INCUBATORS AND MARKET FAILURES:
DESIGNS FOR AN ENTREPRENEURIAL ECONOMY (SUMMARY)

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SUMMARY

INCUBATORS AND MARKET FAILURES: DESIGNS FOR AN ENTREPRENEURIAL ECONOMY

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Principal Topic

Given empirical findings that link entrepreneurship, small businesses, and economic growth at the macro level (Audretsch, Keilbach, & Lehmann, 2006), this study develops a model and propositions that link business incubators to localized economic growth. Specifically, the research applies a ‘micro-economy’ lens to investigate how and why the relationship between incubators and economic growth may vary across geographic regions, specifically as a function of the localized market failures that policy-makers position the incubators to resolve.

Method

A framework is developed to consider the general proposition that the design of incubators — and thus their associated economic impacts — vary across geographic regions. This framework is subsequently applied to empirically investigate the market failures described by Audretsch et al. (2006) operationalized in the following hypotheses:

- Regions with higher levels of economic development will have incubators that emphasize networking and collaboration.
- Regions with higher levels of economic development will have incubators that emphasize documentation and dissemination of failed enterprises.
- Regions with higher levels of economic development will have incubators that promote entrepreneurial successes in the region.
- Regions with higher levels of economic development will have incubators that understand the local environmental barriers to entrepreneurship.
- Regions with the highest levels of economic development will have incubators that understand and address local environmental barriers to entrepreneurship.

Results and Implications

Theory on the role played by government policy in spurring entrepreneurial economies identifies four types of policy measures predicted to reduce barriers to entrepreneurship in a geographic region: knowledge production, networking programs, documenting cases of failure and promoting entrepreneurial successes (Audretsch, Thurik, Verheul, & Wennekers, 2002). In practice, policy-makers tend to single out specific dimensions of the innovation and entrepreneurship process in their policymaking and append new entrepreneurship policy measures on a piecemeal basis. This practice of regional entrepreneurship policy often receives criticism for lacking a comprehensive logic in its policy design that takes into consideration the innovation and entrepreneurship cycle (Hart, 2003). Research on how different regions set up incubators with differing policy goals will help inform questions on how improve the design of entrepreneurship policy to address the weaknesses and leverage the strengths of a local economy.

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