

# **BUSINESS INCUBATION AND STUDENT IDEA VALIDATION: A FOCUS ON NIGERIAN UNIVERSITIES**

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## **ABSTRACT**

*This study critically examined the role of university business incubation initiatives in fostering business idea validation of university students in Nigeria. To achieve this objective, a total of 362 students drawn from covenant university Ogun State, Nigeria, were sampled. The data were analysed using regression analysis. The result showed that business incubation activities have positive significant influence on validating business ideas generated by university students. Based on the result of the study, it was recommended that business incubation activities should be an embedded policy in Nigerian universities to motivate business idea validation potentials of undergraduate students. Hence, the provision of the necessary and relevant facilities and infrastructure should be prioritized.*

**Keywords:** Business Incubation, Idea Validation, University Students, Nigeria.

## **INTRODUCTION**

Business incubators are a specific form of organization that aim at developing clusters of associated businesses. Business incubators came into the scene in the 1950s and they have played a dynamic role in advancing the innovation and growth of some developed economies in the world. However, the idea of business incubation is an emerging phenomenon in Africa and most developing economies such as Nigeria. Business incubation activities have positive implications for validating business ideas generated by budding entrepreneurs (Stuart & Sorenson, 2003). This is consequent upon the fact that incubators help very early-stage startups by providing a controlled and protective environment for their idea to grow (Pirolo & Presutti, 2010). Therefore, the role of business incubators in turning ideas to profitable businesses cannot be overemphasized. The university campus is the playground for students who are entrepreneurial and eager to test their knowledge and skills. Therefore, it is pertinent for Nigerian universities to rise up to the challenge of setting up business incubators to support these students in translating their innovative dreams into reality. This is important considering that the absence of business incubators in universities could be a deterrent to nurturing students' business ideas into profitable businesses. Some studies such as Bilić et al. (2011) and Bodnar et al. (2015) have examined the effect of various entrepreneurship curricula on idea generation propensity of university students; Olokundun et al. (2017) in the Nigerian context, also assessed the role of an entrepreneurship curriculum in stimulating critical thinking and business idea generation in university students. However, a key area of research that is largely ignored is the role of business incubators in universities in validating business ideas generated by university students with emphasis on the Nigerian context.

Therefore, this study was aimed at determining the effect of business incubation activities on business idea validation with emphasis on Nigerian university context. The hypothesis that was formulated was:

*H<sub>0</sub>: Business incubation does not impact on students' idea validation.*

## LITERATURE REVIEW

### Business Incubation

Business incubation activities, which focus on entrepreneurial learning efforts outside of the classroom, are increasingly an integral part of an entrepreneurship educational program (Morris et al., 2013). They tend to be experiential in nature, where the student has an opportunity to apply the theory and content learned in the classroom (Kolb, 2014). They can serve to simulate key aspects of the entrepreneurial experience. Further, they offer students a chance to make mistakes and fail without serious repercussions. Business incubation activities focus on what Neck et al. (2014) refer to as deliberate practice, where the student is engaged in a meaningful performance. Deliberate practice can lead to expanded knowledge structures, greater self-confidence, and a greater likelihood of subsequent action. These can provide students with opportunities to network with experts within the university, entrepreneurs, and other professionals. In the process, the students are able to build their reservoir of social capital, potentially gaining greater access to investors, suppliers, distributors, potential customers and other important resources (Florin et al., 2003). They are afforded opportunities to meet similar-minded students and potential partners. Granovetter (1992) claims that new organizations are socially constructed, resulting from actions of entrepreneurs who are embedded in personal networks. Social networks have been shown to be a critical element in transforming a business idea into an actual venture (Sequeira et al., 2007; Stuart & Sorenson, 2003). Being situated in such an environment provides an exposure to diverse developments that can influence student entrepreneurial behavior. Students can leverage these opportunities to address particular problems, activities and developmental steps leading to the launch of their own venture. Further, individuals embedded in networks with those who have entrepreneurial experience tend to be more entrepreneurial themselves (Pirolo & Presutti, 2010). Therefore, university business incubation activities can provide students with needed information, knowledge, legitimacy, trust, and emotional support related to the entrepreneurial process which can help stimulate student entrepreneurial activities (Ogbari et al., 2016).

### Idea Validation

Pam (2013) defined a business idea as one that is feasible and viable which can be translated into a venture. Long (2010) argued that from an entrepreneurship point of view, idea validation is an intention-based action, which involves the authentication of the viability of a business idea in the market. Arenius and De clerq (2005) posited that the quality of information and experience an entrepreneur gets increases the chances of validating an idea. Therefore, in the context of entrepreneurship education as asserted by Morais (2001) the validation of creative business ideas by students as a result of exposure to university support programmes affirms that idea validation can be achieved. Arenius and De clerq (2005) opined that the dynamism of the business world requires a critical mind to stimulate the generation and validation of viable

business ideas; hence the university environment provides ready market for the validation of business ideas generated by student entrepreneurs. This is important because business idea validation is an important outcome of an entrepreneurship programme particularly because it also provides tangible evidence of the intentions of students to engage in entrepreneurship (Morais, 2001).

## METHODOLOGY

A descriptive research design was implemented to obtain information from students of the selected university. Data was collected through the administration of structured questionnaire to students of Covenant University Ogun State, Nigeria in 2017/2018 academic year. The choice of Covenant University was borne out of the fact that the university was the first university in Nigeria to incorporate business incubation activities into university entrepreneurship education initiatives. The data were essentially quantitative in nature. Four hundred (400) copies of questionnaire were administered to students of all colleges using multistage sampling techniques. 362 copies of questionnaire representing 90.5% were retrieved. Regression analysis was used to test the hypothesis stated.

## DATA ANALYSIS AND PRESENTATION OF RESULTS

*H<sub>1</sub>: Business incubation does not impact on students' idea validation.*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.489 <sup>a</sup>	0.239	0.237	0.57037

a. Predictors: (Constant), BUSINESS\_INCB

Source: Field Survey, 2018.

Table 1 is the model summary. It shows the variance in the dependent variable (students' idea validation) that is explained by the independent variable (business incubation). In this case the R square value is 0.489 expressed by a percentage; this means that business incubation explains 48.9% variance in business idea validation.

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	36.752	1	36.752	112.971	0.000 <sup>b</sup>
	Residual	117.117	360	0.325		
	Total	153.869	361			

a. Dependent Variable: BUS\_IV

b. Predictors: (Constant), BUSINESS\_INCB

Source: Field Survey, 2018.

Table 2 shows the assessment of the statistical significance of the result. The ANOVA table tests the null hypothesis to determine if it is statistically significant. From the results, the model appears to have a good fit, indicated by positive F value of 112.971. Also, the table shows

a statistically significant relationship between business incubation and business idea validation ( $p < 0.05$ ). The implication of the statistical result is that promoting business incubation activities in universities will result in a positive upward shift in student's idea validation propensity. Hence the null hypothesis should be rejected and the alternate hypothesis accepted.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	2.217	0.179		12.381	0	1.865	2.569
	BUSINESS_INCB	0.451	0.042	0.489	10.629	0	0.368	0.534

a. Dependent Variable: BUS\_IV

Source: Field Survey, 2018.

Based on the results in table 3, the coefficients table above revealed the contributions of business incubation on business idea validation of the students and their levels of significance (Business Incubation;  $\beta = 0.451$ ;  $t = 10.629$ ;  $p < 0.05$ ).

### DISCUSSION OF FINDINGS

The objective of this study was to assess the effect of business incubation activities in validating the business ideas generated by students of a selected university in Nigeria. The result revealed that business incubation has a significant effect on student business idea validation. This result is in consonance with the findings of Bodnar et al. (2015) who established that entrepreneurship programmes can motivate business idea generation by university students. It also confirms the work of Gafar et al. (2013) which showed that university entrepreneurship training is suitable for motivating entrepreneurial idea generation, interaction and networking. However, beyond the development of viable business ideas validating the ideas is of utmost importance to enhance the entrepreneurial success of university students. This is why incorporating business incubation activities in university entrepreneurship education particularly in the Nigerian context are salient to the development of student entrepreneurship in Nigerian universities. Student entrepreneurship assumes a critical part in molding a student's perception of the entrepreneur's experience. Therefore, engaging in activities that involve testing the viability of ideas generated in the real market may provide a real life entrepreneurial experience for university students. A major area in the operation of an incubator is the social and entrepreneurial networks created among incubates themselves and other external parties outside of the incubator. This creates an ecosystem that may have implications for the transformation of ideas into actual business venture. It will also motivate the provision of entrepreneurial infrastructure to students which will involve support with tasks, the provision of physical, technological and monetary resources, information and knowledge. A major experiential component of business incubation activities is the experience of business failure in a controlled environment such as the university which may serve as a springboard for students strive for excellence in future endeavors. However, supportive governmental policies and programs is a major factor in driving these aforementioned creative and innovative entrepreneurship education initiatives in the university context in Nigeria.

## RECOMMENDATIONS AND CONCLUSIONS

This study has shown that business incubation activities in the university setting in Nigeria can motivate students to validate their business ideas based on market gaps. Therefore, business incubation activities should be an embedded policy in Nigerian universities to motivate business idea validation propensity by undergraduate students. Hence, the provision of the necessary and relevant facilities and infrastructure should be prioritized by government, university management and relevant stakeholders. University management must focus on the development of student entrepreneurs to foster entrepreneurial success of students after graduation. Student business startups should be a prerequisite course in Nigerian university entrepreneurship programmes. This will encourage the engagement of experiential teaching methods such as invitation of guest speakers, individual and group project, and particularly business simulations activities. This will stimulate business incubation activities that involves a network of educators, students, and entrepreneurship mentors from the industry. This has implications for entrepreneurship educators considering that their role will be more of facilitators rather than conventional teachers. Hence, entrepreneurship educators must develop competencies and capacities to facilitate experiential teaching of entrepreneurship.

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