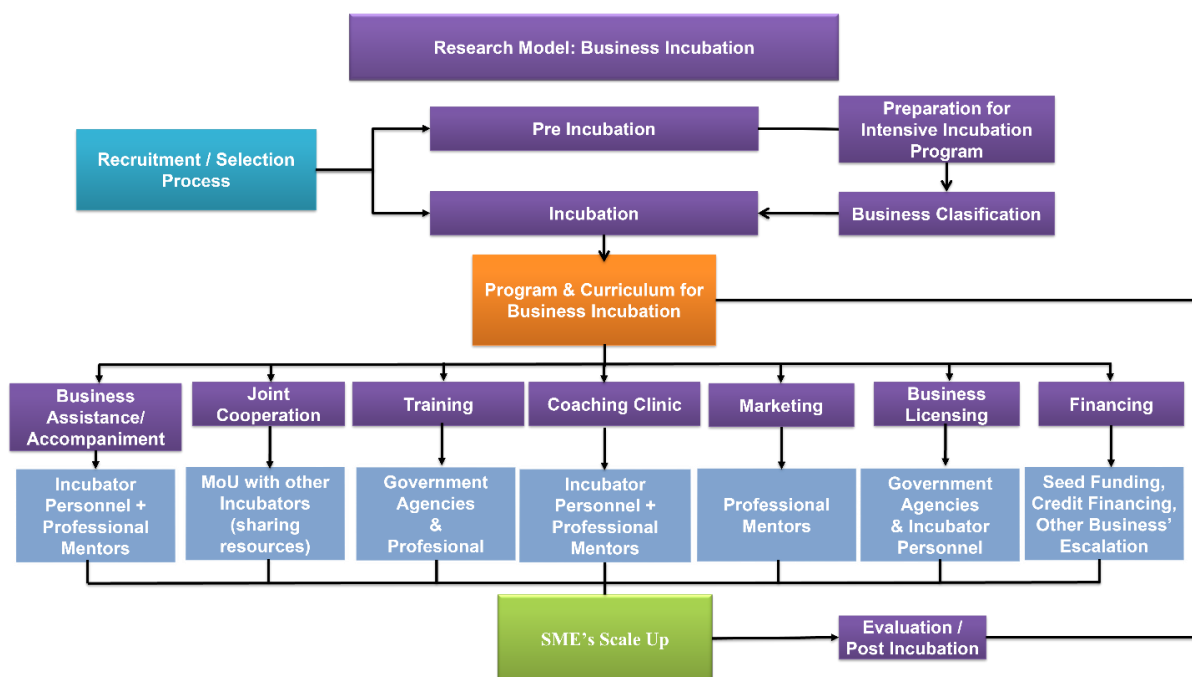


Figure 1. Business incubation model

Results and Discussion

The initial analysis was carried out by identifying the characteristics of the two business incubators that became the research sample, namely the Borneo Inbitek and Kawal *Incubators*. Both business incubators are under the authority of the local government, namely the South Kalimantan Provincial Government for Borneo Inbitek and the Banjarmasin City Government for the Kawal Incubator. The two business incubators carry out their activities sourced from APBD funds, namely Borneo Inbitek, amounting to IDR 750 million, while the Kawal Incubator amounts to IDR 226 million. Apart from APBD funds, Kawal Incubator also gets funding sources through CSR. Furthermore, there are significant differences in the number of tenants participating in incubation activities. The number of tenants in Inbitek Borneo is 40 tenants, with a closed recruitment pattern.

Meanwhile, the Kawal Incubator recruited twice as many as 90 tenants with an open recruitment pattern. As for the escalation program carried out, namely, if Inbitek Borneo only facilitates the fulfillment of intellectual property or intellectual property rights, while the programs in the Kawal Incubator are quite numerous and complete. The escalation program is free to create a logo, free product photos, and free to register their business license. The following identification is the curriculum used; namely, Inbitek Borneo still focuses on basic things in business activities, while the Kawal Incubator prepares a curriculum based on the needs of the tenants.

Table 1. General Comparison

No.	Initial Identification	Business Incubator	
		Inbitek Borneo	Kawal Incubator
1.	Source of Funding	APBD / IDR 750.000.00,00	<ul style="list-style-type: none"> • APBD IDR 260.000.000,00 • CSR
2.	Number of Tenants	<ul style="list-style-type: none"> • 40 Tenants • Closed recruitment 	<ul style="list-style-type: none"> • 90 Tenants • Open recruitment
3.	Escalation Program	Intellectual Property Facilitation	<ul style="list-style-type: none"> • Free logo creation • Free product photo • Free business registration
4.	Curriculum	Basic business acumen	Prepared curriculum, specially tailored

Recruitment process

The tenant recruitment process for both business incubators is analyzed based on four components, namely, (1) selection process, (2) tenant criteria, (3) verification for selected tenants, and (4) pre-incubation. There are differences in each component of the recruitment process in the two incubators, even though they are both owned by the government. Inbitek Borneo conducts a closed tenant recruitment process while the Kawal Incubator is open. The criteria for tenants participating in incubation activities at Inbitek Borneo are determined based on the Cooperatives and SMEs Office of South Kalimantan Province criteria, while Incubator Kawal sets its criteria. Inbitek Borneo was given access by the Cooperative and SME Agency to their tenants, with the hope that their tenants will receive a series of *pieces of training* and incubation programs by Inbitek Borneo. Kawal Incubator has set specific selection criteria for their tenants; maximum of three years old of business operation, age of the *owprogramsner*, initial capital, number of sales and sales condition, and stages of business.

Another difference is in the SME's verification process. Inbitek Borneo cooperates with the Cooperatives and SMEs Agency of South Kalimantan Province in tenant verification. The tenants initially managed by the Agency, were given training, grants in form of money and machineries, and access to local, regional, and national expos. Kawal Incubator meanwhile conducts tenant

verification through location verification and interviews. Tenant recruitment process is further selected through the pre-incubation phase to get the top 50 tenants that suit and can complete the whole incubation phase. Both incubators do it at different times or duration of activities, Inbitek Borneo conducts pre-incubation to kick off the program of the incubation process, while Incubator Kawal does it for two months for eight sessions.

In general, an incubation program should have its selection and administration team (*Bismala et al., 2020*). This is related to the tenant verification process and the tenant interview process, which will take a lot of time. The tenants' selection team must be selected from various sectors, practitioners, academics, and government to get a comprehensive picture. The Secretariat team is also expected to play a more active role in assisting the administration of the Kawal Incubator team, especially in the financial administration process.

Another part of the recruitment process is the mentor and coach selection process. Mentor and Coach recruitment must also have clear standards and accountable criteria. Currently, the invited mentors and coaches do not have the appropriate competency certificates, although, from the point of view of experience as a practitioner, it is sufficient. The Mentor and Coache team must also have good delivery skills, especially when delivering training materials, so they are easily digested and understood by the participants. In addition, the chosen mentor team must have experience as a practitioner to explain the business context from the perspective of business actors (*Hewitt et al., 2020*). Kawal Incubators have managed to scrutinize their mentor and coach selection process and have a solid mentor and coach lineup for them. Most mentors and coaches are industry experts and practitioners, while also having a mentor from another community organization as a collaborative partner. Inbitek Borneo does not have specific standards and criteria for its mentor and coach. Most of their mentor and coach is from the local community such as from HIPMI, and Startup Borneo, while also inviting several academicians in the process.

Table 2. Recruitment process comparison

No.	Recruitment Process	Business Incubator	
		Inbitek Borneo	Kawal Incubator
1.	Selection Process	Closed Recruitment	Open Recruitment
2.	Tenant Criteria	Accompaniment of SME's Office	<ul style="list-style-type: none"> • 3 years operations • Age • Initial capital • Sales • Business's stages
3.	Verification for Selected Tenants	Verified by SME's Office	<ul style="list-style-type: none"> • Location verification • Direct interview
4.	Pre-Incubation	Yes/ kick-off program (1 session), 5 months	Yes/ 2 months 8 sessions

Program and curriculum

The program and curriculum in both business incubators were analyzed based on four components, namely, (1) special tailor, (2) program benchmarks, (3) syllabus evaluation and updating of the materials, and (4) expert mentors. Similar to the recruitment process, there are differences in each component of the program and curriculum of incubation activities in the two incubators. Inbitek Borneo did not identify tenant needs for the program and curriculum to be delivered. The curriculum used is only the sharpening of basic business knowledge. The training consists of several subjects, such as Business Model Generation through Business Model Canvas, SOP and Product Development, Business Legal Aspect, and Product Certification, Financial Report for SMEs, and Operation Management. The benchmark program implemented by Inbitek Borneo was adopted from the basic training concept of the Department of Cooperatives and SMEs of South Kalimantan Province.

Meanwhile, the Kawal Incubator identifies programs and curricula that will be delivered based on tenant needs. Kawal Incubator combines or compiles from several sources, including basic training from the Department of Cooperatives, Manpower, and Micro Enterprises in the City of Banjarmasin, the concept of program improvement, and special improvement programs tailored to the needs of the tenants. The main topics for the training consist of Planning and Business Prerequisite, Legal Aspect of Business, Business Visual Identity, Product Photography, Distribution Channel for SMEs, Digital Marketing 101, Online Promotion, Endorsement, and Paid to Promote, Packaging, Financial Planning, and Management for SMEs, Business Management and Administration, Cost of Goods Sold Breakdown, Product Development, Export and Import Processes, and Coaching Sessions.

The implementation of activities at Inbitek Borneo is not accompanied by an evaluation of the syllabus and materials update. At the same time, the Kawal Incubator evaluates the syllabus used and updates the material submitted to tenants to suit their needs. Expert mentors assist in implementing programs and activities in both business incubators. Local practitioners and government officials assist Inbitek Borneo. At the same time, the Kawal Incubator is assisted by local practitioners, national-level experts, and industry experts according to tenant needs.

Table 3. Program and Curriculum Comparison

No.	Program and Curriculum	Inkubator Bisnis	
		Inbitek Borneo	Inlibator Kawal
1.	Special Tailor	No/ Only basic business acument	Yes/ Based on needs and underlying (tenant) condition
2.	Benchmark Program	SME's basic training	<ul style="list-style-type: none"> • SME's basic training • Scaling up programs • Special escalation program
3.	Syllabus Evaluation and Updating the Materials	No	Yes
4.	Expert Mentors	<ul style="list-style-type: none"> • Local practitioners • Governments 	<ul style="list-style-type: none"> • Local practitioners • National experts • Industry experts

Incentives

Incentives are incentives or impetus for the implementation of activities in the two business incubators analyzed based on four components, namely, (1) transportation fees, (2) program escalation, (3) financing programs, and (4) expo/ exhibition facilitation. Similar to the two previous processes, there are differences in almost every component of incentives in the two incubators. Inbitek Borneo provides transportation money to tenants at each activity session, while the Kawal Incubator does not provide transportation fees. As for the improvement program for tenants, Inbitek Borneo only facilitates the creation of intellectual property rights, while the Kawal Incubator provides complete upgrade facilities for tenants. The facilities provided include:

- Making product logos and product photos.
- Facilitating the making of business licenses.
- Helping tenants in marketing both traditional and digital.
- Assisting tenants to adopt digital approaches for their business, that include Instagram, Whatsapp for Business, and join the Marketplace (Shopee, Tokopedia, Gojek, and Grab).

An important component, namely the financing program, is only carried out by the Kawal Incubator. The Kawal Incubator provides a zero percent interest program to 30 tenants from 90

existing tenants. Meanwhile, the two business incubators carry out the components of the expo or product exhibition facilities.

Kawal Incubator manages to persuade Bank Kalsel to spend their CSR Fund to help Kawal Incubator tenants to expand their business. Kawal Incubator acts as a pre-appraisal partner for Bank Kalsel, while also inviting them to be the Mentor for one of their pieces of training (SME's Financial feasibility for funding).

Table 4. Incentives comparison

No.	Incentives	Business Incubator	
		Inbitek Borneo	Kawal Incubator
1.	Transportations Fee	Yes (per session)	No
2.	Escalation Program	Intellectual Property Rights Facilitation	<ul style="list-style-type: none"> • Logo • Product Photography • Business Licensing • Marketing (traditional and digital)
3.	Financing Program	No	Yes/ zero interest credit program for 30 tenants
4.	Expo/ Exhibition Facilitation	Yes	<ul style="list-style-type: none"> • Yes

Exit strategy (KPI for Tenants)

Exit strategy or KPI for tenants in both business incubators were analyzed based on four components, namely, (1) sales/revenue increase; (2) credit financing/ other types of financing; (3) business acumen; and (4) others. There are differences in almost every component of the exit strategy in the two incubators. In the KPI component for tenants, Inbitek Borneo does not significantly impact tenants; in addition to completing training, tenants are only expected to have registered or have a business license for their product. Meanwhile, the Kawal Incubator impacts each component. It even provides a way for tenants to join or get opportunities in procuring goods and services in the Banjarmasin City Government.

Table 5. Exit strategy comparison

No.	Exit Strategy (KPI for Tenants)	Business Incubator	
		Inbitek Borneo	Kawal Incubator
1.	Sales/ Revenue	No	Yes
2.	Credit Financing/another type of Financing	No	Yes
3.	Business Acument	No	Yes
4.	Others	<ul style="list-style-type: none"> • Training finished • Tenants register their product for a license (IP rights) 	Join the local government ecosystem in procurement

The analysis results determine the role of local governments through the two business incubators to create new entrepreneurs based on four criteria. There are quite significant differences in concepts and models in their implementation. The basic things that can succeed in creating new entrepreneurs can be carried out if the South Kalimantan Provincial Government and the Banjarmasin City Government evaluate the mechanism of their respective business incubator program activities. Important factors that make a business incubator can or cannot support the formation or increase of new entrepreneurs include:

1. A curriculum that is made according to the needs of tenants.
2. The involvement of professional mentors, namely practitioners and industry experts.
3. A clear and directed evaluation system and KPI.
4. The follow-up of the program was carried out.
5. The existence of a financing model for improvement.

Conclusion

Incubator institutions can offer three vital services: Skill Development, Synergy or Collaboration, and Seed Capital. Skill Development includes training and skills development for tenants, especially in managerial, operational, financial, business planning, marketing, and other technical aspects. Synergy and collaboration are professional networks owned by business incubators to provide tenants access to technology, promotions, or events. Seed Capital is an opportunity to provide funds and initial capital and facilitate capital for incubator tenants.

The Government, in this case, has a strategic role in supporting the development climate and the creation of new entrepreneurs. As a regulator, the Government can make policies and regulations related to developing a conducive business ecosystem that favors business actors and the general public. In addition, a collaboration between the Government, academics, business actors, community, media, and aggregator institutions is needed, in this case, a business incubator in creating a conducive business ecosystem.

The incubation model for Inbitek Borneo is still at the earliest phase of incubation by adopting and merging a series of training and self-claimed as a full stack business incubator, while (also) during the process helping create an ecosystem for their tenants to learn and promote their business through events facilitated by the government. Meanwhile, Kawal incubator's incubation model still needs an upgrade in the recruitment process, program, curriculum, and scaling up strategy, while successfully creating a conducive ecosystem for their tenants to scale up their business and necessary business network to strive.

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