



INCOMPASS

REGIONAL POLICY IMPROVEMENT FOR FINANCIALLY
SUSTAINABLE CREATIVE INCUBATOR UNITS

Regional Implementation Plan Rotterdam – Delft

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1 Introduction

This Regional Implementation Plan (RIP) is one of a series of such plans that together with the Best Practices Toolkit constitute the final outcome of the INTERREG IVC project InCompass. All partners in the InCompass consortium prepare a RIP for their own cities or regions, twelve in total. Each RIP specifies fields of attention for policy-makers and formulates recommendations that might influence policies to improve the financial self-sustainability of business incubators for the creative industries. Hence, the target group of RIPs primarily consists of local and regional policy-makers. This RIP is the one for the region Rotterdam - Delft.

The methodology of InCompass is based on the principle of transnational learning by means of study visits. All partners of the consortium have paid visits to a selected number of cases of incubators that were organized and hosted partners in seven regions. Each partner is free to follow its own methodology to get from the practices that have been observed at the visited incubators to its RIP. This document describes the methodology followed in the region Rotterdam - Delft, as well as the resulting fields of attention and recommendations.

This RIP should be consulted together with the Best Practices Toolkit that was published on the project website in November 2014. The Toolkit presents a comprehensive overview of 16 best practices that have been selected in a highly structured way from all the observed practices during the study visits. The Chapters 2 to and including 6 of the RIP contain a summary of the Toolkit and can be omitted by readers who are already familiar with that document. The last two chapters are region-specific, presenting respectively the methodology that was followed by the Regional Implementation Group of the Rotterdam – Delft region, as well as the Regional Implementation Plan itself.

2 Background

Business incubators are seen as an important component of the regional innovation system, as they are a means to stimulate local or regional growth by increasing the number of successful business start-ups. For cities or regions, more successful start-ups mean an increase in added value and employment (Phan *et al.*, 2005:167). Moreover, as start-ups tend to be more innovative than existing firms incubators may contribute more than proportionally to the local or regional innovation system (Aerts *et al.*, 2007:254; Schwartz, 2011:491-2). This is the main reason for municipalities and regional governments to initiate or support business incubators, and many incubators indeed depend to some extent on public funding. Many incubators are public or non-profit organizations or social enterprises, and it is often taken for granted that they will be financially supported by national, regional or local authorities. This is even more true as many incubators are supported by universities which, at least in Europe, also depend primarily on public funding and should de facto be regarded as public subsidizers.

The recent economic downturn, however, has made incubators vulnerable due to the austerity measures of public authorities such as budget and subsidy cuts. Moreover, it cannot be taken for granted that the public funding of business incubators at the level it was before the economic downturn will be re-established, irrespective of any recovery in public finance. This makes the funding of business incubators an important policy issue with regard to a stable regional incubation system in the longer term.

During the last two decades or so the attention paid to incubators for start-up business has strongly increased, as has the number of incubators itself. An extensive body of literature has been established, most of which deals with methods of incubation and the various types of incubators. Considerably less attention has been paid, however, to the business models of incubators as enterprises in themselves. Chandra and Medrano Silva (2012:4) distinguish three revenue models applied by incubators:

- the *landlord model*, based on rents from tenants and fees from clients; this can be self-sufficient if e.g. the building is provided to the incubator for 'free';
- *equity sharing*, in which the incubator takes a share in the start-up company; assuming that a sufficient share of start-ups is successful, this may generate a stable income, but it requires considerable pre-investment and time, since substantial revenues are generated in the acceleration phase at the earliest, and not all start-ups are successful;
- *funding or sponsoring*, e.g. by universities or public authorities.

Literature, study visits and discussions within the Regional Implementation Group Rotterdam - Delft all point at the existence of an increasing variety of incubators of different generations, with different focuses and with different approaches towards incubation. Incubators tend to include a building, a community of start-ups, and a support programme. However, they may also lack any of these elements and still be considered incubators in the sense that incubation of start-up business is their core activity. A focus on the incubation process as advocated by Ahmad and Ingle (2011:628) makes sense, therefore, as incubation is the *raison d'être* of the incubator. Nevertheless, these revenue models indicate that, from the perspective of the question addressed here (how to make the incubator more financially sustainable), the nature of the incubator itself is equally important, as the building or organisation may generate revenue which can sustain the incubation process, for instance by renting out spaces or organizing events. Moreover, the choice for a revenue model may affect the activities of the incubator. In the case of the landlord model, a dependence on rents may seduce incubators to become less selective and focus not just on start-ups but also on mature firms that can be charged higher rents. The equity sharing model, in contrast, is likely to stimulate the implementation of strict selection criteria for start-ups that apply for support, since the future income of the incubator directly depends on the success of the start-ups.

In practice most incubators combine two or three of the above models. Indeed, most incubators operate on a non-profit base (sometimes as social enterprises) and to some extent depend on public funding (Chandra and Medrano Silva, 2012:4; Al-Mubarak and Busler, 2010:9). However, in recent years the consequences of the financial and economic downturn that local governments have faced, and in most cases still face, have forced many to implement stiff financial austerity policies such as cuts in public subsidies. Depending on their funding situation, severe consequences for incubators are possible. In fact, the greater their dependence on public funding, the more vulnerable these incubators are to austerity measures.

The financial sustainability of incubators is an important factor for achieving a stable regional incubation system in the longer term. Current literature, however, provides little insight into the cost-effectiveness of incubators and the incubation process, or the role of public funding in this. The InCompass project fills this gap in our knowledge, albeit in a very practical manner and raising new questions for further research. These concern the shape and variety of incubators and incubation approaches, as well as the transfer and implementation of practices between incubators and regions.

3 The InCompass project

3.1 Objectives

The full name of InCompass - 'InCompass: Regional policy improvement for financially sustainable creative business incubator units' - gives away the aim of the project. InCompass aims to support the self-sustainability of creative incubator units and enable them to develop innovative methods, in particular revenue models, to move away from a too strong dependence on public funding. While much research in previously funded projects has focused on the role and value of specific activities undertaken within creative incubator units, i.e. the incubation process itself, InCompass aims to identify ways how these units as such can become independently financially sustainable, hence considering incubators as such to be companies

In view of this, InCompass aims:

- to identify existing, innovative good practices that contribute towards the achievement of financial sustainability of incubation units for business start-ups in the creative industries;
- to assess and test the transferability of these good practices between regions for local implementation and adoption into policy, thereby making a significant contribution to evidence-based regional policy-making;
- to develop practical and feasible implementation plans for the transfer and application of good practices and improvement in regional policies across all regions.

3.2 Project consortium

The InCompass consortium consists of 15 (later 14) partners in 12 regions (Figure 1). The partnership covers the 'triple helix', including policy-making public authorities such as municipalities and regions, knowledge and research institutes, and private actors such as business incubators and science parks.

Figure 1: The InCompass project consortium.



4 Methodology

4.1 Case studies and study visits

Given the focus of the research on practices and policies, and the diversity of incubators and local contexts, a qualitative approach based on case studies was considered the most appropriate to provide a rich insight into incubator activity. Hence, the analysis in InCompass is informed by a series of 29 case studies of business incubators in seven cities and regions across Europe, out of the twelve that participate in InCompass (Figure 2). These case studies are based on desk research, site visits, and in-depth interviews and discussions with incubator managers, start-ups and local and regional policy-makers. The results of the case studies have been validated by local and academic experts and professionals in the field of incubation, including representatives of the host incubators. Furthermore, the results of each study visit is discussed once again within the project consortium, in a series of thematic seminar held during the regular project meetings.

Figure 2: Study visits.



The cases show a wide variety in for instance size, focus, ownership and funding. A rough division can be made between incubators focused on non-tech creative industries such as design, fashion, writing or crafts, and incubators focused on tech-based creative industries such as IT and games development. The visited cases of the former type are often located in old industrial buildings in urban areas, those of the latter type mostly in newly constructed buildings on urban edges. The latter type also is often linked to, or part of, higher education institutes or science parks. Nevertheless, this is not a clear-cut division, as many incubators should be positioned between or outside these two categories.

As may be expected most publicly owned incubators fully or partly depend on public funding, while privately owned incubators tend to be less dependent on public funding. It was difficult in many cases to establish the exact degree to which incubators depend on public funding, which may differ from year to year and is mostly combined with other sources of income. Only few incubators are fully dependent on public funding.

The situation of incubators (e.g. the number of incubatees) tends to vary over time; moreover, several incubators that were visited during the first year of the research since then had to cease or alter their operations due to financial reasons, once more illustrating the precarious funding situation

of many incubators. It should be noted, therefore, that unless mentioned otherwise the information presented with regard to the case study incubators reflects the situation at the time each incubator was visited, between May 2012 and February 2014.

4.2 Working groups

The data collection, analysis and reporting in InCompass have been structured according to three working groups. These reflect three main domains of incubator activities that may generate income or savings other than public funding:

1. *Commercial contextualization* includes first and foremost the rents and fees that start-ups pay in the incubator for services, facilities and space. Furthermore, income may be generated by renting out facilities and unused spaces to commercial parties, by developing additional activities (e.g. hotel, catering, conference tourism), or by supplying specialised services (e.g. consultancy services) to external companies. Finally, income might be generated from start-ups that have grown and left the incubator, for example by equity sharing.
2. *Social contextualization* involves networking activities and relations to the local context of the incubator. Networking within an incubator aims to increase informal learning by incubatees through the exchange of new knowledge, information and best practices. This may result in forms of co-creation. Networking activities not only entail stimulating cooperation and co-creation between incubatees within the incubator, but also between incubatees and potential business partners or associates outside the incubator.
3. *Tiers of support, networks and partnerships* include all the more or less planned and organized forms of support and partnerships. This includes both training and coaching as part of the incubation programme, and support by external partners of the incubator.

4.3 Selection of best practices

The 29 case studies resulted in a vast array of approximately 170 observed 'good practices'. Some of these were unique to a single incubator, bound to the specific circumstances of one particular case, while others were observed in a more or less similar form in many cases. A process of aggregation and selection was applied, which resulted in 16 best practices. Together, these are based on about 100 out of the 170 good practices.

Five criteria guided the selection of best practices:

- 1) practices are transferable from one case to another;
- 2) practices have the potential of long-term income generating;
- 3) the risk involved with the implementation of a practice is clear and manageable;
- 4) practices contribute to the initiation or development of a regional incubation system;
- 5) practices can be influenced by local and regional public policy-makers.

With regard to the first criterion, a practice must first and foremost be considered transferable from a region of origin to a region of destination, for InCompass is based on transnational learning. Second, a practice must be considered remunerative, i.e. to offer opportunities for incubators to generate income not only on the short term but also on the (somewhat) longer term. The third criterion aims to limit the risk of implementation of a transferred practice. Each such implementation may involve some risk, but the magnitude must be assessable at beforehand as both acceptable and manageable. These three criteria have direct impacts on the income generation capacity of incubators, and are therefore of direct importance to incubator management. The fourth places practices into the broader perspective of the ultimate scope of InCompass to strengthen the regional

economy. And least but not least, the fifth is based on the overall objective of Interreg IVC, and therewith of InCompass, to influence public policies.

The qualitative nature of the observed practices made the assessment and selection also a largely qualitative process. Accordingly, the above criteria have been applied as a guideline for selection rather than as a quantitative ranking framework. No set strict rules, for instance a minimum number of criteria that should be met or a distinction between primary criteria that should be met necessarily and secondary criteria, were set.

5 Best practices

5.1 Overview

The assessment and aggregation process, as described in the previous section, resulted in 16 ‘best practices’ (Table 1). Most of the selected best practices are in the domains of commercial contextualization and tiers of support, networks and partnerships. It was found that practices with regard of social contextualization, such as the networking event or the construction of common ‘third spaces’, while considered of great importance to start-up companies, in general have little potential to improve the financial sustainability of the incubator itself.

Table 1: Selected best practises.

Working group	Best practice
Commercial contextualization	1) Rent out workspaces to non-start-up tenants to establish cross-subsidy
	2) Rent out other spaces than workspaces to third parties and for events
	3) Apply for EU grants
	4) Apply for financial benefits from public authorities, other than subsidy
	5) Introduce equity sharing
	6) Market consulting services on the basis of incubatees’ knowledge
	7) Sell the incubation programme
Social contextualization	8) Valorise the incubator’s relation to the neighbourhood
Tiers of support, networks and partnerships	9) Build an alliance with a higher or vocational education institution
	10) Involve alumni
	11) Make an agreement with a trust that financially supports start-ups
	12) Focus on the provision of workspaces and ‘outsource’ the support programme
	13) Focus on pre-incubation and raising awareness
	14) Invest in long-term partnerships
	15) Apply a mix of start-ups and more mature firms
	16) Focus on the development or reinforcement of clusters

5.2 Examples

For a description of all 16 best practices and their application we refer to the Best Practices Toolkit. Here we briefly present just a few examples.

Rent out other spaces than workspaces to third parties and for events

Many incubators rent out non-workspaces to third parties. This includes for instance meeting rooms, studios or rooms with particular equipment such as a 3D-printer. In many cases it also involves spaces for events such as workshops, art exhibitions, theatre performances or social events like weddings. Many incubators, in particular non-tech ones, are located in former industrial buildings or schools that include large spaces and are considered attractive locations for events.

The transferability of this practice is partly depending on the type of spaces available in the incubator building and the possible nuisance of events for the surrounding urban area (such as noise). The income-generating potential of this practice depends to a large extent of the opportunities provided by the incubator building, as well as on the availability of competing locations in the city or region.

Where appropriate public authorities may allow for flexible regulation concerning e.g. noise to enable the organisation of events. In the case of for instance former industrial buildings, safety regulation may be applied in a flexible (but responsible) way.

Trinity Buoy Wharf (London) offers spaces and support entrepreneurs who want to grow their business. Because of the location outside the centre of London the rent level is relatively low. The buzz and liveliness of a typical neighbourhood are missing, however, and it requires some effort to attract the general public to the area. This is the more important as most of the income of Trinity Buoy Wharf is generated from renting out spaces. The historic wharf is transformed in a venue of artists with spaces that are suitable for weddings, media centres, conferences, filming, photo shoots. Further amenities include studio and gallery space, a pier, boat club, school, rehearsal rooms and two dining options.

Figure 3: Working spaces in converted shipping containers at Trinity Buoy Wharf, London.



In the *Creative Factory* (Rotterdam) the large open space for joint activities of the incubatees is also used to host groups of external visitors for events like workshops. To host these groups, the Factory supplies a variety of services and facilities, including conducted tours through the building - a former grain silo -, ICT use and catering. This space has its own bar, and for catering the Creative Factory has a partnership with a social enterprise from the neighbourhood, although other catering services are used as well.

Apply for EU grants

Several incubators successfully applied for projects funded by e.g. the European Regional Development Fund, the European Social Fund or the EU Life Long Learning programme. In most cases European funding is additional to other sources of income, but occasionally a single EU grant is by far the largest source of income of the incubator. Although EU-funding still involves public funding, it is not at the expense of local or regional authorities.

The risk involved is low when EU-funding is only one of several sources of income. However, a considerable risk for the continuity of the incubator may exist when a EU grant constitutes the main income of an incubator, due to the temporary nature of these grants (typically about three years). Furthermore, incubator managers complain about the complicated and time-consuming administrative procedures required by many EU funding schemes. Assistance could be provided for this at a regional level.

Patras Science Park (PSP) generates a varying but significant share (in 2012 over half) of its income from EU-funded projects. On the one hand these projects increase the financial security of the PSP. On the other hand, they improve the competencies of the internal staff of the PSP, as the funds usually are received to implement various business, innovation or technology development projects. Generally speaking, the project funded add value to the PSP itself as well as to incubatee companies via workshops, trainings, consultancy etc.

There is a legal separation between the non-profit organization *Media Evolution* (Malmö) and for-profit organization *Media Evolution City* (MEC). The advantage of this practice is that *Media Evolution* as a non-profit organization is eligible for types of funding for which a for-profit organization is less eligible or not eligible at all (including EU projects), while MEC is authorized and capable to operate on the market (e.g. as a consulting company).

Valorise the incubator's relation to the neighbourhood

In some cases incubators are supported because of the assumed positive influence they have on their local urban environment. If an incubator can rightly claim that it contributes to unemployment reduction, strengthens social cohesion within the local community, or contributes to the improvement and maintenance of public space, this may provide an added value to its urban surroundings that the incubator may valorise. For publicly-subsidized incubators it may be a justification for public funding, while in other cases it may be a basis for support from the local community itself.

The involvement of public policy-makers may take many forms, depending on the type of neighbourhood improvement and the role of the incubator in this. Remarkably, of the cases studied in *InCompass* the incubators that most emphasised their relation to the local community tended to be privately funded. This suggest that public authorities that stress the role of incubators in neighbourhood improvement should link public funding to clear targets.

Camden Collective (London) is partly funded from a public neighbourhood improvement programme, and partly by the Camden Town Unlimited Business Improvement District (BID). Hence, it is funded, indirectly, from a voluntary levy of 1 percent of companies' rateable value paid by 300 businesses in Camden Town. Thus, the incubator management must provide a reasonable value proposition to businesses in the BID in order to get their approval to designate the support to the incubator. It must be plausibly contribute to enhance the reputation of the area, to fight drugs and crime, and to support business development.

The *Carnival Lab* in Patras is all about social contextualisation, in the sense that interaction with the local and regional environment is essential for its functioning. Patras carnival is an inseparable part of the local community; it is mainly a huge social network all over the city, and the Carnival Lab is its core. The financial means generated from the carnival are enormous, but these means do not trickle down into the funding of the Lab. Accordingly, the Lab plans to raise funding on the basis of its goodwill and social capital in the local community, by means of for instance sponsorship programmes and a Carnival Card offering certain benefits.

Figure 4: Patras Carnival Lab (left) and Camden Town (right).



Build an alliance with a higher or vocational education institution

Several incubators are related to, or even part of, an institution for higher or vocational education. Often this relation is not limited to one institution. Universities consider incubators a way to market their research and patents in the form of spin-off firms, or to improve the employability of their graduates. The latter is increasingly used as an assessment and funding criterion for universities in for instance the UK. Educational institutes may also partly fund incubators, but this is not always the case. If publicly-funded universities or colleges fund incubators, this implies public funding is still involved, but by other (often national) sources than local and regional authorities. The question addressed in InCompass, how to make creative incubator more financially sustainable with as little dependency on public money as possible, still 'allows' public funding, but not by local or regional authorities. Policy-makers can facilitate and support the implementation of this practice, for instance by providing a vacant building.

Strictly spoken *London Met Accelerator* is part of London Metropolitan University, rather than a partners. Nevertheless, the relation is important and mutually beneficial. Universities are struggling and have to undertake efforts to attract students. Student satisfaction and employability are critical,

and it has been proven that entrepreneurial training increases employability. Accordingly, the Hatchery (a pre-incubator) is a means for the university to improve the employability of its graduates. Meanwhile, students themselves are increasingly aware of the possibility to start their own business. The Accelerator offers them work space and support services.

Higher education and academic research are important components of the innovative ecosystem in *Tagus Park/Incubadora* (Lisbon). R&D is being carried out first and foremost by the main knowledge institute, the School of Engineering of Lisbon University of Technology. There is also a location of the Open University, an institute of e-learning for B.A., M.A. and Ph.D. degrees. Furthermore, near Tagus Park the Catholic University of Portugal and the Atlantic University are located.

Involve alumni

Start-up companies that have become successful and leave the incubators can be a valuable resource for the incubator. They may be involved as mentors or coaches, in networking activities, or even, possibly, as sponsors. Many incubators recognize the potential of having a community of alumni, but hardly any of those studied keep track of start-ups after they leave the incubator. Some incubators also apply a related model based on membership, in which alumni are stimulated to remain a paying member after leaving the incubator. This proves to be a viable model to let former incubatees pay a fee in return for the use of certain facilities and services. Alumni may also contribute in kind to the support programme. If alumni of the incubator are not known, some time may be required to build up a sufficient pool of ex-incubatees.

The only expenses of the incubatees of *Company Care* (Copenhagen) is the yearly membership fee. However, membership does not stop at the end of the 24-month programme: firms can continue this after having left the incubator. Continuing the membership has certain advantages, such as free access to the networks of incubatees and partners - the 'community' - of Company Care, and to the worldwide video conferencing system. Company Care therefore expects that most members will continue contributing to revenues by fees years after leaving the incubator. This means that the only success factor of Company Care is the success of its actual and former incubatees: "only if these are successful, Company Care is successful".

6 Transfer and implementation of practices

6.1 Transnational learning

The case studies of incubators and the identification of good and best practices is only one side of the project; in fact this is probably 'the easy part'. The other - and the central aim of INTERREG IVC - is the transfer of practices and their implementation in local and regional policies, primarily in partner regions but potentially elsewhere, and after the project duration, as well.

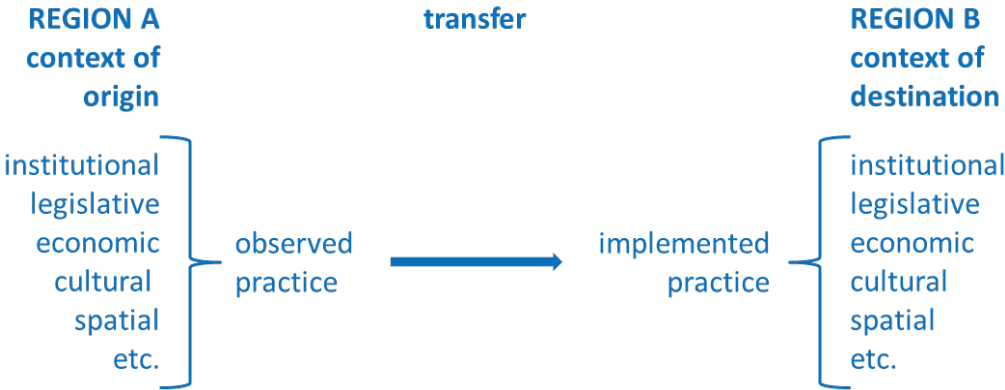
6.2 Dual contextualization

The transfer of practices between incubators and regions resists the application of models that are based on a simple quantification or codification of practices. It involves not just a transfer between incubators, but in the transnational context described here it also involves a transfer between cities,

regions, and countries. This means that not just aspects such as the focus and the business model of the incubator are different, but their context - economic, institutional, legislative, spatial, demographic, cultural and so on - is likely to differ as well. Moreover, these differences are substantial, considering both the variety of incubators that was observed in InCompass, and the diversity of regions all over Europe that are involved.

The above means that the successful transfer and implementation of practices depends on particular and contextual information that can reflect the nuanced differences between practices and cases, cities and regions. However, even if this suffices to understand and interpret the practices observed at the incubators visited during the study visits, a similar array of specific contexts exists at the destination side: the incubators and regions that adopt and implement observed good and best practices. Transnational learning, if it is to result in the successful transfer and implementation of practices, therefore requires what may be called ‘dual contextualization’: in-depth knowledge of both the origin and destination regions and, accordingly, of the context of origin and the context of destination. This is shown schematically in the below figure.

Figure 5: Dual contextualization in the transfer and implementation of an observed practice.



6.3 Regional Implementation Groups

Within the InCompass project consortium, and for the duration of the project, the adoption of practices has been coordinated primarily by the Regional Implementation Group (RIG) that is installed in all partner cities and regions. These include the project partner, who knows the context of origin of observed practices, at least as far as the level of in-depth analysis in InCompass allows. In majority, however, the RIG consists of local experts from business, government and knowledge institutions, that are able to assess how a practice can fit in the regional context of destination. This means knowledge on the context of origin and the context of destination is combined in the RIG, which provide the best possible conditions for successful transfer and implementation of observed practices. The exact size and composition of the RIG differs between partner cities or regions, according to their specific context.

6.4 Regional Implementation Plan

In each partner region, the RIG also assists the project partner in the formulation of a Regional Implementation Plan (RIP). This plan describes to which extent and how the results of the project -

the observed practices - can be implemented as to contribute to the financial sustainability of the incubators in that particular region and, from a broader perspective, to the strengthening of the local or regional incubation system. Together, the twelve RIPs represent the final project results aimed at the end users of InCompass: the local and regional policy-makers.

Figure 6: The RIG Rotterdam-Delft at the special meeting during the Dutch Incubator Forum in The Hague.

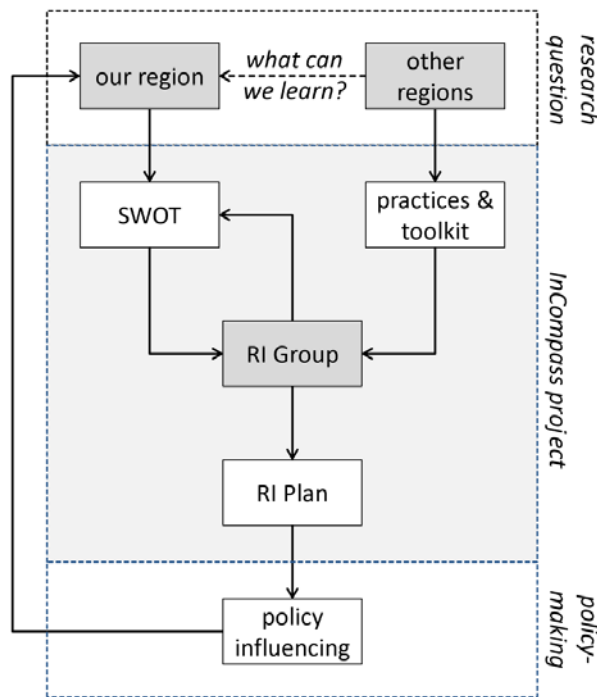


7 Methodology of the RIP for the Rotterdam – Delft region

7.1 Context of origin

The below graph (Figure 7) schematically pictures the methodology that has ended up in the RIP Rotterdam – Delft. It starts at the top right-hand side, where ‘other regions’ stands for the 29 case studies of incubates in different regional contexts of origin. The gross-list of 170 good practices that was collected from the case studies is not only unworkable as input for a RIP but some practices are also irrelevant for Rotterdam - Delft due to their distinct contexts of origin. As described in the sections 4.3 and 5.1, this vast number of good practices was reduced to 16 best practices. These best practices have been elaborated in the Toolkit and put at the disposal of the RIG.

Figure 7: Methodology followed in the RIG Rotterdam - Delft.



7.2 Context of destination and transfer of practices

The relevance of practices of different regional origins has been assessed by means of a SWOT analysis. To fit in with both the regional scope of this Implementation Plan and the overarching aim of InCompass project to strengthen the innovativeness of regional economies, it is a SWOT of the regional innovation system of the Rotterdam – Delft area. Actually, it is the start for the RIG to frame strategies for new policies to strengthen that system.

Basically, a SWOT analysis results in four rows that correspond to the letters in this abbreviation. In our methodology, the rows contain four types of features that impact upon future development of the Rotterdam – Delft regional innovation system. Strengths and Weaknesses are primarily internal characteristics of this innovation system itself, and Opportunities and Threats characteristics of its external environment.

In order to work out these four separate rows of different types of characteristics into well-considered policy strategies, a conceptual framework is needed for a systematic analysis that matches internal strengths and weaknesses with external opportunities and threats. The RIG applied the confrontation matrix presented by Kearns (1992; see below Figure 8). In this confrontation matrix, the identified Strengths and Weaknesses are ranked along one margin and the Opportunities and Threats along the other. The cells of the matrix indicate the possible combinations, each of which has different implications for policy strategies. Four types of policy strategies can be distinguished:

- S+O: invest in promising strengths to exploit comparative advantages;
- S+T: mobilize resources to defend threatened strengths;
- W+O: decide about whether to invest to strengthen promising, but weak areas;

- W+T: control damage by weak and threatened areas by avoiding them and looking for alternatives.

Figure 8: The confrontation matrix (Kearns, 1992:13).

	major opportunities ▪ ▪	major threats ▪ ▪
primary strengths ▪ ▪ ▪	invest clear matches of strengths and opportunities lead to comparative advantage	defend areas of threat matched by areas of strength indicate a need to mobilize resources either alone or with others
primary weaknesses ▪ ▪ ▪	decide areas of opportunity matched by areas of weakness require a judgment call: invest or divest; collaborate	damage control areas of threat matched by areas of weakness indicate a need for damage control

The confrontation matrix of the regional innovation system of the Rotterdam – Delft area yielded a total of 18 strategies, spread over these four types of strategies. The confrontation matrix is included in the Appendix.

This RIP presents the final result of the exercise of placing, by the RIG, all best practices observed in regions of origin against the background of these types of policy strategies for the Rotterdam – Delft region of destination. The most comprehensive method is constructing a 16 x 18 confrontation matrix and formulate policy measures based on matches of best practices and desired policy strategies. The attempt to elaborate that matrix has shown, however, that many of the 288 cells are empty and that the others, if taken together, make up a broad mixture of ‘small ideas’ for new policies with relatively little mutual connections. So, instead of presenting that matrix, we deduced six overarching themes of more general nature that catch as much information in this large matrix as possible – some loss of detail is inevitable due to this reduction. These themes make up the core of this RIP and are presented in the following chapter.

The last step of the methodology, the arrow from ‘Policy-influencing’ at the bottom of Figure 7 to ‘our region’ at the top left-hand side, pictures the transfer and implementation of practices into policies. The six themes are, however, no recommended ready-to-implement policy measures to support financial sustainability of incubators for creative industries. Rather, they make up a background for such policy-making to be taken into account by the responsible local and regional policy-makers.

8 Themes regarding implementation of practices in the region Rotterdam - Delft

8.1 Introduction

As a background for practical policy-making that should be taken into account by local and regional policy-makers, this chapter consists of three parts. First, Sections 8.2 and 8.3 deal with two issues that question the background of InCompass in a rather fundamental manner: does the concept of the incubator still exist and what role can the government in the Rotterdam - Delft region actually play in financing incubators for creative industries? Having set this, Sections 8.4 up to and including 8.6 discuss possibilities for incubators and incubatees to generate revenues from relationships with respectively the educational sector, strong economic sectors and local urban surroundings. The last part of the chapter, Section 8.7, focuses on opportunities for policy-makers to facilitate reducing dependency of incubators on public funding.

8.2 Does the incubator concept still exist?

As noted before, in Chapter 2 of this document, the case studies in InCompass confirm the general belief that a variety of incubators, and incubator-like initiatives, that can be grouped into generations has come into being over the years. According to the RIG we have now reached the third generation. Generally speaking, each new generation provides different levels of facilitation and support to different types of start-ups and follow different incubation approaches. The cumulative assembly of cases of different generations has resulted in a broad plurality of features of incubators. Two eye-catching features are ownership and (sources of) funding. In between the two extremes of exclusively public and exclusively private ownership and funding, a diversity of mixed public-private models is observed in InCompass, although the exact proportion of each appears hard to determine in most incubators.

In addition, we have seen a diversity of incubators in terms of what are assumed their three basic components, i.e. a building providing affordable working spaces, shared office facilities and services; a support programme for incubatees; and networks of both internal and external social and commercial relationships. A 'complete' incubator is assumed to provide it all, but in practice quite a few lack one of these components, although even so undeniably involved in business incubation. An incubator that does not provide workspaces can be defined as a virtual one, and one that does not organize a support programme is in fact a multi-tenant building with shared workspaces, although the distinction of the latter with a physical incubator is not always clear and in practice indeed difficult to make. Regarding the last of the basic components, the building up of networks of cooperation between starting entrepreneurs, is a social process that takes place anyway in incubator buildings, but is deliberately organised and scheduled in some way or another only in incubators. Genuine multi-tenant buildings only rent out spaces.

The RIG concludes that there is no necessity for complete incubators, particularly not for linking workspaces and support programmes within their buildings. The number of examples where these two components are not accompanied indeed tends to increase. The case of the Creative Factory illustrates that complete incubators are rather vulnerable because one component can drag down both others in its decline. The Factory was still a complete incubator at the time of the study visit in 2012, but its occupancy rate, and therewith its revenues, has steadily decreased since then. This is mainly due to the increasing availability to incubatees of cheaper workspaces outside the building as

side effect of the economic downturn, but it is also suggested by the RIG that the support programme of the Creative Factory offered little value to offset its higher rents. It is an example of how an incubator model can lose its strengths and needs a shift towards a new model, which indeed now happens with the Creative Factory. Unlinking provision of workspaces and support programme is a policy to spread risks. Furthermore, it also creates opportunities to benefit from the 'best of both worlds'. The general support programme that is supplied by Medway Council to start-ups irrespective of their location, achieves economies of scale for this component without affecting the advantages of community and network building within the incubators.

Another distinction between incubators is an exclusive focus on start-ups against mixtures of start-ups and more mature firms. Although not fitting into the strict definition of an incubator, many cases studied in InCompass attempt to accommodate both groups. A deliberately balanced mix of both is supposed to promote cooperation between the two to the advantage of their incubation programme. In addition, it allows for cross-subsidy between these types of renters. If more mature firms derive more revenues from commercialisation of their output, they can be assessed for a higher rent than at their very initial stage which yields a surplus that can be used to subsidise the rents of genuine start-ups who can afford less.

Last but not least, incubators differ with regard to both the degree and the kind of sectorial specialisation. Some welcome incubatees in all kinds of activities while others follow strict criteria for entry in this respect. In general, InCompass has observed a rather explicit distinction between incubators that specialise in high-tech based against non-tech or high-content service industries, while stringent specialisation is less common within these categories. However, contradictory to the general observation of a rather explicit distinction between tech-based and non-tech incubators, some visited cases determinedly practice a strategy of 'integrated diversity' of education, technology (ICTs), performing arts and traditional crafts in order to create an ecosystem that encourages radical innovations rather than just the incremental innovations of highly specialised incubators. The RIG emphasises the advantage of such a diversity of tech- and non-tech branches and activities for its potentiality to generate radical innovations.

Somewhat related to the difference between a high-tech and a high-content type of incubator is the difference in the predominating revenue model of the incubatees. The RIG is of the opinion that, by and large, high-tech incubators aim at scalable production of the inventions or innovations by their incubatees - YES!Delft is mentioned as a textbook example of setting scalability as an obligatory criterion for entry - while most incubatees in high-content incubators are tied to a revenue model based on hourly rates. That difference has obvious implications for the evolution of the earning capacity and creditworthiness of the incubatees, and therewith for revenues from fees of the incubator itself. In general, scalability generates more revenues, and increases opportunities for, for instance, cross-subsidy.

All in all, it is highly clear that the diversity of incubators and incubator-like venues or organisations is increasingly widening. On the whole, according to the RIG it makes less sense than before to make typologies of incubators. What is more, it even forecasts that the concept as such might still be granted only a short life. But even if it will survive for quite some time, it leaves no doubt that this widening diversity has consequences for policy-making. In particular attempts to design generic policies for all incubators in a city or a region is becoming more and more difficult, if not impossible.

8.3 The role of government in financing creative incubators

The background of InCompass is the supposed cut back of local and regional public (co-)funding of incubators of new firms in creative industries, in particular when this concerns funding without any achievements for the public funder in return. In spite of this background, the study visits of InCompass have revealed the existence of several incubators, particularly in Southern Europe, that (still) are largely or even completely in public ownership as well as incubators with a considerable amount of public funding. Public financial contribution to business models of creative incubators is not a practice worth to recommend in the region Rotterdam - Delft. Owing to required budget cuts, the municipality of Rotterdam now charges cost-effective rents for buildings and space within buildings in public ownership, also to incubators, and Delft now demands greater efforts than before to incubators among its renters regarding the creation of different types of value (see section 8.6).

Key questions, then, are if local and regional public authorities can and should play any role in financially supporting creative incubators in our region in the first place. The RIG is convinced that the public sector is not by definition the most obvious and willing-to-act stakeholder in incubation of new creative firms. It observes several initiatives, in particular in Rotterdam, that support the development of start-up companies in creative industries, or create an incubator-like environment for such companies, in which the local government hardly plays a role, if it plays a role at all. One example is a commission by housing corporation Havensteder to the research bureau on urban development Stipo, to investigate the opportunities for transformation of part of its stock in the district Zomerhofkwartier (Rotterdam) into creative work spaces. Such initiatives are not always successful, but the question if a more significant role of local authorities would have made it more successful is not easy to answer. Instead, it is also argued by RIG that the currently growing intention by policymakers, national ones in the first place, to exert pressure on corporations to return to their core business - building and letting houses in the social sector – may be counterproductive: they own commercial property that is fit for incubator development, hence supplementing the government's limited possibility to develop incubators.

More in general, the RIG comments that the 'sense of security' of incubator business models due to a substantial public financial contribution can be even detrimental in the longer run, to the incubator itself, to its incubatees, to the government and, ultimately, to the regional innovation system. The key to this observation is the suspicion of a certain extent of 'laziness' of these incubators owing to their financial security, e.g. in developing networks of partnerships and cooperation with external businesses and institutions.

8.4 Relations with the educational sector

Overall, quite a few of the studied cases of incubators maintain relations with educational institutions. What is more, taken together these represent a multitude of different forms of relations. Inspired by these examples. The RIG concludes that strengthening such relations can also be beneficial in the Rotterdam - Delft region. On the basis of the comprehensive knowledge of such relation of some of its members in particular, it presents several comments and recommendations. Foremost, knowledge transfer by educational institutions to incubatees may teach these the necessary management and entrepreneurial skills to start a business, ideally by means of tailor-made courses that aim at specific gap in their skills. These courses are supplementary to courses on such skills in the regular curricula of the institutions where they studied, or still study, that supply knowledge that is usually both basic and generic rather than tailor-made for specific would-be starting entrepreneurs. The incubator should act as a liaison between incubatees and educational

institutions. The most obvious revenue model for incubators acting as such consists of payment by the incubators to the educational institutions for the knowledge transfer, and passing on these expenses to incubatees, supplemented with a fee.

By far the most observed relationship of incubators with education involves tertiary institutions, i.e. universities and schools for higher vocational education. The RIG emphasizes, however, that students of intermediate vocational education can also be of high value to incubatees. This is in particular the case with incubatees in crafts-based creative branches in which workmanship to manufacture creative products is required. Designers of for instance fashion or furniture, creative as they may be, are not always very practical in manufacturing the prototypes of their design. The incubator may charge a fee for mediating between creative designers and practically trained students. In Rotterdam, municipal policy has strengthened emphasis on cooperation between creative industries and both tertiary and secondary education – thus creating new opportunities for moneymaking by incubators, if involved. It remains worthwhile to explore how this policy is put into practice, which results it has already achieved, and if new opportunities are thinkable for, in particular, students of intermediate vocational education in both the city and the region as a whole.

The reverse of the above, i.e. provision of services by incubators or individual incubatees to (students of) educational institutions, is also observed in a few case studies. Quite common types of such services are demonstrations of the use of the latest equipment, workshops by successful start-ups, and apprenticeships for students with either start-ups or with the incubator organisation. The incubator or incubatees can make some money in exchange for these services, but these can also be in-kind payment to educational institutions for transferring knowledge: a kind of barter trade. A less common service provided to educational institutions is the development, testing and transfer by the incubator of ready-to-use courses and projects for students as element of their curriculum.

Figure 9: Student of Albeda Collega working at the RDM Campus (left) and the Faculty of Architecture and the Built Environment of Delft University of Technology (right).



8.5 Crossovers with strong regional economic sectors or clusters

“Creative industries do not solve their own problems, they help solving other sectors’ problems”. This quote by one of the RIG members points at the crucial importance of linkages and crossovers with other firms, preferably in strong sectors or clusters in the regional economy, for future growth

and development of creative industries. The benefits of such crossovers are mutual: they give firms outside the incubator, usually much larger and mature ones, access to innovative fruits of experiments by new creative entrepreneurs on the basis of their up-to-date knowledge - most are recent graduates of tertiary education – and create additional opportunities for firms in creative industries to grow by selling and further developing these fruits. In the end, both creative industries as a whole and the regional economic clusters benefit from the further development and implementation of innovative ideas owing to these crossovers.

Creative entrepreneurs that raise the interest by regular firms in their innovations also involve the particular subgroup of incubatees. In such cases, it is the incubator that can bring these into contact with interested external firms. This role may start with drawing the attention of external firms to incubatees they still do not know about. The scale of operation of most of such interested external firms is usually much larger than working together with one single start-up and the limited budget - for them - involved. It is therefore interesting for all parties, these firms, the incubator and incubatees, to see if more of the latter can be involved in this cooperation. To the incubator, its intermediary role justifies charging a fee to both sides of the mediation, hence approaching the model of the incubator as a consultancy firm.

For incubatees, crossovers with external firms is not only a matter of successful marketing of their innovative product or process, but also a valuable source of experience that can be considered part of their incubation programme. Connections and cooperation with such firms outside the incubator is very useful as a supplement to the largely theoretical knowledge that incubatees have obtained so far, either during their studies at tertiary educational institutions or during the incubation programme. In fact, the RIG concludes that the incubator is no longer by definition a breeding place where infants, start-ups in creative industries in the particular context of InCompass, are nurtured by protecting them against threats from the outside world. Instead, these are brought into contact by the incubator as intermediary with stakeholders in the outside world in order to enter into forms of cooperation in a very early stage of their existence.

A major question to answer in the context of this theme is which strong economic clusters of regional importance in the Rotterdam – Delft area can offer opportunities for crossovers with creative industries? The RIG identifies four: the medical and health care, the clean-tech, the port and logistics, and the agrifood clusters. All four are highly complex systems that consist of interconnected firms in different activities and institutions of secondary services. In the first two clusters, a large diversity of technology firms and institutions, mainly research institutions, are associated in the consortiums of Medical Delta and Clean Tech Delta. These offer in particular opportunities for cross-overs to incubatees in high-tech branches. For the particular case of the greenhouse farming cluster on the other hand, the RIG emphasises that it suffers from an 'image problem, hence creating opportunities for creative firms in the field of public relations campaigns and branding.

Important for incubators to be successful intermediaries between incubatees on the one hand and firms and institutions in these regional clusters on the other hand, is knowledge of these clusters. It is essential that the incubator management knows the right people, activities and places to 'plug in' incubatees, i.e. these clusters' key persons, activities, places but also needs for specific innovations that can offer their incubatees good opportunities for economically promising crossovers. This involves the necessity of in-depth and up-to-date knowledge of who the main players are in the different activities in the clusters, how their formal and informal networks are composed and constituted, and where and how these players can be contacted?.

A certain, if not considerable degree of sectorial specialisation of incubators in specific ‘domains of technology’ of the clusters is highly beneficial for the management to be capable to maintain their knowledge of such complex clusters both in-depth and up-to-date. But even then, incubators may not dispose of adequate knowledge of the clusters to achieve successful crossovers for incubatees. In such cases, they are possibly supported by stakeholders that are in some way or another involved in these clusters, for instance particular knowledge and research institutions, that also have some kind of partnership with the incubator. The RIG mentions the partnerships of the Creative Factory and RDM Campus with Rotterdam University of Applied Sciences (*Hogeschool Rotterdam*) and Delft University of Technology – at the time of the study visit in 2012 - as examples.

If incubatees succeed in working together in successful crossovers with regular firms in strong regional clusters, the risk assessments by financiers of funding these incubatees may work out more likely in their favour. Again, incubators can act as a mediator through bargaining with financiers - regular banks but also venture capitalists - in order to persuade these to take the risk to issue loans and credits to such incubatees. Incubator managers should select, make visible, and introduce the ‘most innovative pearls’ among its incubatees to these financiers. In addition to receiving fees for its work as an intermediary, these selected pearls offer incubators relatively low risk – high return opportunities for equity sharing as part of their revenue models (see the revenue models that are distinguished by Chandra and Medrano Silva in Chapter 2). Notably, however, quite a few studied incubators in InCompass are aware and even willing to take shares in start-up companies but actually none has done so, each for its specific reason(s).

8.6 Local embeddedness of incubators

Although it is the only selected best practice that fits into Working Group 2, social contextualization, the RIG pays much attention to embeddedness of incubators in their immediate urban environments. When elaborating on this embeddedness, the RIG has come to the conclusion that this can be mutually beneficial, i.e. not only valuable for the benefit of both the incubator and its incubatees – the main focus of InCompass – but also for the benefit of the urban environment it is located in. Incubators and their neighbourhoods may take advantage of each other’s proximity due to more or less similar qualities and services. These may, for instance, be a market for each other’s commodities, and provide each other amenities, lively atmospheres, and talented creative people in their respective communities.

The role of market suggests that both start-ups in the incubator and the incubator as a company itself purchase goods and services from businesses in their neighbourhood, in particular of various types of catering, hence supporting the local economy. The tacit agreement of the Creative Factory with the Neighbourhood Kitchen we heard of in 2012 is a fine example. With regard to the reverse, the neighbourhood as a local market for goods or services produced by incubatees, the RIG has concluded that this is less evident in practice. Although the case studies in InCompass do not go down into details of individual start-ups, it is quite likely that only a very few, if any, work on innovative products for such a small, local market only. In some cases, the local surrounding is part of the market area, for instance for the School of Ceramics in Aviles and the Carnival Lab in Patras that both produce for their cities and regional hinterlands. Mostly, however, markets not only exceeds but also bypasses their immediate urban surroundings owing to increasing levels of advanced digitalization and internationalization of creative industries, including start-ups in incubators.

A more mutual advantage is based on the presence of talent in the neighbourhood. By offering a pre-incubation programme, the incubator may provide access to proper working space, necessary

coaching and probably some seed money to drop outs and unemployed graduates in the neighbourhood who might have brilliant ideas for innovations. This can work out to be beneficially both for the neighbourhood and for the revenues of the incubator. This beneficial effect can be increased by a focus of the pre-incubation programme on sectors or branches that require workmanship to assemble designs into prototypes, like fashion or furniture industries. Such programmes contribute to a more inclusive local economy, not only by supporting talented young unemployed but also older skilled craftsmen who have lost their job. Local policy makers in the Rotterdam - Delft region can help by setting up a system that makes incubatees in the incubator and un- and underemployed in its surrounding area visible for one another, and by stimuli to these to cooperate.

Contributions to urban regeneration illustrate that value creation as an indicator to assess local embeddedness of incubators is not limited to financial value only, but also includes social and possibly even cultural value. In many practices, however, value creation in the surrounding area is not easy to realize. According to the RIG, the Creative Factory in Rotterdam at the start of InCompass project in 2012 is a clear example of very limited impacts of the intention to contribute to solving neighbourhood problems. In general, success is indeed very difficult to achieve because it depends on characteristics of both the incubator - ranging from transparency of the building to social features and behaviour of the population of incubatees - and its surrounding urban environment - in particular socio-demographic and business features. What is more, the RIG raises the methodological problem how value creation in urban environments due to the embeddedness of incubators can be measured. The local or regional government apparatus regularly lacks the necessary methodological knowledge, resulting in hoping for rather than proving and measuring value, if any.

The RIG distinguishes incubators with the additional objective to contribute to solutions for social problems in neighbourhoods from incubators that exclusively aim to nurture start-ups, thus adding new innovative businesses to the urban or regional economy. That distinction between two types of incubators is of major concern with regard to the availability of capital. In particular venture capitalists are generally less willing to finance firms – either incubators or their incubatees - that invest resources in lowly remunerative activities, if remunerative at all, to relieve local social problems. It is alone for this reason that local government should financially compensate incubators – which is definitely not ‘money for nothing’ - for their limited access to private money as a consequence of their contribution to value creation in urban regeneration.

By and large, the opportunities for incubators to derive financial revenues from embeddedness in their local urban environment are relative little remunerative. This is not in the last place because the most typical incubators for at least one type of creative industries - the non-tech ones - are located in obsolete buildings in run-down and relatively poor urban environments. In general, there are less opportunities to earn money from the local community in these areas than from local governments in exchange for their contributions to regeneration of these areas.

For incubators in public ownership, contributing to urban renewal or regeneration is sometimes an explicit objective. Nevertheless, the most telling examples of incubators providing such contributions observed in our case studies were non-public. Rewards for these contributions by other sources than local government, like the trusts and Business Improvement Districts we observed in London, show that such other sources also make neighbourhood improvement their purpose. . Such other sources of finance are, however, very rare in the Netherlands, if existing at all.

8.7 Opportunities for policy-makers in the Rotterdam - Delft region

The central objective of InCompass project presumes that urban and regional governments are both qualified and capable to adjust existing policies or to design new policies to strengthen the self-reliant earning capacity of incubators of new firms in creative industries. Regarding their qualification, the 170 good and 16 best practices identified by the project show, however, that quite a few are exclusively for the incubator management to decide on implementation, and, hence, beyond the competence of public policy makers. Even in case of incubators in public ownership, it is often the management rather than public policy-makers that is authorized to implement practices with regard to operation of the incubator. This most obviously concerns the type of practices in which use of the incubator building is involved – particularly by means of renting out spaces to various kinds of interested parties. Other interesting practices beyond the reach of public policy-making attempt to hold on to former incubatees located that have left the building for another location. That can be done by means of including them in a ‘revolving investment fund’ or by offering them a paid membership of the incubator community via a digital portal. Not among the observed practices in InCompass but emphasized by the RIG, therefore with a view to the Rotterdam - Delft region, finally, is the organisation of a crowd funding champagne for incubatees for which a fee proportional to the raised sum can be charged.

The capability of government policies to strengthen the self-reliant earning capacity of incubators is usually labelled facilitation or creation of conditions for a better performance of incubators with supposed direct or indirect positive impacts on their revenues. One example proposed by the RIG is relaxation of existing regulations regarding administrative procedures of operational management or regarding accommodation of incubators that otherwise impede moneymaking. One example is administering regulations concerning preservation of historic monuments in a way that leaves more opportunities to transform these into incubator buildings.

The above general observation regarding the capability of government policies goes well with one of the main conclusions by the RIG that incubators for creative industries have grown into intermediaries between their incubatees on the one hand and major players in the urban or regional economy and society on the other hand. In the Sections 8.4 up to and including 8.6, the intermediary role of incubators is worked out with respect to knowledge and educational institutions, to large and formally organised firms in private industries, including finance, and to local government departments for urban regeneration. The local government can facilitate that intermediary by taking the lead in creating platforms to bring the different types of external stakeholders involved into contact with incubators. Small start-ups in incubators on the one hand and large, formally organised educational institutions or firms ‘live in different worlds’ and are rarely aware of potential opportunities for cooperation to their mutual advantage. Partnerships of local government and incubators have the required data and knowledge as well as the persuasive qualities to bring these highly different types of stakeholders to the table in order to explore possible cooperation.

In case such partnerships are desired or required on the regional scale, these will benefit from a certain level of coordination and cooperation by the municipalities of Rotterdam and Delft. Actually policy-makers of both municipalities possess a limited sense of urgency for cooperation that aims at strengthening their creative industries. One explanation is the much closer cooperation of both cities, together with triple helix other partners in the southwest of the Netherlands, in the development of other clusters, particularly Medical Delta and Cleantech Delta. It appears, nevertheless, that working together in the RIG encourages to discuss opportunities for more cooperation by the two cities in order to strengthen their creative industries as well.

Regarding the contribution of incubators to local urban regeneration, cooperation between policy-makers in economic departments that deal with creative industries, incubators and innovation and their fellow policy-makers dealing with urban regeneration is required. It seems that such cooperation is easier to achieve than cooperation with educational institutions or large firms. It is, however, not a foregone conclusion that these two groups of policy-makers agree on how the incubator can contribute to urban regeneration. One important subjects of debate between them should be how far the local government can go with burdening incubators, or, so much the worse, start-ups with the responsibility or obligation to contribute to urban regeneration in the first place. After all, these are not primarily social or community enterprises, their main concern is to survive commercially and to grow.

The RIG discussed a particular, comprehensive variation of the above indicated role of local government in which this takes the lead rather explicitly. The idea is that the government can appoint complex societal challenges which can only be seized by a coalition of different types of stakeholders in which incubatees in specific creative branches should be one. By taking the lead, and possibly providing some necessary seed-money, to bring together a coalition of stakeholders, the governments can create 'a lot of economy'. Chance of success is best with appointing a challenge that fits in with a regional cluster that is already strong in the regional innovation system. Combating obesity is mentioned as an example for the Rotterdam - Delft region because that fits in with the health care cluster and may further strengthen that cluster.

Last but not least, public policy can create more, partly new opportunities for incubators to earn money in a very indirect way, by means of policies that aim at strengthening the urban or regional innovation system in which incubators function. It is, and should remain, beyond the competence of public policy-makers to decide on entry of individual start-ups into incubators: they often lack the required knowledge to make such decisions properly and that should bring in (too) much bureaucracy. On a more general level, however, these policy-makers can guard the big picture of and propose adjustments, if desirable, to the sectorial composition of firms in incubators, in order to keep that in line with the overall regional economic development (policy) and regional innovation system.

Further, the local or regional government can bring flexible timetables for students who put their entrepreneurial ambitions into practice under discussions with educational institutes. These students are occasionally hampered by strict, usually annual timetables of these institutes for activities like compulsory courses, exams and projects that match poorly with deadlines and other peaks in the workload of their starting company. Although the primary interest of local government with this type of intervention concerns improvement of the regional innovation system, it is also to the advantage of both the performance of the start-ups and of these educational institutes. After all, a successful move on of their graduates to entrepreneurship contributes to their employability. Employability is less weighty as an assessment and funding criterion for tertiary educational institutes than in for instance the UK, but these institutions themselves consider it an increasingly important criterion in their strategy in the Netherlands as well.

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Appendix: Confrontation matrix for the regional incubation system Rotterdam - Delft

		OPPORTUNITIES	THREATS
		<p>A. competition forces creative entrepreneurs and firms to be innovative</p> <p>B. increasing attention in curricula for entrepreneurial skills in various stages: idea, production, marketing</p> <p>C. emergence of new incubator models (e.g. increasing separation of working spaces and support programme)</p>	<p>D. reluctance of venture capital investors who insufficiently understand the network-based working models of creative industries</p> <p>E. depending on public subsidies for too long while achieving little or no growth, due to lack of initiatives from the private sector</p> <p>F. too little attention for core activities of incubators due to the pressure, also by subsidizers, to generate income by starting too much and too diverse additional activities</p> <p>G. attitude in region too much focused on scalable activities and turnover of business rather than impact</p> <p>H. creative industries too much seen just as useful for temporary occupation of empty buildings</p>
STRENGTHS	<ol style="list-style-type: none"> concentration of (often complementary) knowledge and educational institutions on various levels, also in creative and arts sector concentration of talented creative and knowledge workers variation in urban milieus at relatively short distances strong economic sectors (particularly medical, clean tech) provide opportunities for cross-overs with creative industries 	<p>INVEST</p> <ul style="list-style-type: none"> strong support of entrepreneurship to make firms resilient in competition (A2) incubation organized in cooperation with knowledge institutions as follow-up of regular curriculum, enabled by separation of work spaces and support programme (BC1) attention for opportunities for cross-overs in curricula, guided by ties between knowledge institutions and strong sectors (B1+4) <p>DECIDE</p> <ul style="list-style-type: none"> coordination by stakeholders, focused on most promising branches that also appeal internationally (A5+6+8+9) availability of venture capital for most innovative ideas (A7) attention for recognizing opportunities for cross-overs in curricula; cf. B1+4 (B10) 	<p>DEFEND</p> <ul style="list-style-type: none"> cross-overs between creative industries and strong sectors may increase knowledge about and appreciation of non-scalable activities among investors and other regional stakeholders (DG4) mutual interests of creative industries and strong sectors may increase involvement of private sector (E4) <p>DAMAGE CONTROL</p> <ul style="list-style-type: none"> general lack of financing in region increased by lack of understanding and appreciation of non-scalable creative industries among investors (D7) weak financing possibilities related to lack of growth and initiatives towards investors, and vice versa (E7) continuous dependence on subsidies due to lack of initiatives from government or private sector (E11) subsidizers and managements urge incubators to become profitable from a short-term perspective, but lack long-term vision on incubation system (F9+11) lack of mass and dominant mind set leads to lack of understanding and appreciation of non-scalable activities among investors and regional stakeholders (DG6) no sense of urgency due to lack of mass (H6)
WEAKNESSES	<ol style="list-style-type: none"> insufficient branding of regional image, particularly at the international scale insufficient mass of creative industries, except for architecture insufficient availability of 'easy' venture capital insufficient regional coordination of policies, especially with regard to creative industries insufficient networking between Delft and Rotterdam; two islands rather than one ecosystem creative industries and incubators do not recognize many existing possibilities for cross-overs between creative and other industries lack of initiatives of local government to link creative industries to societal challenges 		