



***THE CONTRIBUTION OF INNOVATION SPACES PROCESSES ON THE PERFORMANCE OF YOUNG ENTREPRENEURS IN IRINGA***

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***Abstract***

*This study aims at assessing the effect of innovation spaces' processes on the performance of young entrepreneurs. The study sought to assess the relationship between three factors that included: crowdsourcing, ideation, and business plan competition with the performance of young entrepreneurs. All those variables along with the dependent are shown in the conceptual framework in figure 1. The study was a descriptive research study. Quantitative data collection methods and convenience sampling methods were used. 150 questionnaires were collected from young entrepreneurs who went through some programs in innovation spaces available in the Iringa region such as SIDO TLED Hub, RLabs, Kiota Hub, and Agriedo Hub. Cronbach's Alpha was used to test the reliability and factor analysis was used to test the validity of the instrument. The data were analyzed by using Pearson Correlation and Multiple Regression Analysis. Multiple Regression results showed that the availability of ideation and business plan competition as innovation spaces' processes showed a positive significant relationship with the performance of young entrepreneurs. On the other side, crowdsourcing as an innovation space process had a negative relationship with the performance of young entrepreneurs. Recommendations are posed to both innovation spaces and young entrepreneurs. Innovations spaces should invest their time, networks, and other resources to perfect their processes in delivering value to young entrepreneurs. Young entrepreneurs should associate themselves with innovation spaces since they have the resources, networks, and knowledge to speed up the performance of their enterprises*

***Keywords Crowdsourcing, innovation spaces, Ideation, and Business plan competition***

**1.Introduction**

There is an increasingly competitive, agile and rapidly developing business environment that increases the demand on firms/entrepreneurs to be innovative to remain competitive. Emerging global markets and rapid advancements in technology means markets are becoming ever more competitive. This puts pressure on entrepreneurs to exploit their full potential in terms of resources and competence to foster innovation. One recent emerging strategy to do so is through open innovation, a relatively new strategy characterized by a high degree of open collaboration with other entrepreneurs/businesses, knowledge sharing as well as the creation of collective intelligence. Besides having various initiatives in promoting youth enterprise performance and

innovation this study will focus exclusively on innovation spaces since it is one among the potential strategies used to empower young entrepreneurs by providing BSS. In addition, innovation spaces nurture entrepreneurial firms through provision of guidance and support from the start-up stage when entrepreneurs are most vulnerable (Roy, 2011). Innovation spaces are places where industry, community, government, researchers, businesses, entrepreneurs, end users and other stakeholders can interact and generate new solutions together (Lantz & Wu, 2017). As communal, collaborative and adaptive innovation spaces enable innovative re-combinations of products and services to be developed, tested and delivered to market. (Ford, 2017). They are characterized by dynamics innovation process that hunts for ideas through innovation jams, hackathons, pitches, innovation challenges, idea competitions, brainstorming and strong event-centre approach, which engage and support young entrepreneurs' start-ups and businesses (Butter 2019) Relevance of establishment of sustainable and successful businesses by young entrepreneurs is to create an additional employment which is of great impact to counties development. A study by (Birch, 1979) highlighted that, new US firms create the majority of employment and there has been a public policy actively to promote new business establishment. Even though it is the same case in Tanzania, there is still much to be done. Start-up entrepreneurs have usually faced a number of problems associated with inadequate access to BSS during their early stage of their business development stage (Kazanjian, 1988; Comrie, 1991; Terpstra and Olson, 1993). Among such BSS include, insufficient initial capital and inadequate access to financial sources; shortages in managerial, business skills and technical know-how; shortage of access to technical assistance and market information; time pressures and a dynamic and unconvinced business environment (Shepherd & Shanley, 1998; Van Auden, 1999). To ensure creation and the survival of the business, BSS offered by innovation spaces should be accessible with slightest conditions such as fair entry and exit policies (MIT, 2003). Inadequate BSS (which usually obtainable and accessible by innovation spaces) are among the utmost cited reasons for the let-down to survive of numerous firms (MIT, 2003) Although the government of Tanzania and development allies made various interventions to ensure up-and-coming business establishment, growth and development, the majority of entrepreneurs still face insufficient access to BSS (Olomi and Issack, 2003). To safeguard the performance of young entrepreneurs and SMEs growth in Tanzania, this study becomes necessary to assess the innovation space processes in boosting young entrepreneurs' performance.

## **2. Literature Reviews**

### **2.1 Theoretical Framework**

#### **Resource Based View (RBV) Theory**

The underlying rationale of Resource Based View (RBV) targets to recognize the contribution of resources to safeguard the performance of start-ups entrepreneurs during its first years of business establishment. Based on the RBV, start-ups entrepreneurial businesses have a restricted accessibility to the resource base to exhaust the possibilities of survival rate. Besides, accumulating a stable resource base appears as a challenge to the majority of start-up entrepreneurs (Brush et al., 2001). Innovations spaces counter this effect by providing start-up entrepreneurs with resources. Meaning that, innovation spaces are designed to support entrepreneurs with adequate resources namely; infrastructure, business support and access to networks (Smilor and Gill, 1986; Barrow, 2001; EC, 2002). Infrastructure is referred to as the intricate resource accessible by innovation spaces (Allen and McCluskey, 1990). Based on innovation spaces, infrastructure is crucial in hand office space located in a building where

several entrepreneurs are incubated, or can use as co-working spaces. Office space is often bundled with complementary services among them parking, meeting rooms, receptionist and telecommunications (EC, 2002; Aerts et al., 2007). Additionally, some innovation spaces also provide specialized premises such as laboratories or technical equipment (Grimaldi & Grandi, 2005). Business support services (BSS) is considered as the unwavering foundation of knowledge made offered to start-up entrepreneurs. Although resources keep start-up entrepreneurs from striving for competitive advantage, lean-to the RBV thinking suggests that resources need capability to present continuous competitive advantage to start-up entrepreneurs. The competitiveness of entrepreneurs influenced by their capability (Eisenhardt and Martin, 2000) which defined as the input-output blends attainable with all possible miscellaneous and ranks of undertakings known to the firm (Nickerson and Zenger, 2004) aimed at solving problems and achieving some certain outcomes (Zahra et al., 2006).

### **2.1.2 Knowledge based view (KBV)**

The KBV is ultimately an extension of the resource-based view (RBV) of the firm, in that context they both apply a standpoint that relates a firm's internal landscapes to its performance. Explicitly, the RBV hypothesizes that the performance variances between entrepreneurs generally resolute their capability to control resources that are valuable, rare, imperfectly imitable and for which no direct substitute exists (Barney, 1991; Grant, 1996). Various categories of knowledge have been proposed with support from thorough philosophical discussion of the concept itself (Kogut & Zander 1992, Spender 1996). Among the widely used categorization of knowledge in the conversation of KBV is along an epistemological (i.e., knowledge understanding) dimension, differentiating between tacit and explicit knowledge (Nonaka, 1994). Polanyi (1966), made known the idea of implicit (or tacit) meaning "knowing how", personal knowledge that cannot easily be expressed by the holder of the knowledge. Tacit knowledge is not easily classified, articulated and duplicated or transferred (Nonaka, 1994, Spender, 1996, Teece, 1998, Chrisman and McMullan, 2004; Haas and Hansen, 2005; Smith et al. 2005). According to Hitt, et al., (2000), tacit knowledge can be considered as an experiential type of knowledge as it is primarily acquired by experience, or learning by doing. A more practical way in which knowledge can be viewed deals with the varieties of knowledge that are essential to business. These varieties consist of both tacit and explicit elements such as concerning customers, stakeholders, products or a firm's competitive environment (Alavi & Leidner, 2001). This study focuses on the knowledge as part of BSS acquired by young entrepreneurs from the higher learning, innovation spaces. The ability of an entrepreneur to acquire and exploit knowledge is determined by its prior related knowledge (Cohen & Levinthal, 1990). The knowledge acquisition process additionally, is determined by the similarity of actors involved such as the innovation spaces (Lane & Lubatkin, 1998). This study will focus on the process of innovation space in proving BSS to young entrepreneurs whereby, BSS as essential resources is available to motivate youth to start new business.

## **2.2 Empirical Review**

### **2.2.1 Contribution of Crowdsourcing in Performance of Young Entrepreneurs**

Girdauskiene, et al (2015) conducted a study on "Crowdsourcing as a Key Method for Start-ups Overcoming Valley of Death". The study used a scientific literature analysis as a research method which allowed revealing the key features of crowdsourcing that make a significant impact on start-ups performance.

### **2.2.2 The contribution of Ideation in Performance of Young Entrepreneurs**

(Ogutveren-Gonul, 2018) conducted a study on “Teaching and Implementing Ideation in Entrepreneurship”. The purpose of the paper was to present a systematic approach to ideation which may be used both by instructors and practitioners in teaching and implementing ideation. The study concluded that, company’s long-term viability and competitiveness is dependent upon the effectiveness of its ideation processes at all levels of operations.

### **2.2.3 The Contribution of Business Plan Competitions in Performance of Young Entrepreneurs**

(Thomas, 2014) conducted a study on “Business Plan Competitions and Their Impact on New Ventures’ Business Models”. The study which was empirical research identifies and examines the possible relationships between an entrepreneur’s participation in a Business Plan Competition (BPC) and changes made to his/her new venture business model. The researchers utilized an exploratory sequential mixed method study (Tashakkori & Creswell, 2007) to develop an improved understanding of how a business plan competition impacts a new venture’s business model. The findings of the study suggested that participating in BPCs does have an impact on the new ventures’ business model.

## **3.0 Research Methodology**

This study was conducted in in four innovation spaces located in Iringa, namely SIDO TLED Hub, RLabs Tanzania, Kiota Hub and Agriedo Hub. SIDO TLED Hub, RLabs Tanzania, Kiota Hub and Agriedo Hub was chosen to know the contribution of innovation spaces processes on the performance of young entrepreneurs in Iringa. young entrepreneurs in countless sectors in Tanzania are faced with a range of challenges from business creations, survival and growth. Several students and/or graduates and entrepreneurs are enthusiastic to start their own businesses, nonetheless they have a partial capability of undertaking that in a creative and innovative way hence, inconveniencing the scaling up of their ideas. Although innovation spaces are known to promote entrepreneurship and innovation through several processes and support services, little is known on the processes and support services offered by the innovation spaces and their influence on the performance of SMEs owned by young entrepreneurs. The philosophical foundation for the study was based on the positivism paradigm, which builds a highly structured methodology to allow generalization and quantifiable observations and evaluate outcomes with the aid of statistical techniques (Creswell, 2014). This study employed quantitative approach. This method was used in this research as its objectives is to firm up and modify knowledge first gained in a fundamentally quantitative way which is consistent with the research objectives (Bryman, 2017). A descriptive cross-sectional research design was used seeking to obtain information that describes existing phenomena by asking individuals about their perceptions, attitude, behavior or values on the contribution of innovation spaces processes on the performance of young entrepreneurs in iringa. The target population is the entire aggregation of respondents that meet the designated set of criteria (Kolen and Brennan, 2014). The target population in this study constituted 240 beneficiaries, among whom 31 were from SIDO TLED Hub, 100 were from RLabs, 21 were from Agriedo Hub and 88 from Kiota Hub. The sample size was 150 as determined through Kothari, (2014) formula. The questionnaire is a basic data collection tool that comprises of questions drafted by a researcher and filled by respondents to accrue research data. Data were analyzed using descriptive and regression analysis using ordinary least square estimator was used to analyses causal relationship between variables.

## 4.0 Results and Discussions

### 4.1 Results

		Crowdsourcing	Ideation	Business	Performance of Young Entrepreneurs
Crowdsourcing	Pearson Correlation				
	Sig. (2-tailed)				
	N	150			
Ideation	Pearson Correlation	.349**			
	Sig. (2-tailed)	.000			
	N	150	150		
Business	Pearson Correlation	.448**	.485**		
	Sig. (2-tailed)	.000	.000		
	N	150	150	150	
Performance of Young Entrepreneurs	Pearson Correlation	.288**	.476**	.478**	
	Sig. (2-tailed)	.000	.000	.000	
	N	150	150	150	150

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### 4.2.3 Crowdsourcing and performance of young entrepreneurs.

Table 4.2 shows that there is a significant relationship between crowdsourcing and performance of young entrepreneurs. This is because the P-Value is equal to 0.000 and less than the alpha value 0.05. The value of the correlation coefficient, which is 0.288, falls under the coefficient range  $\pm 0.21$  to  $\pm 0.40$ . As Hair et al (2007) addressed the strength of relationship between such coefficient ranges as small but definite, there is thus a small but definite relationship between crowdsourcing and performance of young entrepreneurs.

#### 4.2.4 Ideation and performance of young entrepreneurs

The table further indicates that as the P-Value is equal to 0.000 and less than the alpha value 0.05 which means there is a significant relationship between ideation and performance of young entrepreneurs. Furthermore, the value of the correlation coefficient, which is 0.476, falls under the range  $\pm 0.41$  to  $\pm 0.70$  which Hair et al (2007) addresses such coefficient ranges as moderate. Thus, there is a moderate relationship between ideation and performance of young entrepreneurs.



### 4.2.5 Business plan competition and performance of young entrepreneurs

Lastly, the table further indicates that as the P-Value is equal to 0.000 and less than the alpha value 0.05 which means there is a significant relationship between business plan competition and performance of young entrepreneurs. Furthermore, the value of the correlation coefficient, which is 0.478, falls under the range  $\pm 0.41$  to  $\pm 0.70$  which Hair et al (2007) addresses such coefficient ranges as moderate. Thus, there is a moderate relationship between business plan competition and performance of young entrepreneurs.

## 4.2: Normal Regression Analysis

### 4.3 Multiple Regression Analysis

**Table 4.3: Model Summary**

Model Summary				
	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.555a	.308	.293	.70312
a. Predictors: (Constant), Business, Crowdsourcing, Ideation				

Based on the table above, it shows that the value of correlation coefficient (Adjusted R square value) is 0.293 which indicates that independent variables could explain 29.3% of the variation in the dependent variable. However, it was still left 70.7% unexplained in the study.

**Table 4.4: ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.063	3	10.688	21.618	.000 <sup>b</sup>
	Residual	72.179	146	.494		
	Total	104.242	149			

a. Dependent Variable: Performance of Young Entrepreneurs

b. Predictors: (Constant), Business, Crowdsourcing, Ideation

Table 4.4 shows that p-value (Sig 0.000) is less than alpha value 0.05. The alternative hypothesis of the two independent variables if significant explains the variance in the performance of young entrepreneurs.

**Table 4.5 Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	1.660	.417		3.985	.000	.837	2.483
Crowdsourcing	.038	.073	.041	.526	.599	-.105	.182
Ideation	.246	.063	.312	3.905	.000	.121	.370
Business	.358	.097	.308	3.677	.000	.166	.551

a. Dependent Variable: Performance of Young Entrepreneurs

Based on table 4.5, coefficients show that: business plan competition is significant to predict the dependent variable. This is because its P-Values (0.000) are less than the alpha value 0.05. Also, from table 4.5, coefficients show that: Ideation is significant to predict the dependent variable. Because its p-value (0.000) is less than the alpha value 0.05.

Again, from table 4.5, coefficients show that: crowdsourcing has got negative significance to predict the dependent variable. This is because its p-values (0.599) are larger than the alpha value 0.05.

### 4.3 Discussion

The Pearson’s Correlations Test was used to measure the relationship between each individual independent variable and dependent variable. Ideation and business competition established a significant/positive relationship with performance of young entrepreneurs as their P-Value were less than 0.05 but crowdsourcing whose P-values were above 0.05 established insignificant/negative relationship with performance of young entrepreneurs. According to the output of the MLR, the Adjusted R Square value is 0.293 which indicated that independent variables (crowdsourcing, ideation, and business plan competition) could explain 29.3% of the variation in the dependent variable (Performance of young entrepreneurs).

### 5.0 Conclusion and Implications

This study was conducted with determination of measuring the effect of innovations spaces’ processes on performance of young entrepreneurs. Specifically, the objectives of this study were to determine the relationship between crowdsourcing, ideation, and business plan competition and performance of young entrepreneurs. innovation spaces must take into consideration these two factors ideation and business plan completion as they are the best when it comes to

advancing the performance of young entrepreneurs. It could be concluded that there is a significant positive correlation between ideation and business plan competition and performance of young entrepreneurs. Also, there is an insignificant or negative relationship between crowdsourcing and performance of young entrepreneurs. Thus, this research paves a way on how and where innovation spaces should put more effort if they are to advance the performance of young entrepreneurs in their endeavors. The study suggests that further research should be conducted involving other variables especially once that explore co-working, co-creation and generally different community-based processes. Therefore, similar research can be done to measure occurrence of other factors to influence performance of young entrepreneurs.

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