

Start- Up Community

Best Practice Report - London

Incubators and Seed Finance

Introduction

The concept of business incubation was formalized in 1959, when Joseph Mancuso opened the Batavia Industrial Centre in New York, US. The concept increased in prominence and the number of centers expanded in the US in the 80's leading to the formation of European versions, such as innovation centers. Accelerator programs, which one could see as a more intense version of an incubator program, began in 2005, when Y Combinator set up in Massachusetts, US. These have also spread into Europe leading to a diverse eco system of incubators and accelerators in the EU area.

Since the 1990s seed finance in Europe has seen both growth and fund origin diversification. Many forms of early stage funding have been created or strengthened over this time. For example there has been a significant rise in angel investment networks as an alternative to the more traditional formal venture capital firms. These consist of private investments by individuals, with significant time invested by said individuals in the business invested in. Further, European governments, and the EU, have set up grant, loan and investment funds, further diversifying the early stage funding options for entrepreneurs.

This brief overview shows that there is a relatively strong early-stage entrepreneurial scene in Europe. However, the majority of programs and investments are focused in the large national economies and even in these nations there are clear negative issues which entrepreneurs face. This report is designed to summarize the research conducted by partner organizations and explain the best practice discovered, concluding in a series of recommendations for developing a successful incubator/accelerator scene and promoting seed investment to overcome said issues and to develop the European start-up scene.

Definition of an Incubator

Business incubators are programs designed to accelerate the successful development of entrepreneurial companies through an array of business support resources and services, developed and managed by incubator management and offered both in the incubator and through its network of contacts.

Definition of an Accelerator

A business accelerator is an intensive (usually 3 months), business program, which includes mentorship, educational components, networking and aims at growing business rapidly, ending in demo-day. Usually an entrepreneur moves into a shared office space with other new founders for a period of time to work under the tutelage of advisors and experts to grow their business rapidly. In exchange for the expert mentoring, exposure to investors/future capital and cash investment that entrepreneurs get from the accelerator, the entrepreneur gives a portion of his or her company's equity to the partners of the program and for this reason is often called a "seed" or "venture" accelerator.

(<http://worldbusinessincubation.wordpress.com/2014/03/12/startup-accelerators-the-history-and-definition/>)

Differences Between Incubators and Accelerators

Incubator - The primary focus of the incubator is to allow business plans to develop. They are available at any stage of a companies' life cycle. Traditionally incubator programs do not take equity.

Accelerator - They exist to build the business idea into a business plan and they focus on early stage companies. They take equity.

Table 2 Main features across different startup growth programmes

Types	Batches/ Cohorts	Equity Taken	Idea Sourcing	Physical Space	Mentorship	Investor Meetings	Funding	Time Limit	Average Stay	Geo- graphical Footprint	Total Identified in 10 Countries
Incubator	No	No	External	Yes	Yes	Sometimes	No	No	1-2 years	All over Europe	136
Accelerator	Yes	Minority Stake	External	Sometimes	Yes	Yes	Yes	Yes	3-12 months	Main city hubs	111
Company Builder	No	Majority Stake	Internal	Yes	Yes	Yes	Yes	No	2-3 years	Berlin, Dublin, London	13

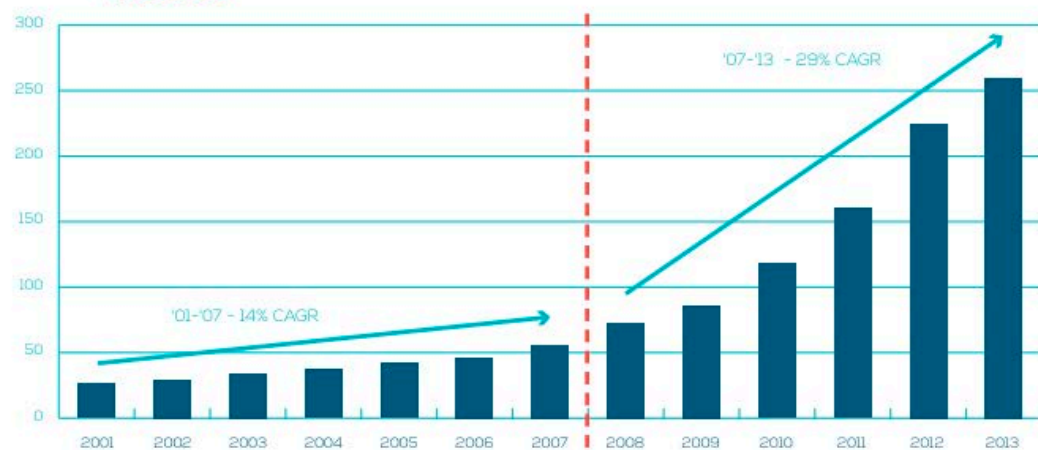
Source: Telefónica Global Affairs and New Ventures 2013

Current State of Incubators/Accelerators

The US has been seen as setting the gold standard when it comes to incubators and accelerators, especially as it was in the US that the concepts/systems were developed. However, Telefonica has found that Europe and the United States have a comparable number of startup programs per capita. They found 260 startup programs in the 10 EU countries they surveyed, compared to roughly 200 in the US. Given the relative similarity in population density between the two economic areas (the US has a population of 316 million, and the 10 countries surveyed here have roughly 361 million people) this means that, on a per capita basis, Europe has roughly as many and perhaps even more accelerators than the US.

Further, the number of European accelerators and incubators has increased dramatically since the start of the financial crisis. Between 2007 and 2013, the number has risen nearly 400%.

Chart 1 Accumulated number of incubators and accelerators in the 10 survey countries since 2001



Source: Telefónica Global Affairs and New Ventures, 2013

(file:///Users/fig/Downloads/The%20Accelerator%20and%20Incubator%20Ecosystem%20in%20Europe.pdf)

These two sets of information point to an incubator/accelerator culture in the EU, which is in rude health.

Definition of Seed Finance

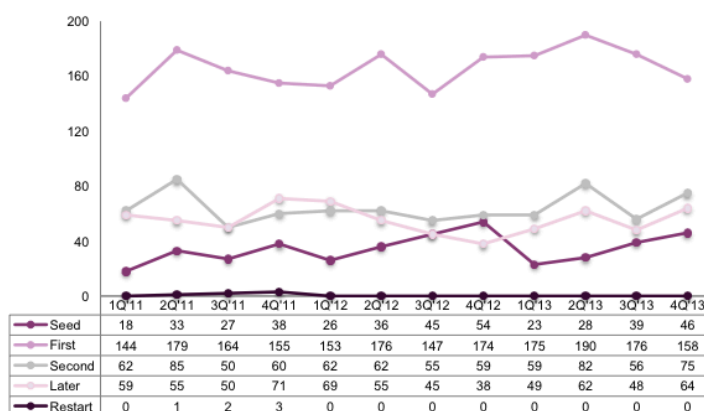
'Seed-finance' can be loosely defined as "*finance to fund a 'Proof of Concept' venture (typically a previously untested venture with no revenue to date) with investment typically being less than £300,000*". Seed-finance is typically equity finance but can also be sought from debt (typically banks and local lending authorities) or grants (local, national and international grant bodies).

Current State of Seed Finance

Dow Jones VentureSource says that a total of €5.6bn was raised during 2013 as a whole in Europe, an improvement of 15% on 2012 and 7% on 2011. In terms of deal flow, 1,395 were completed in 2013, equating to an increase of 6% on 2011 and 2012 figures. Further, seed and first round investment has been a strong contributor to this growth. This shows a strong development in seed finance over recent years.

Equity Financings into Europe-based, VC-backed Companies, by Round Class
(Quarter over Quarter, 2011 – 2013)

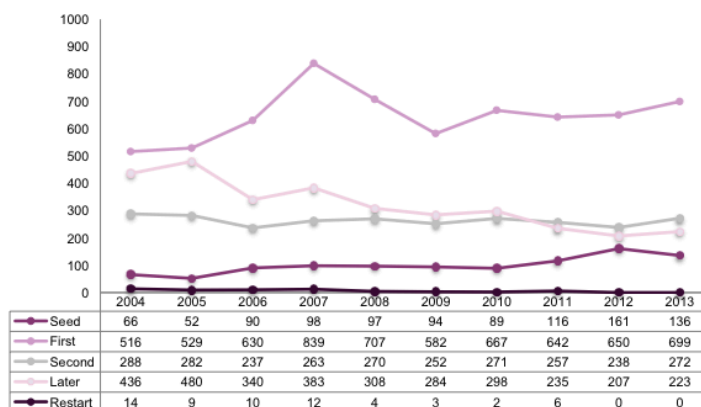
Number of Deals



However, this positivism is slightly tempered by looking at the shift from 2004. Early stage investment, seed and first round investment, has increased, but there has been a reduction in follow on finance. This shows that there are problems for companies wishing to access later stage finance. This must be taken in context, later stage funding leveled or reduced following the 2007/8 financial crisis, but it still reveals a structural issue for post seed investment.

Equity Financings into Europe-based, VC-backed Companies, by Round Class
(Year over Year, 2004 – 2013)

Number of Deals



(http://images.dowjones.com/company/wp-content/uploads/sites/15/2014/01/DJXVS_Europe_Q413_pdf.pdf)

Delegate Research

Bulgaria

Incubators, backed by public monies, are present in the country. These receive there funding from two primary sources; The National Business Development Network (NBDN), backed by the government and the United Nations and The

Joint European Resources for Micro to Medium Enterprises (JEREMIE), backed by the government and EU monies. These jointly fund 10 incubators and support 200 start-ups. The research has found that there should be a focus on high tech sectors, as low-tech businesses tend to be unsustainable once public funding is removed. Also access, both physical and virtual, should be made available to businesses in regard to legal and accounting support. Lastly, publicly backed funding at low interest rates with little or no collateral should be available to businesses.

Cyprus

Incubators exist in various forms and are usually linked with universities, both private and public. There is also an angel investment network Dedicated Horizon 2020. This is part of a EU wide program for start-ups and entrepreneurships with a €25,102,000,00 fund. The researchers concluded that links with higher education institutions are valuable, especially when combined with investment in high tech start-ups.

England

There are at present over 300 incubators in the UK, supporting over 12000 businesses directly and many more indirectly. These are primarily focused in London but also exist in other city centers. Seed finance is still a poorly understood vehicle for investment among the general population. However, the increase in seed finance over the last few years is positive and has been supported by the Government with tax schemes such as EIS and SEIS, and millions of pounds invested into Accelerator programs. More anecdotally, there is a significant drive within the UK (Government and society) to support people in creating their own job through self-employment, their own business or becoming freelance. However, there is a lack of education, especially prior to higher education, which can stifle this choice for many persons.

The research had found several positive practices. Links to academic institution – Can provide access to intellectual support and manufacturing capacity as well as an innovative atmosphere. Social Enterprise – There is a growth in social impact investment. Community – Making creative atmospheres where networks can be built. Quality gates – Effective assessment and involvement from stakeholders is required. Clear separation from idea development to go-live for a business - Both activities can occur in the incubator but allow greater interest from early stage ideas/individuals but ensure high rates of successful investment and growth.

Finland

Incubators exist; they are usually focused on tech industries and linked with higher education institutions. Further, they are found in proximity to large cities. These programs are widespread and function in three steps: 1 – Pre-accelerating; this step offers education programs on entrepreneurship 2 – Accelerating; here the program offers workspace and mentoring 3 – Post-accelerating; this step offers networking services. There is angel investment,

though at 50m euros it is quite low. There is also a government backed loan scheme, named Finverva, which offers low interest collateral free loans.

The research concluded that entrepreneurial education is key; prior to, during and after the incubation process, and that a strong relationship between incubators and higher education institutions are valuable. Further, low interest and collateral free loans are invaluable for new businesses. Lastly, a post-incubation period is important as the company retains its network and develops one with other incubation graduates.

France

There are many incubators in and around Paris. The Paris incubator manages 12 in the Paris area. These provide space and co-working facilities. Further, they help in building networks and provide mentorship and facilities for businesses, legal and accounting support. It was found that affordable space was invaluable for new companies, with co-working spaces being a useful additional offering.

Germany

In terms of start up activity there were 346.400 startups in 2012 (but: 370.500 liquidations/closures during the same year). Of these 44.6 % were start-ups funded with €5,000 or less, 10.0% were start-ups with €50,000 and 6.3% of those 10% were funded with more than €100,000. There are 25,000 incubators registered with the Federal Ministry of Energy and Economics. These range from grant agencies, seed fund agencies to business plan competitions.

The research supported the use of micro grants (<€5,000) as many start-ups launching in Germany were building from this level of investment. Also, 44.8% of founders were non-German; this shows the importance of simple visa processes to attract potential immigrant entrepreneurs. Further, access to information was seen as key. In Germany there is information available at both the federal and national level with the central database of the Ministry of Economics and Energy and the websites of the chambers of commerce providing quality resources for entrepreneurs.

Italy

Incubators have existed for a decade or so and are publicly funded. Laws passed on October 2012 have provided new provisions for start-ups. In terms of the public sphere, incubators can apply for accreditation; once certified they can provide stock options and work for equity to external parties such as lawyers and accountants. There is also free access to Fondo Centrale di Garanzia, which is a government fund that guarantees bank loans.

In terms of the effect on private finance the restrictions on venture capital have been lifted, so that investors no longer have to be involved in the management of the company but can just share in profit and loss. Also, the Italian Investment Fund has increased backing from the Cassa Depositi e Prestiti via a matching fund scheme to increase the resources for venture capital. Further, in an attempt to stimulate private investment tax incentives have been introduced. There has

also been an attempt to draw in foreign investment via Destinazione Italia, which is a visa scheme for foreign investors. Lastly, red tape had been reduced by the introduction of a 'fail fast' policy, where companies can liquefy quickly. However, this reform is starting from a low base with Italian private investment in start-ups being around €150-180 million.

The research found that the provision of physical space, via incubators, provides cheap overheads, creative environments and develops networks. Also early investment of finance, material and knowledge is important. Further, there should be a strong interaction between the public/private sectors. Lastly, a reduction in government red tape is useful for new companies.

Spain

The number of incubators has increased markedly over the recent years. These provide several routes for funding, firstly one can apply for funding from incubators such as Seed Rocket, secondly Seed Capital companies such as Madrid Emprande Seed Capital, a €4 million fund, offer funding, thirdly established companies such as Wayra and Telefonica also offer funding through competitions and lastly social enterprises can receive funding through not for profits such as Tetuan Valley. However, there is limited venture capital investment in Spain. The research found that a positive move is for existing companies to offer funding and incubator programs due to their capital reserves and multinational outlook. Also, a greater relationship between the public and private spheres is a positive, for example the outsourcing of government projects to incubator programs can be a success.

Sweden

There is a national incubator program called the Business Incubation of Growth Sweden. However, there is not a strong tradition of venture capital. The researchers concluded that benchmarking for companies offers a structure for development and is a positive addition. Further, access to capital should be increased, both in terms of the diversity of providers and the amount of capital provided.

Turkey

Both incubators and seed finance are new to Turkey. There are some publicly funded providers of business skills. Komec is a publicly funded body, which provides practical skills and a market to sell the products developed with those learned skills. Graduates are encouraged to start new businesses once graduated. Publicly funded skill centers were seen as an important provision to spur new business creation.

Learning Value of Incubators/Seed Finance

Incubators

Studying the existing best practices and learning applicable lessons can provide strong learning value. This is of particularly value for those individuals whom

wish to set up an incubator program or a business competition as they can look to models in Europe which have been successful; inspiring them and increasing their chances of success.

Firstly, in terms of incubator/accelerator programs developing knowledge of successful program is important in terms of discovering the structures can be implemented. This can also be very useful in determining whether incubation is a new product in the country in which the organization is based, or whether there is a tradition of support services for entrepreneurs. This factor is useful in determining which structures are applicable in each context, i.e. whether niche structures are required to fill specific needs in developed entrepreneurial environments or whether a more general support structure is required to develop said community.

Of the cases of best practice considered mentorship and other support services were common links. These were in place to overcome the skills gap that is common in start-ups due to their lack of commercial training and experience. This was seen as important due to the lack of education and experience and the related high attrition rates with start-ups. This was further complimented by a developed network, which offered a variety of potential support.

There were several best practice examples, which can be seen as generally applicable:

- Support was key. STARTKLAR in Germany supports entrepreneurs by: mentors, workshops (2-day workshops to impart special know-how, e.g. market analysis, marketing, financial planning) manuals (on how to develop a business plan) and events (lectures on special topics and opportunity for experience exchange, regulars' table for personal exchange of participants and experts). This allowed experience to be successfully passed onto the entrepreneurs.
- Affordable space was also found to be important. The Paris Incubator offers a variety of affordable space including co-working or more traditional options. This allowed a variety of start-ups to work together in one space and thus spur creativity and knowledge sharing.
- University partnerships with programs offer strong support for entrepreneurs. The University of Birmingham offers a space for students, academics and other staff to develop businesses, this being bolstered by its situation near a biomedical hotspot. This allowed for technical expertise to be available for entrepreneurs.
- Commercial partnerships with programs can effectively develop the commercial direction of new businesses. Telefonica supports the Wayra program and the commercial links that come from this partnership provides investment opportunities, experienced business advice and large amounts of early stage capital.

Seed Finance

In terms of seed finance focusing on the structures that have been developed in traditionally strong entrepreneurial cultures has lead to conclusion that the strongest learning value comes from investor involvement in an invested company at board level. This allows for the cross-pollination of experience, developing the investor's ability to effectively support start-ups, and the entrepreneurs to fill the skill gap, which they have due to a lack of business education and/or commercial experience.

Best Practice

This section contains the best practice we have agreed upon by analysing the research submitted and discussing the topics during the mobility. It is divided into three sections: Public, Private and Structure. Public concerns what governments can do to build an entrepreneurial culture. Private concerns what companies or organisations can do to foster this culture. Structure explains the way in which the public and private sector should interact, the recommended course and design of incubators and which styles of financing are preferable.

('Country Letter') means that there is case study, which further explains the point in the case study section.

Public Bodies

Funding -

Loans -

- Low interest. Many start-up businesses take time to develop a healthy turnover and profit and thus loans will usually take a significant time period to repay. (Finland A)
- Low collateral. Allows entrepreneurs to develop ideas despite not having the personal capital to leverage the loan, or may not wish/be able to risk the capital they do have such as a family home. (Finland A)

Grants -

- Grants focused on microfinance for start-ups can be a useful resource for entrepreneurs while not being a large financial burden for governments. (Germany C)
- They can be used to channel capital into social enterprises, important organisations that find difficulty in raising capital. (Germany C)
- The political focus of the organisation issuing the grant and any desired consequence on the work of the grant receiver should be easily available information which is clearly stated both prior to and during any grant application phase.

Education -

Entrepreneurial Education -

- Entrepreneurial education should be encouraged at all levels of schooling. By giving persons the skills required to develop businesses it opens them to opportunities they may not otherwise have considered i.e. developing a university engineering project into a business.

Business Support -

- There should be access to business support for existing and growing start-ups. This can allow entrepreneurs to diagnose and avoid problems before they start up. (Finland B, France A, England C, Germany C)
- There should be legal and accounting provisions for small businesses. This can range from financial help to lists of trusted and recommended contacts. This can alleviate the burden of meeting regulations, something many entrepreneurs will not have experience of.

Availability of Information -

- Entrepreneurs may start businesses without significant start-up or commercial experience. Consequently, there should be easy to access and comprehensive centers for information relevant for starting businesses. (Germany A, England C)

Regulation -

Tax Schemes -

- Tax schemes can be used to channel investment into start-ups. Offering benefits such as tax relief can achieve this goal. (England B)
- However, the main selling point of SME's shouldn't be tax advantages, it must benefit the businesses. If this is not the case then savvy investors will leave this field
- Tax burdens can be mitigated on small business owners and entrepreneurs. This frees up capital for the entrepreneur to invest into their business.

Investor Visa -

- By allowing investors access to the country in question it allows greater involvement in building said business and allays fears concerning the governance of said business derived from distance. (Italy A)

Entrepreneur Visa -

- By allowing persons with business ideas access to a country's market it increases the influx of innovation and small business growth.

Business Regulation -

- A reduction in red tape frees up time for business to focus on their product and sales rather than meeting regulations. It also reduces business costs related to accountants and lawyers. (Italy A)
- Detangling management and investment and thereby allowing investors to invest without taking on managing responsibility for a company increases the liquidity of the investment market. (Italy A)

Private Bodies

Funding -

Angel Investment –

- It is useful when angel investors add more than just capital. Mentorship and their networks can be just as useful as capital for developing a start-up.
- It is best when Angels invest in industries in which they have experience. This is so their mentorship and advice adds value to the start-up they are investing in.
- Angels should provide introductions or access to legal and accounting services, which they know and therefore trust. This can lead to reductions in cost, which is valuable for capital poor start-ups, but more importantly means that the start-ups employ high quality and trustworthy services. (England A)

Seed Investment –

- Must have high entrance criteria and appropriate selection processes to ensure risk is diminished as much as is possible.
- This is to ensure that seed finance doesn't receive a bad name due to poor investment choices and the consequent poor investment performance.
- It also ensures that entrepreneurs that are aiming to receive investment know that the required quality is high, forcing them to analyse every aspect of their businesses idea. This means that good ideas will be more polished and bad ideas are more likely to be relinquished before significant capital investment.

Incubator Programs –

- Useful for companies, which aren't yet ready to fully go live. Its focus should be on the development of a business plan.

Accelerator Programs –

- Useful for companies in very specific and high tech areas. This is due to the speed in which ideas are turned into commercial offerings, this being useful in the notoriously fast moving high tech sector where the first mover advantage is important.
- The quality gates should be high. This is to ensure companies are made ready for the commercial world in the short time these programs allow.

Competitions -

- Business plan/entrepreneur competitions can promote access to publicity and finance for small businesses. This can also increase the general visibility of start-ups in the public sphere. This is useful for the companies involved as a way to reach potential customers and in developing a positive opinion of entrepreneurship in the public sphere. (Spain A)

Structure

Public – Private Interaction -

Higher Education Institutions –

- Close links between incubators and higher education institutions are valuable. They allow persons at university to develop potential business ideas in a commercially unstressed environment (useful for a group that generally has little capital to fall back on). (Finland A, England A, Germany B)
- It also allows for access to highly developed manufacturing facilities and businesses mentoring. The latter factor is crucial for all start-ups the former for many.

Skills Programs –

- Links with vocational programs can provide persons with excellent practical skills and links with quality firms in fields such as engineering. (Turkey)

Governance of Incubators –

- It is important that there is a private presence in the governing body of incubator programs. This is to ensure that there is a commercial focus and mentorship available from individuals whom have launched successful businesses and thus can offer valuable advice. (Finland B)

Corporate Involvement in Incubator Programs –

- Incubator and accelerator programs can be greatly helped by being run or sponsored by established companies. (Spain B)
- This increases the capital available, increases the public profile of companies involved in the program and provides a link to potential commercial investors or buyers to the businesses involved in the program.

Incubator Structure –

Pricing –

- Availability of cheap space reduces the overheads for start-ups, allowing them to spend money on growing their business. This is especially important in cities, which tend to have expensive rents.
- Co-Working space is a very cost-efficient option. (France A)

Quality Gates –

- Many incubators allow progress for companies with insufficient validation to succeed. They are funded externally by absent stakeholders and create a false non-commercial environment. It is far better to ensure steps are taken to encourage effective assessment and redevelopment if needed.

Separation Between Idea Development and a Business Going Live -

- Both activities can occur in the incubator.
- By separating them you ensure greater interest from early-stage ideas/individuals who are not yet ready for go live.
- Also, you ensure that persons entering the incubator focus on developing their product, not on how to sell an unpolished product.
- This ensures high rates of successful investment and growth.

Post-Incubation phase -

- Companies should be retained in the incubators network. (Finland B)
- This retains a strong network for the 'graduating' company, thus allowing them to receive advice and possible funding when growing outside the incubator environment.
- Allows the incubator to effectively track the progress of 'graduated' companies and consequently assess their ability to prepare companies for the non-incubator environment.
- Can potentially build and retain a strong environment of success. This is because new companies in the incubator can learn from and build links with companies that have 'graduated'.

Business Area Focus -

- A focus on a specific business area is valuable for incubators. This is because it focuses expertise onto specific areas allowing for more productive mentorship. It also attracts companies to the incubator that are specializing in that sector allowing for better networking. (England A)

Incubator Placement -

- It is preferable to launch incubators in areas where there is a need for them. If there isn't a need for an incubator they will be underused and will not provide value for the resources put into them. (Finland B)
- Research should be done into what entrepreneurs and small businesspersons in the area require. The incubator should be built around the needs this research unearthed.
- Geographic focus is problematic as a catchment area can arbitrarily rule out good ideas. (Sweden A)

Multi-National Focus -

- Developing companies, which have an eye towards multi-national and not just their domestic market, is important. This provides a greater customer base for businesses and can help them grow. (Finland B)

Community -

- Providing a space in which many companies, at different levels in the 'graduating' process, co-exist can develop a communal atmosphere. This builds networks and spreads information and best practices efficiently. (France A)
- Legal and accounting support is key for small businesses. Providing it for free or at a discounted rate is very important. (Germany C)

- High quality advice concerning the sector, business models, projections etc. is extremely important for this experience is usually not available from within the small business.

Finance Structure -

Investor Involvement -

- There should be involvement in the company from significant investors. This shouldn't impinge on day-to-day management but advice, contacts and experience should be shared at a board level. This requires investors with knowledge in the start-up company's field/industry.

Equity Finance -

- Equity is a good way to finance small business for it doesn't just secure funds it also ties in investors to the fortunes of the company for they become part of said company. As a consequence investor networks and advice become more readily available.

Crowd Funding -

- Crowd funding is problematic for any large scale funding. This is due to the collation of many small investments making management of said investments and investors difficult.
- The experience of investors isn't gained via crowd funding due to the small-scale stakes involved and the consequent lack of investor focus.

Case Studies

England

A - BizzInn - University of Birmingham



Only recently opened the BizzInn provides an environment linked to an academic institution open to all staff, students and academics. It provides free space and facilities and a good events calendar. Through its affiliations and partnerships the BizzInn can offer mentoring and advice from a wide range of external organizations that can be tailored for each individual/business. The largest strength it has is its proximity to a biomedical hot-spot.

B - EIS



This is a government tax scheme for investors whom invest in small businesses. The companies that can be invested in can't be listed, have over £15 million in assets and can raise only up to £5 million in one year. If the company fits these specifics then investors get the following reliefs.

- Income Tax Relief

- 30% of the cost of the shares is set against the individual's income tax liability.
- Relief can be claimed up to a maximum of £1,000,000 invested in such shares.
- This means an investor can claim up to £300,000 pounds relief.
- All or part of the shares acquired can be treated as though they were acquired in the preceding tax year.
- The shares must be held for 3 years from the date when they were issued or the qualifying trade occurred.

- Capital Gains Tax Relief

- If the shares are disposed of after the three-year period then any gains are free from Capital Gains Tax.

- Loss Relief

- If the shares are disposed of at a loss, you can elect that the loss be set against your income in that year or the previous year instead of being set against capital gains.

- Capital Gains Tax Deferral Relief

- The payment of tax on a capital gain can be deferred where the gain is invested in shares of an EIS qualifying company.
- This investment must be made between, 1 year before and 3 years after, the capital gain
- No minimum or maximum amount for deferral.
- No minimum period for which the shares must be held. The deferred capital gain is brought back into charge when the shares are disposed of.
- If these gains are deferred they can no longer qualify for Entrepreneurial relief.

C - Start Up Britain



A resource that the government helped set up. It contains interviews with investors and entrepreneurs, holds events, delivers mentoring for entrepreneurs and lobbies the government on behalf of small business.

Finland

A - Finnvera



Finnvera offers:

- **Small loan** used for expenses starting a company (7000e-35 000e), Small loan can also be used for investing in machines or funding company's international growth. This is the most important loan available for small start-up companies, because only guarantee Finnvera needs is a potential business idea. Loan time is 5 years, first year is installment free. The interest rates in Small loans are smaller than in bank loans (about 2.8% total in 01/2014)
- Loans for companies that are seeking **growth** are **buying other companies** or searching growth from **import**. This type of loans is usually done in co-operation with banks, and Finnvera has a role of being a guarantor for the loan.
- Finnvera is Finland's official **Export Credit Agency**, which has a big role crediting the loans when companies seek for growth internationally. Finnvera had credited 11,1 billion euros 2012 to import companies, and credit amount for small companies was 3 billion.
- Finnvera is also making Venture Capital Investments to early stage companies

B - Vaasa University and CREVE





Best Practices from interviews with two incubators: Vaasa University and Creve (Creative Businesses Incubator) in Turku:

- Different business ideas need very many types of guiding, incubators are too tied to schools educational steps. More freedom needed, generally both of the leaders wanted to increase freedom and own projects in schools rapidly. That would also decrease costs of incubating, because they would come more integrated with everyday life.
- The incubator leaders are often too tied to bureaucracy, that stuff could be outsourced so the leaders could be more present with the companies
- It is a proved practice to separate “pre-incubating” period from actual incubating to see if the idea has any meat on it.
- A fund for “death valley” should be considered in national level. The dramatic point is after incubator program, when all the costs hit the face but the money isn’t coming full-speed yet.
- Biggest challenges for Finnish companies: Growth and international markets. These two are, and should be the top priorities in all incubators.
- I asked about “what type of EU-project/other funding you need especially?” Answer was simple, INTERNATIONAL PROGRAMS. Our home market is so small, that we have to look outside our borders if we want to grow our business.

France

A - Paris Incubator



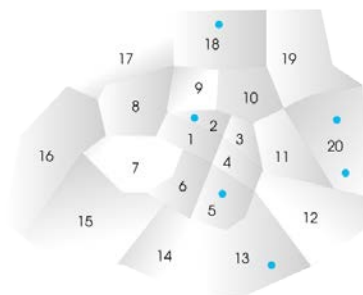
<http://www.parisincubateurs.com/>

Paris Incubator is an institution, which is currently managing 12 incubators in Paris under the following thematic:

- Digital technologies
- New Medias
- Sustainable finance
- Video games
- Cleantech
- Creation and Innovation
- Digital Edition
- Smart mobility, in partnership with Renault
- Smart urban services, in partnership with JCDecaux
- Social Good Lab, in partnership with the Group SOS - technologies sociales et environnementales
- Welcome City Lab (around tourism)
- La Ruche (coworking space with 80 available spots)

Paris Incubator is providing:

- Spaces in different areas of Paris



Studio Singuliers (coworking space in Paris, you met one of its manager, Basil Samson, is located in one of these space).

- Advices

Paris Incubator is linking young entrepreneurs with experts who provide them useful advices.

- Networking

Paris Incubator is connected to different innovation networks.

- Facilities

To stimulate the incubators, Paris Incubator is providing more than 60 activities per year (strategic coaching)

200 companies are involved with Paris Incubator.

Germany

A - The Federal Ministry of Economics and Energy



It is a center for information. There are 25,000 registered incubators at the Federal Ministry of Economics and Energy, sorted by place of residence : www.bmwi-wegweiser.de/adressen/home/

Special database for women: www.existenzgruenderinnen.de

It contains information on:

- Ministries of the federal states
- Chambers of industry and commerce
- Craft Chambers
- Regional and local economic development cooperations
- KfW Banking Group and promotional banks in the countries
- Credit institutions and their associations
- Centers for Founders and consulting networks

B - SIGMA



It is a project for stimulating start-ups from the University Paderborn and is supported by the business incubator Technologie Park Paderborn as well as by a transfer unit of the university called UNICONULT.

C - STARTKLAR Business Plan Competition in East Westphalia Lippe



A regional Initiative of 18 partners including among others the Chamber of Commerce, Craft Chambers, universities and the city administration of Paderborn in North-Rhine Westphalia

Local product: “STARTKLAR”-Competition/Coaching

Services: STARTKLAR supports young entrepreneurs and startups by qualifying them to develop business concepts and establish their business in the market. Participants are supported through: mentors, workshops (2-day workshops to impart special know-how, e.g. market analysis, marketing, financial planning) manuals (on how to develop a business plan) and events (lectures on special topics and opportunity for experience exchange, regulars’ table for personal exchange of participants and experts)

Target group: every person over 18 years that is interested in starting an own business and young entrepreneurs that started their business recently can be part of the competition. The competition consists of two stages:

1. Presentation of business idea in a short paper of max. Four pages
2. Further development of draft with support through different offers (see above) and finalization of business plan (max. 34 pages)

Maximum Grant:

First prize 10,000 €

Second prize 5,000 €

Third prize 3,000 €

The awarding of the prizes takes place after the evaluation of the business plans by a jury of experts. The degree of innovation and a high potential of the business model are taken into account for the selection of the winners. 50% of the prize is paid directly to the winners, the rest will be paid after the actual foundation and implementation of the business within 12 months after the awarding.

Italy

A - The Decree Law

1. Definition of a certified incubator - The startup incubator or accelerator must verify if specific requirements concerning the startup’s physical structures, management, facilities and, above all, its track record, are fulfilled. In this way, the law aims to identify the structures that are able to offer efficient incubation services in Italy. Certified incubators can benefit from some instruments

provided for by the law (e.g. they can use stock options, as if they were startups themselves)

2. Start-ups can remunerate their team members and the providers of external services, including lawyers and accountants, with **STOCK OPTIONS** and **WORK FOR EQUITY** respectively. The tax system applicable to these instruments is advantageous and is tailored on the most common needs of a startup. Certified incubators can also make use of these instruments.

3. Introducing **TAX INCENTIVES FOR CORPORATE AND PRIVATE INVESTMENTS IN STARTUPS** for the years 2013, 2014 and 2015. These incentives apply both in case of direct investments in startups and in case of indirect investments by the means of other companies investing predominantly in startups. Tax concessions are greater if the investment concerns startups with a social goal or those operating in the energy sector.

4. Introducing of **CROWDFUNDING** Details regarding the functioning of this system will be decided with a specific regulation which will be passed by CONSOB – the equivalent of the American SEC.

5. Fast-track, **Simplified and free – of – charge access for startups to the Fondo Centrale di Garanzia**, a Government Fund that supports access to credit through guarantees on bank loans. Certified incubators can benefit from the same special treatment given to startups.

6. Introducing a “**fail fast**” **procedure**. The aim of this measure is to avoid that the entrepreneur is “stuck” for ages because of the liquidation procedure and to allow him to start a new business project as soon as possible.

In addition to the Decree Law, the Italian Government is committed to increasing the resources available for venture capital. To this aim, additional resources will be made available by the Cassa Depositi e Prestiti to the Fondo Italiano di Investimento (Italian Investment Fund), based on a “matching fund” scheme.

Spain

A - AudioSnaps



AudioSnaps is an original and innovative project: an application able to take pictures with sound and to embed everything in a standard JPEG file. The Spanish accelerator Wayra from Telefónica selected this project among many

others and funded this startup with an amount of 170.000€. It expects another bigger capital injection in the future given the great success achieved during the first weeks after the launch; they currently have 2000 new users per day.

B - Wayra



www.wayra.org/

Doing any research into startup incubators in Spain, you've no doubt stumbled across the name [Wayra](#). They're searching for progressive digital startups and believe that with the right channel, financing and support, any great idea can be brought to life. Depending on the level of maturity and the business of self, startups could receive up to EU50,000 as well as management assistance and tech support. Being a part of the Telefonica Group, startups associated with Wayra have access to trade agreements, expert advice and state of the art technology. They've already got 181 startups working in their program and are looking for more [eligible candidates](#). You can visit its webpage to have a look at their [areas of focus](#) and see if your startup fits into any of those niche zones.

Sweden

A - Øresund Startups



Øresund startups aim is to enable a better community for startups and entrepreneurs in the Øresund region – to get a more integrated region that can grow towards it's full potential. The organization focus mainly on startups in the bigger cities on both the Danish side (Copenhagen) and Sweden (Malmö, Lund and Helsingborg)

Practical Implementation Guide

Incubators/Accelerators

Research

Before setting up an incubator or an accelerator research must be conducted into the conditions present in the area in which you wish to create the program. This research should focus on the following factors:

- Entrepreneurial activity in the area. This is the most important factor. There must be a need for the program you wish to develop. If there is no or little present entrepreneurial activity then there will be little desire for the program you wish to offer. This also affects your offering; if there are no local start-up experts then you are limited in the expertise your program can offer to applicants.
- Form of entrepreneurial activity. If there is start-up activity it is important to analyze in what areas this activity is focused. This is to make sure that your offering is based on the needs of entrepreneurs in the area otherwise there will be no desire to join the program.
- The level of education of persons present in the area. High levels of education give persons the foundation skills necessary to launch a successful business. If you wish to create a tech-focused program it is especially important to ensure that there is a large number of person with relevant education in that area i.e. IT.
- The level of entrepreneurial education. This factor will allow you to deduce the self-sufficiency of potential entrepreneurs. If this form of education isn't present then the level of support offered i.e. business plan or accounting help, will have to be higher.
- The amount and type of support currently available. This will allow you differentiate your program so that it fills a need, which isn't currently being served. This should range from the age of companies supported to the amount and type of support available to them.

Identity

Once research has been conducted you should have a good picture of the area. This will inform the identity of your offering. This should be focused around one specific sector i.e software. It should also offer something, which other start-up provisions do not. This could be a focus on very early companies, cheaper rents or higher levels of support. It is important that this is refined so that entrepreneurs know which needs you are meeting and will consequently enter that program if they have those needs.

People

The persons involved in delivering the program are extremely important. Start-ups do not usually have a large amount of experience in several key areas of

building a business. These areas include project management, business plans, accounting, legal and networks. For a program to be successful persons must be involved with the skills or contacts in these key areas.

To ensure these persons are involved it paramount to develop links within the area in which the program will run. These should be with two forms of institutions and persons. Firstly, with higher education institutions, these provide skilled academic advice, access to high tech manufacturing and links with students whom may be attracted to the program. Secondly links should be formed with investors, successful entrepreneurs and other persons involved in the start up scene. These persons provide the mentorship, skills development and possible investment that start-ups require.

The Program

A recommended structure is a tripartite program. The three parts are the pre-incubation phase, the incubation phase and post-incubation phase. This allows for the differentiation of product design and commercialization and the creation of a strong network.

Pre-Incubation Phase. This is a period where the idea is tested and refined prior to full commercialization. This allows the start-up team to focus on creating the best possible product and thereby be fully prepared for commercialization.

This phase can be made to work by a choice or mixture of funding, low costs and targeted support. Funding can be made available to start-ups, as during this phase the company will not be bringing in revenue. A low cost for early stage companies in this phase allows them to focus on developing and not selling their product. Support should be specifically targeted in this phase; this is achieved by implementing support from product and market specialists in the particular area.

Incubation Phase. The primary function of this phase should be the delivery of support services to start-ups that are commercializing. This provision should focus on legal and accounting services, business models and projections to ensure that business can ensure contracts and accounts are correct and adequately plan their future.

To ensure this support is delivered an incubator or accelerator should have strong links with legal and accounting services. This will allow them to recommend quality providers, provide discounts for using said providers and perhaps in some cases provide free services. Further, persons with experience in the delivery of the particular product should act as mentors.

During these first two phases quality gates should be implemented. This is a system where companies are regularly assessed during there time in an incubator. This ensures that any issues in a company's structure or product offering are discovered early and relevant changes can be made.

Post-Incubation phase. This phase should aim to retain graduated companies within the network of the incubator. This allows for the development of a strong network thus creating a support network for graduated companies, allowing them to better face challenges in post-incubation life, and helps companies in the incubation phase by allowing them to turn to experience.

This can be achieved by creating a central source of information and advice open to all companies, which have been through the incubator, holding regular events open to graduates and inviting graduates to take part in the delivery of the program.

Community

A focus of both incubators and accelerators should be the working environment for start-ups. It is important that this is linked with the identity discussed above. However there are general themes.

- Firstly, there needs to be space made for the free sharing and discussion of ideas between the start-ups in the program, this helps to develop a community and networks between the entrepreneurs and can increase creativity and success by the dissemination of industry news, advice and
- Secondly, there needs to be openness between the program runners and the business involved, this is to ensure that any issues that arise for the start-up can be readily resolved.
- Thirdly, it is productive to bring in outside opinions, advice and opportunities. Events, with speakers or investors, are a way to promote this. It is especially important that investors have an opportunity to meet the companies in the program and that participants are made known of all possible funding opportunities.
- Fourthly, it is important to stress the development of a strong network between both those in the incubator and the incubator with its community. This relies on points made above but must be stressed due to its importance for the successful development of the start-ups and the incubators offering.
- Fifthly, it can be productive to develop an international network. This provides international access for developed products, this is especially important if the program is based in a small national market.

Seed Finance

If one wishes to set up a seed finance network the following areas have to be researched. Firstly, the persons involved in funding start-ups need to have specific attributes. It is therefore exceedingly important to ensure persons exist whom:

- Have access to significant capital. Seed finance is a risky venture with most figures giving between 1/3 to 2/3 failure rates for new businesses. As such investors have to have enough capital to absorb the losses.

- Investment is improved with the addition of the investor's experience. As such it is important to have investors whom have experience in the field of the start-up they are investing in.
- A contact network is something most start-ups do not have. Having investors with significant networks in terms of the start-up's field, other investors and legal/accounting services is invaluable for the start-up in question.
- Investors whom have the time for board level involvement are an important resource. This provides experienced guidance and analysis helping to fill the skill gaps many start-ups have, thus increasing their chances of commercial success.

Structure of Investments

- Equity based finance provides strong links between the investors and the business. This means that the investors are more likely to offer advice, introduce contacts and pick up the phone when asked by the entrepreneurs. This helps to fill the skill and network gap that most new businesses have consequently increasing their chances of success.

Community

- It is important to involve the investor network in incubators/accelerator programs and business plan competitions. This is to ensure there is deal flow for investors.