

Business Incubation for Growth, BIG: A new national incubator program

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Innovative Sweden

A strategy for growth through renewal



REGERINGSKANSLIET

The Ministry of Industry, Employment
and Communications

The Ministry of Education

Den nationella innovationsstrategin

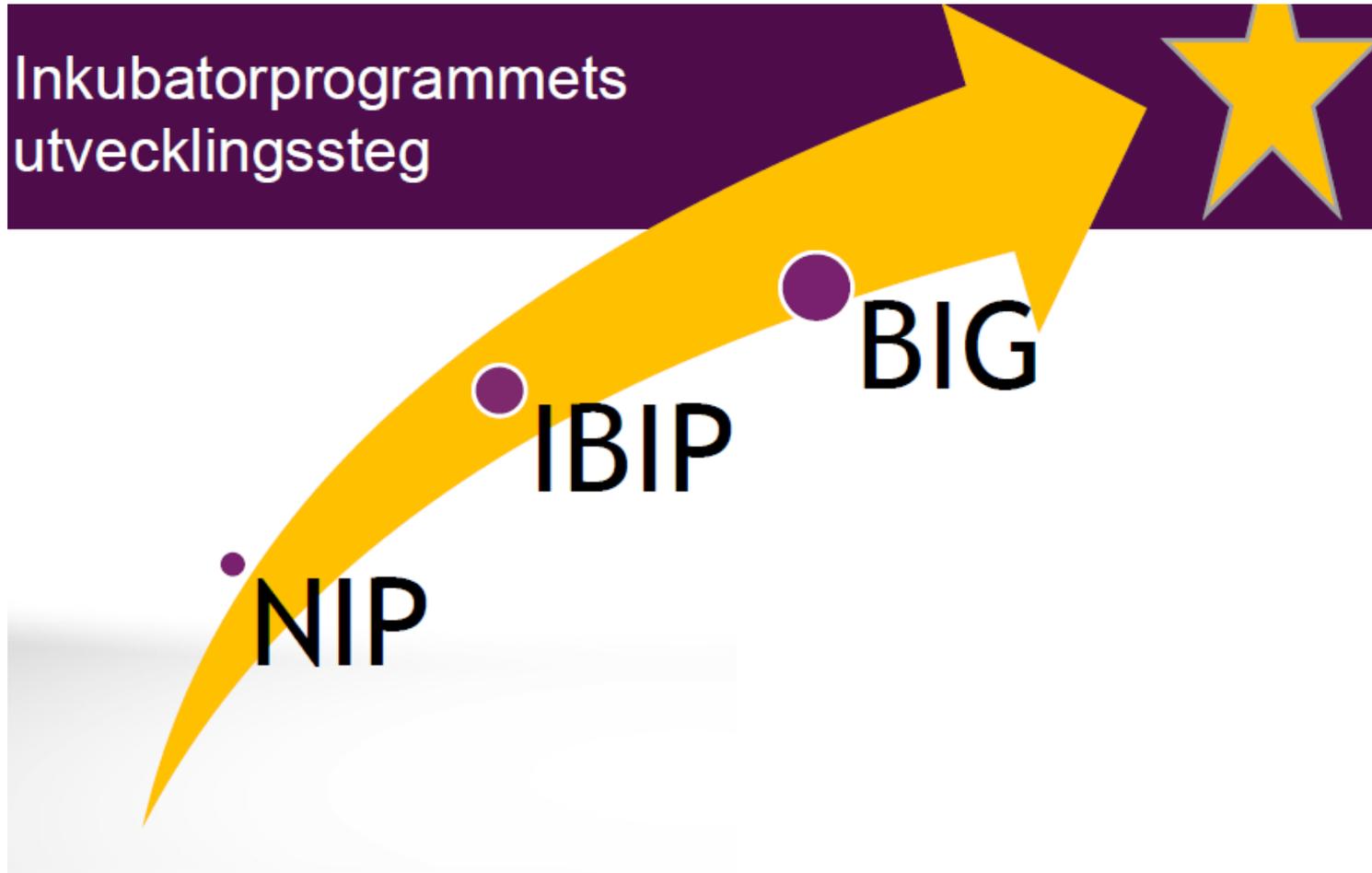


Den nationella
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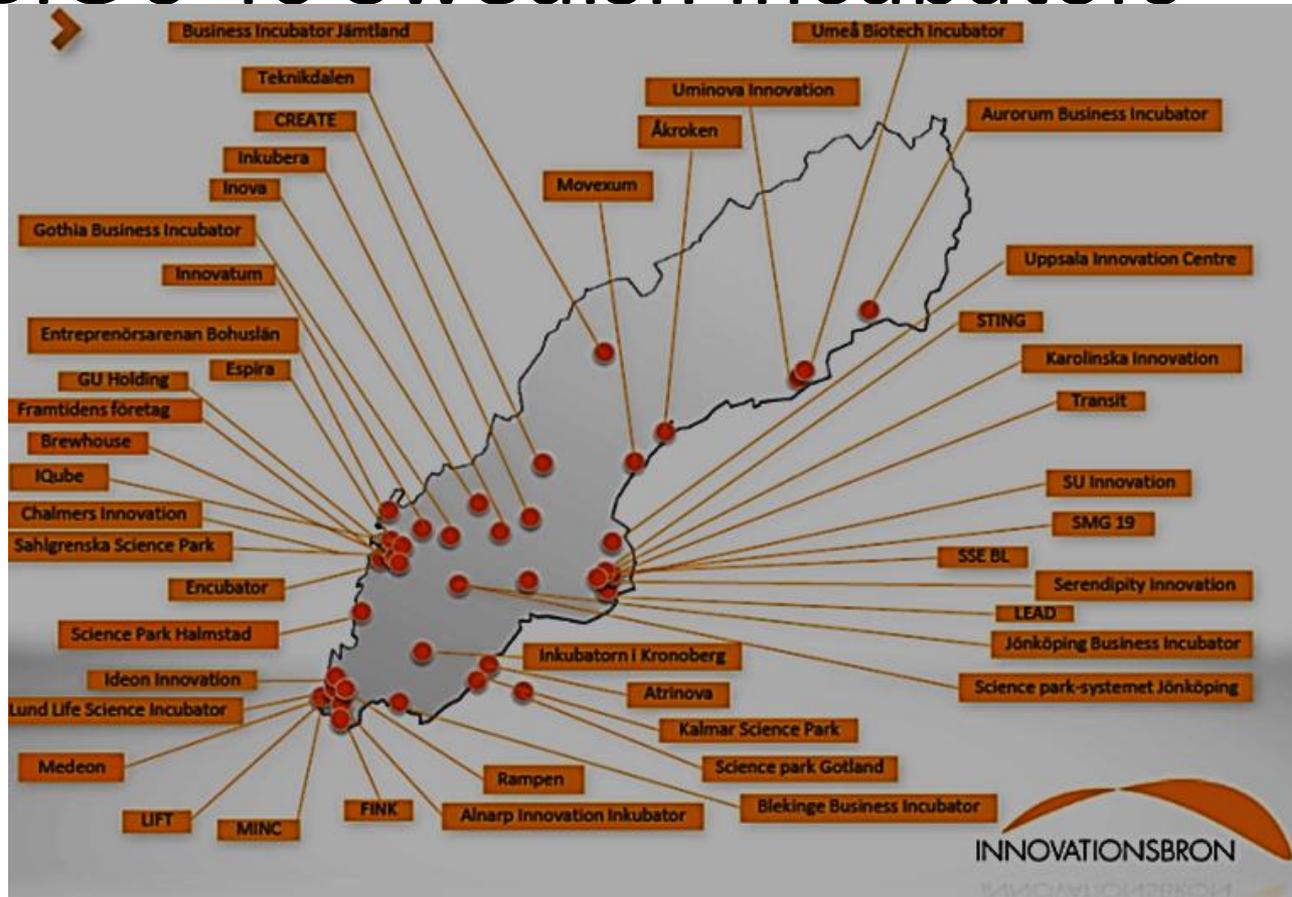


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The three Swedish National Incubator Programmes

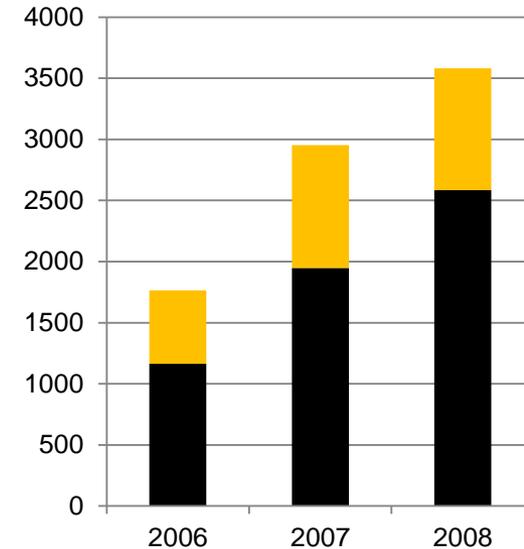
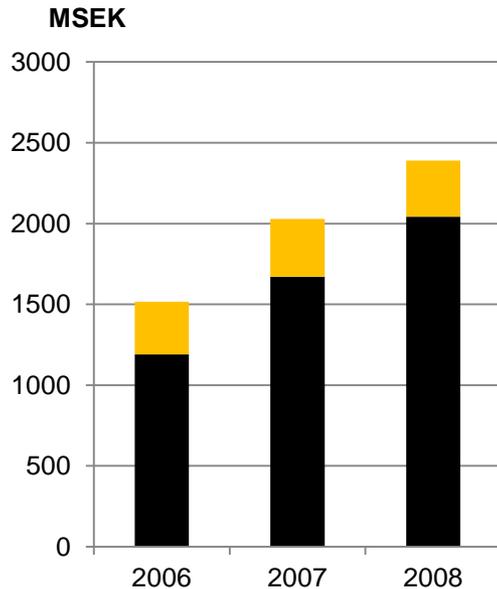


BIG's 46 Swedish incubators



In 2011 Innovationsbron funded Swedish incubators with 56.4 million Swedish krona (SEK) and allocated an additional 3.2 million SEK for projects related to incubation. The BIG incubation program includes 46 incubators, of which 24 have been granted performance-based funding,

Sales and employees: incubatees and alumni



- *Fokus Analys Data 2010: 1584 ventures in 21 incubators*
Out of 1429 analyzed (19 incubators):
 - *503 were incubatees and 926 alumni,*
 - *average age 4.53 years (2.68 incubatees/5.54 alumni)*
 - *Survival 86%*
 - *Sales 2.35 MSEK*
 - *Employees 3.34*

The BIG incubation program comprises three activities



- Basecamp: Skill development
- Summit: Performance-based funding to selected incubators that have demonstrated the best results
- Explorer: Financing of innovative development projects in incubation activities

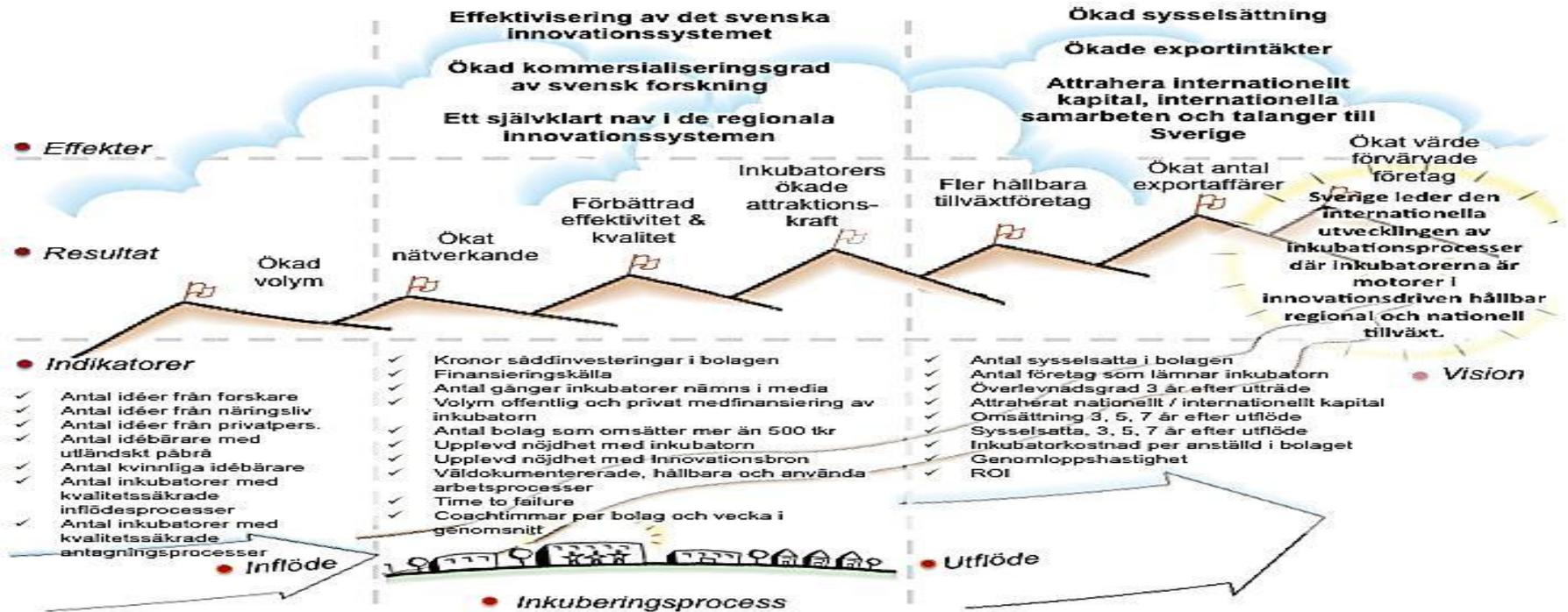
Objectives for the design of :

- **Flexible** - actions aimed at incubators must be adapted over time to be effective, but they must be sufficiently long to provide a strong foundation for business planning for the incubators.
- **Strong links between different types of financing** - Efforts to provide intelligent capital to both incubators and companies must be well synchronized.
- **Counter Cyclical** - One of the most important features over time is to create funding for incubators and companies that do not fail during a recession, this gives a wider range of companies to invest in when the economy recovers.
- **Function at multiple levels** - the program must keep abreast of regional differences, for example in terms of financing, taking advantage of the national coverage and to act in the international arena.
- **Efficient processes and tools** - a prerequisite for flexible deployment that delivers a good performance is that the processes and tools used are effective, so that continuous learning and development is an integral part of operations.
- **Clear communication** - communications regarding assignments, goals, value created, offers and conditions need to be comprehensive, transparent and usable at multiple levels and contexts

SUMMIT Performance-based financing

1. Clear focus on conditions that generate a critical mass of **excellent ideas**, **entrepreneurs and employees**. Well established, focused, effective and sustainable leadership.
2. Ability to develop business ideas with a view to strengthening the commercialization potential. **Active value creation**. Have available resources for business development. Ability to prepare companies for sales and growth in export markets.
3. Defined criteria for entry and exit and **continuous** record of projects and companies in the incubator. Ability to assess the quality and commercial potential of the idea and the entrepreneur.
4. Ability to evaluate and develop venture **teams** in terms of skills, personality and experience and complement the team in terms of skills, experience, gender, and background.
5. Anchoring and **legitimacy** of the innovation system and the economy. Formalized relationship with university and industry stakeholders to ensure a qualitative inflow of business ideas and access to relevant expertise.
6. Entrepreneurial **culture** that is stimulating, inspiring, educating and raising requirements.
7. Ability to assist incubator companies where necessary to attract seed funding from different sources.
8. Formal plan for **sustainability** efforts (economic, environmental and social, including diversity and equality).

Short-term results and long-term effects...



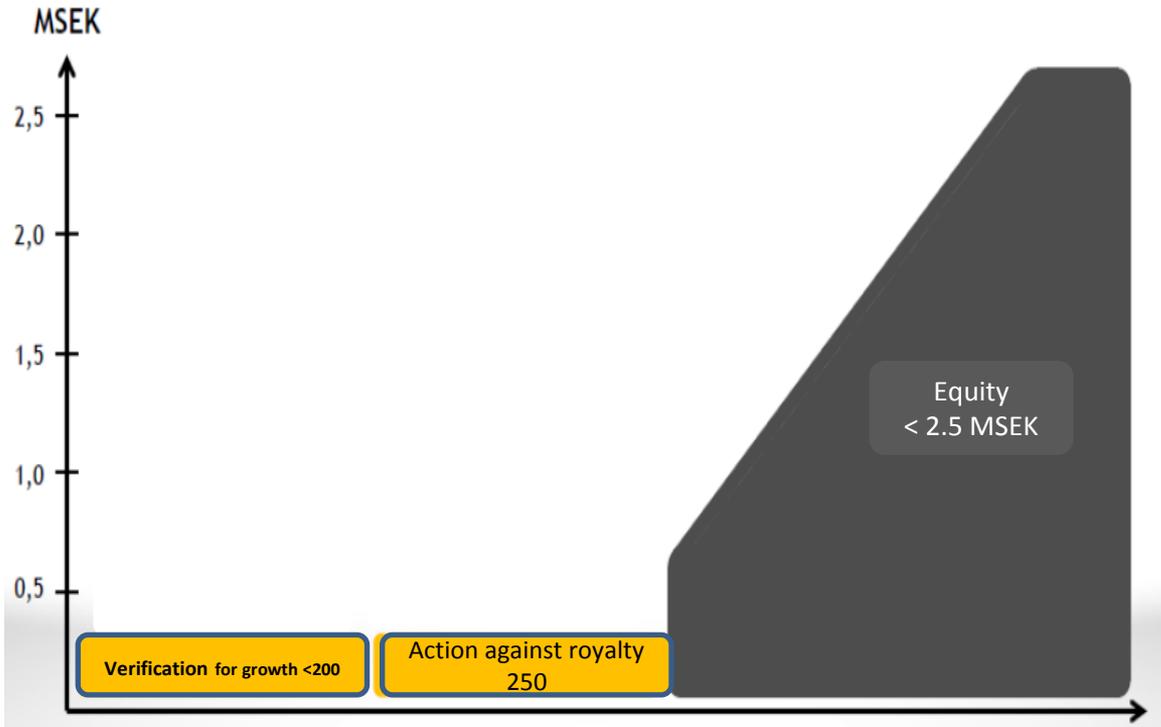
- Long-term effects (broader political goals in society), e.g. Increased commercialization of research, effectiveness of innovation system
- Short-term results , e.g volume of ideas, networking, exports ...
- Indicators: Ideas, Incubation process, Venture performance

BIG Sweden offers



- Exchange of experience and idea generation at gatherings organized by the Innovationsbron
- BIG Meeting: exchange of experience between the incubator directors.
- BIG Coach Meeting: exchange of experience between the coaches / business developers.
- BIG In-between Meeting: Special project groups on different themes as defined in a BIG Meeting.
- Funding for meeting activities: Innovation Bridge offers 50 000 SEK / year to facilitate its participation in joint activities in BIG Sweden, i.e. Basecamp funding.
- Innovationsbron **Assessment**: interviews and analysis of incubator operations, processes, structure, network, value proposition.
- **Benchmarking**: The tool Focus Analys offers all participating incubators opportunity to compare themselves with each other, based on the incubator companies' results.
- detailed **feedback** report with suggestions for improvements to the incubator.
- **Internationalization** activities in collaboration between Innovationsbron and incubators
- **Study tours**: Innovationsbron organizes at least one study tour per year.
- **Training**: Innovationsbron organizes customized courses such as Focus Business Development

Seed-financing opportunities



Ability to utilize Innovationsbron seed funding for projects and companies in the incubator:

- Verification of Growth , stipend of < 200' SEK
- Action against Royalty : grant 250' SEK, < 5% of sales, < 8 years, can be converted into equity
- Equity capital.<2.5 MSEK, large commercial potential (30-50 MSEK in 5 years); global market;10-49%

International comparison of public financing of incubators

	Inhabitants	Incubators	Inhabitants/ incubator	Financing /year (MSEK)	MSEK/ incubator
FI**	5,3	6	885 000	0	(10)
NL	16,5	21	635 000	200	10
NZ	4,1	8	510 000	15	1.9
SE***	9,3	20	450 000	55(90)	2.5 (4.5)
TY	81	275	300 000	0	-
IS*	7	26	270 000	250	10(2)
UK	50	300	165 000	0	-

*Financing linked to venture, incubator gets 20 to run its operations

**Only financing to ventures, no contribution to management costs

***()=seed financing

- A weakness of the Swedish incubator programme is limited seed funding
- 2-5x more per start-up company in the incubation phase in other countries
- Since ventures have access to less funding, they develop more slowly
- Even so, they do increase the number of employees and sales faster than Swedish companies in general (in the size class of 0-100 employees).
- But few have exports and few are "born globals"
- Alumnis have higher survival rates than companies in general in Sweden.
- But, there is a need for continued support in alumnis

Concluding remarks and suggestions for improvement

- no direct equivalent to the Innovationsbron or its incubator programmes internationally
- incubation process of very good class, but limited seed funding, both during the incubation but especially after they leave the incubators.
- start-up businesses grow slower and it takes longer to reach the market.
- it takes longer time to discover a "failure"
- Share of women entrepreneurs is less than a fifth
- creative industries and services are neglected
- To only go for "low-hanging-fruit" may well create good results but there is a risk that long-term effects are hampered
- Thus a national incubator program should include models for both picking winners and survival of the fittest
- To design an incubator program that is counter cyclical is one of the most important features of BIG.
- In fact, the BIG program has actually increased its activities (10 MSEK extra in 2012) instead of limiting its activities during the recession

	Total	Male	Female	Statistics	Significance level (two-tailed)
Venture performance					
Survival	85.6%	85 %	89 %	2.432 ^b	.119
Sales (million SEK) ^d	2.35^c	2.22 ^c	3.23 ^c	.799 ^a	.426
Number of employees	3.34	3.39 ^c	3.08 ^c	-.247 ^a	.805
University related variables					
R&D revenues (million SEK) ^d	1124.0	1141.4	1017.0	-2.173 ^a	.031*
Entrepreneurship education	37.4%	39.6%	25.2%	15.841 ^b	.000**
Share female students	56.3%	55.6%	60.2%	4.886 ^a	.000**
Share female professors	14.5%	14.4%	15.6%	1.807 ^a	.071+
Incubator related variables					
Number of ventures in incubator	111.3	111.3	112.4	0.147 ^a	.883
Age incubator	7.17	7.24	6.79	-1.724 ^a	.085
Venture related variables					
Limited liability company	58.8%	62.2%	38.6%	41.138 ^b	.000**
Alumni	64.8%	66.6%	53.8%	12.855 ^b	.000**
Life science	22.9%	20.6%	34.8%	20.335 ^b	.000**
ICT	30.1%	32.5%	16.7%	21.271 ^b	.000**
Clean tech	6.9%	7.2%	5.7%	0.448 ^b	.575
Industrial	40.1%	39.7%	42.9%	0.733 ^b	.392
Origin idea: university	51.9%	51.8%	51.9%	0.001 ^b	.980
Origin idea: private industry	17.9%	17.5%	20.5%	1.065 ^b	.302
Origin idea: innovator	19.5%	20.1%	16.1%	1.782 ^b	.182
Loans (thousand SEK) ^d	114.9	111.9	134.0	0.627 ^a	.531
Grants (thousand SEK) ^d	105.6	94.6	172.9	1.233 ^a	.219