INTEGRATED BUSINESS SUPPORT: INCUBATORS WITHOUT WALLS

Recent approaches to incubation have started to apply innovative techniques to supporting enterprise in disadvantaged areas, self employment and social enterprise. Incubation can provide a supportive environment in which enterprise flourishes.

THE CHALLENGE

Traditional methods of business support including business incubation often fail to reach members of key target groups that either face disadvantage or are under represented in enterprise. This can lead to low activity rates and social exclusion within these communities. Many potential entrepreneurs find that some of the administration involved in setting up a business is too daunting. They want to start trading in a more controlled environment where they can focus on key aspects of their business such as production and marketing and leave finance to someone else.

EQUAL SOLUTIONS

EQUAL has tested a range of approaches to supporting early stage businesses. One long-standing approach in high tech business has been business incubation. Business incubation used to be defined as a workspace approach combined with support.

"A business incubator is usually a property with small workspace units that provides an instructive and supportive environment to entrepreneurs at start-up and during the early stages of the business." Source UKBI

New approaches recognise that, although all enterprises need to operate from somewhere, it is the other aspects of incubation that can be more important. Incubators provide three main ingredients for growing successful businesses:

• An entrepreneurial and learning environment;
• Ready access to mentors and investors;
• Visibility in the marketplace.

Increasingly policy makers are looking to incubation as a technique for supporting particular groups of entrepreneurs that they wish to promote. There is an emerging shift from physical incubation focused on workspace to incubation as a series of activities. The emergence of virtual, remote and flexible working supports this trend.

In Sweden the Egenanställning (Self-Employment) EQUAL project in Uppsala launched the first BEC three years ago, and there are now 10, spread from the north to the south of the country. They have proved a very effective route to integration for immigrants and ex-offenders. In certain cases offenders may pay back their debt to society from their business income. They see their role as simplifying self-employment by providing a range of services that enable the entrepreneur to concentrate on selling to their market.

1 Source UKBI
The network gives them a way to set common standards – they use a standard contract of employment – and generate trust in their endeavour. The Swedish approach offers a number of key services:

- A juridical platform for the business
- Liability insurance
- Administration and economical service (such as invoice service, payment of wages, VAT, taxes and various kinds of fees)
- An advantageous network
- Training and supervision in enterprise
- The chance to try out business ideas
- The chance to try and start running a business at their own pace, or even on part-time.

The oldest BEC in Sweden has been going for seven years. **Bolagsbolaget** is a social enterprise company that literally means ‘business business’. It has overcome the problem that there was no half-way house between employment and self-employment in Sweden by offering an administrative platform for people who want to run a business, without starting a formal company of their own. Instead they become employees of Bolagsbolaget. They are still operating a separate business within that company. User-employees effectively rent their employer, and can cancel the arrangement at any time. Bolags Bolaget helps to reduce the financial risk facing people starting a new business, and may increase their chances of success by handing administrative and financial matters on their behalf. Such an approach can grow rapidly, and be sustainable. By the end of 2007 there were 250 enterprise employees trading under the Bolags Bolaget umbrella. Each company pays 15% of its invoicable revenues as an overhead to BB. They receive the remaining 85% as salary when their client pays the bill. This means that BB has no cash flow problems.

In France a similar approach has led to the creation of 70 Business and employment cooperatives or BECs. They have even crossed the border into Belgium. By 2005 The **Coopérer pour entreprendre in France** (CpE) which was supported by EQUAL had 42 BECS active and had employed 1990 salaried entrepreneurs turning over €16.4 million. Latest figures for 2007 suggest a total of 70 enterprises are now in the network.

BECs offer a potential entrepreneur the chance to create their business within the sheltered environment of a larger social enterprise. In France they have the advantage that they can start out and keep their unemployed status until they have completed a test trading period and their business is ready for launch. In this phase any revenues to the business can be spent on projects for the business – for example marketing. In the second phase the entrepreneur becomes a salaried employee of the BEC which in return receives 10% of sales revenues. In this phase the ‘salaried entrepreneur’ benefits from training and administrative support. Once established the entrepreneur can either spin out or become a full voting member of the BEC and continue to pay a 10% administration charge.

**From a desk in the bedroom to hot-desking at the Hub**

Until recently there had never been a social enterprise incubator. The **Hub** has changed all that. The Hub’s business is social innovation. Its core product is flexible membership of inspirational and highly resourced habitats in the world’s major cities for social innovators to work, meet, learn, connect and realise progressive ideas. The Hub is a physical workspace on the fifth floor of a crumbling former industrial building in Islington North London. It runs as a social enterprise and its business model is simple. Flexible desk space is sold again and again and again. The 140 members share about 40 workstations. Each person is on their own use programme – £3,000/year entitles you to about one day a week of being there. Some pay full time and a few of the originals have
a regular desk. Whatever your contract, you don’t have to check in or check out. It works on trust.

Each workstation is equipped with little more than a chair, recycled desk surface, electricity and WIFI (wireless internet). Phones are available for rent but in this age of the mobile and Skype they are almost redundant. Apart from that there is a kettle, a kitchen and rentable meeting rooms. Heating is from a pellet burning stove.

The Hub has succeeded in creating a thriving work community of people who might otherwise be trapped in their bedrooms sweating over their idea. Businesses range from the Hydrogen Car to the NAG – a social enterprise that nags you to use less carbon every month.

Apart from the revenue base of the Hub’s business model, its success derives from active animation. Each day a ‘host’ greets newcomers and regulars and a series of events are held from lunchtime seminars to picnics at weekends. Somehow the hub has succeeded in organising the informal so that emerging entrepreneurs can gain support from their peers. The Hub has succeeded in building a community of micro enterprises with a social mission. The funky aspects all help – one meeting room is kitted out with a library and mattresses, every day you can bring a piece of fruit and swap it - is complemented by the amazing conversations that users have with each other. Of course you can meet fellow hubbers live or online. As the network grows you will be able to meet those starting up in other world cities as well as at the next desk.

Hubs are spreading. Already there are working hubs in Bristol, Johannesburg, Berlin, Cairo, Sao Paulo and Rotterdam. Hubs are being started in Amsterdam, Brussels, Halifax, Madrid, Mumbai and Tel Aviv/Jaffa. Up to fifty hub proposals are being considered and the concept is also being copied by imitators.

A new London branch opens in early 2008 near to the Eurostar terminal at St Pancras and fifty more are in discussion.

The next generation of incubators are likely to take the Hub concept further and be heavily reliant on social networking tools as a means of providing peer support to emergent entrepreneurs.

**KEY CONCLUSIONS AND POLICY RECOMMENDATIONS**

- Policy makers should consider a range of different incubation approaches depending on the target market;
- Incubation should be seen by policy makers as an innovation practice in itself;
- A variety of forms of incubation may usefully co-exist in the same town, city or rural area.
This brief arises from the work carried out under the Entrepreneurship pillar of EQUAL, which comprises the Business Creation and Social Economy theme. This involved some 700 projects across the vast majority of EU Member States.

The issues it discusses develop one of the solutions proposed in the existing policy brief on the second pillar of the ‘entrepreneurial ladder out of social exclusion’ – that is *Inclusive entrepreneurship: Integrated business support*. The brief summarises a series of solutions tested by Equal partnerships such as:

- Strategies for getting out of hard-to-reach communities (outreach)
- Hybrid solutions – social enterprise models help the transition from the informal economy
- Specialized support for setting up and running a business
- Business incubators
- Mentoring
- One stop shops and “braided” support systems
- Quality standards and training

Further mini briefs are planned to go into these solutions in more detail.

This document has been prepared by experts and their opinions do not in any way engage the Commission.