



European Commission  
Enterprise Directorate  
General

**Final Report**

# Benchmarking of Business Incubators

February 2002



*Centre for*  
**Strategy & Evaluation  
Services**

# PREFACE

This study has been carried out by the Centre for Strategy & Evaluation Services (CSES) for the European Commission's Enterprise DG. We would like to thank the Commission, in particular Mr Christer Hammarlund, for the support provided throughout the project. We would also like to thank business incubator managers who were nominated by Member States to provide advice and assistance, and our two special advisers, for their input. A list of the experts and advisers is provided in Section 1 of the report.

The data and analysis presented in this report are the responsibility of CSES under a contract with the European Commission. Although the work has been conducted under the guidance of Commission officials and the Member State experts, the European Commission is not necessarily in agreement with the analysis presented and the views expressed do not necessarily represent the official position of the European Commission.

---

Centre for Strategy & Evaluation  
Services (CSES)  
P O Box 159  
Sevenoaks  
Kent TN14 5RJ  
United Kingdom  
Tel/fax: +44 1959 525-122  
E-mail: jmalan@cses.co.uk

European Commission  
Enterprise Directorate General  
200 Rue de la Loi  
B-1049 Brussels  
Belgium  
Tel: +32 2 295-0364  
Fax: +32 2 295 9784  
E-mail: Christer.Hammarlund@cec.eu.int

---

# EXECUTIVE SUMMARY

## 1. Overview

The project ‘Benchmarking of Business Incubators’ was undertaken for the European Commission by the Centre for Strategy & Evaluation Services (CSES). The objectives of the project were, in summary, to:

- Define ‘headline’ benchmarks for business incubators relating to their performance with regard to management and promotion;
- Support this with ‘operational’ benchmarks’ that define the means of achieve the ‘headline’ benchmarking performance;
- Provide assistance to business incubators that participate in the exercise to implement operational improvements by, amongst other things, producing guidance on achieving benchmarked performance and examples of best practice.

The work carried out by CSES involved two main phases: Phase 1 focused on preparing an analytical framework and involved a review of previous research and other literature on business incubator activities. During Phase 2 the framework was tested and further developed through a series of interviews with incubator managers, stakeholders and client companies from the EU Member States.

In addition to the interview programme, we carried out a wider survey of business incubators in EU Member States (eliciting a response from 77 incubators), a survey of incubator companies (71 firms completed questionnaires) and obtained survey data from the USA on incubator operations there.

The CSES team was guided throughout the project by a ‘Managers Group’ consisting of Chief Executives of business incubators from EU Member States, and by two external experts.

## 2. Benchmarking Framework

Full details of the benchmarking framework are set out in the report. To summarise the key points:

- *Step 1 – Model:* A generic business incubator model was developed setting out basic functions and operating procedures. This model is based on the literature review, inputs by the Managers Group and CSES’s fieldwork.

---

# EXECUTIVE SUMMARY

- *Step 2 – Best Practice Issues:* The model defines a number of ‘key best practice issues’ that provide the framework required to define benchmarking indicators. These are subdivided into ‘headline’ and ‘operational’ indicators;
- *Step 3 – Performance Drivers:* In addition, the model highlights the ‘key performance drivers’ that influence the extent to which incubators achieve best practice benchmarks. These drivers fall under three headings -
- *Step 4 – Business Incubator Data:* Two surveys were carried out by CSES: the first focused on incubators themselves while the second involved obtaining feedback from client companies. The survey data was used to determine where incubators stand in relation to the various benchmark indicators;
- *Step 5 – Best Practice Guidance:* Based on the earlier steps and analysis, the final section of this report then suggests key actions that should be taken in setting up and operating business incubators.

## 3. Key Conclusions

There are a number of key messages from this benchmarking study:

- *Outcomes* – business incubators in the EU – which now number around 900 – make a significant contribution to job and wealth creation. Some 40,000 new (net) jobs are generated each year by incubators;
- *Added Value* – the business incubation process adds value by accelerating the start-up of new businesses and helping to maximise their growth potential in a way that is more difficult for alternative SME support structures to achieve;
- *Best Practice* – this report identifies best practices in business incubation and suggests key actions to replicate them at an operational level. There are key lessons to be learnt from experience, from different types of incubator models, and from practices in different EU countries and the USA. Actions are needed at an EU level to put a framework in place to support the process of developing and sharing best practice.

Overall conclusions of the benchmarking project are summarised below under three headings – setting up and operating business incubators, incubator functions, and

# EXECUTIVE SUMMARY

evaluating incubator services and impacts. Recommendations are set out in Section 4 and a summary of the key statistical benchmarks is provided at the end of the summary.

## *3.1 Setting Up and Operating Incubators*

***3.1.1. Business incubators should be designed to support and be part of a broader strategic framework – either territorially orientated or focused on particular policy priorities (e.g. development of clusters), or a combination of these factors.*** A key lesson from this project is that incubators should not be stand-alone entities but rather work along side other organisations and schemes to promote broader strategies. Examples of where this approach is being adopted are given in the report.

***3.2.2. It follows that incubators should be promoted by an inclusive partnership of public and private sector stakeholders.*** Business incubator partnership structures will reflect overall regional, technology and business support strategies. The research suggests that incubators are typically promoted by a wide range of organisations from the public and private sectors including local authorities, universities, companies, and financial institutions. Public authorities have an important catalytic and leadership function, and can provide crucial pump-priming investment during the development phase of incubators.

***3.2.3. During the development phase, it is important for the market to be tested and a business plan to be devised that can provide a framework for incubator operations.*** The incubator business plan should set out the rationale for the project and how it addresses market failure (if this is the rationale), the target market, expected levels of demand, a detailed operating framework (infrastructure and services), estimated capital investment and running costs/sources of funds, how the incubator will be managed, and other factors.

***3.2.4. There are a number of different set up funding models but the evidence from this project is that public support for the establishment of incubators in Europe will remain critical for the foreseeable future.*** The analysis contained in this report suggests that public funding accounts for a high proportion of the set up costs of most incubators (which average around €4 million) and for around 37% of operating revenue.

***3.2.5. Likewise, there are different ways in which incubators cover their operating costs and whilst many incubators rely on public subsidies, there is a strong argument in favour of dependence on this source of revenue funding being minimised.*** According to the research, incubator operating costs average around €500,00 per annum, the highest proportion of cost relating to staff (41%) followed by client services (24%), maintenance of buildings and equipment (22%), and other costs such as utilities (13%). Whilst many

# EXECUTIVE SUMMARY

incubators are able to recoup a significant proportion of these costs (averaging around 40%) from tenants, the element of public subsidy remains high in most cases. At present, some three-quarters (77%) of European incubators operate on a not-for-profit basis.

## ***3.3 Business Incubator Functions***

***3.3.1. The provision of physical space is central to the incubator model. Standard good practices now exist with regard to the most appropriate configuration of incubator space.*** The research suggests that European incubators typically have around 5,800 square meters of space for tenants, sufficient to accommodate some 18 firms at any one time in a variety of units. Smaller incubator space than this is likely to make it more difficult to generate economies of scale. Another key lesson from the research is the need to operate at no more than around 85% occupancy levels.

***3.3.2. The value added of incubator operations lies increasingly in the type and quality of business support services provided to clients and developing this aspect of European incubator operations should be a key priority in the future.*** There is a widespread acceptance that although central to the incubator model, there is now a more or less standard model for the optimal configuration of physical space and that it is the quality and range of business support services that should be the focus of best practice development. This research suggests that there are four key areas in this respect: entrepreneur training (often part of ‘pre-incubation’), business advice, financial support (in some cases from incubator seed/venture capital funds but usually through links with external providers), and technology support.

***3.3.3. Business incubators should charge clients for the support services they provide but the level at which prices are pitched should be designed to minimise the risk of ‘crowding out’ private sector providers.*** The research suggests that relatively few incubators (around 4%) provide business support services on an entirely free basis to clients. However, pricing levels tend to reflect an element of subsidy (35% of incubators stated that pricing was below market levels).

***3.3.4. With regard to incubator operating procedures, it is essential that there is a clearly defined target market and that this is reflected in the admission criteria.*** Experience suggests that the more successful incubators are the ones that have a particular technology and business focus. A focus of this type enables incubator managers to develop specialised knowledge and skills, and facilitates the clustering of client companies (e.g. enabling business relationships to develop between incubator tenants). The report provides an analysis of the types of admission criteria adopted.

# EXECUTIVE SUMMARY

**3.3.5. Whilst achieving high occupancy rates is important to generate income, this consideration needs to be balanced against the importance of maintaining selective admission criteria.** As noted earlier, achieving high occupancy levels quickly is desirable from the point of view of income generation but can have disadvantages in terms of being able to react flexibly to the changing requirements of tenants. Similarly, there is a danger that the selective approach to admitting projects will be abandoned in favour of a ‘first-come-first-served’ approach.

**3.3.6. Likewise, adopting exit criteria that ensure a turnover of client companies is desirable even if the turnover of firms makes revenue levels from rental income and other services less certain.** Similar considerations apply to the question of exit rules. The research suggests that most incubators do, in fact, limit the length of time companies can remain as tenants (typically to around 3 to 5 years). Moreover, in many cases, companies move on to new locations because they need more space to grow. Graduated rentals rising to above market rates after a given period of time is another method that a number of incubators (24% of the sample) adopt to encourage firms to move on. At the same time, highly specialised incubators – e.g. biotechnology incubators – may have longer tenancy periods for their clients reflecting the nature of business activities.

**3.3.7. After care and networking with firms that have left an incubator should be regarded as just as important as providing services to incubator tenants.** The destination of incubator ‘graduates’ should be monitored with companies being encouraged to remain in the local area. Graduate retention is important in ensuring that incubator operations have long-term benefits to the areas where they are located. Moreover, experience suggests that many firms are at the most vulnerable stage in their development when they leave an incubator. The provision of after-care services to ‘graduates’ is therefore critical to ensuring sustainable incubator impacts.

**3.3.8. The quality of the management team, and adoption of a business-like approach to running incubators and monitoring clients, is crucial to performance and best practices in this field are becoming standardised.** European incubators typically have around 5 to 6 staff (half of whom are managers) with senior personnel coming from a business background. A key efficiency indicator is the ratio between staff and companies. Based on this research, the ratio would appear to be 1: 3.2 (tenants) or 1:5.0 (tenants plus other clients). New economy incubators have an even higher ratio than this.

**3.3.9. The type of activities client companies are pursuing, in particular the technology/knowledge intensity of these activities, is the key factor (rather than physical features or operating modality) that should be used to differentiate one type of incubator from another.** In the past, incubator models have tended to be classified according to the nature of inputs (public, private, etc) and processes (type of incubator

# EXECUTIVE SUMMARY

space, range of services, etc). An arguably better method of classification is to differentiate between the specialisms of incubators as reflected in the activities of their tenant companies. An approach of this sort makes sense given the fact that different types of incubators are increasingly offering very similar ‘core’ services.

## ***3.4 Evaluating Business Incubator Services and Impacts***

***3.4.1. The performance of business incubators should be judged primarily in terms of the results achieved, i.e. the impact they have on businesses, wider economic development and other priorities.*** A key message from this project is the need to judge incubator performance in terms of the long-term impacts achieved rather than short-term measures such as occupancy rates or failure rates. The report contains an assessment of incubator impacts suggesting that in terms of employment effects (a key indicator for public authorities and a proxy measure for a range of other impacts), European incubators are generating around 30,000 gross new jobs per annum. If indirect effects are taken into account – the higher spending in local economies brought about by additional direct employment and new jobs created in local supply chains – then this figure increases to around 40,000 net jobs per annum. Moreover, these results are being achieved at an average gross cost per job to public authorities of around €4,500 (€4000 net).

***3.4.2. In assessing the impact of incubators, there is a need to obtain feedback directly from client companies and greater priority should be given to this than has hitherto been the case.*** An important lesson to be learnt from this project is that incubator impacts can only be properly assessed by obtaining information from companies. Previous research has tended to rely on survey data from incubator managers alone. Whilst this provides good insights to the ‘input’ and ‘process’ aspects of their operations, it does not provide the basis for an in-depth understanding of ‘outputs’ and impacts. Feedback from companies is also important from a more practical point of view, i.e. client management and networking with ‘graduates’.

***3.4.3. Likewise, a distinction should be made between gross and net impacts achieved by business incubators.*** As Point 3.4.1 makes clear, business incubator impacts are likely to be considerably under-estimated if only direct (gross) effects are taken into account. However, there are other essentially practical reasons for undertaking a more probing assessment of incubator impacts: investigating the extent of displacement is important in helping to ensure that an incubator’s target market is appropriately defined - if support is being given to projects that compete directly with existing local businesses, then the net value added of the incubator’s operations is questionable. Likewise, an understanding of additionality involves obtaining client feedback on the role played by an incubator in the development of their business and this information should help to ensure that the right services are being provided.

# EXECUTIVE SUMMARY

***3.4.4. Although ‘new economy’ incubators are currently out of favour, there are many lessons to be learnt that are relevant to the more ‘traditional’ model (and visa-versa).***

This research suggests that there are three main lessons to be learnt from the experience of ‘new economy’ incubators: firstly, although market conditions are currently unfavourable, ‘new economy’ incubators have demonstrated a potentially profitability model that is attractive to the private sector; secondly, ‘new economy’ incubators have shown that the business incubation process can operate successfully on a virtual basis; and, linked to this, they have demonstrated that the real value added of the business incubation approach lies in the sharing of know-how rather than physical aspects. By the same token, the ‘traditional’ model has enduring strengths and these are examined in the report.

***3.4.5. Across Europe, there are a variety of different business incubator models and precise modalities should reflect local, regional and national circumstances and priorities.*** As Section 2 of this report highlighted, there are a large number of different incubator definitions and models across Europe. Although they share basic features in common, there are also significant differences relating to stakeholder objectives, target markets, and the precise configuration of incubator facilities and services. These differences are partly a reflection of location-specific factors of a cultural, institutional, and policy nature, and it is important that these local factors are taken into account in defining best practice.

***3.4.6. Similarly, although only limited comparisons are possible, the research confirms significant differences between the way in which European and US incubators operate and therefore scope for a sharing of experience and know-how.*** Section 6 of this report highlighted differences between the way in which business incubators operate in Europe and the USA. Although the evidence is far from conclusive one way or another, this analysis suggests that whilst US incubators, for example, demonstrate particular strengths with regard to company financing and some management functions, their European counterparts have probably developed more expertise in fields such as entrepreneur training, virtual networking, and integrating incubator functions into broader strategies.

***3.4.7. Overall, this report suggests that business incubators are a very cost-effective instrument for the promotion of public policy objectives.*** The relatively low cost per job (see Point 3.4.1) and other less easily quantifiable benefits demonstrated by business incubators covered by this research suggest that they are a very effective method of promoting knowledge intensive, new technology-based activities. Direct comparisons with other types of schemes are difficult to make, one reason being that incubators usually combine many features of other schemes (e.g. the provision of advisory services) and/or are closely linked to them.

---

# EXECUTIVE SUMMARY

A summary of ‘headline’ and ‘operational’ indicators that have been used in this project, together with benchmark values, is provided at the end of the report.

## 4. Best Practice and Policy Recommendations

In this section we outline key recommendations, starting with promoting best practice at an operational level. We then consider wider policy initiatives that might be taken at a European level to promote best practice in business incubation.

### *4.1 Promoting Best Practice in Business Incubation at an Operational Level*

***4.1.1 Business incubators should be encouraged to benchmark themselves against best practice standards and to take the steps required to achieve them.*** The report contains a range of benchmarks relating to setting up and operating business incubators. In some cases, these can be quantified and a summary of the key benchmarks is provided at the end of this summary. In the report itself, we have also provided best practice examples covering aspects of business incubator operations where quantified benchmarks are not appropriate. Also, it is important to stress that the benchmarks will not apply to every type of incubator.

We recommend that in seeking to achieve best practice at an operational level, particular attention should be given to:

- Ensuring that incubator operations are integrated into wider *regional (technology) development strategies* and supported by broadly based partnerships;
- Clearly defining the *target market* and adopting *admission criteria* that focus on projects where an incubator can genuinely add value;
- Placing particular emphasis on developing *high quality business support services* (entrepreneur training, business advice, technology support, financing, etc);
- Ensuring that incubators are managed in a business-like manner with the aim of maximising *value for money*;
- Developing ‘*virtual*’ *incubation services* so that more businesses can benefit and through after-care/graduate networking, ensuring that job and wealth creation effects are retained in local economies.

# EXECUTIVE SUMMARY

These points and others are elaborated on below.

**4.1.2. Benchmarking and best practice sharing should focus on the four key incubator service areas identified in this report – entrepreneur training, business support, financing, and technology support.** As argued earlier, practices are now more or less standardised with regard to the provision of incubator space and the challenge facing incubators is more to focus on developing first-class business support services, including a virtual dimension for firms not located in incubators. This report has identified four key incubator service areas and, in each case, we have highlighted a number of examples of best practice. Two areas – entrepreneur training and financing – might be prioritised since these appear to be where there is the least know-how.

**4.1.3. Business incubators should be encouraged to periodically undertake impacts assessments.** There are a number of reasons why incubators should undertake impact assessments, not least of all to demonstrate the benefits of public support. However, there are considerable methodological and practical data collection complications. We recommend that incubators themselves, and the national associations (if possible, supported by the Commission) should (a) identify best practice in this field; (b) develop a common methodology based on best practice; and (c) agree on one or more pilot exercises to determine the best way of proceeding.

**4.1.4. A further priority should be for business incubators reduce their dependence on public subsidies.** In this report we have argued that public subsidies for business incubators have an important role and that in many cases such support is accepted as a cost-effective way of helping to achieve policy objectives. However, even where this is so, there is a strong argument for encouraging individual incubators to reduce their dependence on public funding so that available resources can be spread more widely and used to promote new initiatives. The report has identified a number of ways in which incubators can improve income generation and hence their overall financial sustainability.

**4.1.5. There is a need to ‘professionalise’ the occupation of business incubator management.** As the report has made clear, the quality of the management team is a key to successful incubator activities. At present there is no recognised professional qualification or standard in this field although specific incubator management functions (e.g. personnel management, providing financial advice to companies) are of course areas where such standards exist. Consideration might be given, however, to developing EU-level professional standard relating to overall incubator management.

## 4.2 EU Level Actions to Promote Best Practice in Business Incubation



# EXECUTIVE SUMMARY

**4.2.1. As a starting point to any EU-level initiative, priority should be given to developing a set of common definitions and quality standards for European business incubators.** A starting point for any initiative to set up a European business incubator association should, we recommend, be to agree on an EU-level definition of a business incubator and, based on this, to devise EU-level quality standards. This report provides a starting point in defining key best practice benchmarks. There is also a lot of work that has been undertaken by national associations. It will clearly be important to take this material into account. One way of encouraging incubators across Europe to develop best practice would be to establish a financial instrument that invests via incubators that demonstrate effective operations in their client firms. This could be linked to existing venture capital funds or possibly opened up to wider markets.

**4.2.2. We recommend that the survey of European business incubators undertaken as part of this project should be repeated periodically, preferably on an annual basis.** Rather than relying on a ‘snap-shot’ as in this project, a longitudinal approach would make it possible to benchmark dynamically and to identify trends in incubator management and performance. The starting point might be to encourage national business incubator associations to adopt a common methodology based on a proforma that contains a number of common questions. Any initiative of this sort should also be linked to the further development of the Commission’s database of European incubators.

**4.2.3. Consideration should be given to establishing a European Business Incubator Association as an overall framework for taking actions forwards.** At present, there are a number of national associations in Europe which have occasional ad hoc contacts with one another but an absence of an over-arching structure at an EU level. Such a structure is almost certainly needed to secure the engagement of Europe’s incubator community as a whole in any initiatives to take this project forwards. An organisation that already has a pan-European role is the European Business Network (EBN) representing BICs and consideration might be given to developing a wider business incubator association based on EBN. Which ever approach is adopted it will be important to involve national associations closely in the discussions.

**4.2.4. In addition, we recommend that the Managers Group that has been established as part of this project should continue to meet on an occasional basis to help implement the recommendations made in this report.** The Managers Group has played a very positive role in this project and, assuming that there is a follow-up to implement the report’s recommendations, we suggest that the Commission should continue to convene periodic meetings of the group to review progress. In particular, the Managers Group might help to decide which aspects of business incubator operations should be examined in more detail by working groups (e.g. entrepreneur training, company financing). Consideration might also be given to expanding the Managers Group to include representatives from

# EXECUTIVE SUMMARY

Central and Eastern European candidate countries and to giving it a role with regard to establishing a European association.

***4.2.5. The European Commission should review the role of different Directorate-Generals and schemes to ensure that a co-ordinated approach is being adopted to the promotion of business incubators.*** A number of different Commission DGs have an interest – either explicit or implicit – in the operation of business incubators (apart from Enterprise DG, this includes DGs Employment, ECFIN, Research, and Regional Policy). To ensure that the various types of support the Commission can provide to incubators is co-ordinated, and that incubators themselves promote broader EU policy objectives, we recommend that there should be discussions between DGs to develop a Commission-wide strategy and action plan for the promotion business incubators in Europe.

***4.2.6. In addition to the purely EU dimension, steps should be taken to improve the sharing of best practice between European and North American business incubators.*** This report has not been able to make detailed comparisons between business incubator operations in Europe and the USA but it is nevertheless clear that there is much to be potentially learnt from sharing experience and know-how. Through this project, good contacts have been established with the NBIA and it is a question of now further developing the relationship.

## 5. Summary of Key Benchmarks

The table on the next page provides a summary of key averages, ranges and benchmarks that can be quantified. The values are based on an analysis of the CSES survey data and discussions with incubator managers on best practice standards. It should be stressed that given the diversity of incubator operations and objectives, the benchmarks will not apply universally. Similarly, it is not possible to quantify benchmarks for many aspects of incubator operations.

# EXECUTIVE SUMMARY

## *Summary of Key Incubator Performance Statistics and Suggested Benchmarks*

<b>Setting Up and Operating</b>	<b>Average</b>	<b>Range</b>	<b>Benchmark</b>
Average capital investment cost	€3.7 million	€1.5 to €22 m	NA
Average operating costs	€480,000 p.a.	€50,000 to €1.8 m	NA
% of revenue from public subsidies	37%	0% to 100%	25%
Incubator space	3,000 m <sup>2</sup>	90m <sup>2</sup> - 41,000m <sup>2</sup>	2,000 – 4,000 m <sup>2</sup>
Number of incubator tenants	27 firms	1-120 firms	20 – 30 *
<b>Incubator Functions</b>	<b>Average</b>	<b>Range</b>	<b>Benchmark</b>
Incubator occupancy rates	85%	9% – 100%	85%
Length of tenancy	35 months	6 months - no max	3 years
Number of management staff	2.3 managers	1 – 9 managers	2 managers min
Ratio of incubator staff: tenants	1: 14	1:2 – 1:64	1:10- 1:20
% of managers' time advising clients	39%	5% – 80%	50%
<b>Evaluating Services and Impacts</b>	<b>Average</b>	<b>Range</b>	<b>Benchmark</b>
Survival rates of tenant firms	85%	65% – 100%	85%
Average growth in client turnover	20% p.a. (2001)	5% to 100% p.a.	25%
Average jobs per tenant company	6.2 jobs per firm	1 to 120	NA
New graduate jobs per incubator p.a.	41 jobs	7 to 197	NA
Cost per job (gross)	€4,400	€124 to €29,600	€4,000 to €8,000

\* see note on setting up and operating incubators

### Notes:

Capital investment and operating costs: It is inappropriate to set benchmarks for incubator capital investment and operating costs because these will vary widely depending on the type of incubator. For example, a biotechnology incubator requires dedicated laboratory space as well as office space, whereas an incubator providing just office to new start-ups will require less capital investment.

Proportion of revenue dependent on public subsidies: Whilst the public funding requirements of incubators will inevitably vary depending on location-specific factors such as the dynamism of the regional economy and the extent of market failure, we have assumed that incubators should try and increase the proportion of operating costs derived from their own activities (rent, advisory services, etc).

# EXECUTIVE SUMMARY

Incubator space/number of tenants: The average incubator space in the survey was 3,000m<sup>2</sup>. There is a good deal of evidence to suggest that a minimum of 2,000 m<sup>2</sup> space is needed (enough to accommodate 20-30 companies) to achieve economies of scale. We suggest a range of between 2,000 m<sup>2</sup> to 4,000 m<sup>2</sup> as a benchmark depending on the type of incubator.

Length of tenancy: A benchmark of 3 years is suggested. It should be noted that the benchmark applies to the average incubator and would not be appropriate for some specialist types of incubators, e.g. biotech incubators, high-tech R&D and high-tech manufacturing because of the longer product development lead times associated with those business sectors, amongst others.

Number of Managerial Staff/Ratio of Staff:Tenants: The benchmark of at least two managers assumes an average of 20-30 tenants and allows sufficient flexibility to cover absence (training and professional development, conferences, holidays, sickness etc.) while still ensuring that tenant firms have permanent access to managerial-level advisory support at all times. Given that the real added value of incubation lies not in real estate aspects but in the quality, relevance and utility of business advisory, the ratio of incubator managers to incubator tenants should ideally not exceed 1:20.

Proportion of Management Time Advising Clients: Currently, the proportion of management time spent advising clients, highlighted in the survey, stands at 39%. We have assumed that, ideally, it should be possible to 'free-up' management so that more time is spent advising tenants and less on administrative matters.

Survival rate of tenant firms: The survey revealed that the survival rate of firms reared in an incubator environment was significantly higher than the business success rate amongst the wider SME community, estimated at 30-50% (over a 5 year period). In the survey, there was a notable clustering of incubators reporting a survival rate amongst tenant firms of 80-90% and the benchmark is based on this. The survival rate of incubator tenant firms operating in more high-risk sectors such as high-tech industry may well be lower. We would emphasise that survival rates are one indicator of the performance of incubators, of more importance is the extent to which incubators can contribute to the accelerated development of innovative, high-growth firms and their capacity to create new jobs.

Job creation – average jobs per tenant company / new jobs per incubator: Whilst employment creation is one of the key objectives of business incubators, setting a benchmark for the number of jobs created per firm or per incubator would be inappropriate because the number of jobs created will vary greatly depending on the type of companies being incubated, the amount of tenants the incubator can accommodate and the amount of available space. The number of jobs generated by a typical tenant company will vary immensely depending on the type of industry the firm specialises in, the extent to which industry is technology-intensive as opposed to labour intensive. Similarly, the total number of graduate jobs created per incubator will vary because the total aggregate number of firms varies widely between incubators specialising in different types of industries.

Cost per Job: The average gross cost per job according to the incubator survey was €4,400. When set-up costs and the amortisation of capital are taken into account, the figure rises to €6,700. Rather than setting a benchmark, we have set a range, which we feel is more appropriate given that incubators receive widely differing levels of support from the public sector/ EU depending on location-specific factors.