the Business Incubator

incubation | acceleration | coworking

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Unlocking Potential

The Last Mile and the power of incubation to transform lives

Social Butterfly Effect

European social innovation and incubation explained

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An incubator that focuses on digital entrepreneurship

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What's in a Name?

Coworking, hubs, acceleration, clubs and networks, entrepreneurial learning... *Pim de Bokx* asks the question - are business incubators not enough in the current climate?

"What's in a name? That which we call a rose by any other name would smell as sweet." Shakespeare may not have been talking about business incubation, but this quote from Romeo and Juliet can be applied to our industry quite aptly. It's interesting to see a lot of attention being given to 'start-up development' organisations that are not positioned as business incubators. While incubators and incubation have been around for 30 years or more, now, these new hubs, start-up networks, coworking places, virtual incubators, accelerators, etc seem to be perceived as 'refreshing' young alternatives. What is going on? Aren't they just business incubation programmes in a new guise? Or are they challenging the established business incubator industry with a better approach and/or a better business model? Let's try to create some order here and look at the three dominant and emerging groups of initiatives: Accelerators, Coworking spaces and Virtual Incubators and see how they compare to business incubators and what we can all learn from each other.

Business Incubation

For starters, let's face it, business incubators aren't that easy to recognise. There are many names and typologies - like Innovation Centres, BICs, Enterprise Development Centres, Innovation Clusters, Plug & Play Centres, Business Labs and so on. This can mainly be explained through cultural differences and so-called generational positioning, i.e. differentiating themselves from an earlier generation of incubators. But still, most of these can be placed within the concept and tradition of business incubation that focuses on delivering development support to start-ups and innovative/creative SMEs. Certainly, all of these organisations offer space; recognise the importance of proximity, lowered transaction costs and the capacity to grow easily in company size. With an estimated number of 9,000 incubators worldwide and an estimated yearly output of 150,000 start-ups, with the majority of them being knowledge-intensive, this is an established industry that has been recognised for its contribution to wealth creation for entrepreneurs and societies.

One of the ways to check out other initiatives is to compare them with a generally accepted definition of business incubators: 'A business incubator is an organisation that helps start-ups initiate and develop in an accelerated fashion by providing them with an integrated development programme of knowledge, know-how, capital, culture and capacity which can be semi-tailored based on individual needs through a bundle of services, such as physical space, finance, meetings and events, coaching, common business services, and networking connections.'

Let's break this down and ask some key questions

- Check the mission: is it related to start-ups?
- Check the life-cycle it focuses on: entrepreneurship learning, preparation to start, product development, business model development, start-up foundation, market entrance, growth

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- Check the level of integration in the programme: does it integrate knowledge, know-how, capital, culture and capacity?

Acceleration is different

We've all seen a huge growth in 'Accelerator' programmes. Some experts (for example, Jed Christiansen) have signalled this as a bright new approach to create better start-ups. Some suggest Y-combinator is the first of this new kind of breeding organisations and celebrates the successful commercial approach it embraces. However, renowned business incubation experts have voiced the opinion that there is nothing new under the sky, business acceleration has been around for decades and is merely a different name for business incubation.

One might notice a rather emotional response to the boldness of these 'new kids on the block'. Understandable, since we are all such passionate practitioners, but still, do the new kids have a point here? The Dutch Incubation Association (DIA) was happy to be involved in a short survey in The Netherlands that looked into the commonalities and differences between incubators and accelerators and analysed the outcomes.

This statement carries much weight and the Dutch research showed that incubators and organisations that position themselves as accelerators, both focus on attracting entrepreneurs with business potential, great product propositions and scalability. They are all focused on helping to found fast-growing businesses that will create jobs and business value. Incubators and accelerators have an entry policy to ensure they will attract the right type of start-up that fits the goal and resources the organisation has put in place and (not) surprisingly these resources are quite alike: knowledge and experience, access to facilities, markets, suppliers, investors and government subsidies.

It cannot be gauged if accelerators have the same positive effect on survival rates, but a prominent difference is that many accelerators have the image of being privately owned and are oriented towards delivering investment-ready ventures. 'Many' because foundations and universities also have accelerator programmes. One other typical differentiator is the short period of the programme, three to six months, compared with three years or more for businesses that are run out of a business incubator. Business accelerators invest with seed capital and receive a share or a convertible loan in return, which helps to align the objectives of the start-up and host organisation and helps to complete the accelerator's business model. The accelerator's management puts more effort, from five to eight percent in selection of high-potential start-ups, from a larger geographic area and with a short time-to-market perspective. Accelerators involve a much larger number of international mentors, industry specialists and investors which bring to bear the 'right kind of relations' and global culture to their programme. At the end, both the start-up team and the accelerator management want to succeed in growing a new venture with high investor appeal. And they want to do this within two to three months.

While accelerators are part of our industry, they focus on creating great companies from start-ups with an integrated programme and the survey was able to point to what differentiates them from incubators. Although business incubation is not just about setting up, but also growing a start-up at an accelerated pace, the accelerator's management is involved to a much greater degree with an 'all they have got' approach. This involves high expectations, focused discipline and a very commercial attitude which informs a new typology: the Business Accelerator. There are other arguments as well. Many entrepreneurs and investors got involved in business incubation during the second half of the nineties, and almost all the incubators vanished at the start of the new millennium. To use the term business incubation, once again, might deter potential investors with a good memory. Another valid reason is to create some clarity in the offerings to start-up entrepreneurs. The message being applied to an accelerator for a fast-track to (global) investors and with an almost-ready product in media, ICT and e-commerce. If not, find a match with other incubation programmes and business innovation centres.

It has been observed that seed-accelerators deal with existing young companies, preferably with an experienced team. 'Seed' is added to the term, because there are a lot of accelerator networks around that focus at helping existing SMEs grow. All the more need to differentiate seed-accelerators from regular accelerators. Those of us involved in business incubation longer than most of these new players, shouldn't look at these accelerators as a threat, and nor should they think of themselves as the better alternative. We should all work together to improve our range of programmes, as there is no “one-size-fits-all” approach. We all compete to offer entrepreneurs the best-suited support we can. Accelerators may not be the next step in the development of incubators, but surely we can learn from them and improve our practice and business models.

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Coworking - the focus on improved synergies

The term ‘coworking space’ was introduced and marketed in 2005 by Citizen Spaces in San Francisco. The good thing about this term is that it sounds so familiar - like something that has been around for decades; coworking is an essential human need. With the emergence of new digital technologies and cheap communication networks, the self-employed entrepreneur has found a new nomadic life-style. Working from home, at location with clients, on the train, at restaurants, anywhere where it is easy and cheap. But the thing missing was colleagues. Some business incubators might recognise this - for example, BViT Innovation Cluster Delft in The Netherlands introduced 'nursery space' in 2000 as part of their incubator, an open office space available for self-employed entrepreneurs. Also professional 'desk sharing' or 'hot desking' has been around for years before the term coworking was introduced. But how does this new model work against the traditional business incubation mechanisms?

In a recent white-paper by EBN on coworking, Philippe Vanrie concludes that coworking is a different movement with different audiences and practices, but with the same objectives and values. They both support the emergence of new economic projects, new innovations, and new companies including individual entrepreneurs. So how does coworking differ from incubation? For me the main difference is that coworking organisations have an *inclusive* strategy, while incubators have an *exclusive* strategy. Coworking organisations are open to anyone as they like to grow their network of opportunity for members. Incubators have an entry policy to help match the start-up needs to the available business incubator's (limited) resources. The advantage of this inclusive strategy is that the amount of resources of the coworking organisation grows when a new member enters. This is really a different paradigm, a different set of values where ‘sharing is multiplying’, and this is normally not to be found in business incubators. Research shows that business incubators do not deliver on possible synergies, while coworking depends on increased synergies to create customer loyalty.

We all compete to offer entrepreneurs the best-suited support we can

Research in The Netherlands by Claudia Deijl in 2010 showed that coworking enhances knowledge diffusion, sustains productivity growth and fosters innovation, which is fairly similar to what traditional business incubators have to offer. Two organisations mentioned in this research are the Dutch initiative ‘Seats2Meet’ and the global initiative ‘TheHub’. Seats2meet is the coworking franchise with currently thirty plus locations that is in alignment with the Netherlands Blue Ocean strategy - the initiative of Ronald van den Hof based on his vision of Society 3.0 which began in 2006. Seats2meet offers free coworking space, including free coffee/tea and free connectivity and it is still a non-subsidised operation. The HUB was initiated by Jonathan Robinson in London in 2005. It wants to combine the best elements of a members club, a business incubator, an innovation agency and a think-tank and focuses on collaboration as a leading principle of developing ventures for a better world. Although business incubation has more involvement in the start-ups (incubatees) than the HUB does, it equally recognises the value of collaboration that underlines the BViT's 'clever cooperation' approach. While Robinson is focusing on social ventures, BViT focus on start-ups in ICT, media, high-tech and design. The HUB attracts mainly one-person companies and BViT tends to attract team start-ups. Where the HUB organises space + community + events to facilitate venture development, BViT staff offers hands-on support, business services, temporary staff and access to capital. The EBN technical note on coworking identifies the practice of facilitating 'serendipity' which is a great way of putting social capital to work and turning it into business value. This isn't uncommon in business incubators as many also facilitate all sorts of meetings and events. But in the case of coworking organisations it is really the main focus. And as the research found, this really creates economic value and social impact, something many Business incubators can learn from. This is characterised by Robinson when he notes "For the HUB, an important lesson to keep members active and involved was that it needed to avoid members developing a 'client attitude'. Our key message is that members own the HUB and the HUB is what you make of it."

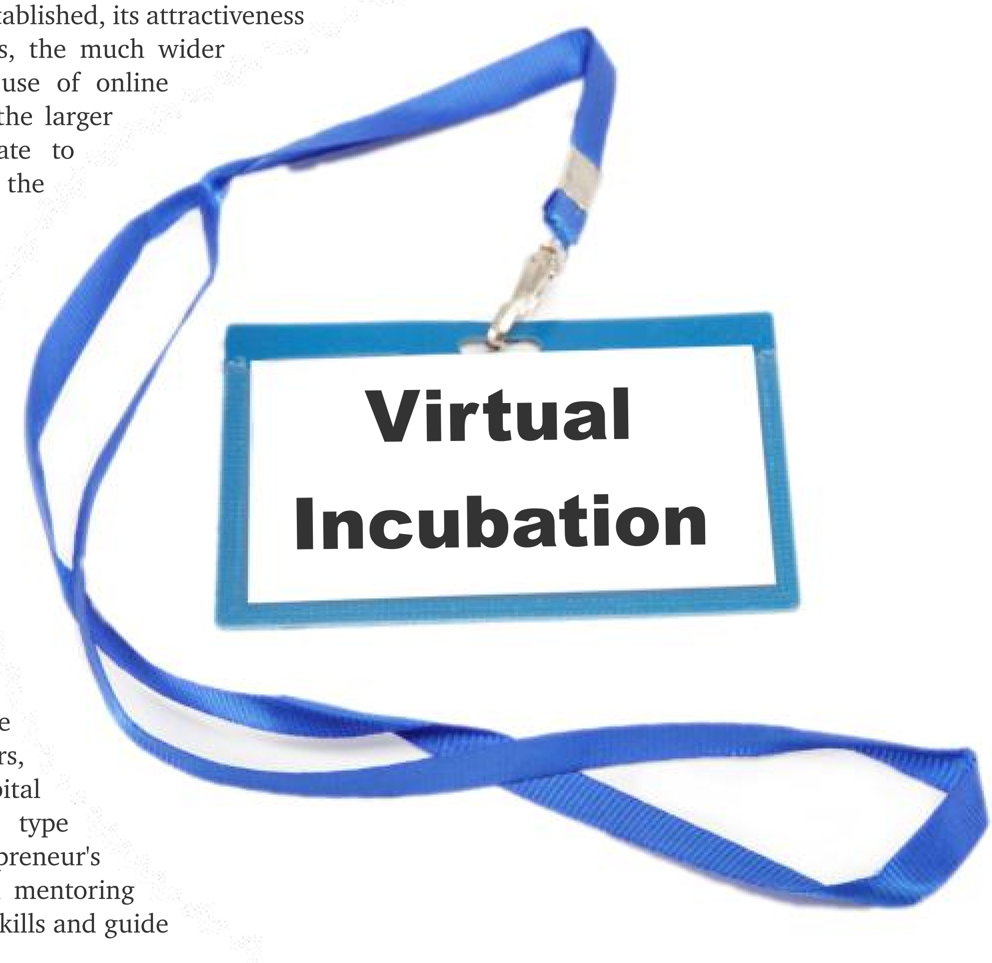
Virtual Incubation - Business Incubation without walls

A lot has been said about virtual incubation, some say it cannot be good since the match between the entrepreneurs' needs and resources available in the market is a complex and creative process which can't be done by software. Others say this is the next stage in incubation, made possible thanks to fast-developing internet and software technology, making use of much cheaper distribution tools available today. Nienke Stam and Sönke Buschmann of Triodos-Facet researched the world of Virtual Incubation on an *info*Dev (World Bank) project. They stated that, although the business model of virtual incubators is far from established, its attractiveness lies in the lower capital needs, the much wider outreach and the structured use of online resources which make up for the larger distances. So does this equate to taking away the wall of the incubator?

Yes. Virtual incubators are run by people, not by software, and it's just that office space isn't an integral part of the programme. And while rental income is the major income for (traditional) business incubators, virtual ones are funded through all sorts of fees, contributions, sponsoring and subsidies. Triodos-Facet proposes to differentiate Virtual incubators into three types of 'service concepts' - Hand-holders, Network Boosters and Seed-capital Providers. The hand-holders type focuses on the entrepreneur's development, the training and mentoring programmes to learn business skills and guide them to get their business off the ground. Examples of this type are Softstart BTI from South-Africa, 3ie from Chile and ParqueTec from Costa Rica. Network boosters are subdivided into Business Plan Contests PLUS (BPC+) and Network 2.0 (social-media enabled). Well-known BPC+ examples are New Venture and BID network both from the Netherlands. Network 2.0 examples include the HUB network and Mobile Monday (started in Finland in 2000 and now has over 100 chapters worldwide). This type of virtual incubation focuses on bringing people together for inspiration, connection and initiating. Seed-capital providers like Y-combinator, the Founders Institute and Villgro (focussing on social ventures in India) use their great outreach to select the best entrepreneurs for their 30-90 days bootcamps to make their start-ups ready for investment.

> *Virtual Incubators are run by people, not by software, and it's just that office space isn't an integral part of the programme*

Virtual Incubation organisations employ all sorts of



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Variable	Incubator	Accelerator	Virtual Incubator	Coworking
Start-up related?	Yes	Yes	Yes	No
Phase of intervention	Mostly before product development	Mostly from product demo	Mainly focussed on initiation	Mainly focus on young companies
Service integration	Knowledge, know-how, capital, culture, capacity	Knowledge, know-how, capital, culture, capacity	Knowledge, know-how, capital	Knowledge, know-how, culture
Institutional	Not-for-profit	For-profit	Huge variety	Not-for-profit
Equity stake	Not common	Usually mandatory	Differs	No
Business plan	Often required	More focus on business model	More focus on idea and purpose	No
Time scale	3 years +	3-6 months	Unlimited	Unlimited
Programme financing	Partly subsidised	Mostly private	Mixed funding	Private
Revenue	Rental, subsidy	Sponsors, equity	Sponsors, services	Membership, services
Market	Regional, national	National / International, mainly internet & e-commerce	International / National	National
Entry policy	Varies a lot	A very rigorous process	Very low barriers	No
Period (exit policy)	1.5 to 8 years	3-6 months	No exit	No

tools and services. Some of them have typical on-site features like meetings, workshops, pitching, etc. Others are off-line; like information, communities, e-learning, one-on-one communication, crowdfunding and outsourcing, etc. So virtual incubation limits the on-site activities to those that really seem to need proximity to build closer relationships, have better partnerships and development of know-how. For other activities, online services can help a great deal in gathering resources and distributing knowledge. Thierry Sanders of BID network believes that no matter how efficient all this can be, in practise, the best and larger investments deals are made between people that have got to know each other and met at some occasion.

And so we have it - the problems of trying to make clear categories; while one person may put the HUB into virtual incubation another may see them in the coworking slot. And would seed-accelerators be more virtual incubators than business incubators? I don't think we should typify every organisation that targets start-ups and uses online tools and/or services as a virtual incubator, only in the case where the main part of the incubation process is performed in a location-independent fashion, but digitally managed to make up for the loss of proximity. I think there is a great possibility for business incubators to strengthen their impact by learning from virtual incubation strategies. Depending on the services needed by the target group, business incubators can use virtual tools and replicate the successes of virtual business incubation service providers.

At the end of the day... We all provide a similar service. To grow start-ups, assist entrepreneurs and create wealth. Whatever we call ourselves, we are practitioners in the same space and need to share our experiences and models to create a better world. After all, what's in a name?

Pim de Bokx is an enthusiastic advocate of entrepreneurship and incubation, as a means to nourish and accelerate entrepreneurship. He has been an entrepreneur since he was 21 while studying Landscape Architecture. He then studied Business Science in Rotterdam, while he operated his third company. In 1999 (after his fifth company), he moved into incubation and founded BViT Innovation Network, which was recognized as the 'Best Science Based Incubator of Europe'. Pim is also an EBN accredited EC-BIC expert. His most recent venture is Pioneerz, an 'accelerator of incubators', that will support the delivery of high-impact and high-performing initiatives.

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