


The Role of Business Incubators in Enhancing Startup Competitiveness

Riani Prihatini Ishak¹, Abdul Hadi Malik²

¹ Sekolah Tinggi Pariwisata Bogor

² Politeknik Tunas Pemuda Tangerang

Article Info	ABSTRACT
<p>Article history:</p> <p>Received Nov, 2025 Revised Nov, 2025 Accepted Nov, 2025</p> <hr/> <p>Keywords:</p> <p>Business Incubators; Funding; Indonesia; Mentorship; Startup Competitiveness</p>	<p>This study investigates the role of business incubators in enhancing the competitiveness of startups in Indonesia. Utilizing a qualitative research approach, data were collected through interviews with five key informants, including incubator managers and startup founders. The findings reveal that business incubators play a crucial role in providing mentorship, funding, networking, and business development services, which significantly contribute to the growth and competitiveness of startups. However, incubators face challenges such as limited funding, regulatory barriers, and lack of global connectivity. Despite these challenges, incubators help foster innovation, expand market reach, and ensure sustainability for startups. The study concludes that while business incubators provide essential support, improvements in global networking, post-incubation follow-up, and regulatory advocacy are necessary to further enhance their effectiveness in the Indonesian startup ecosystem.</p> <p><i>This is an open access article under the CC BY-SA license.</i></p> <div></div>
<p>Corresponding Author:</p> <p>Name: Riani Prihatini Ishak Institution Address: Sekolah Tinggi Pariwisata Bogor e-mail: rianipishak@stpboror.ac.id</p>	

1. INTRODUCTION

The startup ecosystem in Indonesia has witnessed remarkable growth over the past decade, especially in the tech and creative industries, positioning the country as one of the most promising entrepreneurial hubs in Southeast Asia; this expansion is supported by rising internet penetration and increasingly supportive government policies, yet startups continue to face persistent challenges such as limited access to capital, regulatory complexities, talent shortages, and difficulties navigating dynamic market conditions, which collectively hinder their growth and long-term sustainability. Access to funding remains the most critical determinant of startup success in Indonesia, followed by innovation capability and market

competition [1], while market adaptability, financial management, mentorship, and innovation also play significant roles in shaping startup outcomes as reported by young entrepreneurs [2]. Despite the growing opportunities, startups still encounter regulatory hurdles, skill gaps, and intense competition, all of which present significant barriers to progress [3], thus requiring multifaceted strategies such as diversifying funding sources, leveraging technological innovation, building corporate partnerships, and engaging in incubation programs [4]. Government policies further exert substantial influence on the entrepreneurial ecosystem by shaping the performance of business incubators and determining the overall business climate [5], while networks and capital structures play an essential role in

strengthening the broader ecosystem, emphasizing the need for a holistic and collaborative approach to ensure the sustainable growth of Indonesian startups [5].

Business incubators have become vital in nurturing startups by providing structured support systems that include funding, mentorship, networking opportunities, and operational assistance, thereby fostering innovation and accelerating startup growth—especially in emerging markets like Indonesia—yet despite the global discourse on their importance, research focusing specifically on their role in strengthening startup competitiveness within the Indonesian context remains limited. These incubators significantly enhance startup success and economic growth by offering crucial resources and a supportive entrepreneurial environment [6], [7], and university-based incubators play an especially important role in emerging economies by enabling entrepreneurs to transform innovative ideas into viable businesses [7]. However, incubators in Indonesia still face substantial challenges, including limited funding, regulatory obstacles, and shortages of experienced mentors [7], compounded by the fact that the nation's digital industry remains in an early developmental phase with minimal infrastructure and ecosystem support [8]. Despite these hurdles, business incubation has been shown to positively influence startup performance, with factors such as funding assistance, government support, and effective knowledge management proving critical [9], [10], and incubators continue to play a key role in helping local digital startups enhance their readiness for investment opportunities and address investor concerns related to financial management and profitability [8].

This study aims to address the existing gap by examining the role of business incubators in enhancing the competitiveness of Indonesian startups through a qualitative analysis that explores their contributions to startup growth, the challenges they encounter, and the key factors that influence their effectiveness in strengthening competitiveness; the findings are expected to

provide valuable insights for policymakers, investors, and incubator managers in optimizing support structures for startups in Indonesia, with the paper structured as follows: Section 2 reviews relevant literature on business incubators and startup competitiveness, Section 3 outlines the qualitative research methodology and data collection process, Section 4 presents the results and findings from interviews with incubator managers and startup founders, and Section 5 discusses the implications of these findings and offers recommendations for improving the effectiveness of business incubators in Indonesia.

2. LITERATURE REVIEW

2.1 *Business Incubators and Their Functions*

Business incubators have been widely recognized as critical tools in supporting entrepreneurship and innovation. According to [11]–[13], incubators offer a combination of physical space, shared services, and access to funding, which help reduce operational costs for startups. These organizations provide startups with a controlled environment that fosters innovation and business growth. Key functions of business incubators include providing guidance on business planning, helping companies secure financing, facilitating market access, and offering administrative support [14], [15]. By addressing common startup challenges, incubators enhance the likelihood of business survival and growth.

2.2 *The Role of Incubators in Improving Competitiveness*

Startups, especially in their early stages, often face intense competition and struggle to establish a foothold in the market, making the role of business incubators crucial in enhancing their competitiveness by providing access to skilled mentors, professional networks, and strategic guidance that help refine business models, strengthen product offerings, and formulate effective market-entry strategies [16], while also connecting startups to venture capital and

other essential funding sources that enable them to scale operations, invest in innovation and technology, and better respond to market demands (Bergek & Norrman, 2008); furthermore, incubators facilitate the formation of strategic alliances with established businesses, government agencies, and research institutions, which broaden market reach, improve product development, and open access to new customer bases, ultimately strengthening the overall competitiveness of startups [11], [13].

2.3 Startup Competitiveness in Emerging Markets

In emerging markets such as Indonesia, startups face unique challenges—including limited access to capital, regulatory barriers, and shortages of skilled labor—that can hinder their growth and competitiveness [14], and while the Indonesian startup ecosystem continues to develop, it still lacks the infrastructure and resources available in more advanced markets, making it more difficult for startups to scale without external support from institutions like business incubators; however, research shows that incubators play a particularly critical role in such economies by offering essential services that help startups overcome these constraints, and in Indonesia—where the economy is heavily driven by micro, small, and medium enterprises (MSMEs)—incubators provide vital pathways for startups to access financing, build business skills, and develop entrepreneurial networks, with studies such as [16] demonstrating how Indonesian incubators have supported local startup growth through comprehensive, market-specific support programs.

3. RESEARCH METHODS

The research employs a qualitative case study design to gain an in-depth understanding of the role that business incubators play in strengthening the competitiveness of startups in Indonesia, as this approach allows the researcher to closely

examine the contextual factors that shape incubator effectiveness and the specific strategies used to support startup development. By focusing on a limited number of incubators, the study generates rich and nuanced insights into their operations and their influence on the growth trajectories of Indonesian startups. Data for the study were collected through semi-structured interviews with individuals who have direct involvement with business incubators or startups, using an interview guide that explored several key areas, including the types of support provided by incubators, the challenges faced during incubation, the impact of incubation on competitiveness, examples of successful incubated startups, and opportunities for strengthening incubator performance in the Indonesian market.

The interview guide served as a structured framework to ensure consistency while allowing flexibility for deeper probing during the discussions. It covered five major dimensions: the variety of services and resources provided by incubators, the internal and external challenges incubators encounter in delivering support, the extent to which incubators influence the competitiveness of startups through improved market access and innovation capacity, examples of success stories and best practices that highlight effective incubation processes, and suggestions for future improvements to increase the contribution of incubators to the national startup ecosystem. The primary data were obtained from interviews with five key informants selected through purposive sampling based on their expertise and direct experience with incubation activities. These included two incubator managers, two startup founders who had participated in incubation programs, and one industry expert with broad knowledge of the Indonesian startup ecosystem. Interviews were conducted in person or through video conferencing, lasted 45–60 minutes, and were recorded with participants' consent to ensure accuracy.

The data analysis employed thematic analysis, a systematic qualitative method used

to identify and interpret recurring patterns across interview responses. The process began with familiarization, during which the recorded interviews were transcribed verbatim and read repeatedly to build a comprehensive understanding of the content and context. Initial coding was then carried out by highlighting meaningful statements related to the research questions, with codes generated inductively based on participants' narratives. These codes were subsequently grouped into broader themes covering areas such as incubator support mechanisms, challenges within the incubation ecosystem, and the perceived impact of incubators on startup competitiveness.

Once preliminary themes were formed, they were carefully reviewed and refined to ensure alignment with the research objectives and accuracy in representing the interview data. Some themes were merged, while others were divided into more focused subthemes, resulting in a final thematic framework used to guide the presentation of findings. The results were reported narratively, supported by direct quotations from interviewees to strengthen the validity of the analysis. The discussion also highlighted the implications of the findings for incubator managers, startup founders, and policymakers, emphasizing how improved incubation strategies could contribute to a more competitive and resilient startup ecosystem in Indonesia.

4. RESULTS AND DISCUSSION

4.1 *Support Provided by Business Incubators*

One of the main roles of business incubators is to provide essential support to startups—particularly in the form of mentorship, funding access, networking opportunities, and business development services—to help them overcome common challenges and enhance their competitiveness. All informants emphasized the critical importance of mentorship, underscoring how expert guidance enables startups to navigate the complexities of entrepreneurship. As stated by one incubator manager (I1), “We provide our startups with experienced

mentors who can guide them in refining their business strategies and operations. Mentorship is the backbone of our incubator's support system.” A startup founder (I2) echoed this perspective, noting, “The guidance we received from our mentor helped us avoid several mistakes that could have cost us our business. It was invaluable in shaping our approach to the market.” Through expert insights into product development, marketing strategies, and scaling processes, mentors equip startups to make informed decisions and adapt effectively to market dynamics.

Access to capital also emerged as a major theme, reflecting one of the biggest challenges faced by startups in emerging markets such as Indonesia. Business incubators help address this barrier by linking startups with venture capitalists, angel investors, and government funding programs. One incubator manager (I3) explained, “We have strong ties with investors who are looking for promising startups. Our job is to connect them with the right opportunities.” This sentiment was reinforced by a startup founder (I4), who shared, “Without the funding we received from the incubator, we would not have been able to launch our product. The incubator played a key role in connecting us with the right investors.” Funding enables startups to scale operations, invest in research and development, and broaden their market reach, making it a crucial determinant of survival and competitiveness in the early stages.

In addition to mentorship and funding, business incubators play a significant role in facilitating networking opportunities that expand a startup's market reach and strengthen its strategic relationships. Interviewees consistently highlighted networking as one of the most valuable incubator benefits. As one industry expert (I5) stated, “Networking is one of the greatest advantages of being part of an incubator. It allows startups to meet potential partners, suppliers, and

customers who they might not have access to otherwise." A startup founder (I2) further emphasized this by noting, "Through the incubator, we were able to attend industry events and meet potential clients and partners that have been instrumental in our business growth." By granting access to wider professional networks, incubators help startups identify new opportunities, build partnerships, and gain industry credibility, all of which contribute significantly to strengthening their competitive position.

4.2 Challenges Faced by Business Incubators

While business incubators provide substantial support to startups, the interviewees highlighted several challenges that limit their overall effectiveness, particularly in the areas of funding, regulatory barriers, and global connectivity. A recurring issue raised by both incubator managers and startup founders was the limited funding available to incubators themselves. As one incubator manager (I3) stated, "Many incubators in Indonesia rely heavily on government funding, which can be unpredictable and insufficient to support all the startups that need help." This constraint makes it difficult for incubators to scale their operations and deliver comprehensive support, especially during the critical early stages of startup development. Additionally, securing follow-up funding remains a common struggle for startups after graduation from incubation programs, with one founder (I4) noting, "After completing the incubator program, we struggled to find follow-up funding. It's a challenge that many startups face when they outgrow the support offered by the incubator."

Regulatory barriers also pose significant challenges to both incubators and startups in Indonesia. The country's bureaucratic processes and complex regulations create delays and uncertainties that can slow down business establishment and impede growth. One incubator manager (I1) explained,

"Navigating the regulatory landscape is often a slow process for our startups. It can be frustrating, and sometimes it feels like there's no clear path forward." Complicated requirements related to business registration, licensing, and taxation can hinder the ability of startups to scale efficiently, placing an additional burden on incubators to guide startups through compliance while still helping them focus on innovation and market expansion.

A further challenge identified by interviewees concerns the lack of global connectivity among Indonesian business incubators. Although incubators provide valuable local support, many lack international networks and partnerships that are essential for startups seeking to expand beyond domestic markets. As an industry expert (I5) emphasized, "Most incubators in Indonesia focus on the local market, but to truly become competitive, startups need to tap into global markets. Incubators need to form more international partnerships to provide global market access." Without strong global linkages, startups may struggle to compete internationally, limiting their potential for growth, innovation, and long-term sustainability.

4.3 Impact of Business Incubators on Startup Competitiveness

The interviews revealed that business incubators significantly enhance the competitiveness of startups by providing tailored support in three key areas: innovation, market access, and sustainability. Incubators foster an environment that encourages innovation by equipping startups with the necessary resources, mentorship, and technical knowledge to develop new products and services. One incubator manager (I1) stated, "We encourage startups to innovate by providing them with the resources and knowledge they need to develop new products and services," while a startup founder (I2) shared, "The incubator helped us refine our product, pushing us to think outside the box and

develop something unique.” Innovation is essential for differentiation and market capture, and with the support of business incubators, startups can strengthen their product development capabilities and technological advancements, thereby improving their ability to compete effectively in the marketplace. Furthermore, business incubators expand startups’ market access by connecting them with potential clients, suppliers, and industry leaders, enabling them to reach new customer segments, enhance brand visibility, and build strategic relationships that contribute to long-term growth.

In addition to innovation and market access, sustainability emerged as a crucial dimension of startup competitiveness influenced by incubator support. Interviewees highlighted how incubators assist startups in building sustainable business models through operational guidance, cost-efficiency strategies, and scalable practices. A startup founder (I4) noted, “The incubator helped us build a more sustainable business by showing us how to streamline our operations and reduce costs,” emphasizing the incubator’s role in strengthening long-term business viability. Through mentorship, resource optimization, and support for strategic planning, business incubators equip startups not only with the capacity to

survive early challenges but also with the tools to thrive in a competitive and evolving market environment.

5. CONCLUSION

This study has examined the vital role that business incubators play in enhancing the competitiveness of startups in Indonesia, revealing their significant contributions in providing essential support such as mentorship, funding access, and networking opportunities that enable startups to overcome early-stage challenges, innovate, expand market reach, and build sustainable business models; however, the findings also highlight several constraints faced by incubators—including limited funding, complex regulatory barriers, and insufficient international networks—which restrict their ability to fully maximize their impact, making it necessary for incubators to strengthen global partnerships, offer more comprehensive post-incubation support, and advocate for regulatory reforms to improve the national startup ecosystem; ultimately, while business incubators already serve as key drivers of startup growth and competitiveness, addressing these challenges will allow them to play an even more transformative role in positioning Indonesia as a leading innovation and entrepreneurship hub in Southeast Asia.

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