

# The Impact of a Business Incubation Centre on Micro Firms in Gozo

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# Background to Research

- SMEs create economic value in their country's Gross Domestic Product
- New micro-firms established in Gozo, are after innovation and new markets
- Owner-managers in Gozo are not knowledgeable with the term 'Incubation Business Centre'.
- This research study adopts Grounded Theory Methodology
- This study examines the Business Incubation Centre's ability to stimulate improved economic development and growth in Gozo
- The need to support Gozitan entrepreneurs to meet market operations

# Research Question

*To what extent can Gozo, a small island, strengthen its economic development and competitiveness, by setting-up a business incubation centre for its micro-firms?*

# Research Objectives

1. To **evaluate** how a Business Incubation Centre impacts on the operational effectiveness of new micro-firms.
2. To **examine** how a Business Incubation Centre is valued by current micro-firms in Gozo.
3. To **propose** what type of Business Incubation Centre is suitable for micro-firms operating in the small island of Gozo.

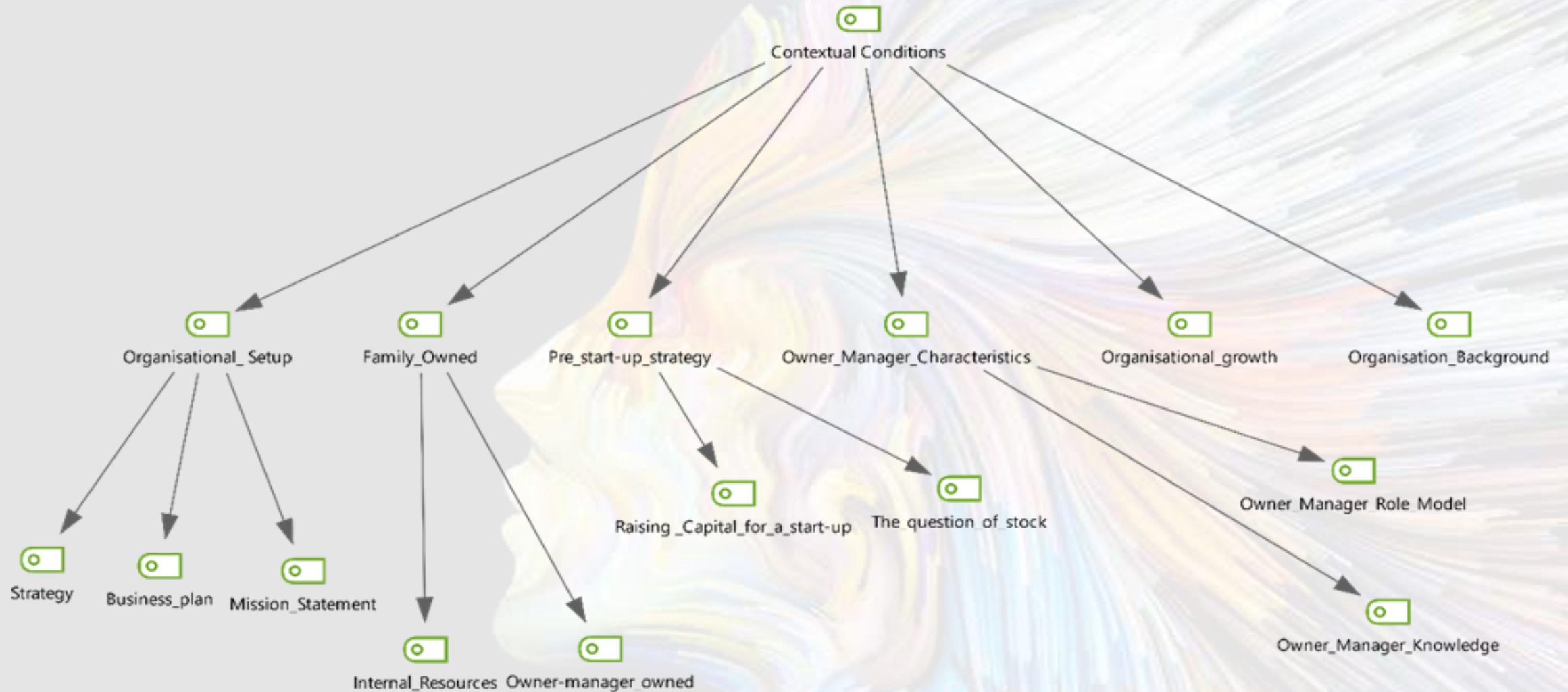
# The Study

A total of **nine face-to face interviews** were conducted with owner-managers of micro-firms in order to elicit rich insights relating to::

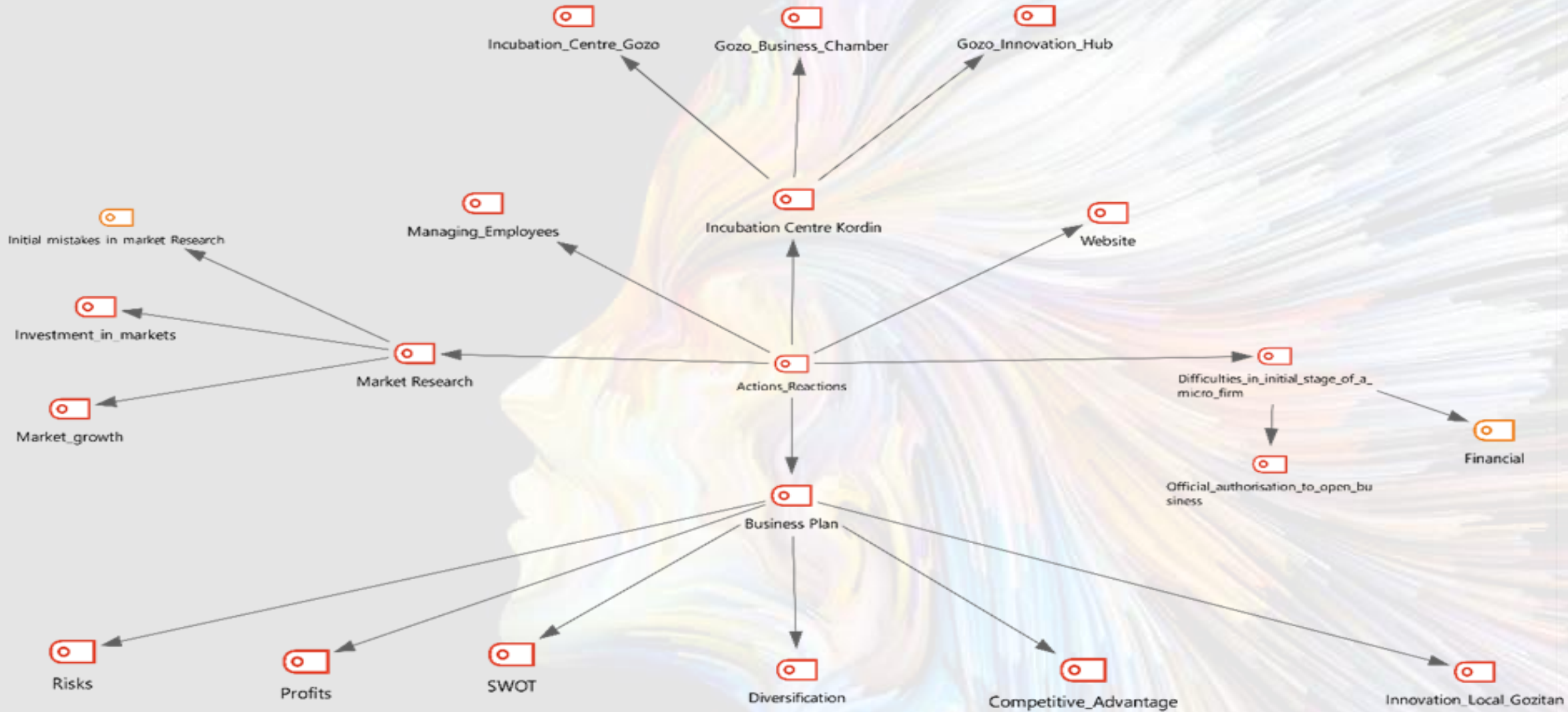
1. Their overall knowledge of what constitutes a Business Incubation Centre
2. Their awareness of the potential risks due to competition from their competitors (local and foreign)
3. Whether a Business Incubation Centre is the first source of assistance to their new startup firm

Methodological approach is **Grounded Theory** entailing **3 phases**:

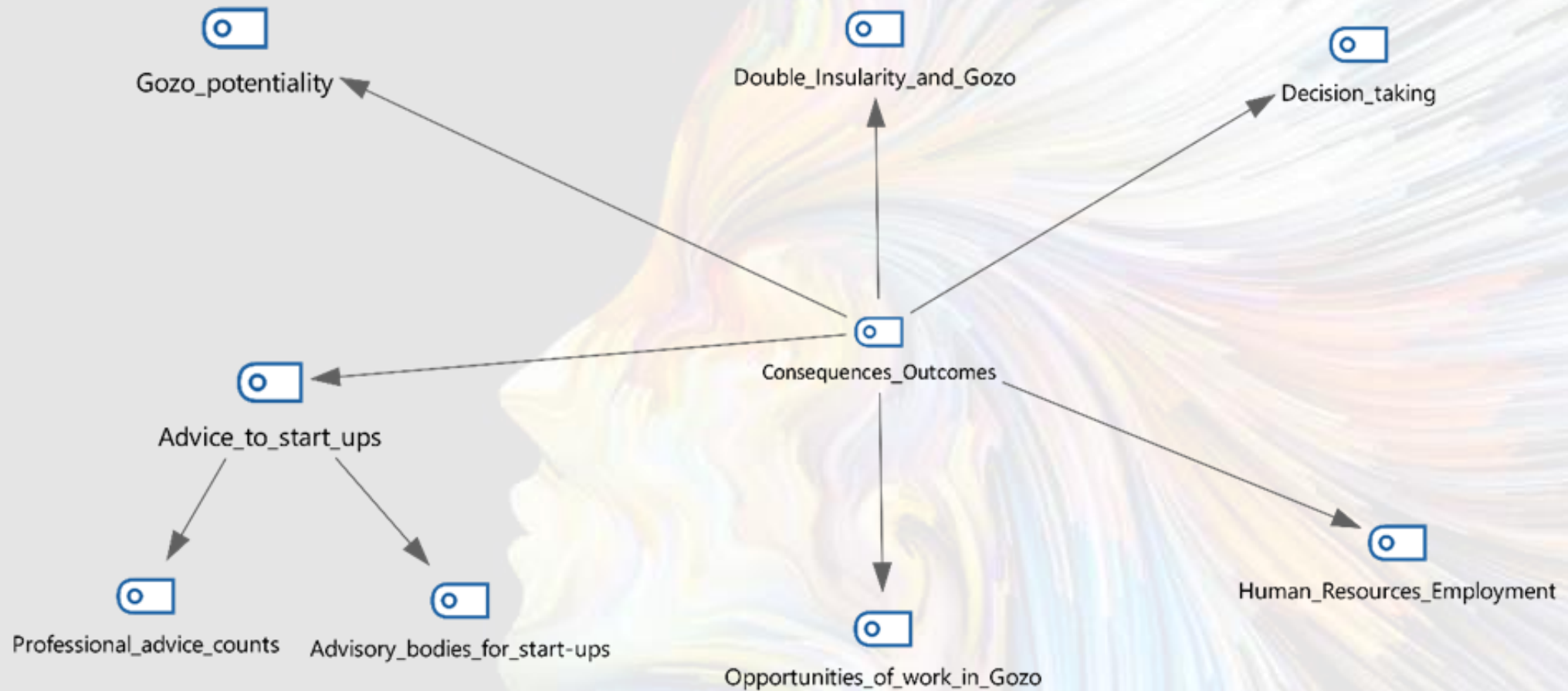
1. Emerging constructs within the **Contextual Conditions Category**
2. Emerging constructs within the **Actions/Reactions Category**
3. Emerging constructs within the **Consequences/Outcome Category**



## Phase 1: Emerging constructs within the Contextual Conditions Category



## Phase 2: Emerging constructs within the Actions/Reactions Category



### Phase 3: Emerging constructs within the Consequences/Outcome Category



## Proposition Statements for Setting Up Business Incubation Centre in Gozo

Theme	No.	Proposition Statement
Start-Up Challenges	1	Micro firms that are operating in Gozo still face challenges as if they are on their first day of business.
Technological Change	2	Micro firms operating in Gozo are persevering the complex issues resulting from technological change, and other constraints related to knowledge, novelty, and inventiveness.
Unleashing Potential	3	Micro firms operating in Gozo are not able to realize their full potential due to several factors related to the double insularity of the island from which they operate.
High Transaction Costs	4	Gozo's double insularity provides micro firms with higher transaction costs relative to large enterprises.
Economies of Scale	5	Gozo's micro firms, because of their small scale operations are challenged by an increasing market competition from their Maltese competitors and from the international markets.
Economic Resilience	6	Notwithstanding the various challenges, Gozitan micro firms still manage successfully niches in the domestic and in the international markets, provide the local economy with employment, have not been swept away with the process of globalization and regional integration, remaining at the same time locally and internationally competitive.

# Conclusions and Implications

- This study **promotes** the assessment of **setting up** a Business Incubation Centre in Gozo
- This study has identified that Gozo faces great challenges as it lacks enough transport links with Malta
- Gozo is an ideal place for services unable to be found in other islands in the Mediterranean (Cyprus, Sicily, Balearic Islands)
- This study confirmed that a Business Incubation Centre will be considered as a hub of entrepreneurial action in Gozo
- Owner-managers are after an incubation centre that provides training
  1. In the recruitment of personnel
  2. Business planning
  3. Marketing capability
  4. New investments and organisation

# Recommendations for Future Research

1. Urgent need that Gozo is handed a business incubation centre offering various services regardless of business activities.
2. Venture tenants can stay at the business incubation centre according to policies that a Gozo business incubation centre directs.
3. The immediate setting up of a business incubation centre in Gozo could be the catalyst that contributes to a healthier business accomplishment.