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Article · December 2013

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Why are incubators important for social innovation?¹

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Types and functions of incubators

There are several types of incubators:

- Physical hubs and co-working spaces (open space with shared physical facilities and often a social element such as a coffee shop to encourage networking);
- Virtual incubators (online shared working space with access to advice and broker links);
- Innovation parks and city clusters (geographical co-location with shared facilities);
- University incubators (incubating spin outs from universities, with co-working space, shared facilities and access to advice and broker links supported by the universities' own resources and networks);
- Corporate incubators (incubators set up or sponsored by corporations with co-working space and shared facilities to generate spin-outs);
- Venture incubators (incubators set up or sponsored by venture capital investors with co-working space, shared facilities and access to finance to generate a pipeline of investible propositions);
- Mentoring and business development programmes (often competitive and cohort based programmes of mentoring, coaching and business planning);
- Accelerator programmes (competitive and structured programme of activities and stages to support a cohort of start ups).

In spite of this diversity, incubators have the following common elements:

- Main function: to facilitate business start-ups;
- Mode of operation: sharing of physical and/or virtual working space to reduce start-up costs and promote interaction and networking among business start-ups; in many cases, also coaching and mentoring services.

So, incubators not only provide basic logistics and support services conditions for business start-ups (a space, telephone, technical advice, etc), but also create an

¹ Part of a contribution delivered in December 2013 for Work Package 7.3 of Project TEPSIE – “The theoretical, empirical and policy foundations for building social innovation in Europe” (FP7-SSH-2011-2-290711).

environment where the entrepreneurs can collaborate and where they can have access to national and international networks useful for the projects. This role of facilitating interaction and networking is a key factor in the effectiveness of incubators to promote business start ups.

There are some factors which can be useful to differentiate among incubators and understand their effectiveness, namely the following:

- The nature of the entity that is responsible for them (universities, local public authorities, private companies, business associations, etc.);
- The economic sector(s) where the business start-ups fit in (biotechnology, creative industries, social enterprises, etc.).

Given the multidimensional nature of social problems, the multisectoral nature of the incubator (e.g an incubator with social enterprises, creative industries, and technological enterprises), or the capacity of the incubator's management to weave active and intelligent multisectoral networking can be an important support for social enterprises development.

The case of SocialSpin

Response to a need

The challenge of integrating emerging talent and social entrepreneurship in a university environment generated the SocialSpin programme. The Catholic University of Portugal in Porto has a wide range of learning opportunities for economy and management students with interest in Social Economy. During the last 5 years, a growing number of students has been showing a great interest to develop projects and ventures related with Social Business. Under the framework of SpinLogic, the global entrepreneurship programme of the University, the SocialSpin project was developed to respond to that interest.

The SocialSpin project was launched at the end of 2010, coordinated by *ATES – Área Transversal de Economia Social*, the transdisciplinary unit of the Catholic University of Portugal in Porto in charge of the preparation and implementation of social economy projects. Now, it includes about 30 social business initiatives at different development stages. 10 out of these 30 initiatives have reached a mature stage to start up as formal enterprises or close to that.

The ecosystem networking approach

More than a “co-working space”, SocialSpin is an **ecosystem** promoting the interaction among projects at different stages and with different objectives and targets. Complementarities are often discovered and links established with business from other sectors in SpinLogic, namely, ArtSpin and BioSpin, the Spinlogic business development branches respectively for Creative Industries and Bioindustries.

SocialSpin Contest: a triggering event for launching the project

In order to get the SocialSpin project known and get a predictable set of initiatives to launch the project, the first step was to organize a **Contest** for social business ideas not restricted to students and professors of the Catholic University. This took place at the end of 2010, beginning of 2011. The three winners got a symbolic money prize of 5000€ meant to be seed money to implement their projects. These winners and all the

other participants were invited to come to the University incubator where there were already business initiatives in the areas of bioindustries (BioSpin) and creative industries (ArtSpin). In Summer 2012 another contest of this kind was organized. Since there has been a regular flow of new incoming social business initiatives after these contests, their role to attract new initiatives to the incubator is not as necessary as in the beginning of the project.

SocialSpin Camp: a blending & challenging event for potential social entrepreneurs

Another activity of the SocialSpin project that had one edition in 2012 and will be repeated in the future is called **SocialSpin Camp**. This was a 24 hours non-stop event where the SocialSpin teams and other participants were brought together to develop capacities which can be useful for developing social business ideas. The intensive nature of this kind of event and of the interactions among the participants and with the mentors and speakers proved to be a valuable experience, with testimonies from all the participants that they would like to do it again.

The incubation process

More specifically about the **incubation process**, the requirements that an initiative has to meet to be accepted in the incubator is that the university has the capacities to help in its development. In the social area this is not a problem. So, normally all the business initiatives that come in this area are accepted and hosted in the incubator.

There is no *ex ante* evaluation process to judge about the merits of the initiative. What is done to support the development of the business ideas in the following domains, besides the provision of office space and other logistic conditions:

- advice in the development of the business case;
- mentoring and coaching;
- team building (sometimes the initiatives come in proposed by a single person, or by teams with imbalances in terms of gender and/or qualifications);
- facilitation of interactions with other teams in the incubator, not only those developing social business ideas, but also in the other domains;
- facilitation of interactions with university projects related to the Social Economy;
- facilitation of interactions with social economy organizations and with other relevant stakeholders outside the university;
- support in applications for funding.

Key characteristics of the SocialSpin incubation approach

In spite of its still short life, the SocialSpin project has shown that the following factors have been beneficial for the development of social business initiatives:

- this development takes place in a multisectoral incubator;
- the incubator is managed by an university having a size and an internal organization where interactions among different faculties are easier than in bigger and more segmented universities;

- there is proximity of the social entrepreneurs with the professors and other university staff involved in teaching, research, consultancy and field work related to social issues;
- members of the social business teams can benefit from the educational programmes and can participate in the research, consultancy and field work related to social issues going on in the university.

Final thoughts

The nature of the entity responsible for the incubator has a strong influence on the type of business initiatives hosted by the incubator and the pattern of interactions and networking among them and with their environment. This pattern of interactions and networking is a crucial component of the process of incubation, especially for social enterprises.

Talking more specifically about the incubation of this kind of enterprises, **multisectoral** incubators where social initiatives can interact not only among themselves, but also with business initiatives in other sectors may be helpful for their development. Social problems require **multidimensional** responses and the economic sustainability of social enterprises depends on possibilities of partnerships and cooperation relatively more than other business where market mechanisms only may be sufficient for that.

In the SocialSpin case, this is done in the Spinlogic incubator itself where social enterprises are located together with creative industries and biotech enterprises.

Still about the pattern of interactions and networking, what is important is not only what happens within the incubator, among the business initiatives located there, but also with the external environment in which the enterprises are intended to operate. Again, talking more specifically about social enterprises, based on the examples presented above, this kind of initiatives benefit from an incubator managed by an organization which has **intense contacts with social economy organizations and with companies having corporate social responsibility programmes** and is able to connect this web of contacts with the business initiatives in incubation. In the case of SocialSpin those connections are established within the cluster of social economy projects carried out by the Catholic University of Portugal in Porto.

One major problem of incubation is that it is labour intensive, or more precisely, it is intensive in qualified labour. Even though some interaction and networking within the incubator and with the outside world can happen spontaneously due to the fact that the business initiatives share the same space, this is not enough. An effective incubator needs **mentoring, coaching and qualified people** devoted to stimulate and organize the networking. This staff costs money which may not always be easy to get simply by the fees paid by the business initiatives in incubation. For social enterprises there are cases where part of these costs can be reduced by appealing to qualified mentors who are willing to support this kind of initiatives.

Anyway, **financing** is always necessary. So, either the entity responsible for the incubator has enough resources to pay for that, or it is necessary to rely on private investors, and/or public funding. For incubators with social enterprises it is difficult to find private investors willing to support them for a relatively long period of time. If public policies are weak in supporting innovation, including social innovation, it will be difficult to find adequate and enough funding for this purpose.

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