ENTREPRENEURSHIP DEVELOPMENT PROGRAM ON CAMPUS: THE BACKWARD INTEGRATION MODEL AND MITIGATION STRATEGY FOR INVESTORS

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ABSTRACT

Backward Integration in entrepreneurship could be an approach of an investor to increase its level of control on its entrepreneurs being groomed in education institutes by identifying entrepreneurial skills in students and mentoring them. It could be a part of the Investors Strategy which is defined as “the match an organization makes between its internal resources and skills and the opportunities and risks created by its external environment (Prashant Hebbar, 2011). Backward integration model helps to build a few innovative companies from student entrepreneurs with reasonable degree of early success and promising future potential and also it exposes students into real entrepreneurship in a competitive do-it-to-learn-it environment. It is emotionally much harder to restart after a failure because the risks seem clearer. This may be why the energy and enthusiasm of youth are so important in research and in new businesses. While thinking about fear, think of "paranoia" of entrepreneurs with respect to sharing thoughts, ideas and concepts with others. In all investors’ years, they don’t think they have ever seen a single idea some variation of which they have not seen before but entrepreneurs must share enough to validate their ideas with people who are not friends or family (Sridar Iyengar, 2010) so whoever is meeting the entrepreneur needs to give them comfort that there is a code of conduct that would be followed (Ramaraj, 2011). The best of the ideas in the world came from campuses and investment community’s feels there is a lack of good investible companies outside so best time to take risk for people is student time on campus (Manish Kumar, 2012). 40% of investors’ business in the US comes from repeat entrepreneurs but investors are very open to backing first time entrepreneurs in the Indian context because they see more first time entrepreneurs than in the West simply because the whole model of building a fast-growing enterprise and then exiting is fairly new (Alok Mittal, 2012). The world's most successful entrepreneurs are all first time entrepreneurs and also the track records of entrepreneurs who
have succeeded in their first venture, they typically don't succeed after that so it comes back to whether they have a track record of achievement in their lives, not necessarily in business (Avnish Bajaj, 2012). All the Angels are very keen to look at the entrepreneur more than the idea, wanting to see the amount of passion, commitment so what's their skin in the game which is an important indicator of commitment (R Ramaraj, 2012). To be a successful entrepreneur, money is one of the ingredients, but it will not automatically guarantee success. At that time there were businesses that had tonnes and tonnes of money, but they don't exist today (Pradeep Gupta, 2011) so funding is not the issue but the idea itself may not develop into anything. The most important part in the entrepreneurial process is the team - the team that can make it happen because all business plans undergo change, all businesses face crisis. We need to be confident this team has their ears to the ground; they have the passion; they have the staying power to see the finish line (Alok Mittal, 2011). This is the stage things are more flexible and companies can be formed with better teams pertinent to the requirements of the concept so entrepreneurship education on campus helps in entrepreneur team configuration (Manish Kumar, 2012).

Students have to develop their own set of tools to finally building the end product and this is possible on campus with less risk and more guidance from the experts and investors. It helps them to think through their product and more than anything else, it reduces dependencies. As corollary, if you have to run for specialist help for your product's core, you may want to think about bringing that specialist onboard (Prashant Hebbar, 2011). The initiative is to explore how investors can organize the youth to create next generation young companies, in their capacity, can play a role in enabling this and hopefully creating some great companies for itself and the ecosystem to cherish. The culmination of this quiet but relentless effort is to reduce the risk of failure of new venture, instilling confidence in investors as well as in students who want to pursue entrepreneurship. The present study is focused on the students’ reasons for pursuing investor supported entrepreneurship development program on campus for the success of their campus ventures knowing investors expectations in terms of running entrepreneurship program parallel to mainstream academics and involving domain experts giving all the necessary inputs to create entrepreneurial mindset. The researcher used questionnaires for B-school students which included close/open ended, multiple choices, nominal and ordinal questions. Investors’ regular interaction with B-school students and helping students develop business relations were found out to be most important attributes in overcoming the fear of starting a new venture. Followings were the objectives of the study –

1. To understand the students’ reasons for pursuing entrepreneurship development program that exposes them into real entrepreneurship in a competitive do-it-to-learn-it environment.
2. To understand investors’ views on what makes build a few start-up companies from student entrepreneurs with reasonable degree of early success and promising future potential.

**Keywords:** Entrepreneurship, Backward Integration, Investors, Entrepreneurship Development Program.

**2. REVIEW OF LITERATURE**

Through the systematic usage of I2O Map identification and evaluation, the entrepreneur is able to take an objective stance on the business (Raj Shankar, 2013), even before allocating resources to it. Usage of I2O Map sieve structured around the four imperatives increases the success rate of the venture by helping the entrepreneur to play the
devil’s advocate at his very first step. It leads onto convincing positioning and hence practical strategies going forward. Entrepreneurial intentions play a very significant role in starting a new venture and intentions are the cognitive variables that have a substantial influence on personal decisions. Identifying and estimating the self-efficacy quotient plays a vital role in crafting entrepreneurs (P Subhashree, 2013). Entrepreneurship courses and training programs that nurture the confidence and skill requirements are the most essential features in the entrepreneurial process. Davidson’s Model suggested an economic psychological pull of factors that influence individual’s intentions to go into business and intention can be influenced by two elements – the conviction defined by willingness to change, competitiveness, money orientation, achievement, autonomy and the current situation. Fauziah et al observed that entrepreneurship is often thought to be a likely subject for business discipline students but not for technical students so there is a need for universities to introduce entrepreneurship subjects to non business disciplines. Empirical study done by Lee et al that entrepreneurship has a cultural dimension. Students in US, Korea, China and Fiji have different cultural contexts so highlighted the need for customizing entrepreneurship education based on the unique cultural context of each country. Rajee Roy has given reasons why entrepreneurial firms fail – entrepreneurial success is not the result of a single person’s efforts but a team made up of investors, working partners, employees, vendors, and clients. Lack of experienced management, few trained manpower, poor financial management, rapid growth, lack of business linkages, weak marketing efforts, lack of information, incorrect pricing, improper inventory control, and short term outlook. Unemployment, job dissatisfaction, and failure to obtain a promotion, being fired, economic downturn, and survival pressure are the push factors governing the choice for entrepreneurship whereas pull factors include the need for freedom, trying new things, experience, availability of capital, skill and entrepreneurial capability, and existence of role model. Positive images of entrepreneurship are hampered by a lack of identifiable role models, poor media presentation of individuals or small firms, and lack of encouragement from important influences on career choice such as teachers and career guidance specialists (Hitesh V, 2013). To launch and pursue high growth businesses often require substantial amounts of capital. If a company is not able to obtain sufficient financing or revenue from operations or is not able to carry out its business plan, it may fail, resulting in the total loss of investors’ capital. Many risks and uncertainties affect startup and early stage companies, which often have very limited operating history, profits or cash flow. There can be no assurance of the success of such enterprises. Their potential must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with new or developing businesses, including technology risks, unproven business models, untested plans, uncertain market acceptance, competition and lack of revenues and financing.

3. METHODOLOGY

The present study focused on the students’ reasons for pursuing investor supported entrepreneurship development program on campus for the success of their campus ventures. The researcher used questionnaires for students which included close/ open ended, multiple choice, nominal and ordinal questions. The present study was to assess whether students satisfaction has any role in running the investor supported entrepreneurship development program on campus. The questionnaire for students focused on regular interaction with investor, guiding idea to opportunity, developing business model, entrepreneur team configure, business networking, seed fund, and start-up incubation. Accordingly, the
researcher used closed/open ended, multiple choice, nominal and ordinal questions. 100 fully filled up questionnaires were selected for the research analysis. The non-probability purposive/judgmental sampling technique was used. The research study being conducted with a purpose in mind, the sample was selected to include students who showed interest and excluded those who did not suit the purpose. Multivariate Linear Regression Analysis was used for statistical analysis.

4. RESULT

The students’ reasons for satisfaction over pursuing investor supported entrepreneurship development program on campus for the success of their campus ventures the following factors were considered. The researcher intended to develop a statistical model to predict the factors for students’ reasons towards running investor supported entrepreneurship development program on campus which was dependent on different parameters. The researcher believed firmly that following seven factors mentioned would be of predictors to predict dependent variable student satisfaction towards investor supported entrepreneurship development program on campus.

i. Regular interaction with investor;
ii. Guiding idea to opportunity;
iii. Developing business model;
iv. Entrepreneur team configure;
v. Business networking;
vi. Seed fund;
vii. Start-up incubation

In order to have the data the researcher had devised a questionnaire and responses from one hundred respondents were recorded. Each of these seven variables were measured on an ordinal scale wherein respondents had to choose between the available five options ranging from highly satisfied to highly dissatisfied. In order to develop the statistical model to measure the student satisfaction, the researcher thought Multivariate Linear Regression Analysis (MVLRA) was the best tool which can be used only under the assumptions of normal distribution. Ordinal regression and log linear regression are the tools that can be used when the measurement of variable on an ordinal scale. Using monotonic function such as log transformation, the ordinal data was transformed and used for MVLRA. Therefore, after transforming the data using monotonic function – log transformation, the ordinal variables were converted into variable measured on internal scale and tested for normal distribution. All the variables were found to follow normal distribution and hence MVLRA was performed. Total student satisfaction towards running investor supported entrepreneurship development program is shown as the dependent variable.
Table 1: R SQUARE CHANGE ANALYSIS

<table>
<thead>
<tr>
<th>Mode</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std Error of the Estimate</th>
<th>Change Statistics</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
</tr>
<tr>
<td>1</td>
<td>.841(a)</td>
<td>.708</td>
<td>.705</td>
<td>.1192224</td>
<td>.708</td>
</tr>
<tr>
<td>2</td>
<td>.882(b)</td>
<td>.778</td>
<td>.773</td>
<td>.1045711</td>
<td>.070</td>
</tr>
<tr>
<td>3</td>
<td>.960(c)</td>
<td>.921</td>
<td>.919</td>
<td>.0624601</td>
<td>.144</td>
</tr>
<tr>
<td>4</td>
<td>.968(d)</td>
<td>.937</td>
<td>.935</td>
<td>.0560531</td>
<td>.016</td>
</tr>
<tr>
<td>5</td>
<td>.984(e)</td>
<td>.969</td>
<td>.967</td>
<td>.0397361</td>
<td>.031</td>
</tr>
<tr>
<td>6</td>
<td>.988(f)</td>
<td>.976</td>
<td>.975</td>
<td>.0350396</td>
<td>.007</td>
</tr>
<tr>
<td>7</td>
<td>1.000(g)</td>
<td>.999</td>
<td>.999</td>
<td>.0057751</td>
<td>.023</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Regular interaction with investor; b. Predictors: (Constant), Guiding idea to opportunity; c. Predictors: (Constant), Developing business model; d. Predictors: (Constant), Entrepreneur team configure; e. Predictors: (Constant), Business networking; f. Predictors: (Constant), Seed fund; g. Predictors: (Constant), Start-up incubation; h. Dependent Variable: students’ satisfaction

Regular interaction with investor explains variance up to 70%. When all factors regular interaction with investor, guiding idea to opportunity, developing business model, entrepreneur team configure, Business networking, seed fund, and start-up incubation put together the predictors explain up to 99% which implies that in order to judge the student satisfaction, all the independent variables must be put together to have a perfect fit.

MODEL PARAMETERS

The next part of the output is concerned with the parameters of the model. The first step in our hierarchy included regular interaction with investor and although these parameters are interesting up to a point, we are more interested in the final model because this includes all predictors that make a significant contribution to predicting total students’ satisfaction towards investor supported entrepreneurship development program on campus.

Table 2: COEFFICIENTS

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig</th>
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<tr>
<td></td>
<td>B</td>
<td>Std Error</td>
<td>Beta</td>
<td></td>
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<tr>
<td>7</td>
<td>(Constant)</td>
<td>.026</td>
<td>.005</td>
<td>5.694</td>
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<tr>
<td></td>
<td>Regular interaction with investor</td>
<td>.068</td>
<td>.009</td>
<td>.063</td>
</tr>
<tr>
<td></td>
<td>Guiding idea to opportunity</td>
<td>.122</td>
<td>.005</td>
<td>.193</td>
</tr>
<tr>
<td></td>
<td>Developing business model</td>
<td>.131</td>
<td>.008</td>
<td>.167</td>
</tr>
<tr>
<td></td>
<td>Entrepreneur team configure</td>
<td>.118</td>
<td>.008</td>
<td>.142</td>
</tr>
<tr>
<td></td>
<td>Business networking</td>
<td>.289</td>
<td>.006</td>
<td>.299</td>
</tr>
<tr>
<td></td>
<td>Seed fund</td>
<td>.107</td>
<td>.006</td>
<td>.150</td>
</tr>
<tr>
<td></td>
<td>Start-up incubation</td>
<td>.139</td>
<td>.002</td>
<td>.174</td>
</tr>
</tbody>
</table>
A) Dependent Variable: Students satisfaction towards investor supported entrepreneurship development program In order to predict the students satisfaction, the linear regression model developed based on the multi-variate linear regression (MVLR) is as follows –

\[ Y = 0.026 + 0.068 \, X_1 + 0.122 \, X_2 + 0.131 \, X_3 + 0.118 \, X_4 + 0.289 \, X_5 + 0.107 \, X_6 + 0.139 \, X_7 \]

Where, Y = Student satisfaction towards investor supported entrepreneurship development program,

- \( X_1 \) = Regular interaction with investor
- \( X_2 \) = Guiding idea to opportunity
- \( X_3 \) = Developing business model
- \( X_4 \) = Entrepreneur team configure
- \( X_5 \) = Business networking
- \( X_6 \) = Seed fund
- \( X_7 \) = Start-up incubation

Students were quite happy with business networking helped by the investor and start-up incubation supported by investor led entrepreneurship development program on campus. Investors found starting such program on campus give them advantage of mitigating the risk of affecting students’ professional career and best the ideas in the world came from campuses. Investors help them reduce customer demand risk in the business offering a product and/or service that addresses a customer problem or need, their willingness to pay for the product or service, enough paying customers because many innovative businesses’ new products or services address unmet needs that most customers do not even know they have, it is often extremely difficult to determine customer demand levels for them so investors role in campus venture is significant. Ultimately, all businesses need to generate sufficient profits to be sustainable wherein investor mentoring is required to determine the specific economic business model for their businesses. The entrepreneur can successfully launch the product or service, competitors will respond because the distinct advantage of any product or service will ultimately be overtaken by newer products and services, every product and service face the threat of obsolescence so students’ time on campus is the best time to take risk, i.e. they are not going to lose anything as market jobs are ready in case anything goes haywire.

Investors’ views on what makes build a few start-up companies from student entrepreneurs with reasonable degree of early success and promising future potential are –

1. Lack of good investible companies: Investment community’s feels there is a lack of good investible companies in the market
2. Broadening the opportunity spectrum: The more the number of companies more the choice with investors for investment and subsequently higher possibility of success.
3. Best time to take risk for people: Student time is the best time to take risks so there is a win-win for both students and investors.
4. Innovation: Investors believe that the best of the ideas in the world came from campuses.
5. Entrepreneur Team Configuration: It this stage, things are more flexible and companies can be formed with better teams pertinent to the requirements of the concept.

5. CONCLUSION

Investor supported program on campus is encouraging students to develop their ideas and opting out of placement activities so that they can start their ventures. Only-classroom-entrepreneurship-teaching pedagogy will not give advantage to the B-school but bringing alumni-turned-entrepreneurs back on the campus will not only encourage entrepreneurial
mindset students but also investors will find budding entrepreneurs. To support the result, the entrepreneurship education program needs to extend beyond the walls of the conventional management education pattern and create entrepreneurship ecosystem.

6. BIBLIOGRAPHY

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