



You can't always get what you want: How entrepreneur's perceived resource needs affect the incubator's assertiveness

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ABSTRACT

A possible explanation for the disappointing performance of incubators is that start-ups do not take full advantage of the resources offered by the incubator. In explaining the low usage of the incubator's resources, existing studies neglect that incubated entrepreneurs may not be aware of the gaps in their resource base. Using qualitative data from six European incubators, we identify start-ups' resource needs as perceived by incubator staff and by entrepreneurs. Further, we explore the implications of differences in perceptions for the incubator's assertiveness. We find that entrepreneurs are unable to use the incubator's resources to develop missing intangible resources: entrepreneurs are not aware of their resource gaps, hesitant to step out of their comfort zone, and primarily short-term oriented. In order to ensure that start-ups develop a comprehensive resource base, incubators supporting early stage startups were found to take an assertive strategy, creating self-awareness among entrepreneurs, and encouraging them to make use of the incubator's resources. Our study adds to current incubator literature by providing a more comprehensive explanation for the low usage of the incubator's resources, by identifying circumstances under which an assertive strategy is desirable and by exploring the practices through which an assertive strategy can be implemented.

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1. Introduction

Incubators have become an institutionalized component of world-wide policies that aim to stimulate entrepreneurship, innovation and economic growth (Ahmad and Ingle, 2013; Mian et al., 2016; Oakey, 2012). There are currently about 7000 incubators around the world, most of which are supported by local or national governments (Aerts et al., 2007; Dee et al., 2011; InBIA, 2016). These incubators provide start-ups with a broad range of services and resources, such as a physical infrastructure, business services, specialized technological knowledge, and a comprehensive support network (Aerts et al., 2007; Bruneel et al., 2012; Theodorakopoulos et al., 2014). As such, incubators have the potential to complement the resource base of start-ups and to facilitate their survival and growth. The popularity of incubators suggests that they are effective instruments to support start-ups. However, while some studies have shown that start-ups in incubators have higher chances of survival or growth (Ferguson and Olofsson, 2004; Mian, 1997; Stokan et al., 2015), there is a vast

amount of empirical work showing that incubators do not help in promoting the success of start-ups (Oakey, 2012; Ratinho and Henriques, 2010; Schwartz, 2013, 2009; Tamásy, 2007; Tavoletti, 2013).

Recent studies show that start-ups do not take full advantage of the incubator's resources, which could partly explain these disappointing results. For example, while incubators organize training and coaching programs for entrepreneurs to acquire necessary business knowledge, participation in these sessions tends to be low (Patton and Marlow, 2011; Patton, 2014). Similarly, incubators enable start-ups to network with peers and external actors, but many entrepreneurs do not engage in these networking activities (Bruneel et al., 2012; Schwartz and Hornych, 2010). These findings suggest that entrepreneurs and incubator staff have different perceptions about the importance of the incubator's resources: while incubator staff feels that their training, coaching and networking are of great importance to incubated start-ups, entrepreneurs apparently do not agree (Patton, 2014).

The extant literature provides two explanations for these differences in perceptions that primarily point at the incubator. First, entrepreneurs may not make use of the incubator's resources when these are of insufficient quality. For example, entrepreneurs may be unwilling to take advice from mentors who lack experience (Lalkaka, 2001; Rice, 2002), and they may not engage in

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networking activities when the incubator's networks are underdeveloped (Patton, 2014; Totterman and Sten, 2005). A second explanation is that incubators do not sufficiently take the needs of the incubated start-ups into account, which results in a mismatch between the resources provided by incubators and the resources needed by start-ups. Ratinho and Henriques (2010) argue that the incubator's services are too rigid, as they are not tailored to the specific needs of individual start-ups. Bruneel et al. (2012) finds that the incubator's resources are superfluous, as incubators support mature start-ups that already have a solid resource base. These mature start-ups have no need for the incubator's support, which is more tailored to the needs of early stage start-ups.

A third explanation, which has received less attention, points at the incubated entrepreneurs. These entrepreneurs often have a technological background and little entrepreneurial experience (Rice, 2002; Scillitoe and Chakrabarti, 2010). Such entrepreneurs may not recognize the gaps in their resource base (Oakey, 2003; Vohora et al., 2004). Hence, they may be unable to recognize the value of the incubator's resources (Patton, 2014). Still, it has not yet been explored which specific resources entrepreneurs undervalue.

Therefore, our first research question is: *"which resources, provided by the incubator, do entrepreneurs and incubator staff perceive as important, and why do their perceptions differ?"*

The explanation for these differences in perceptions has important implications for incubators. If the incubator's resources are of insufficient quality or not in line with the needs of start-ups, then incubators need to focus on developing their resources and listen more carefully to the needs of entrepreneurs. On the other hand, if entrepreneurs are insufficiently aware of the needs of their start-up, then merely providing resources on the request of entrepreneurs is not sufficient for incubators. Incubators should then actively identify the needs of start-ups and stimulate entrepreneurs to make use of the incubator's resources that fit these needs (Patton, 2014; Rice, 2002). Accordingly, the explanation for differences in perceptions affects the incubator's 'assertiveness', which refers to the extent to which incubators "see themselves as managers of the incubation process or as external facilitators of a process primarily managed by the incubatees themselves" (Bergek and Norrman, 2008 p. 24). Therefore, our second research question is: *"what do these differences in perceptions imply for the incubator's assertiveness?"*

To answer these questions, we conducted a total of 66 interviews with incubator staff and incubated entrepreneurs in Europe. Entrepreneurs initially did not perceive business knowledge to be important, and were not willing to develop this resource because they were hesitant to step out of their comfort zone and primarily short term oriented. Incubators supporting early stage start-ups with first-time entrepreneurs were therefore highly assertive, using various practices to stimulate entrepreneurs to develop particular resources. Our study provides additional explanations for the low usage of the incubator's resources, and identifies possible responses. It also serves as a practical guideline for incubators and policy makers to help start-ups overcome their resource needs.

In the remainder of this paper, we first discuss literature on entrepreneurship and incubators, followed by the research methods. We then present our findings. This paper ends with a discussion and conclusion.

2. Theory

This section develops a framework that guides our data collection and analysis. We first draw on the resource-based view (RBV) to identify and categorize both the resources that start-ups need to survive as well as the resources that incubators may

provide. This categorization will be used in the empirical part to outline the perceptions of entrepreneurs and incubator managers regarding the importance of the incubator's resources. We then explore how incubators can intervene in the incubation process by discussing the concept of incubator assertiveness.

2.1. Start-up needs and incubator support: resources

According to the RBV, firms can be seen as a bundle of tangible and intangible resources (Barney, 1991; Wernerfelt, 1984), with resources being "stocks of available factors that are owned or controlled by the firm" (Amit and Schoemaker, 1993, p. 35). The competitive advantage of firms lies in their valuable, rare, inimitable, and non-substitutable resources (Amit and Schoemaker, 1993; Oliver, 1997). In contrast with established organizations, the resource base of start-ups is incomplete and still developing, which contributes to the 'liabilities of newness' of such firms (Stinchcombe, 1965). From a resource-based perspective, incubators are seen as addressing these liabilities of newness by providing a resource-rich environment that enables start-ups to complement their resource base (Albert and Gaynor, 2001; McAdam and McAdam, 2008). As such, incubators can provide resources directly, or enable start-ups to access resources externally through the incubator's networks (Amezcu et al., 2013; Gassmann and Becker, 2006). The following list of resources is not exhaustive, but it outlines the most important resources that start-ups need to survive and grow. In discussing each resource type, we first provide a definition. We then discuss the resource in the context of start-ups, after which we discuss how incubators can support start-ups by providing this resource. Table 1 provides an overview.

2.1.1. Tangible resources

- *Physical capital* includes the physical technology used in a firm, the firm's plant and equipment, its location, and its access to raw materials (Barney, 1991). Physical capital may be difficult to find and expensive to acquire on the small scale needed by start-ups. Incubators can provide physical capital and economies of scale by providing shared office space and facilities such as equipment, meeting rooms or a reception (Bergek and Norrman, 2008). University affiliated incubators can also provide access to specialized physical capital, such as university libraries and laboratories (Mian, 1997).
- *Financial capital* entails all of the different monetary resources available for the discovery and exploitation of the venture idea (Barney, 1991). Start-ups often need high amounts of financial capital for costly research and development at the pre-sales stage (Westhead and Storey, 1997). At the same time, financiers see start-ups as high risk investments due to the novelty and complexity of their technology (Carpenter and Petersen, 2002; Gompers and Lerner, 2001). Start-ups may therefore struggle to attract the necessary financial capital. Incubators can contribute to the financial capital of start-ups by providing seed capital in exchange for equity, or they can help start-ups in an indirect manner to find external investments by connecting start-ups to external funding sources (Costa-David et al., 2002)

2.1.2. Intangible resources

- *Knowledge* can be defined and measured in many different ways (Grant, 1996; Quintane et al., 2011). We follow Scillitoe and Chakrabarti (2010) and Sullivan and Marvel (2011), who distinguish between technological and business knowledge. Start-ups are often founded by entrepreneurs with a technological background, which gives start-ups a solid technological knowledge

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