

Business Incubators and Small Enterprise Development: The Nigerian Experience

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ABSTRACT. The article reviews the development of business incubators in a developing country, namely Nigeria. The current operational status of the seven existing incubators are highlighted as well as the successes and shortcomings associated with the implementation of the programme. This is followed with an assessment of the needs to be addressed before incubators can make the desired impact in stimulating entrepreneurship development and technological innovation. Finally, policy recommendations are made to guide the future development of business incubators in Nigeria so that they can make effective contribution to the goal of promoting small and medium scale enterprises.

1. Introduction

Business incubators are now recognised in both developed and developing countries as important instruments for promoting entrepreneurship development and technological innovation at the small and medium enterprise level. Pioneered in Western Europe and North America there are now thousands of business incubators all over the world established with the primary objective of stimulating the emergence of a steady flow of successful small and medium scale enterprises, thereby promoting entrepreneurship and innovation in particular and socio-economic development in general.

Within this context, business incubators have established a successful track record in Western Europe and North America over the past two decades and are now recognised as being one of the most effective ways of promoting entrepreneurial activity and local economic development.

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Studies to evaluate their performance indicate that they can reduce the failure rate amongst new business start-ups to below 10 percent over a three year period, as compared with 60 to 80 per cent for small business generally.

It is against the foregoing background that several developing countries, including Nigeria, have adopted the business incubator approach to accelerate the development and promotion of small and medium scale enterprises.

2. Business incubation concept

It is useful at the outset to define and explain the concept of business incubation. A business incubator may be defined as an organisation that facilitates the process of creating successful new small enterprises by providing them with a comprehensive and integrated range of services, including:

- a. Incubator space in fully built-up factory buildings on flexible and affordable terms.
- b. The provision of a comprehensive range of common services, including enterprise counselling and training, shared secretarial support, start up financing and assistance with product development and marketing.
- c. Strict admission and exit rules, which are designed to ensure that the incubator concentrates its efforts on helping innovative, fast-growth business start ups that are likely to have a significant impact on the local economy.

Exit rules generally limit tenancy to a period of between three to five years, thereby ensuring a reasonable turnover of tenants.

- d. Professional management, which involves monitoring tenant businesses closely against



their business plans, and ensuring that the incubator itself operates in a business-like fashion with the prospect of becoming financially self-sustaining.

- e. "Hands on" assistance, including R&D advice and risk capital, usually through a network of external providers.

By providing entrepreneurs with the foregoing services on a 'one-stop' basis, and enabling tenants to reduce their overhead costs by sharing facilities, business incubators are able to significantly improve the survival and growth prospects of new start-ups.

However, it should be pointed out that in its generic sense, the term business incubator is also used to describe a wide range of organisations that in one way or another, help entrepreneurs to develop their ideas from inception to full commercialisation and the launching of a new enterprise. Thus, a broad definition of the term embraces on the one hand technopoles and science parks, which are essentially real estate operations and on the other hand, organisations which have no single location and concentrate instead on managing a network of enterprise support services, the so-called incubators without walls.

In view of the spectacular growth of business incubators there is a growing volume of literature on the subject. In this regard the writings of such authors as Gibb, Smilor and Gill, Abetti, Vesper, Sternberg, Timmons, Deberesson and a host of others readily come to mind. The overall conclusion from the review of literature is that business incubators are now a major force to be reckoned with in stimulating:

- a. Entrepreneurial activity and the emergence of new small-medium enterprises.
- b. Technological innovation and adaptation.
- c. Regional development and local economic activity.

Furthermore, at the practitioner level, several conferences have been organised by national and multilateral bodies at which thought provoking papers have been presented to compare situational similarities and differences as well as the emerging challenges facing business incubators in different settings. Some of the bodies that have been active in this area include the United Nations Fund for

Science and Technology Development (UNFSTD), The German Association of Technology and Business Incubation Centres as well as the National Business Incubation Association in the U.S.

3. Types and roles of business incubators in Nigeria

In the Nigerian context two broad types of business incubators can be distinguished, namely:

- a. *Industrial Business Incubators.* These are generalised industrial nurseries for nurturing new business start-ups with a view to promoting entrepreneurship and stimulating the emergence of industrial establishments at the small-medium enterprise level. Generally, there are no restrictions on tenant admission beyond the minimum basic requirements as may be stipulated in the admission procedure.
- b. *Technology Business Incubators.* Technology business incubators are primarily aimed at innovative, technology-oriented small and medium scale enterprises desirous of commercialising R&D results, especially from the research institutions, with a view to promoting technological innovation and entrepreneurship development. In the foregoing context, these are specialised business incubators, with well laid down criteria for tenant admission.

Both types of incubators are expected to perform a number of roles and functions in Nigeria, thereby stimulating the growth of small and medium enterprises (SMEs) as well as accelerating the pace of socio-economic development in general. Thus, the business incubator movement in Nigeria is being spearheaded by two Federal agencies as discussed below.

The Federal Ministry of Industries, the apex institution for promoting industrial development in Nigeria is already committed to a programme of establishing several industrial incubators all over the country in order to stimulate the emergence of an increasing number of small and medium scale manufacturing establishments able to utilise the abundant supply of human and material resources available in the country. Under the programme it is envisaged that one model industrial estate/incubator will be established in

each of the 36 States and the Federal Capital Territory.

On the other hand the Federal Ministry of Science and Technology, the apex institution for the promotion of science and technology in Nigeria has also drawn up a plan to establish a network of technology business incubator centres in selected locations throughout the country in order to encourage the establishment of innovative, fast growth technology oriented SMEs which are able to capitalise on R&D results from the various research institutes and institutions of higher learning.

Within the foregoing context, the business incubators are expected to perform the following roles and functions in accelerating the development of SMEs.

- a. Act as a catalyst in promoting the emergence of an increasing number of small and medium scale establishments.
- b. Reduce the failure rate of new business start-ups through the establishment of incubator centres where entrepreneurs are offered a superior base of operation in their formative years.
- c. Generate a multiplier effect in the SME sector in general through outreach programmes aimed at small scale entrepreneurs beyond the confines of the incubator centres.
- d. Serve as pilot demonstration centres which will lead to the establishment of several business incubators all over the country.
- e. Promote entrepreneurship development and technological innovation, especially at the grassroots.
- f. Galvanise the nation's abundant supply of human and material resources in productive endeavours through an increasing number of SMEs.

In terms of contribution to national development the following benefits are expected to accrue from the implementation of the business incubator programme in Nigeria.

1. Strengthening the indigenous industrial base of the country by accelerating the creation of locally owned small scale enterprises.
2. Accelerating the commercialisation of R&D results, which can help reduce Nigerian

industry's dependence on foreign know-how and improve productivity in both the primary and secondary sectors of the economy.

3. Promoting economic diversification through the creation of dynamic enterprises in the agro-allied, information technology, and manufacturing sector, which will help to reduce Nigeria's over dependence on the oil industry as a major source of revenue.
4. Providing large scale manufacturing concerns with reliable local subcontractors capable of supplying import substitutes thereby reducing foreign exchange requirements.
5. Creating employment opportunities in enterprises which have good long term prospects.
6. Assisting in the exploitation of locally available raw materials and resources.
7. Promoting the development of indigenous technology and training of skilled and semi-skilled intermediate manpower.
8. Stimulating overall socio-economic development in Nigeria through integration of the urban and rural sectors of economy.

4. Survey of business incubators in Nigeria

Against the foregoing background a survey of business incubators in Nigeria was undertaken with a view to:

1. Ascertaining the number of such incubators in Nigeria and the facilities available.
2. Finding out how successful the incubators have been in promoting entrepreneurial activity and technological innovation.
3. Assessing the needs of such incubators in the context of government declared policy on their role in national development.
4. Isolating the key policy issues which ought to be addressed in promoting the development of business incubators in Nigeria and making recommendations as appropriate.

In undertaking the survey the methodology adopted included a combination of the following:

- a. Physical inspection of sites and facilities to observe the status of each incubator on the ground.
- b. Structured interviews with the managers of the

- incubator centres to obtain information on all areas of interest to the study.
- c. Exchange of views with some of the entrepreneurs operating from the incubators to ascertain their experience as tenants of these centres.

The information and data collected from the field survey provided the background material for the research findings as presented in this article.

The survey revealed that there are at present only seven business incubators operating in Nigeria. The characteristics of these incubators are summarised in Table I. From the table it will be observed that the incubators are grouped into two broad categories, namely: Industrial business incubators and Technology business incubators.

The facilities and services available in both types of incubators as well as their current operational status are reviewed as outlined below.

4.1. *Industrial business incubators*

There are currently four in Nigeria. They are located at Yaba, Matori, Isolo (all in Lagos State), and Uwani – Enugu in Enugu State. Of the four industrial incubators, Yaba, the oldest was established in 1958, followed by Uwani in 1964, Matori in 1977 and Isolo in 1993. The four industrial business incubators are more or less generalised industrial nurseries admitting a broad spectrum of enterprises engaged in any aspect of the conversion process from simple to complex manufacturing activities.

The facilities available in the four industrial incubators include the following:

1. Fully built-up factory buildings partitioned into incubator units for allocation to SME entrepreneurs.
2. Infrastructural support facilities, such as good access road, electricity, water, telephone, restaurant, waste disposal and security services.
3. Provision of technical and management support services to tenant firms, albeit on a limited scale.

The distribution and size of incubator units available in each of the four incubators are as indicated in Table II.

The primary objective of setting up the industrial business incubators was to promote indigenous entrepreneurship by providing entrepreneurs with a superior base of operation in fully built up factory buildings with the supporting infrastructural facilities as well as technical/management support services. The incubators were designed to serve as industrial nurseries where after a few years residency (say three to five years) tenant firms should have developed their enterprises to the stage where they can set up their own factories in one of the new industrial layouts being planned by the relevant state governments. Thereafter, new tenants can take up their places and in turn develop to the stage where they too can launch out independently. Thus, these incubators are expected to nurture over time a steady flow of successful productive small scale enterprises.

Another purpose of setting up these pioneer industrial incubators was that they should serve as pilot demonstration projects of the commercial viability of incubators in Nigeria. It was hoped that the commercial success of the incubators would lead to the private establishment of similar industrial incubators.

A critical appraisal of the industrial incubators revealed that all of them have failed to achieve the primary objective of turning out a steady flow of successful enterprises. This situation arose out of the refusal of tenant firms to move out of the incubators even after they have outgrown the initial space provided and are successful in their business endeavour. Thus most of the tenants have remained in the incubators for periods of over 20 years. The main reason claimed by tenants for their inability to move out is the failure of government to provide suitable alternative locations. However, a more apparent reason is the very low rentals charged for the units occupied, which works out at less than 50 per cent of the open market prices.

Since the incubators are not run on commercial basis, none of them is self financing and they have to depend on government for subvention. The incubators are also characterised by weak management, being run more or less as departments of the Supervising Ministry with all the attendant red-tape and bureaucratic ineptitude.

TABLE I
Operational status of business incubators in Nigeria as at 31st December 1998

Name/Location of incubator centre	Year started	Sponsor	Area covered	Facilities provided	General remarks
<i>Industrial business incubators</i>					
1. Yaba Industrial Estate. Yaba – Lagos State	1958	Lagos State Ministry of Commerce and Industry, Ikeja	1.112 ha	E, T, TR, W, RD, RST, SS and Built-up Factory Sheds	All 46 factory sheds in 3 size lots (45, 60 and 120.2 m ²) are allocated. Rents average about N253/m ² /annum. 32 of the tenant-firms offer services while 14 are engaged in manufacturing.
2. Matori SME Estate Fatai Atere Way, Mushin, Lagos State	1975	ditto	2.079 ha	E, T, TR, W, RD, SS and Built-up Factory Sheds	All 45 factory sheds in 3 sizes (108m ² , 162.2 m ² and 364.5 m ² are allocated. Rentals vary from N47,040 to N90,720 per unit per annum.
3. Isolo SME Industrial Estate Cheeseborough Way, Isolo Lagos State	1993	ditto	0.28 ha	E, T, TR, W, RD, SS and Built-up Factory Sheds	All of the 20 sheds, each of 60 m ² , have been allocated. The rental is N20,160 per annum – about N336/m ² /annum. All existing tenant-firms are engaged in manufacturing.
4. Eastern Nigeria Industrial Estate Uwani, Enugu, Enugu State	1964	Enugu State Ministry of Commerce and Industry, Enugu.	0.50 ha	E, TR, T, W, SS RST, RD and Built-up Factory Sheds	25 incubator units of 130 m ² each available and allocated to 15 SME tenant firms. Rental per unit is N6,000 per annum.
<i>Technology business incubators</i>					
5. Lagos Technology Incubator Centre, Agege – Lagos State	1993	Federal Ministry of Science and Technology	1.05 ha	E, T, TR, W, SS, RD, Built-up Factory Sheds	All 30 units in phase I are allocated and occupied. factory sheds Shed dimensions vary from 62 m ² to 130 m ² . Rental is graduated to vary from N40/m ² in the first year to N120/m ² by the third year. However, the open market value is over N200/m ²
6. Kano Technology Incubator Centre, Kano, Kano State	1996	ditto	2.00 ha	E, TR, W, T, SS Built-up Factory Sheds	Currently under development, 10 incubator units already available at temporary site. 18 additional factory units and 15 offices to be provided at permanent site when completed.
7. Aba Technology Incubator to Centere, Aba, Abia State	1996	ditto	4.00 ha	E, TR, W, SS, T Built-up Factory Sheds	Currently under development, 25 incubator units be made available under the first phase of the development plan for the centre. About 10 units already completed and occupied.
Key: E = Electricity W = Water TR = Tarrd Road RST = Restaurant T = Telephone RD = Refuse Disposal SS = Security Service					

TABLE II

Incubator	Number of units	Predominant size of units
Yaba	46	60 m ² , 120 m ²
Matori	45	108 m ² , 162 m ²
Isolo	22	60 m ²
Uwani-Enugu	25	130 m ² , 260 m ²

4.2. Technology business incubator centres

There are currently three technology business incubator centres in Nigeria. These have been set up at Lagos, Kano and Aba respectively.

The Lagos Technology Business Incubation Centre, the oldest of the three, was established in 1993 under an initiative sponsored by the United Nations Fund for Science and Technology Development (UNFSTD) in collaboration with the Federal Government of Nigeria. During the first phase of the project about 30 tenants were offered admission into the centre in fully built-up factory buildings partitioned into incubator units ranging in size from 62 m² to 130 m². All the required infrastructural facilities, such as good access road, electricity, water, telephone, etc. were available at the centre.

However, both the Aba and Kano Centres are still being developed, with 10 tenants operating from Kano and about a similar number from Aba. When completed, it is expected that 30 tenants will be admitted into the Kano centre and 25 tenants into the Aba centre.

The main features of the three technology incubator centres include the following.

- a. Emphasis on innovative technology oriented new business start-ups.
- b. Strict admission and exit criteria as reflected in the tenancy agreement duly entered into between the contracting parties. The tenancy period is limited to three years in the first instance with provision for a further two year extension bringing the total to five years. Beyond five years tenants are made to pay the full commercial rent of incubator units in order to encourage voluntary movement out of the centre.
- c. Training programmes in management principles and techniques are offered to tenants

periodically in order to upgrade their skills and encourage professionalism.

- d. Provision of shared secretarial support including telephone and other office support services.
- e. Linkage with research institutes, universities and financial institutions in the locality.

Since the technology incubator centres are still relatively young, it is too early to make a definitive assessment of their performance. However, based on a preliminary assessment of the three technology incubator centres, it appears that the same set of problems confronting the older industrial incubators are coming to the fore. These include the following.

1. Reluctance of tenant firms to move out at the expiration of their tenancy period. For example at the Lagos Technology Incubation Centre, only nine tenants out of the 30 offered admission, have graduated after a period of six years. Even then the nine graduating tenants were faced with the problem of finding suitable and affordable alternative accommodation.
2. Lack of funding by the government to complete the facilities planned for each centre. Consequently all the centres need substantial capital injection to complete their factory buildings and also to purchase equipment and related facilities.
3. Inability to generate sufficient funds from operational activities, which encourages dependence on government for subventions and cast doubt on their long term viability.
4. Weak organisational arrangements as the three centres are still operating more or less as departments within the parent supervisory ministry. Whereas what is needed is some measure of autonomy that will encourage proactive management and commercial focus.

In addition to the foregoing, the envisaged commercialisation of R&D results from the various research institutes has not taken place. Indeed, many of the tenants admitted into the centres are engaged in low technology manufacturing activities.

Another observation is that some of the tenants are operating at very small-scale artisanal level with very little value added. Therefore, there is ample room for technology upgrading, size

enhancement and skill acquisition by the proprietors of tenant firms if the objectives which informed the establishment of the centres are to be realised.

5. Needs assessment of business incubators in Nigeria

Based on the survey of business incubators in Nigeria as highlighted above and on the structured interviews held with the key stakeholders interested in the programme, a number of needs have to be addressed urgently before the incubators can make the desired impact in promoting entrepreneurship development and technological innovation. These needs are discussed below.

Inadequacy of numbers. Arising from the review made above, the first observation is the inadequate number of existing incubators. For a country as big as Nigeria, it is quite apparent that the seven existing incubators are completely inadequate to meet the needs of small and medium scale entrepreneurs. Consequently there is a pressing need to establish more incubators all over the country.

Post-incubator location and refusal of tenant firms to vacate premises. One of the major failures of the existing programme is the refusal of tenants to move out of incubators after the initial period of incubation, thus defeating the objective of nurturing a steady flow of successful productive enterprises. The main reason given by tenants for refusing to move out is the failure of government to provide suitable alternative locations. Whatever may be the reason, there is need to ensure that appropriate policies are put in place to ensure a periodic turnover of tenants in order to facilitate new intakes so that the programme can have the desired multiplier effect. For example, parcels of land, say about 5.0 ha each, in designated industrial estates can be set aside and laid out into plots for allocation to tenants graduating from the incubator centres.

Public ownership and lack of private sector participation. All the existing business incubators are owned by the government, whereas one of the major objectives for establishing the pioneer nursery at Yaba was to demonstrate the commer-

cial viability of such nurseries in Nigeria so as to promote private establishment of other industrial incubators. Given the high level of potential demand for incubator units and dwindling public revenue, a major need to be addressed is the issue of private sector participation in the establishment and/or management of the incubators.

Non-viability of existing incubators. Closely related to above is that the incubators as presently operated are not commercially-viable, hence the inability to attract private sector operators. Part of the problem stems from poor project conception and implementation as well as a failure to address squarely all the issues relevant to the establishment and operation of such incubators within the Nigerian socio-political setting. Some of these issues relate to land ownership and cost of acquisition, provision and cost of infrastructure, cost of capital and inaccessibility to institutional credit.

Weak management structures. Virtually all the business incubators in operation are characterised by weak management structures, most operating on the basis of part-time or *ad hoc* organisational arrangements. It should be emphasised that the key to the success of any incubator is the manager who is charged with the responsibility for its day to day management. Rather than be a passive administrator of the incubator, the manager must play a dynamic and pro-active role to ensure its long-term success and viability.

Lack of objectivity in tenant admission. One of the major factors impeding the periodic turnover of tenants from the incubators is the absence of objective criteria in tenant admission procedures. More often than not, tenants are offered admission on the basis of political connections rather than on merit and the potential commercial success of projects to be incubated. In some instances, genuine entrepreneurs are denied admission in favour of speculators, political appointees and top government functionaries. For the future, to ensure periodic turnover of graduating tenants, there is need to streamline admission procedures.

Inadequate support services to tenant firms. Apart from offering space to tenant firms in fully

built up factory premises, existing incubators provide little or no additional support services to tenants. Even in the newly established technology incubator centres, the level of support services offered to tenants is very meagre. In order to guarantee the success of enterprises locating in the incubators, an array of support services should be provided in the following areas.

- a. Enterprise counselling and monitoring.
- b. Management training and assistance.
- c. Financial assistance and seed capital funding.
- d. Technical assistance e.g. in the acquisition of suitable equipment and processes as well as solving production problems.
- e. Marketing and promotion of products.
- f. Linkage with large scale enterprises, research institutes etc.

Inconsistent government policy and poor funding of the incubator programme. A major reason for the inadequate number of incubators in the country is the inconsistency in government policy over the years, leading to serious underfunding of the incubator programme. Whereas lip service was paid in the various plan documents to the establishment of industrial incubators for SMEs with all the supporting infrastructure and facilities, government policy/funding of the programme shifted from one year to the other. Given this vacillating attitude, all the proposed model incubators being promoted by the Federal Government in collaboration with State Governments have been grounded for lack of funds.

Failure to set challenging, but attainable goals. Closely related to the above is the failure to set realistic and clearly defined objectives backed with the required commitment and resources to assure success. Consequently, no spectacular results have been recorded in the incubator development programme in Nigeria. To ensure the success of the business incubator programme in future, there is need to set clearly defined objectives especially as to what is feasible and achievable (given limited resources) within a defined time period – say five to 10 years. Such a programme must be backed up with proper project studies, appropriate implementation strategy as well as periodic review and evaluation. Finally the role of the three tiers of government,

namely, Federal, State and Local, must be clearly spelt out in the implementation programme.

6. Policy issues and recommendations

The key policy issues, which ought to guide the future development of business incubators in Nigeria as well as the recommendations arising therefrom are highlighted as follows.

6.1. Ownership and sponsorship

There is need to have a coherent policy on ownership and sponsorship of incubator centres. In this regard, the role of the three tiers of government, namely Federal, State and Local should be clearly spelt out. It is recommended that the Federal Government should play the role of a facilitator and be responsible for broad policy matters and operational guidelines. On the other hand the State and Local Governments should be encouraged to own and sponsor the establishment of business incubators in collaboration with interested parties.

In addition, the universities should be encouraged to establish business incubator centres especially targeted at commercialisation of R&D results.

Furthermore, private sector participation in the incubation programme should be encouraged by creating an enabling environment which supports private ownership of incubator centres. To make this feasible, government should provide appropriate incentives in such areas as land acquisition, soft loans and infrastructural facilities (e.g. water, electricity, access road etc.)

6.2. Legal status

For those business incubators promoted by government agencies, such incubators should be incorporated as companies limited by guarantee i.e. not for profit organisations. However they should strive to break even and be commercially driven in order to reduce dependence on the treasury for subvention.

For incubators promoted by the private sector, these should be incorporated as limited liability companies, and should be profit making in order to guarantee an acceptable return on capital employed to justify the investment.

6.3. *Size of incubator centres*

In order to reach a critical mass and have the desired impact, it is recommended that the incubators should be designed to accommodate between 20 and 50 tenants. However, the development of facilities could be phased out in order to moderate the initial capital outlay required to establish each centre.

6.4. *Linkage with industrial estates*

Where possible the incubator centres should be located near or within an industrial estate in order to minimise start up costs. The possibility of using abandoned factory buildings and warehouses in such estates should also be explored.

6.5. *Post incubation location*

Plots of land in dedicated industrial estates should be set aside for allocation to graduating tenants from the incubators. Such plots should be allocated provisionally at the same time as the tenancy agreement for incubator units is being signed in order to guarantee compliance with exit regulations.

6.6. *Coordination with other SME support institutions*

The activities of relevant government agencies such as Industrial Development Centres, Entrepreneurship Development Programmes, Research Institutes, Development Finance Institutions etc. should be coordinated with the incubator development programme in order to maximise results. Thus the business incubator centres should not be regarded as enclaves but rather as an integral part of the efforts being made for the development of small and medium enterprises.

6.7. *Management of incubators*

This should be outside the main stream of the civil service and should preferably be private sector driven. Even where government retains ownership, it is recommended that a Management Board consisting of persons from the private sector should oversee the running of the centre.

In addition, it should be emphasised that the key to success of the incubator centre is the Incubator Manager who will be responsible for its day-to-day management, long term development and viability. Consequently every effort should be made to attract the right calibre of personnel to manage the incubator centres.

6.8. *Admission and exit of tenant firms*

There should be well laid down criteria for admission of tenants, in order to maximise the economic benefits accruable from the establishment of such centres. In this regard, every effort should be made to discourage admission not based on objective criteria as this is likely to compromise the viability of the incubator centre itself.

Similarly exit rules must be clearly spelt out in the tenancy agreement in order to facilitate a steady flow of tenants out of the centre at the end of the incubation period.

6.9. *Potential for self financing*

Proposed incubator centres must have the potential for self-financing within five years of their establishment. Consequently the income and expenditure profiles of each proposed incubator centre should be closely scrutinised in order to achieve this objective.

6.10. *Subsidisation of rent and other facilities*

This should only be for the first two to three years of admission into the centre. Thereafter, market determined rates should apply in order to expose tenants to the realities of the market place.

6.11. *Cooperation with large scale firms*

This should be encouraged in order to promote linkages and opportunities for sub-contracting between SMEs located within the centre and large scale enterprises operating in the locality.

6.12. *Opportunity for outright purchase of incubator units*

In view of the reluctance of a large number of tenants to move out of the incubator centres,

arising partly out of the prohibitive cost of erecting factory building beyond the financial resources of SME entrepreneurs, consideration should be given to the option of outright purchase of incubator units by the tenants. This could be done under deferred payment arrangements. However, the selling price of units should be close to market values in order to generate funds to build additional incubator units to meet the pressing needs of new SME start ups for factory space.

7. Conclusions

The survey of business incubator centres in Nigeria revealed that there are only seven in operation. Out of the seven, four are industrial incubators whilst the remaining three are technology business incubators. The incubators are designed to promote entrepreneurship development and technological innovation at the small and medium enterprise level by nurturing a steady flow of successful productive enterprises after an incubation period of three to five years.

However, a review of the present operational status of the business incubators revealed that most of the tenants have refused to move out of the incubator centres with several having stayed for periods in excess of twenty years, thus

defeating the objective of nurturing a steady flow of successful small and medium scale enterprises.

Given this unsatisfactory state of affairs, there is an urgent need to streamline the organisational, legal, management, financial and operational aspects of the incubator programme in order to avoid the mistakes of the past and ensure effective realisation of the overall objective of promoting small enterprise development in Nigeria.

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