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Incubation Centers in Academic Institutions and Expectations of Students who Aspire to be Entrepreneurs

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Abstract : Governments across the world are keen on encouraging entrepreneurship and innovation. This is driven by the expectation that new and small businesses create jobs and will help in reducing unemployment. Further introduction of new products lead to increased competition in the market.

One important policy decision of the government of India is to encourage setting up of incubation centers across the country that will support and handhold nascent entrepreneurs in their entrepreneurial journey. The support provided by the government comes in various forms and the most important one is the grant provided to set up and run incubation centers. Many educational institutions have set up incubation centers and are actively trying to promote entrepreneurship.

This study explores the expectations of students with respect to the incubation centers. Data was collected from students of a course on entrepreneurship using a questionnaire in an open-ended format. Subsequently some of the students were interviewed to identify the key support expected from incubation centers. One of the interesting findings was the importance placed on mentoring support. Based on the findings, suggestions are provided on what academic institutions planning to set up incubation centers should focus on.

Considering the increasing interest in entrepreneurship among students and the support extended by central and states governments to promote entrepreneurship, insights from this study can also be used for policy decisions.

Keywords: Incubators, Startups, Entrepreneurs.

Introduction - Launching a new business is a life-changing event for an entrepreneur. Many think about becoming an entrepreneur, but not all of them take the plunge. Entrepreneurship is not easy, and it requires a lot of courage because, for many, it involves committing more resources than one has and having to deal with the risk of losing it all. It is a widely acknowledged fact that more than 70% offirst-generation entrepreneurs fail within the first three years. The high rate of failures can be attributed to any of the numerous factors that contribute to the success or failure of a new venture, like prior experience in the industry or in entrepreneurship, access to resources and the liability of newness.This highlights the need to handhold and support nascent entrepreneurs. Given the belief that new venture creation is important as it contributes to innovation and economic growth, governments across the world have been introducing policies to encourage and support entrepreneurs. One such policy initiative is providingaccess to funds. The government of India has categorized loans to small business as priority sector lending and this has helped many small startups in accessing funds from commercial banks. The benefit of this categorization is that these loans have a lower interest rate and up to a certain limit, additional collateral is not required. Another important policy decision of the government is the support extended to business incubators. The government through various schemes has been providing financial support to institutions and encouraging them to establish business incubators that support startups. The table 1, below lists the numbers of incubators supported by the government of India in some of the states.

Table 1: Number of Incubators supported by DST in various states.

Sr.	State	No. of Incubators
1	Andhra Pradesh	5
2	Delhi	6
3	Goa	3
4	Gujarat	18
5	Haryana	1
6	Himachal Pradesh	2
7	Jammu & Kashmir	2
8	Jharkhand	1

9	Karnataka	19
10	Kerala	8
11	Madhya Pradesh	2
12	Maharashtra	19
13	Mizoram	1
14	Odisha	3
15	Punjab	9
16	Rajasthan	4
17	Tamil Nadu	26
18	Telangana	13
19	Uttar Pradesh	9
20	Uttarakhand	4
21	West Bengal	5

Sources of data: https://dst.gov.in/sites/default/files/75-Impactful-Startup-DST-Incubation-Program.pdf

Table 2: Number of Incubators supported by Atal Incubation Centre in various states.

Sr.	State	No. of Incubators
1	Andhra Pradesh	2
2	Assam	2
3	Chhattisgarh	1
4	Delhi	6
5	Goa	1
6	Gujarat	6
7	Haryana	1
8	Jammu & Kashmir	1
9	Karnataka	11
10	Kerala	2
11	Madhya Pradesh	3
12	Maharashtra	8
13	Pondicherry	1
14	Odisha	2
15	Punjab	1
16	Rajasthan	4
17	Sikkim	1
18	Tamil Nadu	6
19	Telangana	5
20	Uttar Pradesh	4
21	Uttarakhand	0

Sources of data:https://www.nstedb.com/List-NSTEDB-TBIs.pdf
https://www.pib.gov.in/PressReleseDetailm.aspx?PRID=1898728#:~:text=632%20Host%20Institutes%20(HIs)%20have,Innovation%20Centres%20across%20the%20country.

What is Business Incubation: Sherman and Chappel (1998) state that Business Incubators are economic development tools primarily designed to help create a new business in a community. Business incubators help emerging businesses by providing various support services such as assistance in developing business & marketing plans, building management teams, obtaining capital and providing access to a range of more specialized professional services. Entrepreneur.com (nd)defines the business incubator as "an organization designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching, common services, and networking connections". Allen and Mccluskey (1991) define incubators as a facility that provides affordable space, shared office services, and business development assistance in an environment conducive to new venture creation, survival, and early-stage growth. Business Incubators (BIs)provide support to new ventures with the expectation that they will develop into self-sustaining and profitable companies.

Services offered by Incubators: The services offered by the incubators directly affect the performance, survival rates and growth of the incubated firms (Peters and Sunderarajan 2004).During the 80's business incubators became widespread offering office space and some support services (Bruneel et al., 2012).With time, their role expanded, and they offered other services like training, consulting, business support services and networking. Hansen et al (2000) opined that networking is the most important factor in successful BI programs, which view is also supported by others who claim that access to networks is critical for incubating companies' growth and development. (McAdam and McAdam, 2008).A list of services offered through incubation centers are listed in table 3 below. It is important to note that it is rare for any incubator to offer all the services mentioned in the table.

Table 3: List Of Services Offered By Incubators

Office Space on subsidized rent	Accounting & Financial Management Assistance	Security/Technology transfer/commerc-ialization services
Shared resource (reception, car parking, meeting rooms and commodities)	Intellectual Property Rights management	Support for R&D activities /product development
Coaching/Mentoring	Virtual services to offsite clients	Access to business and alumni networks
Training & education	Access to training room/conference room/Meeting room	Labs/Workshops
Business assistance /Advise/Consulting	Basic Utility (Water, electricity, commun-ication, transport)	Access to Local/ Regional National/ International events, conferences etc.
Financial assistance Access to providers of capital (Angel Investors, Venture Capitalists).	Marketing Assistance Organizing events for networking.	Library service Stipend
PC/computer	Connect to Banks	Social Activities

Sources of data: Compiled from various sources and interactions with some incubators.

Challenges faced by Incubators: Despite the success of some business Incubators in attracting and growing startups, many incubators fail to achieve their objectives. Broadly speaking, the success of the business incubator can be determined by the ability of Incubators to (i) attract and select incubatees that have potential for success and (ii) the ability to attract and retain skilled professionals for managing the activities and functions of the incubators. However, a review of literature suggests that criteria used for measuring success differs, no standard or uniform measures of success exist.

Incubators also require resources in the form of funds and talented manpower for carrying out their activities. Lack of funding can impede the growth and success of the incubator as it impacts infrastructure creation, and the ability to attract and retain talented executives to manage the operations. As many of the services offered by the incubators are free, availability of funds is critical to the success of the incubators. In addition, incubators also require funding that can be offered to the startups as seed money support. It is therefore important that the incubators look at various sources of funding both from the private and public sectors (Thobekani, Lose. & Robertson, Tengeh., 2015). Funding for incubators can be in the form of grants, donations, funding support for targeted activities, rent and charges paid by the incubated startups etc. An important source of funding in India is the grants from the state and central governments towards running the incubator and to be offered as seed money to the startups. When an incubator offers seed money, it is normal that they take a small stake in the venture. If the ventures are successful, on exit, the incubators can expect high returns which can again be invested in other incubated entities.

Identifying, attracting, and selecting startups that are likely to make the best use of the support services and succeed is a major challenge for the incubators. In the initial years, the focus is on increasing awareness about the incubator and attracting an adequate number of applicants. Once this stage is crossed, the challenge is how to select from the available pool, the most promising applicants. It is important to understand that the business plans of the applicants are often exaggerated and do not have any hard data to support their projections. There is also the question of whether the selected venture survives because of the incubation support, or whether they would have survived even without incubation. One of the criteria used by some incubation centers is the assessment of commitment by the entrepreneur or the team towards their venture.

In this context Bergek and Norrman (2008) find that selection of incubates can be categorized in idea-focused selection and entrepreneur-focused selection, whereas Merrifield (1987) proposed a method of selection based on qualitative business attractiveness factors by rating each factor on a scale of 0–10. It is also argued that the incubate selection model must incorporate survivability prediction because the incubate survival rate is an importantmeasure of success of the incubator.

Motivation for the study and identification of a gap: As the services offered by incubators are numerous and varied, all incubators will not be able to offer all the services. The focus of most university incubators are their students and nascent entrepreneurs and therefore, it would be helpful if we can identify services that students who are aspiring to become entrepreneurs expect from an incubator. This can help the design of the structure and offerings of the incubator.

Objectives of this study: To identify the expectations of students who are aspiring to become entrepreneurs on what they expect from an incubator. These would be students who have shown interest in taking up a career in entrepreneurship after their graduation (probably immediately after their degree).

Methodology: As the study is exploratory in nature, it uses qualitative research methodology to understand the expectations of students who are aspiring to be entrepreneurs on what they would like an incubator to provide. The researcher identified students who had registered for an advanced course on entrepreneurship and requested them to participate in the study. The researcher explained the objectives of the exercise and requested them to think about the support services they would like to have from an incubator. They were asked to write down in detail their expectations and send them to the researcher. The documents were analyzed to come up with a list of the most important services a student aspirant hopes to get from an incubator. As it is an exploratory study, convenience sampling was used.

Findings: Five students agreed to participate in the study and sent their detailed response to the researcher. An analysis of the responses showed that the expectations of the participants in the study varied and as such, initially all the expectations were listed. Subsequently the common expectations were across identified and they were ranked based on how many of the participants expected to receive the service from the incubator. Where there was a doubt with respect to the response, the participants were contacted, and clarifications sought. The services expected by the respondents from an incubator are listed below.

Expectations of the student entrepreneurial aspirants:

a. Funding: All the participants of the study considered Funding Support in the form of seed money or providing access to funding organizations an important service to be provided by the incubation center. While some funding from the incubator was considered desirable, they acknowledged the fact that they would have to pitch and acquire funding from external sources like government schemes, angel investors and venture capitalists.
b. All the participants considered Mentorship as an important service to be provided by the incubator. Some

of them were very elaborate on why this was important. They said that students planning to start after graduation had zero or very low work experience and this could affect their ability to run a business. They also mentioned that the nature of activities carried out by an entrepreneur was different from that of a manager in an established organization and as such knowledge of entrepreneurial decision making was important. They suggested that mentoring from the faculty alone would not be sufficient and the mentors should also be industry experts and /or entrepreneurs from different sectors.

c. All the participants felt that networking was important to entrepreneurial success. They were particular that the incubator should organize networking events with alumni who were working in the industry, were successful entrepreneurs or industry leaders. They suggested that these events can be organized both on a the regional and national level.
d. Keeping in mind the lack of industrial and entrepreneurial experience, all the participants suggested that workshops, accelerator programmes etc., should be organized to help the incubatees access knowledge on challenges faced during running a business and their resolution. Some of them suggested that workshops on how to approach international markets could also be organized by the incubators.
e. Some of the participants emphasized on the importance of the incubator developing strategic partnerships with funding organizations, local industry, other incubators so that these can be leveraged to the benefit of the incubatees.
f. Some of the participants suggested that technology support by the way of laboratories or access to these in other institutions would be helpful. These would help in product development and prototyping.
g. Some of the participants suggested that marketing support was critical to a nascent entrepreneur and as such connect to potential customers through the alumni network or industry contacts was important.
h. One of them suggested that the incubator should provide for some ongoing support to the incubatees even after the end of the incubation programme.
i. Some of the participants suggested that their business plans should be vetted by the incubator and feedback provided on how to improve them.
j. One of the participants suggested that the university incubator should have structural mechanisms wherein the incubatee could hire student interns for marketing, product development etc.

Additional data Collection: Subsequently twenty candidates interested in entrepreneurship were requested to identify the top three expectations from the above list. They were provided with the above list and requested to place a tick mark against three of the above they considered important. They were specifically told that they could put a tick only against three of the above. When the data was analyzed the top three services expected from incubators were as follows,

1. Funding support.
2. Mentoring
3. Marketing support

While some of the other listed services also were ticked by some students, the highest number of ticks were for the above three.

Discussions and Conclusions: Many support services are being offered by incubators across the world. The number and extent of these offerings depends on the financial strength of the incubators and their age. Some incubators are sector specific while others are sector agnostic. This study focusses on incubators set up by academic institutions. While these incubators are expected to support the entrepreneurial aspirations of their students, many of them also accept incubatees from outside. It is expected that the university incubator will leverage their faculty expertise, laboratories, workshops, and other infrastructure that is available to support the incubatees. Some educational institutions in science and technology have the advantage of huge investments in laboratories and workshops which can be used by the incubatees to develop new technological products and services. Others may have to tie up with other institutions or industry to offer these services. Management institutions can leverage their faculty expertise (both regular and visiting faculty) in mentoring incubatees on various managerial aspects of the businesses.

A review of literature suggests that understanding the needs and expectations of students who have entrepreneurial aspirations could be useful to design the offerings of the incubation center set up in academic institutions. This would facilitate a smooth transition from academics to business for these aspiring entrepreneurs. The findings of the study suggest that access to funding and mentoring are very high on the list of expectations of the students. A very interesting finding is the fact that students recognize their limitations with respect to lack of industry and entrepreneurial experience. As such they expect the incubator to offer networking opportunities to overcome these limitations. They also expect that many of the mentors would be from the industry experts or entrepreneurs from various sectors who could guide them through their entrepreneurial journey. Students also recognize the importance of knowledge, be it technological or market related, and suggest workshops and knowledge sharing sessions. The follow-up study in identifying the top three expectations showed that marketing support was also very important in addition to the funding and mentoring support.

The study provides a basic understanding of the expectations of students (who are aspiring to become

entrepreneurs) from an incubator. The findings are important because the participants of the study were those who had clearly expressed a desire to pursue a career in entrepreneurship after their graduation. This will help universities or academic institutions planning to start incubators structure their offerings in a way that meets the expectations of the aspiring entrepreneurs. This would increase the survival rate of the incubatees and the performance of the incubator. Thesefindings can also be used by policymakers in their design of incubator support schemes, courses on entrepreneurship etc. Course on entrepreneurship can factor theseexpectations of the aspiring entrepreneurs.

The limitation of the study is that the sample size was small. A quantitative survey-based study with a larger number of participants can provide additional insights.

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