

VIRTUAL BUSINESS INCUBATORS IN SAUDI ARABIA

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Abstract

Entrepreneurs and startup companies face obstacles in their early stages because having the lack of business experience. Business incubators offer business support and guidance for them. Moreover, with the revolution of internet communication technology, virtual business incubator made a beneficial impact for those startup companies. It offers business support online across geographical boundaries, provides all facilities needed such as resources, consultation, training, and reaching investors. This study measures the importance of having a virtual business incubator in Saudi Arabia which showed the acceptances of entrepreneurs to join them thus it will reduce startup company failure. Moreover, showed the need of increasing the awareness of knowing about virtual business incubators and their support for startup companies.

Keywords: Virtual Incubators, Networked Incubator, Online Incubators, Entrepreneurship, Startups, Electronic Business, Incubation.

Introduction

While the entrepreneurship field has progressed, nowadays the awareness increased about the importance of entrepreneurship and small businesses and their role in innovation, new ventures, and job creation. Where startup companies are one of the reasons for stimulating economic growth and development in the region. Small and medium-sized enterprises are 90% of total business establishments registered in Saudi Arabia where Chambers of Commerce statistics show that the number of business records that have been registered in Saudi Arabia are up to 54.864 record in 2015 (Chamber, 2017). However, 60% of the small businesses do not survive in the first year of operation because of the failure to achieve profits. Unfortunately, this may be due to lack of awareness and knowledge in how to deal with obstacles faced in early stages, such as the weakness of the administrative, regulatory, legal and marketing infrastructure for small enterprises, weak economic feasibility studies, and long procedures for obtaining approval for funding.

Business Incubators take part to help entrepreneurs and startup companies to develop their own business especially those in early stages companies. It differs in their strategies where some has physical locations and others are virtual. Furthermore, with the revolution of internet communication technology and the arrival of e-business, Virtual Business Incubators activated. Virtual Business Incubators are the latest generation and a new type of means of economic development that combines entrepreneurship and facilitate business via the internet. They associate companies, partners, suppliers, operational management in a one network. Provide all facilities, processes, recourses needed over the internet to support the startup company. Take advantage of digital technologies such as using videoconferences to connect with the huge number of local beginner entrepreneurs with experts on entrepreneurial training (consultants, mentors, coaches and trainers) and institutions of business support regardless of geographical locations. Reach resources easily can be by providing data access from a single gateway rather than several destinations. Moreover, share calendars for efficient coordination of meetings and seminars to avoid overlap.

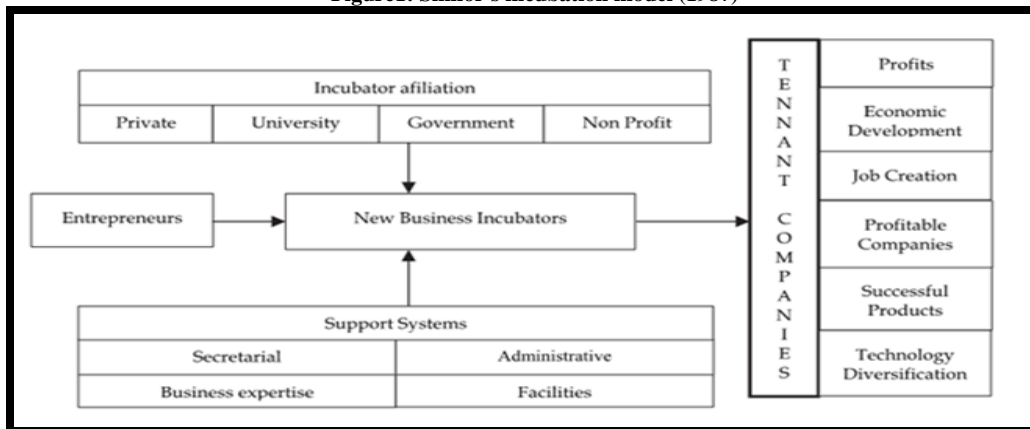
The Importance of the Study

In Saudi Arabia, Business Incubators concentrates in main cities. By activating virtual business incubators, this will increase knowledge and broaden going for entrepreneurship by providing elements of success especially for those who have impediments to reach physical location. Furthermore, it creates beneficial opportunities for students and graduates to know from where to start also have basic entrepreneurship knowledge and awareness, inventors to develop new technologies, women and person with disabilities who have a problem with transportation or prefer staying at home, youth with big ambitions who lives in villages and small towns and have no business support. Providing business incubation services online will increase opportunities to provide well-established startup companies and reduce the proportion of failure and raise startup company survival. This leads having higher economic growth that is compatible with Saudi Arabia's Vision 2030. The objective of the Kingdom's Vision 2030 to support entrepreneurship and development of young men and women skills, and raise the proportion of the contribution of small and medium enterprises in the Gross Domestic Production from 20% to 35% by 2020. This will invest time and mind to expand the sight of innovations and new ideas.

Literature Review

As a general definition of business incubators or incubation, many researches presume that incubators are economic development tools for occupation creation whose essential value proposition is expressed in the shared belief that running incubators will result in more new companies with fewer business failures (Sean M. Hackett, 2004). The National Business Incubation Association (NBIA) defined it as a business bolster method that accelerates the successful development off ledgling and start-up companies by giving them business visionaries a variety of focused resources and administrations (NBIA, 2017). Moreover, the incubation system can be briefly illustrated in "Smilor framework" in 1987, that shows the characteristics and outcomes of a business incubator process (Smilor, 1987) (see figure below).

Figure1: Smilor's incubation model (1987)



A desk-research done in a case study of 10 incubator organizations in the developing countries showed that business incubators offer several services such as "help with business basics, marketing assistance, networking activities, high-speed internet access, help with accounting/financial management, access to bank loans, loan funds and guarantee programs, help with presentation skills, links to higher education resources, links to strategic partners, access to angel investors or venture capital, comprehensive business training programs, advisory boards and mentors, management team identification, help with business etiquette, technology commercialization assistance, and help with regulatory compliance services" (Al-Mubarak & Busler, 2011).

By tracing the history of USA business incubators, it had three generations between (1959 to 1979), (1980 to 1999) and (2000-2012), at the third generation between (2000-2012) electronic business arrived due to the availability of internet and globalization. This was the reason of the existence of Virtual Business Incubators which provide modern services and access to networks of professional contacts such as individuals and organizations. These

online incubators accelerate startup businesses by having important speed to market elements. On the other hand a survey done to rate the importance of traditional business incubators relatively to virtual business incubators showed that the traditional one was more beneficial with its direct and indirect services which overcomes the benefit of cost reduction that characterized as an advantage of virtual business incubators (Shepard, 2013).

Virtual Incubators known as "incubators without a roof" because they don't provide physical space or office services. From the technical aspects it can be as a portal that allows user interaction, information exchange in the bank of knowledge, discussion forums by online chat rooms and videoconferencing, a single interface for easy data retrieval and obtaining required information, coordinating virtual seminars in cooperation with a number of incubators online at the same time (Zorni, Bećirović, Ujkanovi, & Plojović, 2011) .

Methodology

To achieve the objectives of the study, a questionnaire tool was used as a data collection method. A web based survey was conducted, as a base for determining the predictors of entrepreneurs to know the importance of having Virtual business incubators in Saudi Arabia and the acceptance of joining them. The questionnaire was distributed online where it provided different views of people surveyed.

Sampling

The research community consists of all categories of Saudi society. The chosen sample was divided in two parts, general people from the Saudi society, and entrepreneurs or anyone concerned with entrepreneurship in Saudi Arabia. In addition, the sample was chosen randomly in 2017.

Data Collection Tool

We developed a web-based survey tool and distributed it via social media to the prospective respondents. We made it very easy for them to access the survey as we asked them to visit the URL where the survey was hosted using Survey Monkey tool. Moreover, 12 closed questions were included to the survey instrument, two of them were measured by 5-point Likert scale. To determine the length of the 5-point Likert scale cells (minimum and maximum) used in terms of the study, the range was calculated ($5-1 = 4$) and then divided by the number of cells to obtain the correct cell length ($4/5 = 0.80$). This value was added to the lowest value in scale (1) to determine the minimum limit of the cell, thus the cell length is as follows:

- Strongly Disagree: From 1 to 1.80
- Disagree: From 1.81 to 2.60
- Neutral: From 2.61 to 3.40
- Agree: From 3.41 to 4.20
- Strongly Agree: From 4.21 to 5

Statistics analysis

The data gathered from the questionnaire were analyzed by several statistical methods using statistical packages for social sciences (SPSS) to achieve the aim of the study. Frequencies and percentages of the study sample were calculated to identify the personal and functional characteristics. The following statistical measures were used:

- Mean: used to derive the central tendency of the data referred to. The subsequent number is known as the mean or the average.
- Standard deviation: to measure the dispersion of a set of data from its mean.
- Cronbach’s Alpha: to find the validity.
- Kaiser-Meyer-Olkin (KMO) Testing: to test sampling adequacy.
- Chi-square and correlation coefficient: were utilized to test the hypotheses.

Data Analysis and Results

We received around 238 responses, 44 were entrepreneurs only 42 were accepted as valid for further analysis after removing 2 incomplete responses. While 196 responses were randomly from the general Saudi society.

Demographical and General Characteristics of the Respondents (Descriptive Statistics)

The descriptive statistics of the 238 respondent, demographic and general characteristics were analyzed and presented in Tables 1.

Table 1 :Table 1 : Demographical and General Characteristics

Variable	Percentage	Frequency
Gender		
Female	83.6%	199
Male	16.4%	39
Age		
Less than 20	8.8%	21
from 20 to < 30	32.8%	78
from 30 to <40	15.1%	36
from 40 to < 50	29.4%	70
Above 50	13.9%	33
Occupation		
Student	18.1%	43
Employee	50.0%	119
Retired	10.5%	25

Unemployed	16.8%	40
Freelancer	4.6%	11
Education		
Less than high school	10.5%	25
Diploma	7.1%	17
Bachelor	64.7%	154
Postgraduate	17.6%	42
To what extent do you use the Internet in your daily life?		
Partially use	38.6%	92
I totally rely on using it	61.3%	146
Have you thought of starting your own business or have a business venture?		
Yes	52.5%	125
No	47.5%	113
Do you have a full knowledge of how to start a business and what are the necessary procedures?		
Yes	10.9%	26
No	45.4%	108
Somewhat	43.7%	104
Have you ever heard of virtual business incubators?		
Yes	12.2%	29
No	87.8%	209
For Entrepreneurs:		
If they activated Virtual business incubators, Are you going to join it?		
Yes, it is an effective and excellent service	92.9%	39
No, I prefer face to face communications	7.1%	3

As we can see in Table 1 that 84% from the respondents were females and 16% were males, while 32% within the age of 20 to 30 years and 29% within 40 to 50 years, 52% were employed and 18% were students, and 64% have a bachelor degree and 17% were postgraduate. Moreover, 61% totally rely on using the internet in their daily life while 38% partially use it, 52% thought to start their own business and 47% didn't, 45% didn't have a full knowledge of starting a business and its necessary procedures while 43% have some knowledge. Furthermore, 87% didn't hear about virtual business incubators while 12% did.

On the other hand, 92% of entrepreneurs see that virtual business incubators are an effective and excellent service where they may join it if it was activated while 7% prefer face to face communication rather than virtual services.

Reliability and Validity Tests

We fulfilled a reliability test to validate the model with entrepreneurs in Saudi Arabia. Where, we used coefficient alpha and item-scale correlations to test the reliability as illustrated in Table 2. Cronbach's alpha is considered to be a measure of scale reliability and used to quantify internal consistency, that shows how closely related a set of items are as a

group (Gliem & Gliem, 2003). In addition, we took the root of Cronbach's alpha to find the validity.

Table 2: Reliability Statistics

Cronbach's Alpha	Number of Items	Validity
0.792	12	0.889

By reading the Cronbach's alpha of 12 question, we can find that is above 0.7 which is above the accepted cut off for reliability and validity.

Sampling Adequacy Testing

Kaiser-Meyer-Olkin (KMO) is a test of sampling adequacy that measures how suited your information is for Factor Analysis. It quantifies every variable in the model and for the total model. The lower the proportion, the more suited your information is to Factor Analysis. As we can see in Table 3 that the measurement is above 0.6 that indicate that the sampling is adequate.

Table 3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.6590
Bartlett's Test of Sphericity	Approx. Chi-Square
	332.600
	df
	120
	Sig.
	.0000

Table 4: Virtual Business Incubators features

Axis phrases	Strongly Agree		Agree		I don't Know		Disagree		Strongly Disagree		average	Stander deviation	Degree of accept
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%			
Save time (Do not waste entrepreneurs time in searching for information)	26	61.90%	9	21.43%	6	14.29%	0	0.00%	1	2.28%	4.40	0.91	Strongly Agree
Cost Reduction (no need to have physical location)	21	50.00%	10	23.81%	7	16.67%	4	9.52%	0	0.00%	4.14	1.02	Agree
Reduce startup business failure	15	35.71%	13	30.95%	11	26.19%	3	7.14%	0	0.00%	3.45	0.96	Agree
Boost the efficiency of services provided (services availability 24/7 regardless geographical locations)	26	61.90%	9	21.43%	6	14.29%	1	2.38%	0	0.00%	4.48	0.83	Strongly Agree

Increase communication (Between the entrepreneur and parties concerned for the success of the project)	25	59.52%	12	28.57%	5	11.90%	0	0.00%	0	0.00%	4.48	0.70	Strongly Agree
Contribute to benefit from technical adoption	24	58.54%	15	36.59%	1	2.44%	1	2.44%	0	0.00%	4.51	0.67	Strongly Agree
Provide job opportunities (Such as women and people with special needs to enter the field of entrepreneurship)	26	61.90%	12	28.57%	3	7.14%	1	2.38%	0	0.00%	4.50	0.74	Strongly Agree

Perceived ubiquity

From the sampling response in Table 4, we figured out that entrepreneurs "Strongly Agree" that virtual business incubators save entrepreneurs' time in searching for information. In addition, they "Agree" that it will reduce costs where it is not necessary to have a physical location, and "Agree" that it will reduce startup business failure, and "Strongly Agree" that they think it boosts the efficiency of services provided where services are available 24/7 regardless geographical locations. Moreover, they "Strongly Agree" that it increases the communication between the entrepreneur and the parties concerned for the success of the business and contribute to benefit from technical adoption, and "Strongly Agree" that it provides job opportunities such as women and people with special needs to enter the field of entrepreneurship.

Discussion

The findings showed that the Saudi society most frequently uses the internet in their daily lives and willing to use services provided online in all fields. Entrepreneurs' attitude affected positively to the acceptance of joining virtual business incubators. This will encourage the initiative to provide new venture ideas and innovations that enhance economic growth in the country and increases job opportunities. Moreover, as the statistics in 2014 of the ministry of commerce and investments showed that 86.66% of the business records registered were for males and 13.34% for females (MCI, 2014), activating virtual business incubators and online services will be an incentive for women to participate in establishing businesses. On the other hand, the study showed the need of increasing the awareness of knowing about virtual business incubators and their support for startup companies.

Conclusion

The presence of a modern information technology environment, enhances having a successful virtual business incubators. The objective of the study is to figure out the importance of having virtual business incubators in Saudi Arabia and measures the acceptance of entrepreneurs and their startup companies to join them. Entrepreneurs' attitude affected positively to this adoption. Furthermore, the result of that approach will increase awareness about the importance of entrepreneurship that leads to increase economic growth.

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