

Co-funded by the
Erasmus+ Programme
of the European Union



"The European Commission's support for the production of this publication
does not constitute an endorsement of the contents, which reflect the views only of the authors,
and the Commission cannot be held responsible for any use which may be made of the information contained therein."

Integrated guide and Social business incubation toolkit For entrepreneurs

- 2021 -

Project partners:
2019-1-RO01-KA204-063879



FUNDAȚIA DANIS
pentru Dezvoltare Managerială



Centrul pentru
Legislație
Nonprofit

diesis
network



Integrated guide and social business incubation toolkit for entrepreneurs -2021-

Intellectual Output (IO2) coordinator: Civitas

Partner contributing: Diesis

"The European Commission's support for the production of this publication does not constitute an endorsement of the contents, which reflect the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein."



Information about partners, funders

The project partners are:



Civitas Foundation for Civil Society Cluj – Romania



MATERAHUB

Consortium of Creative and Cultural Industries – Italy



DIESIS NETWORK – Belgium



SYNTHESIS

Center for Research and Education Ltd – Cyprus



CLNR

Asociația Centrul Pentru Legislație Nonprofit – Romania



FUNDAȚIA DANIS pentru Dezvoltare Managerială – Romania

Table of contents

Introduction	5
Project description	5
Information on partners	5
Link with other IOs of the project	6
Chapter 1. Key definitions	7
Definition of social affairs	7
Defining the business model	7
Defining incubation and acceleration programs	8
Defining the social business incubation model	11
Chapter 2. Research and premises for the guide and toolkit	13
2.1. Research background	13
2.2. Social entrepreneurship incubation models in Romania, Cyprus and Italy	13
2.2.1. The Romanian model of social incubation	14
2.2.2. The Cypriot model of social incubation	20
2.2.3. The Italian model of social incubation	23
2.3. The needs, challenges and requirements of social enterprises in Europe	29
2.4. Recommendations for social enterprises at European level	31
Chapter 3. Integrated social incubation model	34
3.1. Pre-incubation services	35
3.2. Incubation services	37
3.3. Post-incubation services	39
Chapter 4. Social business incubation guide and toolkit for entrepreneurs	41
4.1. Objectives of the integrated guide and toolkit for social business incubation for entrepreneurs	41
4.2. Creating the feasibility study	42
4.2.1. Components of a feasibility study	44
4.2.2. Understanding market needs (including stakeholder analysis)	47
4.2.3. How to assess when an incubator is not the appropriate solution	50

4.3. Planning a social incubator	53
4.3.1. Vision and mission statements and strategies for an incubator	53
4.3.2. Designing the business plan for the social business incubator	57
4.3.3. Marketing plan of the social incubator	60
4.3.4. Funding of incubation activities	62
4.3.5. Human resource requirements	63
4.4. Conclusion	66

Introduction

Project description

The partners in this project aim to increase motivation to start social businesses and strengthen social cohesion in local communities. Through this project, the partnership aims not only to generate results and impact through research and training, but also to take the next step by creating a crowdfunding platform. Twelve crowdfunding campaigns will be launched on this crowdfunding platform during the implementation of the project. The project is also developing an integrated social incubation business model for entrepreneurs. To arrive at this IO, they will conduct research on identifying incubation models for entrepreneurs and social enterprises in Romania, Italy and Cyprus, using other relevant case studies from non-partner countries. These results will become the basis for 3 policy briefs (Romania, Italy and Cyprus) containing recommendations on social entrepreneurship. Two people-centered training sessions on social entrepreneurship are also being developed.

Information on partners

The leader of this partnership is the **CIVITAS Foundation for Civil Society Cluj** - an organization representing the non-profit sector in Romania for over 25 years, improving the daily life of local communities. In the last 25 years they have achieved over 200 successfully implemented projects, over 110 fulfilled partnerships and 35 community development strategies.

Danis Foundation for Management Development (Danis Foundation) is also a Romanian non-profit organization, established in 2000. The Danis Foundation promotes and supports professional excellence and social responsibility of current and future managers and entrepreneurs through management development, youth development and entrepreneurship education programs. The Danis Foundation's main expertise is in youth professional development and entrepreneurship education. Annually, Danis Foundation works with approximately 100-150 young people (16-25 years old).

The Italian partner is **Materahub**, an aggregator of people and businesses, a "space" where they meet, encourage the creation of new job opportunities and promote sustainable development through coaching, training and business development. A consortium of SMEs combining the expertise of an education and training body (Quality For - accredited in the Basilicata region), a consultancy firm with experience in EU project management and quality assurance (Quality Program), an international

certification body (ACS Registrars Italia) and a social cooperative managing cultural heritage and creative activities in the UNESCO site of Matera (Artezeta).

The **Centre for Non-Profit Legislation (CLNR)** is another non-profit organization in Romania that provides consultancy, research, advocacy and educational learning environments for civil society representatives, teachers and youth workers. CLNR is defined by: Social Involvement, Entrepreneurial Action, Public Policy, Non-formal Education.

SYNTHESIS is a leader in the field of social entrepreneurship and social innovation in Cyprus. It founded and operates "Hub Nicosia", an educational center and community of organizations with cultural, environmental and social objectives. SYNTHESIS' vision is for "Hub Nicosia" to become the first social enterprise incubator on the island.

DIESIS coop is a European non-profit research and development service in the field of social economy, cooperatives and participative enterprises. The mission of DIESIS is to support the development of the social economy, in particular cooperatives and social enterprises in Europe, through the implementation of knowledge-based activities such as training, project development, consultancy and advisory services, technical assistance and research. Diesis members are 25 organizations from 14 countries.

Link with other IOs of the project

This document is a very important intellectual output of this project. First of all, it is based on 3 other IOs developed within the project: the social business incubation model created by Romania, the one in Cyprus and the third one in Italy. It also incorporates the results of 20 case studies of the best entrepreneurial development success stories from non-partner European countries. This guide/toolkit forms the basis of both training sessions of the project. This IO will be incorporated into 2 other IOs, one being the design of the training session for partner employees and the design of the training session for 60 entrepreneurs. During the training sessions, the guide and toolkit will be used as a focal point and will become available to anyone who might be interested in the topic, as it will be uploaded online as a free tool for social entrepreneurs. This document will also be uploaded on the multilingual platform of the project, becoming a free tool for all those who access the platform.

Chapter 1. Key definitions

Definition of social affairs

The EU operational definition of social enterprise/enterprise is: "Social enterprise": "A social enterprise is an operator in the social economy whose primary objective is to have a social impact rather than to make a profit for its owners or shareholders. It operates by providing goods and services to the market in an entrepreneurial and innovative way and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its business activities."

The Commission uses the term "social enterprise" to cover the following types of "enterprises":

- those for which the social or societal objective of the common good is the motive for commercial activity, often in the form of a high level of social innovation;
- those whose profits are mainly reinvested to achieve this social objective;
- their method of organization or shareholder system reflects their mission, using democratic or participatory principles or focusing on social justice.

Defining the business model

The term business model refers to a company's plan to make a profit. It identifies the products or services the company intends to sell, the identified target market and any anticipated expenses. Business models are important for both new and established businesses. They help new start-ups attract investment, recruit talent and motivate management and staff. Established businesses should regularly update their business plans, otherwise they will fail to anticipate future trends and challenges. Business plans help investors to assess the businesses they are interested in.

Defining incubation and acceleration programs

Lewis et al. (2011, p. 2) consider the terms accelerator and incubator to be synonymous and sometimes used interchangeably, other researchers such as Miller & Bound (2011) and Cohen (2013) disagree. Miller & Bound (2011, p. 3) define an accelerator program as possessing five main characteristics that differentiate it from incubators. These characteristics are: the highly competitive nature of accelerator programs, the provision of upfront investment, the focus on the team rather than the individual founder, the short period of time they are operational, and the formation in "cohorts" rather than the individual founder. Cohen (2013) adds another feature that distinguishes accelerator from other support organizations. Cohen (2013, p. 20) suggests that program completion usually includes a "demonstration event" that exposes entrepreneurs to investors.

Levinsohn (2014, p. 4) defines accelerators using the two-tiered definition that includes the more relevant traits, which are indispensable, and the less relevant (more common) traits, as follows.

"Accelerators as a non-formal entrepreneurial education program that aims to:

- shorten the process of developing one or more stages of creating a new business;
- improve the quality of the product or service of a new enterprise;
- improve financial sustainability;
- train entrepreneurs simultaneously as a cohort;
- involve an intensive development process of limited duration, with maximum program duration of six months;
- include a structured program of business-oriented education;
- provide entrepreneurs with individualized support and/or mentoring;
- involve expanding and/or upgrading the entrepreneur's network".

Levinsohn, 2014, p. 4.) also highlighted other (more common) characteristics of accelerators:

- "an open and highly competitive selection process;
- providing seed funding or introducing entrepreneurs to potential investors;
- shared office space in a common premises with subsidiary access to basic administrative services".

On the other hand, incubators are considered to be longer lasting, offer office space, funding opportunities, one-on-one coaching services and connect incubated companies with potential investors (Cohen, 2013, p. 19). According to the United Nations Economic Commission for Europe (UNECE), "an incubator is a place where newly established companies are concentrated in a limited space". This definition refers to incubators as a home for start-up companies.

The National Business Incubation Association (NBIA) defines business incubators as a catalyst for regional or national economic development. NBIA categorizes its member incubators according to the following five types of incubators:

- academic institutions;
- non-profit development corporations;
- for-profit real estate development corporations;
- venture capital firms;
- a combination of the above.

From this table we see that, in the main, the structure differs between the time selection, services, funding and networking vary depending on the focus of the incubator and accelerators.

Cohens' (2013) definition states the following:

- (1) accelerators are short-term programs organized by incubators;
- (2) accelerators and incubators have the same role.

	CHARACTERISTIC	INCUBATORS	ACCELERATORS
Structure	Legal Status	Mostly non-for-profit	Mostly for-profit
	Manager Profile	Mostly professionals and academicians	Mostly entrepreneurs or angel investors
	Cohort Structure	No	Yes
	Aim	Economic growth and job creation	Return on investment
	Goal	Maturation of companies	Fast test validation of businesses/innovation
	Program Duration	3-4 years	3-4 months
	Ventures	Mostly tenants	Portfolio companies
Selection	Selection	Varies	Competitive
	Scale of Region	Local community	Regional, national, global
	Technology Focus	Mixed	Mostly ICT-web
	Team Focus	Individuals and teams	Only teams
	Scale of Target	Companies and ideas	Only companies
Services	Office facilities	Yes	Varies
	Mentoring	Yes	Yes
	Technical Assistance	Yes	Yes
	Education	Yes	Varies
	Graduation Support	Mostly yes	Varies
Finance	Seed Funding	No	Yes
	Equity Stake	No	Yes
	Rental Fees	Yes	Mostly not
	Public Funds	Yes	Mostly not
	Intellectual Property Conditions	Varies by organization's IP policies	Varies by equity agreement
Networking	Networking with Investors	Varies	Yes
	Networking with Customers	No	Yes
	Demo Day	No	Yes
	Cohort & Alumni Networking	Varies	Yes

Source: Torun (2016, p. 8)

As shown in the table above, accelerators are identified as profit-oriented, while incubators are generally not profit-oriented.

Based on the National Business Incubator Association guidelines, a business incubator is a program designed to accelerate the successful development of entrepreneurial companies through a range of business support resources and services developed or orchestrated by incubator management and offered both in the incubator and through its network of contacts. The primary goal of a business incubator is to produce successful companies that leave the program financially and become independent. An essential element in the definition of an incubator is the provision of management guidance, technical assistance and advice tailored to young growing businesses. Typically, incubators also provide clients with access to suitable rental space and flexible leases, basic business common services and equipment, technology support services, and assistance in obtaining the necessary financing for business growth. Incubators vary in the way they deliver their services, their organizational structure and the types of clients they serve.

Defining the social business incubation model

Social business/social entrepreneurship is a global phenomenon that impacts people's lives through innovative approaches to solving social problems. It combines the passion of a social mission with the discipline of business. Social entrepreneurship is heralded as a new strategy to solve social problems, create employment opportunities, ensure sustainable development and alleviate poverty. It is a transformation in approaching challenges, enabling citizens to initiate and take responsibility, rather than just demanding change. The social, economic and governance challenges prevalent in a country become rich opportunities for a social entrepreneurial mindset to initiate change and generate social impact.

Social incubation is based on a social development model; in other words, a model for the development of civil society and its social relations. These incubators would not incubate productive and economically oriented organizations, such as private companies or cooperatives, but would help non-profit organizations that come from civil society and its social movements, such as NGOs (non-governmental organizations), community associations, class entities, social, cultural or environmental projects and others. Social incubators perform a much needed (but sometimes neglected) function in the development of social initiatives (Cordeiro, 2003). Over the years, different incubator models have emerged that provide a different type of support for social initiatives. "Variations in the focus of social incubators have also led to the emergence of unique models of operation and funding of these social enterprise incubators. There are five incubator models that have emerged to support early-stage social enterprises" (Nesta Report, 2014).

Business models are defined with reference to markets, product or service offerings and the willingness of customers to pay for goods and services. Since, commercial objectives are not the sole or main driver of a social enterprise, profitability becomes less important as a conventional business model measure. In addition, the social mission of social enterprises by definition imposes restrictions on the distribution of profits (surplus of revenues over costs) to ensure that they are reinvested and therefore it is more relevant to focus on revenue streams than on profitability per se.

In a paper entitled "Good Incubation - the craft of supporting Early-Stage Social Ventures" written in April 2014 by Paul Miller and Jessica Stacey (Nesta); the authors noted, "In the social sector, "incubation" is a much newer term and has become a vibrant field with a great deal of innovation and different models flourishing around the world. Perhaps it is better to think of incubation as a phase rather than a defined model in itself. The supporting frameworks that have emerged seem to fall into clusters, and while no typology will be perfect, we have developed a basic classification. Some are formally constituted organizations, while others are programs within other organizations. These groups are:

- Impact accelerators;
- Co-working spaces for social enterprises;
- Social enterprise academies;
- Impact angel networks;
- Social innovation awards.

Although this paper dates back to 2014, following our EU-wide research in 2020, we are now able to confirm that these five categories are the same today.

Chapter 2. Research and premises for the guide and toolkit

2.1. Research background

The research for this intellectual product is based, among other sources of documentation, on 32 case studies developed on incubators, hubs, financial instruments or social enterprises. Interviews were conducted in Poland, Italy, France, Spain, Belgium, Romania and Cyprus. From the interpretation of the case studies we gathered information about the local experience of the social entrepreneurship environment, the needs, challenges, lessons learned and recommendations that have been made, in the field. In addition, we got a good idea of which incubation methods are the most common and successful and we discovered the strengths and weaknesses in the field.

Another source of documentation was the 3 social incubation models developed in Romania, Cyprus and Italy. These 3 documents give us a broader perspective on the social entrepreneurial environment. As these 3 countries are at different stages of development, by reading the reports, we can see how the needs and struggles of countries at contrasting stages of economic and social development differ.

Also, in order to better understand the social entrepreneurial environment, 3 policy briefs have been developed, one in each country where the social incubation model was created (Romania, Cyprus and Italy). Again, each policy brief reflects the level and stage each country is currently at. These 3 documents provide more clarity and focus on the conclusions and recommendations made after studying the local social entrepreneurship environment.

All interviews, case studies, policy briefs and social incubation models are annexed to this guide and toolkit for further research.

2.2. Social entrepreneurship incubation models in Romania, Cyprus and Italy

Following our research, we are able to present the models/types that have emerged in Romania, Italy and Cyprus.

2.2.1. The Romanian model of social incubation



Over the last fifteen years, social business has been one of the main drivers of social inclusion and community development in Romania. Social businesses, and in particular social enterprises, are seen as a panacea for various social problems such as poverty, unemployment, employment of vulnerable people. They are an active instrument of social inclusion policy, mainly due to their role in social inclusion developed through the European Social Fund.

The study Social Enterprise Incubation Models in Romania aims to analyze incubation and acceleration mechanisms and services for social enterprises based on their development needs and the main challenges they face. It is the first study dedicated to the analysis of social business incubation services and methods in Romania with the following objectives: 1) Identification of incubation models for social entrepreneurs and social enterprises; 2) Identification of the services offered by organizations carrying out incubation and acceleration activities for social entrepreneurs and social enterprises; 3) Analysis of the needs of social entrepreneurs/social enterprises.

Social incubation models in Romania were analyzed through an extensive methodology including various data collection methods: desk research, secondary data analysis, public policy analysis, in-depth interviews with representatives of social enterprises (12) and business incubators (4) and case studies with business incubators (4).

Social affairs in Romania

The spectrum of social business in Romania includes mainly social enterprises as defined in the legislation, but also other economic agents that generate impact on society, the environment and local communities and that meet the criteria of social impact, use of economic surplus and democratic governance. The social enterprise label includes a variety of organizations such as cooperatives, mutual aid funds, non-governmental organizations carrying out economic activities or companies that have social objectives and meet other specific criteria. Social enterprises are social economy entities that must meet general and other specific criteria related to the beneficiaries of the activities carried out through social objectives (members only or non-members as well), the distribution of 90% of profits to achieve the social purpose and the statutory reserve, involvement in the governance process and other stakeholders.

The public policy framework for social enterprises in Romania includes general legislation on the social economy, specific legislation for each type of social economy entity, and related measures targeting social enterprises or enterprises with community impact. The general public policy framework is represented by Law 219/2015 on social economy, which provides recognition to entities that comply with certain principles, regardless of their legal form.

In Romania, between 2010 and 2015, the number of social economy entities increased by about 3000, from 7687 to 10236 (including associations and foundations with economic activities, cooperatives, mutual aid). In 2010, they employed more than 44000 people (CSDF, 2017; European Commission, 2019).

The main challenges faced by social enterprises in Romania relate to securing funding for a social enterprise in the post-launch stage, the lack of social enterprise development programs, the absence of an appropriate legal framework for this type of enterprise and the need for digitization.

Funding for social enterprises in Romania

Sources of funding for social businesses in Romania in 2020 are: - Sources of funding for social businesses in Romania: European funds (through the Human Capital Operational Program, PNDR), public funds (Start-Up program), private funds (Lidl, ASHOKA). The main source of funding for social businesses are European funds, which focus on the start-up phase, not on the development of new products/services by existing ones.

Crowdfunding platforms are relatively new in Romania compared to other European countries. There are three ways of funding business ideas through crowdfunding platforms - donation funding, reward funding and equity funding.

In Romania, a very small number of crowdfunding platforms are currently active. The services they offer are similar from one platform to another, including: easy access to communities of potential investors, validation of the business idea or credibility of the supported cause, promotion of the business cause/idea, constructive feedback from potential investors, media exposure, consultancy for going through the legal steps related to the investment.

Social incubation models in Romania

As this is a very new concept, we cannot say that there is one incubation model. Existing initiatives help entrepreneurs to set up their company, provide them with a workspace (for a fee) and introduce them to the social incubator database to create a network. At the same time, there is no model that includes

'milestones' or 'essential steps' in business development as a best practice guide. Some incubators benefit from the experience of in-house organizations and then the incubation process is structured according to their objectives, others focus on development in terms of getting started, getting start-up funding and less on the actual development.

Legal framework

The business incubator concept is a new one in Romania, which is why there is no legal framework for this type of activity.

Social incubation methods

In Romania, the study identified two categories of programs: 1) for start-ups and 2) for social business development and support to social entrepreneurs, such as incubators and business accelerators.

Programs that provide start-up support for the development of a social business offer as main services and opportunities: individual coaching, mentoring and consulting sessions; access to methods and tools specific to social entrepreneurship; 360° learning workshops; generation of business ideas; international networking with specialists, entrepreneurs, investors; piloting of business ideas; cash prizes; pitch day.

Programs that provide support for the growth of existing social businesses or business accelerators have as their main services and opportunities: Funding solutions for business idea or product development (access to European funding, awards, scholarships, pitches to Business Angels investors); industry connection for implementation as well as community labs for prototyping; marketing services, SEO, sales and crowdfunding video shoots; one-on-one coaching/mentoring; peer-to-peer consulting and technical expertise; business model assessment, team assessment, financial audit; interaction with international mentors, networking with international start-ups; market analysis in target countries for scaling and specialized contacts; effective planning (market entry plan, feasibility study, financial forecasts); interaction with international investors and entrepreneurs for project development; business preparation and market launch; entrepreneurial education/training.

Type of social enterprises incubated

The type of enterprises incubated depends very much on their donor. Social enterprises supported by European funds aim at the inclusion of people from vulnerable groups in the labor market, as they are

seen as a tool for social and professional inclusion. Thus, the incubation process should also include advice on the employment of people from vulnerable groups (young NEETs, Roma, people with disabilities, long-term unemployed, etc.). Services offered included: training in social entrepreneurship, mentoring, consultancy, accompaniment in the implementation of the business plan.

In the case of funding from private donors, the number is also lower due to the much smaller funds available. Many of the private donors have included this activity in their corporate social responsibility activities, which makes the available funds smaller.

Geographical coverage

Most incubators operate on a national level, in the sense that the selected enterprises are not assessed by region but by business plans.

Needs identified for incubation

The survey identified two needs that are not covered by the incubation procedures and processes: the link with public authorities and adequately equipped premises for business development.

Lessons learned

As far as crowdfunding platforms are concerned, there is a need for better understanding and regulation of their activity. With the exception of donation funding, other types of crowdfunding activities - reward funding and equity funding - are not highly regulated. Developing the field also requires an understanding of how it works. This requires an analysis of existing regulations and their improvement.

Lessons learned by organizations incubating social business in Romania are diverse and depend very much on the requirements of funders, especially public ones. At the same time, it is also a challenge to ensure adequate funding for social business incubation. Both in the case of public and private funding, the incubation services component is low as a share of the total budget.

Challenges

Incubator and accelerator programs are underdeveloped or lack services such as: access to bank loans, guarantee programs, loan funds, support for intellectual property rights and help with "business etiquette", support for regulatory compliance.

Key findings

Existing incubator and accelerator programs in Romania offer most of the types of services described in the definitions of these types of organizations: training and help with the basics of entrepreneurship, networking opportunities, support for marketing and research, support for financial management of the business, development of presentation skills and participation in tenders/competitions, access to resources, identification of strategic partners, business angels and investors, access to mentors, advice on deal-making. However, these services are at different stages of development and delivery to entrepreneurs and are to a very limited extent tailored for social entrepreneurs. The most common types of services and opportunities offered are: consultancy and mentoring, basic entrepreneurship training, networking, funding for business development from European or private funds (grants, awards). Services developed to a lesser extent are: 360° learning workshops, business idea generation, international connections with specialists/entrepreneurs/investors, piloting of business ideas.

Alongside the services offered by incubation and acceleration programs there are also those services that cannot be offered to social enterprises, such as: access to bank loans, guarantee programs, loan funds, support for intellectual property rights, support for the creation of an organizational culture and working rules inside and outside the social enterprise, support for compliance with existing regulations. In addition, services addressing business ethics are not sufficiently developed.

Physical spaces dedicated to incubators or social accelerators are extremely limited, most of the activities offered by entities are allocated either on a competitive basis or by program sessions, with no permanent format through which they can be delivered.

At the same time, social business support services offered by public institutions are deficient due to limited understanding of the field and its importance. There is a need to improve the capacity of public institutions to provide information about and for social enterprises, to provide support both for their establishment and especially for the development of their products and services, to create a space for the exchange of ideas, etc. Entities managing European Social Fund (ESF) grants for social enterprises provide the services specified in the funding guidelines, which are very limited in quantity and quality.

Main recommendations

In order to develop social business incubation services in Romania, public authorities should adopt some specific measures:

1. Finance the development of regional incubators and accelerators for social enterprises. These incubators could be developed by public or private institutions, and their purpose will be to provide services for social enterprises in their start-up or development phase: training, help with the basics of entrepreneurship, networking opportunities, support for marketing and research, support for financial management of the business, development of presentation skills and participation in tenders/competitions, access to resources, identification of strategic partners, business angels and investors, access to mentors, business advice, access to bank loans, guarantee programs, loan funds, support for intellectual property rights, support for the creation of an organizational culture and working rules inside and outside the social enterprise, support for compliance with existing regulations. The regional incubators will have specific activities to promote the activities of social enterprises among the business community and the general public to support their activities. They could administer various grant schemes for social enterprises according to their specific needs in the region and could enter into partnerships with financial institutions to provide loans for new products/services developed by social enterprises.
2. Create a specific axis within the operational programs that should support the development of local incubators for social enterprises and also include co-working spaces. These co-working spaces are one of the main needs mentioned by social enterprises.
3. Diversify the range of incubation services offered to social enterprises under funding programs (mainly the Human Capital Operational Program).
4. Include specific actions for social enterprises in programs dedicated to small and medium-sized enterprises.

2.2.2. The Cypriot model of social incubation



The aim of the report is to provide a social enterprise incubation model that meets the specific needs of entrepreneurs in Cyprus. A number of approaches used in the research combined analysis of primary and secondary data from desk research, in-depth interviews, case study analysis and public policy analysis.

Social enterprises in Cyprus

The Social Enterprises Law, drafted in 2017 and adopted by Parliament in December 2020, regulates the registration of enterprises by specifying the criteria that a natural or legal person must meet in order to register as a social enterprise. The types of entities and criteria that must be met for a social enterprise to be considered as such include companies registered under the Companies Act, cooperative societies under the Cooperative Societies Act and other enterprises, regardless of their legal form, that are able to document to the competent authority, their partners and customers that they are intended to have a positive impact on society.

Although Parliament adopted the law in December 2020, the main challenges at the time of writing were the lack of a legal framework and regulations still pending in Parliament; and the lack of funding and specific support for social enterprises.

Funding for social enterprises in Cyprus

The lack of a legal and policy framework for social enterprises in Cyprus at the time of writing the report led to the absence of publicly funded support schemes specifically designed for social enterprises. However, several schemes and programs are currently being implemented. Social enterprises can participate as beneficiaries in these schemes. In addition, in January 2018, Cyprus developed the Action Plan for the Development of the Social Enterprise Ecosystem, which includes measures and incentives for the activation or expansion of social enterprises in Cyprus.

Despite efforts since 2016 to establish crowdfunding, it is currently limited or non-existent. In 2020, the Cyprus Securities and Exchange Commission issued a directive on crowdfunding.

Legal framework

At the time of writing, there was no legal framework in place for social incubation. However, the Social Enterprise Law was adopted by Parliament in December 2020 but has not been implemented since then.

Methods of social incubation

The lack of experience and framework for social enterprises in Cyprus limits the diversity and scope of incubation methods. Social incubation methods in Cyprus focus on providing support services for social entrepreneurs, but their services are more general in nature, lacking specialized and tailor-made content.

Type of social enterprises incubated

Most of the incubated social enterprises seem to have a green orientation, focusing on recycling, responsible production, green services and products, sustainable tourism, agritourism and digital services. Social enterprises addressing social issues seem to be on the rise.

Geographical coverage

All districts in Cyprus, including rural areas, seem to be involved in the social enterprise industry, some more than others, such as Nicosia.

Incubation needs identified

There is a lack of capital for start-ups and a lack of support from local government in terms of education and training.

Lessons learned

The lack of a legal framework has played a major role in the lack of growth of social enterprises, while the lack of government support is a deterrent to social enterprises.

Challenges

The absence of a legal framework in Cyprus has been a major challenge until December 2020. The law has not yet been implemented. Lack of familiarity with the concept of social enterprises is also one of the key challenges.

Main conclusions

Although Cyprus has recently made progress with the adoption of the Social Enterprise Law, the legislation is still very new and has not yet been implemented. Also, the social incubation framework is a relatively new concept and the absence of a legal framework and policies at the time of writing the report, as well as the lack of funding at national level were identified as the main issues to be addressed. The lack of extensive experience limits the scope and diversity of incubation methods offered.

Main recommendations

The Cypriot government should move forward in creating a social entrepreneurial environment in Cyprus by implementing the Social Enterprise Law. Cypriot society also needs to make the creation and operation of such an enterprise a priority, which requires an analysis of proposed legislation and policies, an analytical framework of existing social enterprise incubators and their gaps.

2.2.3. The Italian model of social incubation



Incubators play a central role in these support activities and encourage entrepreneurial teams and start-ups to survive and grow by providing a range of services, from space and capital to training and human capital support. Like for-profit businesses, social enterprises also need certain policies, economic support and structures to help them grow, both in the start-up phase and in the development stages of their activities, so social incubators play an important role in this area. This document defines and analyses incubators that mainly support start-ups with a significant social impact. The aim of this paper is to present critical aspects of the social incubator system in Italy, existing policies and those that could better support their development.

Social enterprises in Italy

In recent years, social enterprises have steadily grown in size and relevance and have attracted considerable interest from a range of stakeholders, including researchers, policy makers, governments, international institutions and financial intermediaries in most European countries, as the social economy and social businesses are seen as the answer to rapid economic, social and cultural change.

For Italy, the most commonly used term is "third sector", followed by "non-profit sector" and finally "social economy". The latter defines it in more detail, taking into account civil society organizations distinct from the so-called first sector (state and public administration) as well as the second sector (for-profit companies). Each concept used to define the field has its own importance, starting with the first: the economy. As in any economic sector, actors in the social economy produce goods and services. In this true creation of economic value, it is the alliance with social, society and solidarity that makes the difference! The social economy places the human being at the heart of its project and develops its productive activity in the service of the general interest (the so-called "common good").

The phenomenon of social enterprises in Italy is one of the most advanced in Europe. Its ecosystem is rich, well-developed and diversified and can count on the support of local and national public institutions as well as on effective systems of mutual support (consortia). In Italy - regardless of the legal form - there are about 100,000 social enterprises involving over 850,000 workers and 1.7 million volunteers.

At national level, the Directorate General for the Third Sector and Corporate Social Responsibility in Italy promotes, develops and supports third sector organizations and social enterprises with activities, projects and initiatives carried out at national and European level by third sector organizations in collaboration with: Central administrations, territorial authorities, EU and international bodies, schools, universities, enterprises.

The main public policy framework dedicated to social enterprises and social business in Italy includes legislation related to the social economy and is represented by Legislative Decree no. 112/2017, also known as the "Third Sector Reform", which is still awaiting the approval of the European Commission. The third sector identifies not only social enterprises but also social cooperatives and their consortia, with the exception of bank foundations.

The decree defines a social enterprise as any private organization which carries out, on a permanent and principal basis, an entrepreneurial activity "in the general interest", without profit motive and with civic, solidarity and social utility purposes.

Funds for social enterprises in Italy

Social enterprises in Italy have access to different forms of funding from different levels:

1. At European level: 1. EU Employment and Social Innovation Program (EaSI), 2. Strategic Investment Fund (EFSI) 3. European Social Fund.
2. At national level: the Ministry of Economic Development finances the dissemination and strengthening of the social economy at national level.
3. At regional level: many regions open calls for proposals for social enterprises.
4. Banking and non-banking foundations such as Cariplo, Intesa San Paolo Group, Fondazione con il Sud.

Another funding opportunity is possible through crowdfunding, the practice of "crowd-funding", i.e., a form of bottom-up micro-financing based on the help of benefactors who choose to invest freely, inspired by the project and the proposed idea.

Legal framework

The SOCIAL ENTREPRENEURSHIP INCUBATOR is a tool able to support both the start-up of new social entrepreneurship initiatives and the consolidation and development of existing ones, providing consultancy services, training activities and tools for territorial knowledge.

The Social Business Incubator is a tool for supporting and developing the third sector, hosting services and activities for the development of an economy based on solidarity and can be the formula for the development of non-profit enterprises, offering a range of integrated support services to support conception, birth and development.

In Italy, the law governing incubators was introduced by Article 25(5) of DL 179/2012 and is defined in detail by the Ministerial Decree of 22 December 2016.

Social incubation methods

Purpose of social business incubator¹:

1. Experimenting with innovative methods of promoting local development and promoting the social integration of people by accompanying the creation of autonomous economic activities;
2. To disseminate a business culture oriented towards sustainable development and disseminate a business culture oriented towards sustainable development and the emergence of new productive entities;
3. To strengthen the territorial system by enhancing local identity and vocations, institutions, culture and traditions, local production traditions, local productive forces and human resources, the environment;
4. Promote virtuous networks between social and small enterprises, responsible enterprises, supply chains and production ecosystems capable of generating positive effects;
5. Positive externalities for the reference territories;
6. Raise the skills level of new social entrepreneurs and incubated social enterprise operators;
7. To systematize and organize the collection of data and information on the local third sector for a complete knowledge of the territory by incubators and incubator promoters (e.g., local authorities);

¹ Dario Carrera, Marco Meneguzzo, Alessandro Messina, "Incubatori di impresa sociale, volano di sviluppo locale", https://art.torvergata.it/retrieve/handle/2108/41767/59898/Carrera%2cMeneguzzo%2cMessina_2008_Incubatori%20di%20impresa%20sociale%2c%20volano%20di%20sviluppo%20locale.pdf

8. Facilitate access to credit and other forms of finance - including mutual loans;
9. Disseminate the social enterprise concept and the incubator model to various local stakeholders.

Incubators provide start-ups with offices, space, and furniture, access to infrastructure, internet and computer labs. For some incubators, offering incubated businesses the opportunity to operate on their premises is the only real service provided. In terms of providing physical resources, incubators compete with science and technology parks and sometimes real estate agencies. In addition to infrastructure, incubators can also provide secretarial services, reception, mail, IT support, etc., as well as a range of other services. Although these organizational and administrative services are not complex or technologically advanced, they allow young entrepreneurs to focus their resources on developing the value proposition.

Incubators also then provide financial resources that allow access to venture capital, either through equity, real estate agency funds or co-investments set up with contributions from external investors. Incubators generally target businesses that need funds to ensure continuity in the very early stages of their development (seed capital). The main competitors in the funding business are business angels, venture capitalists specialized in providing seed capital and investment companies. Although very often the relationship between these players is a collaborative one.

Incubators frequently help start-ups to develop a business plan and provide professional services such as accounting, legal and tax assistance, research, management, strategic support, as well as administrative services that help to streamline the organizational burden of start-ups.

Some incubators are able to identify both external and internal key players for the success of incubated businesses. Aspiring entrepreneurs do not always have the right connections to develop their business idea and find financial resources; the network may be provided by the incubator or may come from the experience of the incubator or its individual managers.

The SOCIAL ENTREPRENEURSHIP INCUBATOR is a tool that can support both the start-up of new social entrepreneurship initiatives and the consolidation and development of existing ones, by providing consultancy services, training activities and tools for local knowledge.

The Social Business Incubator is a tool for supporting and developing the third sector, hosting services and activities for the development of a solidarity economy and can be the formula for the development of non-profit enterprises, offering a range of integrated services to support conception, birth and development.

Social incubators find the provision of social impact assessment and CSR and business ethics training and consultancy services more relevant than joint ventures and businesses.

Type of social enterprises incubated

- Business incubators - 0% of incubates with significant social impact compared to total.
- Mixed incubators - 1 to 50% of incubated businesses, having significant social impact compared to the total number of businesses.
- Social incubators - more than 50% of incubated enterprises with significant social impact compared to total incubated enterprises.

In terms of legal nature, we find:

- Public incubators: organizations managed exclusively by public administrations or bodies, often through the creation of "in-house" regional companies.
- Public-private incubators: organizations whose members include both public and private entities.
- Private incubators: organizations managed exclusively by private entities.

Geographical coverage

Nearly 60% of the business incubator population is located in Northern Italy, in particular 38.9% in the North-West regions. Lombardy is the region hosting the highest number of incubators, 25.3% in total, followed by Tuscany 9.9% and Emilia Romagna 9.3%.

Lessons learned and challenges

The result of this report shows that the list of incubators with "pure" social impact in Italy is quite short; there are no more than 10 of them; most of them are hybrids, and between 1 and 50% of businesses with significant social impact have been incubated as part of the total. Therefore, in general, there is a lack of a specific program to develop and support social enterprises, especially in the start-up phase.

In our experience, there is sometimes a lack of awareness of what social innovation is and how to achieve it through new participatory and bottom-up models and methodologies; co-design processes and tools. Therefore, incubation pathways tailored to get social impact start-ups off the ground should include capacity building in methodological approaches and tools before even starting to design the business model.

According to the latest Social Impact Outlook report published by Tiresia - the research center of Politecnico di Milano - impact investing in Italy is currently characterized by a strong and curious asymmetry: more capital than demand. At an impact capital of 210.5 million euros - which could reach 400 in three years - there should be only 627 social enterprises ready to receive investment. These include social cooperatives, statutory social enterprises, social startups and public benefit corporations.

Main conclusions and recommendations

Among the instruments implemented by public administration and private actors - especially at local level - the social business incubator is certainly innovative. Not only as an effective instrument for supporting social enterprises, but also by targeting objectives that are not yet fully defined, such as social enterprises, which are recognized as productive realities capable of influencing the functioning of the production and commercial system and the *modus vivendi* of the reference territory.

2.3. The needs, challenges and requirements of social enterprises in Europe



On the basis of our research, we can state that our results are in line with the European Commission's report - Impact of the European Commission's Social Business Initiative (SBI) and its follow-up actions (November 2020) and we conclude that the common needs and challenges of social enterprises in Europe are justifiably linked to the level of development of the country in which they are based. Taking this into account, the challenges and needs that the research has uncovered are almost the same, but have a different impact on outcomes depending on the stage of development of social enterprises.

Although we can see progress for social enterprises in Europe, in that many countries have adopted new legislation to support the creation of social enterprises and have created definitive policies to support their development, the European arena is still divided.

Firstly, we have identified a need for effective cooperation with public authorities; a common legal framework for social business does not exist at supranational European level and, at the same time, many countries do not yet have national or local regulations on the definition and classification of different types of social business, so we cannot link the two levels into a common European one.

Secondly, the diversity within European countries makes it difficult to link them, and the different interests around the business sector in general place the category of social entrepreneurship even further away from the priorities of European actors. The need to link EU social economy policy to other global strategies and policy objectives is a natural consequence of this division that needs to be addressed by all actors. Public authorities in each Member State need to develop a better link with EU social economy strategies, as it is they who adopt EU legislation, transpose legislation and develop national strategies in line with EU recommendations, directives and decisions.

Thirdly, there is a lack of correlation between the types of activities carried out by the authorities and the needs of the community. The demands of national societies and what is encouraged as necessary are not always the same. The practicalities of the activity tend to be brought to the fore, while the needs of context, location, targeting of different groups and personalized support tend to be overlooked in the creation of funding opportunities.

Next, it is important to talk about the lack of funding and education at European level. There is a shortage of funding opportunities that are offered for social businesses, both at supranational and national level.

Funds at European level for entrepreneurship are generally insufficient and usually do not come coupled with the information fund (from the state or at European level) to support these businesses and eventually turn them into social businesses. NGOs that have developed social businesses have the least access to funds from credit institutions. In some cases, social businesses have changed their legal form (NGOs have created a separate company for their social business) in order to access funds.

The lack of specialized human resources shows the absence of common experiences, the idea of a common European collective, a lack of willingness to set up a social business, business diversification and human skills or healthy competition and growth, creativity and the presence of social initiatives that are disconnected from the real needs of the market. Thus, we have identified the need for both adequate capacity building for policy makers and training of civil servants in social business. All these approaches should be based on the need for training and mentoring, and the idea that these actions are part of an ecosystem and dependent on each other.

Also, given the great diversity of countries and the great geographical distance, the absence of digitalization affects not only the entrepreneurship sphere by making it more difficult to set up and maintain a business, but also communication and collaboration at European level, in other words we need to strengthen the local dimension and take into account territorial specificities. Social business cannot be adequately promoted if we are talking about the online sphere or the local sphere. The need to strengthen social economy networks is directly linked to the expansion of networks. A direct link between digitization and networks is obvious, especially in these times when physical meetings are not allowed, and not only, but would facilitate faster results, connections and help those who might not have the resources or possibilities to travel. The creation of transnational high-tech networks would help those structures that depend on each other (e.g. food chains: from farmers to distribution entities and shops; information: from hardware manufacturers to software developers).

Finally, we identified a gap in the theoretical background and formal research on social enterprises, in terms of research, studies and, in general, a lack of debate and analysis on the topic. We need not only an examination of the social business fields at national level, but especially at European level, in order to be able to identify patterns, trends and the most important needs and solutions of the European social business ecosystem.

Other impact challenges currently faced by most European social enterprises include: adapting to lack of financial support and minimal funding opportunities; surviving the start-up phase; finding investors and angel investors, and are important to be addressed in different forms and by different actors (such as entrepreneurs, social society and institutional actors) to enhance the success of social enterprises.

2.4. Recommendations for social enterprises at European level

Social enterprises are an important part of any dynamic society; they address social concerns and contribute to tackling social problems for the benefit of society and/or considerable stakeholder groups. At European level, the stakes are all the higher in view of the fact that these common social problems affect several groups in different countries. Our recommendations cover a wide range of issues, as follows:

First and foremost, the most important issues to be addressed, for the European cohesion of social enterprises and for European cohesion in general, is the creation of a European legal framework affirming a common policy regarding the whole process of creating, maintaining and developing social entrepreneurship enterprises. This will not only protect and encourage the creation of social enterprises from a legal point of view, but the regularization of common practices will make it easier for entrepreneurs to enter this field, with clear guidelines on how to act. Clear uniformity of practice at European level will also encourage national governments to form their own legislation on social entrepreneurship. However, a legal framework is not enough, we need specialized institutions set up with the sole purpose of engaging with the entrepreneurial environment and social enterprises, as well as enforcing and monitoring this framework. In other words, the existence of these institutions would not only help to create an easy channel of communication between states and European institutions, but would facilitate rapid changes in legislation, official decisions and management.

From our research, we concluded that countries that have some legislation in this area usually have a set of strict criteria that must be met in order to be considered social enterprises, and enterprises are often subject to stricter reporting requirements than conventional for-profit enterprises. In addition, a clear legal framework will make it easier to understand the changing market.

Second, social business statutes have been introduced in only a few countries, and each country has managed its own definitions and limitations. More detailed and universal legislation, at least at European level, will improve the status of social businesses and give them more prominence in the free market, leading to more complex processes for social businesses, not just organizations in their own right. This should lead to a change of mentality about the social aspects of business and clearer demarcations between social impact businesses and specialized social enterprises.

Thirdly, communities need to be seen as a European ecosystem, more resources should be allocated to make them better able to deal with all European issues related to social entrepreneurship. We need to turn initiatives such as incubators and business accelerators into highly competent and dynamic tools that contribute to the development and promotion of social enterprises across Europe. These tools can

help businesses to be both more competitive and promote open communication and facilitate access across Europe for a large number of social initiatives. This change requires a two-pronged approach: one for policy makers and one for entrepreneurship and social initiative professionals.

Of course, for this dynamic to take place, a change in the way they are handled, more financial resources, help and support from European, national and local institutions and active involvement of experts with know-how and experience are needed. We encourage the development of public policies:

A.) at national level, such as national strategies to encourage and support the development of the entrepreneurial environment, with practical aspects, including setting up, information resources, grants and special projects for social entities and

B.) at local level, so that regional needs are met according to the specificities of each region - in terms of types of entities and areas of development that the regions lack.

Support needs to be offered for experts in order to work with policy makers to improve the legal and formal framework, but also with each other to get a better overview of needs and requirements.

For a successful European network of people and institutions, we need a convincing digitalization of existing communication tools. New initiatives to legalize and structure information and communication modalities are vital for further development; they will increase access for existing players in the market and encourage new participants to join, providing access to information, connections and inspiration. In addition, it will cultivate a process of continuous learning and development, as well as a culture of collaboration and more personalized support. Once established in the local economy, social enterprises themselves have the opportunity to contribute significantly to external networking, fostering a multiplier effect and at the same time increasing the turnover of incubated enterprises. Also, modern financial instruments (such as extension methods) used by states and entrepreneurs and management processes need to be more targeted and better adapted to local, national and European needs.

More support from business and national state governments will promote not only collaboration between actors in the field, but also a more expansive European approach to partnership, in the sense that more actors mean more ideas and best practices passed on and the involvement of state actors conveying a general interest in the field.

In conclusion, based on our research, we can strongly affirm that social enterprises are a vital part of European economies and societies and recommend an expansion in the interest, funding, involvement and importance given to the field of social entrepreneurship. Also, the most important lesson we have learned from our research is that whether we are talking about educational measures, improvements in technology, human resources or the legal framework, we need to treat them as part of an ecosystem,

where all the components are connected and where great improvements can be made if growth and change are done in an equitable way, at the same time and at the same level of cooperation.

Chapter 3. Integrated social incubation model

From our research we concluded that there are several types of incubators with the following functions:

- ❖ Physical hubs and co-working spaces (open space with shared physical facilities and often a social element such as a café to encourage networking);
- ❖ Virtual incubators (shared online workspaces with access to advice and brokerage links);
- ❖ Innovation parks and urban clusters (geographical co-location with shared facilities);
- ❖ University incubators (incubators that incubate spin outs from universities, with shared workspaces, shared facilities and access to advice and brokerage links supported by universities' own resources and networks);
- ❖ Corporate incubators (incubators set up or sponsored by corporations, with co-working spaces and shared facilities to generate spin-outs);
- ❖ Venture incubators (incubators set up or sponsored by venture capitalists, with co-working spaces, shared facilities and access to funding to generate a pipeline of investable proposals);
- ❖ Mentoring and business development programs (often competitive and cohort-based mentoring, coaching and business planning programs);
- ❖ Accelerator programs (competitive and structured programs of activities and milestones to support a cohort of start-ups).

Despite this diversity, incubators have the following elements in common:

- Primary function: facilitating start-ups;
- Mode of operation: sharing of physical and/or virtual workspace to reduce start-up costs and promote interaction and networking between start-ups; in many cases, coaching and mentoring services are also provided.

And so incubators not only provide basic logistical conditions and support services for business start-ups (a space, telephone, technical advice, etc.), but also create an environment in which entrepreneurs can collaborate and access useful national and international networks for projects. This role of facilitating interaction and networking is a key factor in the effectiveness of business incubators in promoting start-ups.

There are certain factors that can be useful to differentiate between incubators and understand their effectiveness, namely the following:

- The nature of the entity in charge of them (universities, local public authorities, private companies, business associations, etc.);
- The economic sector(s) in which business start-ups fall (biotechnology, creative industries, social enterprises, etc.).

Given the multidimensional nature of social issues, the multi-sectoral nature of the incubator (e.g. an incubator with social enterprises, creative industries and technology enterprises) or the ability of the incubator management to weave an active and intelligent multi-sectoral network can be an important support for the development of social enterprises.

Having concluded with all this information about social enterprises and social incubators, we have been able to develop an integrated model of social incubation that we believe could fit in most countries in Europe.

The integrated social incubation model we propose is divided into 3 main development stages:

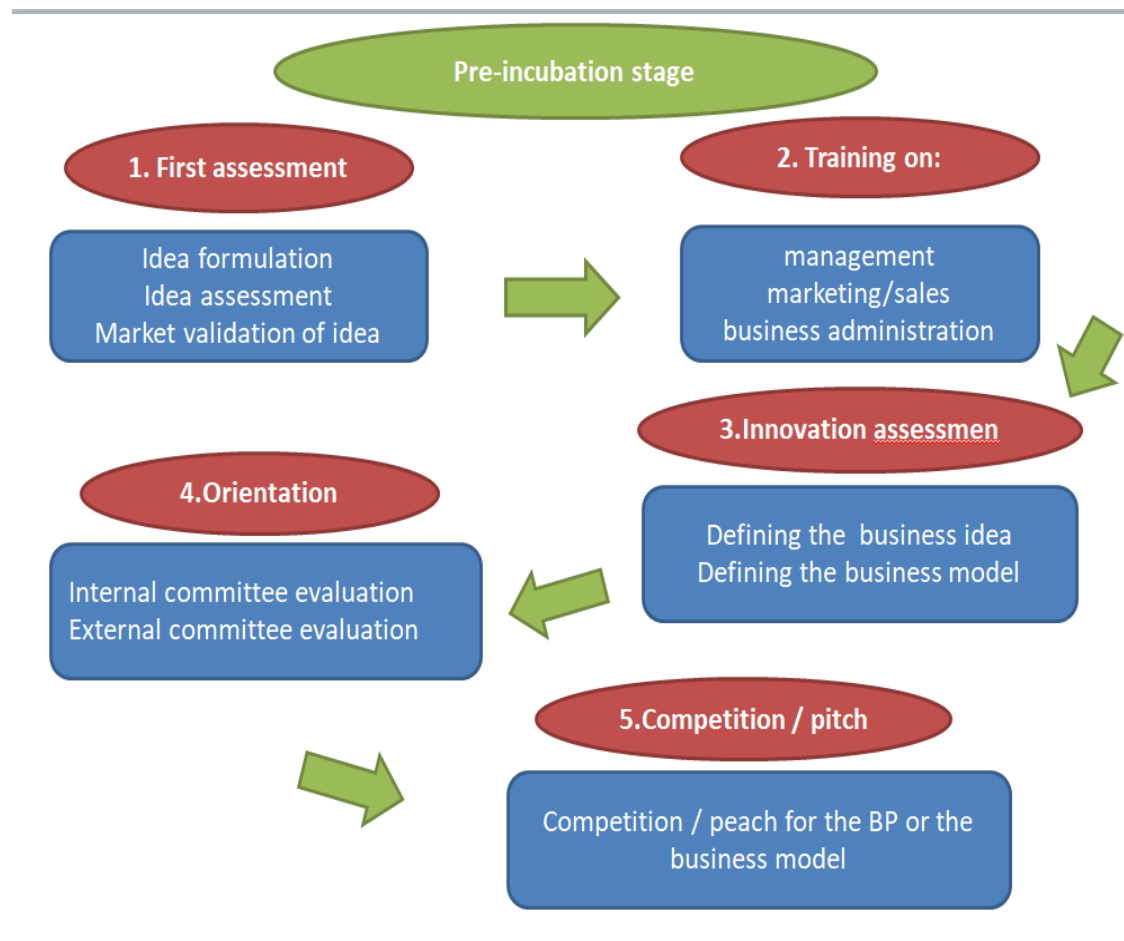
- Pre-incubation stage (this refers to the general activities needed to support the potential entrepreneur in developing their business idea, business model and business plan to increase the chances of reaching the actual creation of a start-up);
- Incubation stage (support to the entrepreneur from the start-up to the expansion phase);
- Post-incubation stage (refers to the activities to be carried out when the enterprise has reached maturity and is therefore ready to stand on its own feet).

3.1. Pre-incubation services

The pre-incubation phase goes from the definition of the innovative idea to the development of the Social Business Plan. It is usually an engineering process that starts at the first meeting with the Incubator's business development staff, during this meeting the idea is initially analyzed and evaluated and a first filter is applied.

The step-by-step process is as follows:

- 1) First evaluation:
 - a) Formulation of the idea
 - b) Evaluation of the idea
 - c) Market validation of the idea
- 2) Training on:
 - a) management
 - b) marketing/sales
 - c) business administration
- 3) Orientation
 - a) Advice on defining the business idea
 - b) Advice with definition of the business model
- 4) Innovation assessment
 - a) Internal committee evaluation
 - b) External committee evaluation
- 5) Business plan/business model competition
 - a) Competition/pitch for BP or business model



Later in this stage, the incubator could provide a pre-incubation space, usually a workstation with the main facilities (printing, internet connectivity, etc.), and should offer a series of meetings to help the entrepreneur better define their business idea until a full business plan is drawn up covering all aspects necessary to understand the full feasibility of the project idea.

During the process, at some point, the incubator should assess the degree of innovation and also the social impact of the business idea. It is advisable to manage this task through a committee of external experts from the economic sector in question, although this work can be developed within the incubator by experts working for the incubator. If the idea proves to be innovative and with relevant social impact, then additional support should be offered, otherwise the incubator will redirect the idea to other business support organizations that are not exclusively dedicated to social innovation or advise the entrepreneur to approach other types of incubators (business incubators that do not deal with the social part of the business impact).

Training activities, mainly on management issues, may be needed as future entrepreneurs do not always have a business background.

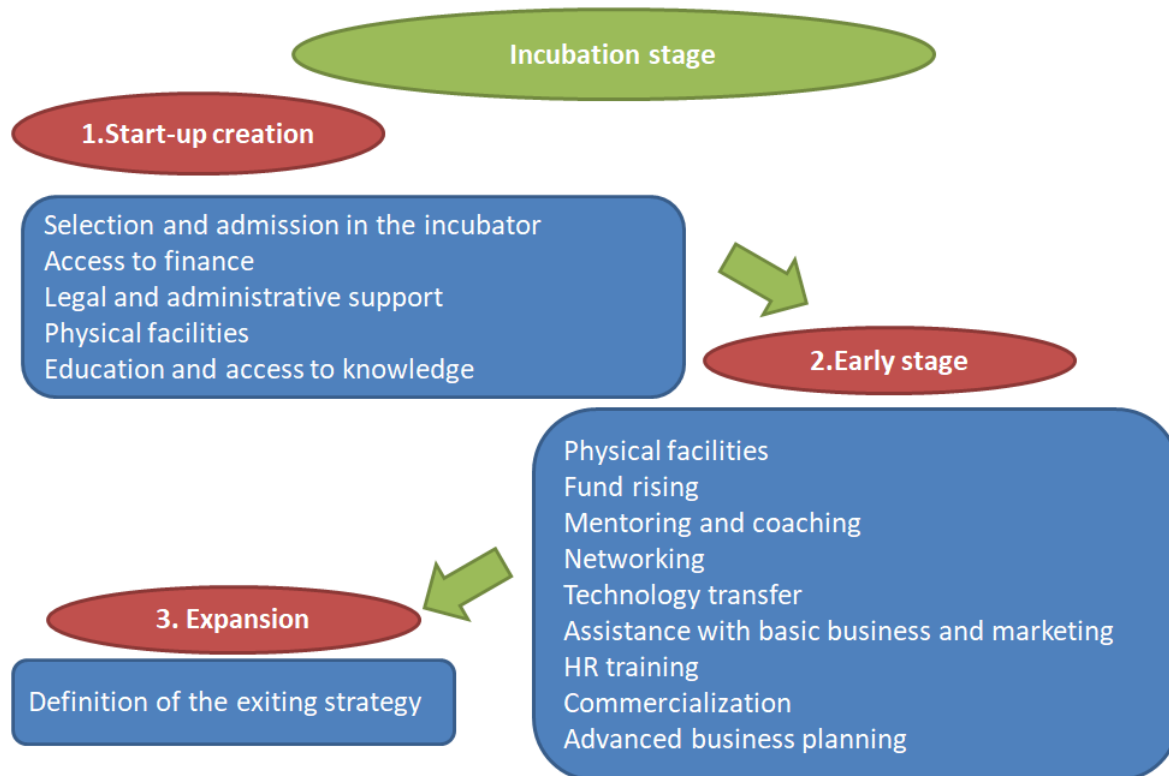
3.2. Incubation services

The incubation phase goes from the creation of the start-up, through the expansion phase, to the initial maturity of the company. It is a delicate phase in which the entrepreneur will undertake the activities necessary to realize the business plan, and the services provided by the incubator will be different depending on the phase the new company is in under the terms identified by the business plan itself.

The step-by-step process is as follows:

- 1) Creation of the start-up
 - a) Selection and admission to the incubator
 - b) Access to finance
 - c) Legal and administrative support
 - d) Physical facilities
 - e) Education and access to knowledge
- 2) Initial stage
 - a) Physical facilities
 - b) Fundraising
 - c) Mentoring and training
 - d) Networking
 - e) Technology transfer
 - f) Business support and basic marketing

- g) Human resources training
- h) Commercialization
- i) Advanced business planning
- 3) Expansion
 - a) Definition of exit strategy

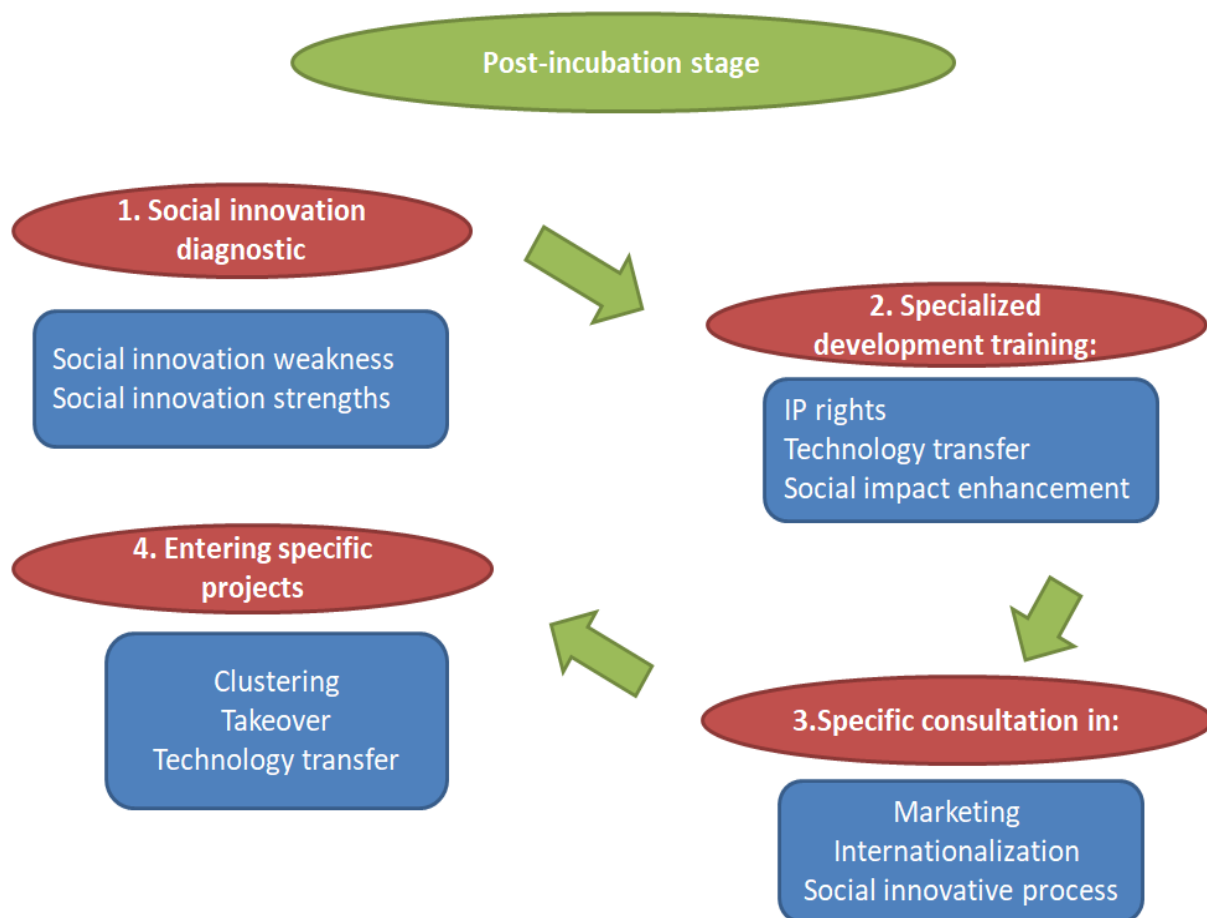


Social entrepreneurs come up with the solutions needed to change the world for the better. But the difference between a real solution and a mere idea is informed, strategic action. To really solve a social problem, an entrepreneur needs more than ideas - they need the right information, skills and tools to implement them.

To prepare entrepreneurs for the myriad of problems they might face and to help them test and create strategic business models, this social impact incubator provides an intense and focused education that can span from a few weeks, to a few months, to two years. During this time, participants either pay or receive a stipend to gain access to things like expert consultants and advice, services like design, networking opportunities, mentorship programs, a workspace, educational courses, potential funding.

3.3. Post-incubation services

- 1) Social innovation diagnostic
 - a) Social innovation weaknesses
 - b) Strengths of social innovation
- 2) Specialized development training
 - a) Intellectual property rights
 - b) Technology transfer
 - c) Improving social impact
- 3) Specific advice on:
 - a) Marketing
 - b) Internationalization
 - c) Social innovation process
- 4) Introduction of specific projects
 - a) Clustering
 - b) Take-up
 - c) Technology transfer



Post-incubation usually refers to the activities that need to be carried out when the company has reached maturity and is therefore ready to stand on its own feet. It is the time when, if physically incubated, the enterprise will leave the incubator. The social enterprise may still need various services, e.g., to increase its sales or to improve its production processes, such as internationalization services or introducing innovation through research and detection activities.

Chapter 4. Social business incubation guide and toolkit for entrepreneurs

4.1. Objectives of the integrated guide and toolkit for social business incubation for entrepreneurs

Setting up a social incubator is a significant, long-term investment. Effective planning is a key factor in ensuring the future success of such an initiative and the return on investment for key stakeholders. The social incubator should focus on areas where there is a market need and growth opportunity. To this end, this guide and toolkit will provide you with a systematic approach to planning an incubator, from developing a feasibility study to a full business plan and establishing optimal operational strategies.

The guide is designed to be practical in nature, giving future incubator managers the knowledge they need to complete each stage of the planning process.

The guide/toolkit is primarily aimed at individuals or stakeholder working groups who will be investigating the potential of setting up a social business incubator. It will examine the steps involved in determining the viability of setting up an incubator through a feasibility study. With the help of the guide, the reader will be able to:

- Conduct a feasibility study for an incubator, focusing in particular on market analysis and stakeholder support;
- Ask the essential questions to ensure the sustainability of the planned incubator, in particular whether an incubator is the right solution;
- Use the results of the feasibility study to select the right target market and strategic direction for their incubator;
- Explore options for the physical layout of the hatchery, taking important aspects into account when planning issues such as the physical location and size of their hatchery;
- Design the services to be offered, determining which are most appropriate and understanding how to price them;
- Describe the skill set needed to manage and administer an incubator.

We also target working groups of incubator stakeholders or future incubator managers who have completed the feasibility study for an incubator and/or have made the decision to go ahead with setting

up an incubator. The aim is, based on the results of the feasibility study, to develop a business plan for the incubator.

We expect the reader to be able to:

- Develop strong vision and mission statements for the social incubator and all stakeholders;
- Prepare an effective business plan for an incubator based on the vision and mission statements.

4.2. Creating the feasibility study

This chapter is designed to guide you through a step-by-step process that will allow you to assess whether an incubator is the appropriate intervention mechanism.

At the end of this chapter, you should:

- Understand the importance of forming the right team to plan an incubator, who should be involved in such a team, and what their initial tasks should be;
- Know what a feasibility study entails, how long it takes to carry it out, who should carry it out and, in the case of a market study, how it should be carried out;
- Be able to interpret the results of the feasibility study in order to reach a 'yes' or 'no' decision on whether or not to proceed with the establishment of an incubator.

The best starting point for exploring the feasibility of an incubator is to set up a stakeholder working group, in which all relevant actors should be represented. Ideally, this stakeholder working group should include key players who could form a future public-private partnership to support the incubator, if it is established.

The stakeholder working group would typically involve stakeholders from:

- local government;
- public or private local economic development authorities;
- universities/research institutes;
- private sector;

- financial sector;
- other business development organizations;
- specific sectoral areas which are strong in the area (such as ICT or agri-food).

The initial tasks of this stakeholder working group should include the following steps:

- Discussion of opportunities and constraints for the growth of social enterprises in the innovation and entrepreneurship ecosystem;
- Reaching consensus on the basic concept and objectives of an incubator;
- Establishing a timetable and tasks for the preliminary work to be carried out to assess the feasibility of creating an incubator;
- Learn more about business incubation as a concept and as an application;
- Provide resources for planning the feasibility study;
- implementing a feasibility study;
- Making a decision on outcomes and planning the next stage of development.

In order to better direct the feasibility study research and make informed decisions about outcomes, it is important for the stakeholder working group to understand the key incubator concepts and trends.

This learning process can be facilitated by:

- Online training resources: nowadays many training opportunities can be found online or in various enterprises.
- Incubator study visits: existing incubators in similar environments bring broad and deep experience to help stakeholders. They help avoid mistakes and share what has been learned elsewhere in similar and different environments.
- Keep up to date with emerging trends, especially through incubator networks and events. Active involvement in incubator networks is important for exchanging expertise, accessing specialized experts, establishing joint projects and activities (national and international) and creating new forms of incubation and entrepreneurship support. Participation in international incubation conferences provides useful information on key trends as well as opportunities to network with incubation leaders. At the local community level, stakeholder and policy-maker outreach workshops are a good way to start the learning

process and develop important networks with other practitioners, stakeholders and policy-makers, as well as striving for a high level of early engagement.

4.2.1. Components of a feasibility study

The NBIA suggests that "By providing detailed answers to key questions, a feasibility study helps business incubator developers decide whether a business incubator will prove effective in a given setting by determining whether the proposed project has a strong market, a solid financial base, strong community support, and true champions. Beyond this, a feasibility study identifies obstacles that business incubator organizers might need to overcome and offers options for overcoming them. It can also examine whether a proposed business incubator will contribute to a community's broader economic development goals."

Feasibility studies typically take between two and six months, reflecting the complexity of the process and the need to raise awareness and commitment. It takes time for ideas to come to a community, and stakeholders may not come forward until they are convinced of a project's value. Studies can be completed more quickly, but risk missing important nuances or being incomplete.

Consultants are often hired to carry out a feasibility study and subsequent business plan if there is no local capacity or if an independent opinion is needed. Sometimes they also act as advisors to local stakeholders or local consultants carrying out the study. If consultants are used, they should work to build local capacity so that they are no longer needed. They can be an important resource for the start-up phase, for specific capacity building or as part of the initial management team to set up the business incubator and to transfer knowledge and control to a local management team on an ongoing basis.

A feasibility study should include:

- Analysis of market opportunities for growth, i.e. does the area have a competitive advantage in a social sector?;
- Analysis of the pool of social entrepreneurs who could be potential incubator clients and the barriers to their success (e.g. regulatory and labor issues, infrastructure, skills, financing and equipment);
- Mapping of organizations providing services to social entrepreneurs and their strengths, weaknesses, target segments and pricing strategies, resulting in a gap analysis of the services currently being provided in the market;
- Analysis of the ease of access and cost of basic infrastructure and services for small businesses, such as office space, electricity, internet and telecommunications and copying services;

- Sensitization of representatives of all actors in the innovation and social entrepreneurship ecosystem to raise awareness and create stakeholder support and partnership potential.

Feasibility studies typically examine the following core topics at least:

- Stakeholder 'buy-in' - community support and project champions;
- Market - the composition of the entrepreneurial pool in the area of operation and the needs of potential customers, now and in the future;
- Facilities and services - including rental arrangements (free building) and suitability of the building, such as location, size of offices and meeting rooms, and ICT infrastructure;
- Availability of the necessary skills to manage and operate the incubator; and
- Financial viability - both short and long term, including set-up costs.

Below is an example of the content of a feasibility study.

TABLE OF CONTENTS

1. Executive summary
2. Introduction
3. Local environment, support and conditions
 - 3.1. The local innovation support ecosystem
 - 3.2. Community leaders and economic actors
 - 3.3. Local business trends and opportunities
 - 3.4. Conclusions on local environment and conditions
4. Deal flow
 - 4.1. Market segments
 - 4.2. Outlook
 - 4.3. Deal flow for an incubator
 - 4.4. Transaction flow
 - 4.5. Examples of possible customers
 - 4.6. Conclusions on deal flow
 - 4.7. Services to be provided (e.g. accounting; legal; mentoring and coaching; training)
5. Incubator model
 - 5.1. Recommendation on incubator objectives
 - 5.2. Suggestion on incubator business model
6. Ownership, governance and management
 - 6.1. Project champions
 - 6.2. Ownership, governance and management
 - 6.2.1. Board representation

- 6.3. Day-to-day management
- 6.4. Incubator staff
- 6.5 Advisory Board
- 7. Location and facilities
 - 7.1. Building layout including facilities: reception, offices, meeting rooms, training rooms, cafeteria, etc.
 - 7.2. Proposed location
 - 7.3. Layout and facilities
 - 7.4. Conclusion
- 8. Indicative financial perspectives
 - 8.1. Basis for financial viability
 - 8.2. For-profit versus not-for-profit?
 - 8.3. The business model
 - 8.4. Financial projections
 - 8.4.1. Profit and loss summary
 - 8.4.2. Detailed cash flow
 - 8.4.3. Cash flow summary
 - 8.4.4. Main assumptions
 - 8.5. Scenarios
 - 8.5.1. Different number of customers
 - 8.5.2. Different incubation fees, royalties or shares
 - 8.5.3. Whether or not an anchor tenant is secured
 - 8.6. Viability
 - 8.7. Initial funding required
 - 8.8. Sources of funding
- 9. Implementation
 - 9.1. Development and implementation of the incubator
 - 9.2. Entry and exit criteria and arrangements
 - 9.2.1. Entry criteria and arrangements
 - 9.2.2. Client mandate and business milestones
 - 9.2.3. Exit criteria and arrangements
 - 9.3. Service providers and their offer
 - 9.4. Job descriptions
 - 9.5. Operational plan
 - 9.6. Start-up support
 - 9.7. Handling of intellectual property
 - 9.8. Marketing strategy
 - 9.8.1. Market segmentation
 - 9.8.2. Marketing strategy
- 10. Performance evaluation and monitoring
 - 10.1. Reporting and monitoring
 - 10.2. Performance monitoring - results
 - 10.3. Critical success factors
 - 10.3.1. Generic success factors
 - 10.3.2. Specific factors for the development and success of the proposed incubator

4.2.2. Understanding market needs (including stakeholder analysis)

Analysis of local market conditions and potential deal flow is arguably the most important element of the feasibility study. Without convincing market information, it will be difficult to convince local stakeholders to fully engage and, without their support, it will be almost impossible to secure future funding. Market data will also help to suggest the optimal incubator business model and provide a good indication of the best physical location for an incubator if physical infrastructure is required. Some key considerations for understanding local market needs are explored in more detail below

GUIDING QUESTIONS AND ELEMENTS TO REFLECT ON

What is the target market? What is the most likely or feasible target?

- R&D organizations and researchers at the proof-of-concept development stage;
- Individuals or companies that are beyond proof of concept, but before prototype and institutional funding; and/or
- A combination of the above.

Benchmarks for commercialization of R&D (Spin Out)

>> Some projects could also come from sources other than universities, e.g. spin-outs from corporate environments or independent entrepreneurs. In fact, many incubators associated with universities do NOT get most of their tenants from universities. For example, in Europe, only 11.2% of European incubator tenants come from universities and R&D institutes.

How big is the target market? Is there a critical mass to justify setting up an incubator? Who else is already competing in the market?

Which segments or niches are targeted? Is it only high-tech, specific industry segments or mixed use?

What are the characteristics, needs and locations of the segments or niches?

Are you responding to market demand or creating a new market?

Are pre-incubation programs needed to increase the size of the target market, e.g. targeting pre-sales companies?

Market research is a process of searching and analyzing information in order to produce a feasibility study or a business plan. The process is made up of several key tasks that are best summarized by the following:

- 1) identify the information needed;
- 2) profile the potential sources for that information;
- 3) outline an approach to finding that information;
- 4) gather the information, and finally,
- 5) organize the information in a format that provides useful conclusions about the potential market.

Market information can be classified as secondary and primary market data.

Secondary market data comes from existing market information such as local economic data, industry surveys and publications, online databases, information from local chambers of commerce, newspapers and magazines. Secondary market data are particularly useful for providing quantitative information at the macro level, such as overall market size, market trends, emerging and growing industry sectors, geographic disparity of economic activity, and data on fertility/birth and death/death rates by industry sector. From the analysis of local economic data, it is possible to indicate where the best market potential exists and from there identify potential target markets.

Secondary market data is normally complemented by primary market data. Primary market data are generated through a comprehensive needs analysis or demand survey, which aims to further quantify the size of the potential market, its characteristics and needs, now and in the future.

There are three essential elements in a needs analysis:

1. Survey design;
2. Consultation; and
3. Focus groups with potential customers.

Survey design

This involves determining who should be interviewed, how the data are to be collected, and developing the survey instrument and analysis framework. It is not always easy to determine who should be

surveyed. There are two broad categories of people and it is important to know the characteristics of both:

- Aspiring or intending business owners - those who want to set up a business now or in the future, e.g. students. This is the future market for business incubators. The main problem with this group of people is that they don't know what they don't know, they may also have unrealistic expectations, and in addition, only some of them will have the commitment to follow through and launch a business in the future. In other words, this group is an unreliable source of data.

- Start-ups or existing businesses - those who have already started a business. Some of these people may be in the business incubator market, but others will no longer need support. These people are a good source of information because they have been through the process. However, the businesses they are involved with may not become customers and, if conditions change substantially, they may not be representative of the future market.

Consultations

Consultation with stakeholders, business leaders, business support organizations and other intermediary organizations (feeder channels) will generate qualitative and quantitative market data along with the information needed for the other topics of the feasibility study.

Focus groups with potential customers

Conducting focus groups with up to 12 potential customers in a group is a good way to explore the issues in more depth and collect qualitative data. These often follow a survey to test ideas on the design of a business incubator.

A needs analysis should address the following issues:

- Lack of knowledge and understanding - Individuals are likely to have limited knowledge and understanding of business incubators. Raising awareness is essential.

- New industries and a new market for the business incubator - The business incubator is likely to target new industries with very few (or no) businesses in the market at the time of the feasibility study. This

makes it difficult to assess the potential size of the market and requires careful judgement of other factors and strategies to stimulate industry development.

- Qualifying Expressions of Interest in Business Incubation - In a needs analysis survey, many people may say they are interested in using the services of a business incubator, but only a percentage will follow through on the request and only another percentage will be selected by the incubator. It is hard to estimate how many expressions of interest will turn into customers, but typical industry benchmarks range from about 5% for high-tech oriented business incubators to 20% for non-high-tech business incubators. If the sample has already been filtered from a generic business support service to select growth-oriented clients, then the percentage may be much higher.

- Insufficient demand - While there may be strong interest in developing a business incubator, there may be too few innovators and entrepreneurs to support it or the capacity to grow this business stream over the long term. The feasibility study will need to consider options for increasing critical mass or highlighting alternative or more appropriate methods of support.

- Research expertise required - A quality interviewer with a good knowledge of the subject is essential. A good tip is to use cascade consultations where respondents identify other people to talk to.

Both secondary and primary research methods are complementary. Secondary market research will provide important macro-economic data that will lead to the identification of target market segments that can be further analyzed through primary research. Primary research brings direct contact with potential entrepreneurs and provides essential additional information about their business capabilities and needs. This will answer questions such as: what kind of services should the incubator include in its portfolio; is a physical incubator necessary or will virtual incubation suffice; what level of funding will be required?

Input from these primary and secondary sources of information will directly contribute to a 'go' or 'no-go' decision on whether to set up the incubator. If the decision is 'yes', the market information obtained will form the basis for selecting, among other things, the incubator's business model, service portfolio, organizational structure and resource planning.

4.2.3. How to assess when an incubator is not the appropriate solution

The end result of the feasibility study should be to provide information in a format that allows the stakeholder working group to make a "Go" or "No-Go" decision on whether or not to proceed with the establishment of an incubator. Not all feasibility studies have a positive outcome, but even negative

results should be interpreted positively in that they prevent potentially unwise and costly investments and, in some cases, indicate more appropriate development interventions for the area.

So how should the results of the feasibility study be interpreted? Returning to the original objectives of a feasibility study, the NBIA identifies four key success factors that provide a useful basis for making a "Go/No-go" decision.

The proposed hatchery project has:

1. A strong market;
2. A sound financial base;
3. Strong community support and
4. True champions?

1. Strong market: what does the market analysis show?

- Is there deal flow now and in the future?
- Is there critical mass to justify setting up an incubator?
- What size incubator is justified by the market?
- How many tenants does the incubator need?
- What are the main market requirements? Can the incubator meet them?

Decision: Works / Does not work.

2. Sound financial basis:

- Have start-up costs and short- and long-term costs been clearly established?
- Has a clear business model for sustainability emerged from the feasibility study?
- Is there a clear financial commitment to support the start-up and initial running costs of the incubator to provide ongoing support (depending on the business model)?

Decision: Works / Does not work.

3. Strong community support

- Does the incubator fit into the economic development priorities and the local ecosystem supporting innovation in the community?
- How well is the incubator project supported by key stakeholders in the community?
- Are they willing to support the project politically and financially?

Decision: Works / Does not work.

4. True champions

- Who is/are the champion(s) of the project?
- Is the community behind them?
- Do they have the knowledge and experience to run a successful incubation operation?

Decision: Works / Does not work.

If the stakeholder working group cannot give a clear and unanimous 'yes' answer in each of these fundamental areas, then only two possible conclusions can emerge:

- Either further research is needed to get a 'yes' answer; or
- An incubator is not the best solution for the community in question.

In the latter case, where the feasibility study shows that an incubator is not a feasible solution, while this outcome may be disappointing to the project champions in the short term, in the long term it saves a considerable amount of wasted resources in terms of both time and money.

The feasibility study is the tool that allows the stakeholder working group to analyze market growth opportunities, identify the group of entrepreneurs and their barriers to success that could become clients of the incubator, map other business support organizations in the area and their activities, analyze access to and cost of basic infrastructure and services for small businesses already in the area, and raise awareness and buy-in from stakeholders. The findings of the feasibility study also provide information that needs to be referred to when defining a sound business plan for the incubator.

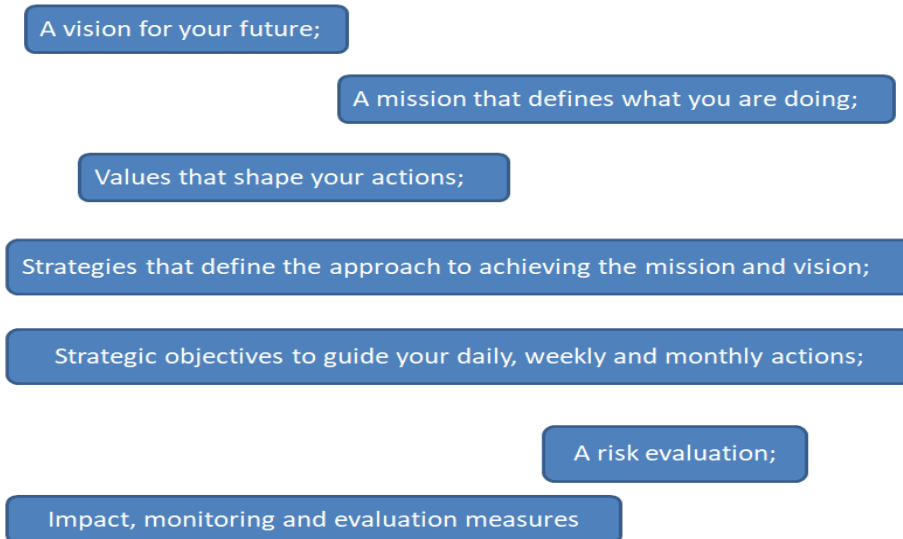
4.3. Planning a social incubator

4.3.1. Vision and mission statements and strategies for an incubator

The strategic plan sets out the mission, vision and main strategic objectives of the incubator. The business plan addresses how these objectives will be achieved and includes detailed financial aspects.

These two documents that form an overall plan are essential to direct and motivate the incubator's operations at both strategic and operational levels. The initial documents should be developed with the board and key stakeholders, but once the incubator is up and running, they should be 'owned' by the management team. A good policy would be to hold a strategic planning workshop once a year (usually before the Annual General Meeting), attended by the board, the incubator manager and key stakeholders. Ideally, such a workshop should take place off-site and be facilitated by an independent expert in both strategic planning and incubation. The management team should prepare updated strategic and business plan for review and possible ratification by the board of directors prior to the workshop.

➤ In short, the main elements of the strategic framework of a social incubator are the following:



➤ Who develops mission and vision statements?

- The vision and mission statement for an incubator cannot be delegated to external persons /external parties to prepare them.
- It must be owned from the outset by the main stakeholders involved in the long-term project/ long-term planning and support for the incubator.
- Very often, a local champion emerges with its own very clear vision of what the incubator should do.
- However, it is important that this vision is embraced from the outset.
- For this reason, the first draft of the mission and vision statements should be developed or at least discussed and agreed by the first board and key members of the key stakeholders.
- Subsequently though mission and vision statements should not change frequently, they should be reviewed to check that they are still relevant in a strategic planning review which should take place periodically, at least once a year.

➤ The essence of a vision statement: It should be a powerful motivational tool that brings all stakeholders together to work towards a common inspirational goal.

To launch discussions on a vision statement, the following questions can be considered:

- What were stakeholders' main motivations for setting up the social incubator?
- In relation to these motivations and thinking more broadly, how would each stakeholder define the success of the social incubator?
- From the clients' perspective, how would you like them to experience and benefit from the incubator's services?
- Leaving aside the issue of funding, how would each stakeholder see the incubator in 10 years' time?

By brainstorming these points, a common vision should eventually emerge. This vision can range from a short sentence, such as "Let's be the undisputed leader in technology incubation in area X", to several pages. Once the long-term vision for the incubator is created, it sets the context in which all other decisions are made.

➤ The mission statement describes:

- Why the social incubator was established;
- What the organization aims to achieve.

A typical mission statement contains three components:

1. The overall purpose of your incubator - What are you trying to accomplish at this time? Why are you in business?
2. What does your incubator do - What are the core products and services you offer?
3. What is important to your business? What are the values that your business holds and seeks to convey to customers and other stakeholders; for example, accountability, objectivity, creativity and ingenuity?

Several steps are recommended to build a good mission statement:

- A brainstorming meeting should be held among stakeholders supporting the launch of the incubator. This can be combined as part of the strategic workshop where the vision statement and other key strategies are developed.

- This workshop will identify the needs that the incubator will meet. At this stage it is useful to refer to the market study completed as part of the feasibility study, which should include issues such as the needs expressed by potential entrepreneurs and existing social enterprises and the size of the market included in the catchment area, among others.
- A SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis is often used by organizations as part of the strategic planning process. It can help to clarify the incubator's positioning in the market by analyzing its strengths and weaknesses in relation to market conditions and competitors, as well as analyzing emerging opportunities and threats.
- In some cases, the mission statement may refer to how the incubator will be funded. This is a way of clarifying for users whether the existing infrastructure is funded from public funds, private income or a combination of the two.
- Last but not least, the mission of social incubators should always include business creation as a primary objective, either by supporting the creation or consolidation of new businesses with high growth potential, or by introducing innovations into existing ones.

Note: It is important to remember that while the initial mission statement is developed by stakeholders and board members, once an operational team is established, it is essential that they fully understand and support the mission statement. This can be an "elevator pitch" or a "mantra" for the incubator. All team members should have this mantra ingrained in their minds and should be able to communicate the organization's mission clearly and unambiguously to third parties. Mission statements should strive to be concise so that they can be easily and clearly communicated, such as "Accelerate the formation, growth and success rates of scalable, technology-based businesses and retain them in Zone X".

➤ There are several key points for strategies and action plans:

- The core values of a company or organization are usually defined in its guiding principles.
- The overall objective is to align all activities within the organization to the common theme(s) that support a winning business strategy.
- Different strategic objectives result in different types of incubators.
- Strategic objectives go beyond mission and vision to better define how the organization seeks to relate to its social business environment.

- Strategies typically consist of four or five well-defined key approaches that an organization will use to achieve its mission and move toward its vision.
- Objectives and action plans usually flow from each key approach and form the individual elements of the strategy.
- A social business model is also the means by which an organization achieves its strategy.
- Operational plans are about implementing the strategy by identifying and organizing all key activities.

4.3.2. Designing the business plan for the social business incubator

Designing a business plan is an essential step for incubators. It is particularly important in the initial start-up phase of an incubator and will be useful for fundraising, but also for systematizing ideas, processes and techniques.

The business plan provides answers to questions about the incubator before it is set up, but should be updated regularly.

The feasibility study will have identified the need for the incubator, determined the size of the market for new businesses, verified the size of the incubator and assessed financial and other resources.

➤ The business plan should address the following issues:

- It must start with a set of business objectives;
- It should then also indicate the reasons why the objectives are achievable and follow up with a comprehensive and well thought out proposal for achieving them within a given time period;
- The plan should conclude with an indication of the resources required for the incubator and the means by which these will be achieved;

Business plans for incubators will also:

- Confirm the results and assumptions of the feasibility study;
- Identify and resolve any remaining problem areas;
- Set performance monitoring and evaluation benchmarks;

- Indicate how the strategy will be communicated to stakeholders, including incubator tenants, to ensure their continued support and involvement in incubator operations;
- Provide a template for management and operational procedures.

The feasibility study, following consultation with local stakeholders, will determine the most appropriate type, size and management structure for the hatchery, taking into account its specific economic and other circumstances.

The business plan should guide the establishment and detailed operation of the incubator over a period of three to five years. It should be regularly reviewed and adjusted to cope with changes in external factors (flexible planning).

The main sections of the business plan usually include the following:

- Executive summary. This is a very important section of the plan and should be the last part written; its content will depend on the content of the whole rest of the plan, as this section will give an overview of the business, summarizing the content of the business plan to the main points.
- Vision and mission. The desired impact of the business incubator in its specific area of influence should be defined in detail.
- SWOT analysis. The current situation should be described through a needs analysis of the innovation and entrepreneurship ecosystem in which the incubator proposes to operate. A brief overview of the incubator organization is provided, along with its history and current status. The unique features of the incubator are highlighted, highlighting its benefits and advantages. Traditionally, this type of analysis considers these issues under four categories: strengths, weaknesses, threats and opportunities.
- Strategic objectives. The overall objectives of the incubator should be clearly defined, as they will be the reference point for any assessment of the incubator's position in achieving its vision, mission and desired impact.
- Business model. The business model should describe the type of incubator chosen, its geographic scope and, if applicable, any specific sector or other special focus of its target market. It should also provide information on the means by which the incubator will generate revenues and profits, including how it proposes to become sustainable.
- Marketing plan. This section should outline the marketing policy and set out how the target market will be defined and further reached. In addition, it should document the incubator's comparative advantages

over the competition and the ways in which it can ensure that it consistently brings in businesses for incubation. Note: The marketing plan is considered extremely important because of its large impact on the overall success of the incubator. Therefore, further details on this aspect are provided in the following section.

- Management and Operations. This section should define the structures and procedures for achieving the incubator's objectives, which should help prevent a lack of coordination and support a more coordinated operation that avoids unnecessary expenses. For each of the incubator's core services, the operational plan should provide detailed descriptions of issues such as the tasks required to provide these services and the names of the persons responsible. The plan should also use flow charts to describe the processes for providing each service. Decisions should be made about the technologies that should be adopted to implement the incubator's procedures and processes, and these should be detailed in this section of the business plan. The incubator's resource requirements (equipment, furniture, etc.) and control systems should also be defined. Any legal aspects, such as standards that the incubator should meet or other regulations, e.g., access rules, etc., including its legal status, should also be outlined. In addition, the organization of the staff, their tasks, responsibilities and relationships, including the structure of the Management Board and the role of its members, should be explained.

- Financial management and planning. This section should use short- and medium-term financial models to enable financial performance to be forecast. Initial investments required should be defined, as well as issues such as costs, expenses and cash flow, among others.

- A business plan may include a strategic development plan. It should outline the incubator's development stages, together with measurable development objectives, and may include issues such as:

- o Performance monitoring and evaluation, along with accompanying benchmarking objectives;
- o Risk management.

To summarize, a sample table of contents for a business plan is provided in the following tool:

BUSINESS PLAN TABLE OF CONTENTS

- Executive Summary
- Vision and mission
- SWOT analysis
- Strategic objectives (short, medium and long term)
- Business model
- Marketing plan and stakeholder relations

- o Target enterprises
 - o Their specific needs
 - o How to attract them
 - o Pricing
 - o Occupancy levels
- Management and operations
 - o Facilities
 - o Entry and exit policies
 - o Types and level of services
 - o Relations with other services
 - o Staffing
 - o Role of the Board of Directors
- Financial management and planning
 - o Capital budget
 - o Operating budget
 - o Scenarios and sensitivity analysis of income and expenditure
 - o Cash flow forecasts
 - o Profit targets
- Risks and improvement strategies
- Monitoring and evaluation for a strategic development plan
 - o What will determine success?
 - o How and how often will this be measured?

4.3.3. Marketing plan of the social incubator

The most important objective of the marketing plan is to identify what needs to be done to attract more or better-quality customers; it may also incorporate actions to attract new or stronger partners and funding sources. Potential donors will look carefully at marketing information to draw conclusions about the future sustainability of an incubator.

The objective is to have a marketing plan that:

- Clearly targets businesses;
- illustrates their specific needs and details how to attract them;
- indicates how the incubator will reach its target market. A summary of the promotional plan should be included, indicating the type of promotional material that will be used and how it will be deployed.

A list of specific marketing objectives and strategies to achieve the incubator's overall strategic objectives should be established. This will follow the "marketing mix" formula that addresses:

- Product/service portfolio;
- Pricing strategies, including bundling;
- Place: how customers can access services - either on-site, off-site or via virtual means;
- Process: how products/services are delivered;
- People: who is in contact with customers, how they convey the value of the products/services offered and how these people behave in relation to customer expectations;
- Promotion: how to make the incubator known to potential customers and ensure that they choose a particular product/service;
- Physical evidence to support the brand.

An estimate of the expected costs associated with each strategy or activity should be detailed.

How is pricing done?

1. Managers need to understand their customers and establish what they are willing to pay, then develop business models tailored to these conditions.
2. If a social incubator has a good value proposition - even if, at the planning stage, the incubator is not able to use a track record or good examples to convince the market - then rents can be charged at the commercial rate or higher for the type and quality of space offered. When setting rents, it pays to tier rental rates per square meter, with more expensive rates for smaller spaces not usually available in the commercial market.
3. Office services, such as faxing facilities, photocopying, making phone calls or using the internet, can also be benchmarked against current market values. The (cost) advantage should not be based on actual cost coverage, but on resource sharing. As a simple example: the advantage is not that photocopies are invoiced at a lower price per copy, but that a client firm does not have to rent (or buy) a photocopier, which is a particular advantage when the number of copies needed is small enough to justify such a purchase.
4. Royalties and equity are more difficult to define, but ultimately the rates must cover the incubator's costs and take into account failures, as well as the fact that, in these models, most of the profit will come from only 10-20% of customers. For this reason, venture capital benchmarks are a useful guide. For royalties, which can be as high as 7.5%, franchise benchmarks can also serve as an indicator. Intellectual

property licensing royalties should also be considered. Modelling for equity and royalties should be for a 10-year period and will help people determine what is feasible and what the rate should be.

Note: "Royalty" is an incubating model that has neither a broad base of experience nor a long track record. It is experimental and only the future will show whether it will be a sound commercial basis for incubators (in developing countries).

5. When discussing pricing, hatchery planners and managers should also be aware that while subsidies may allow the hatchery to offer services at lower than market prices, this could have a negative impact on for-profit competitors/market players, which should be avoided.

Convincing entrepreneurs to join the incubator

Some guidelines on how to convince entrepreneurs to spend their limited resources on purchasing services and signing royalty contracts may include:

1. Start with a clear marketing strategy. Defining a strategy is important because it provides a basis for future actions and means that all future actions should contribute to achieving the objectives of the strategy.
2. Sell hatchery services through credible staff who have sufficient training and experience to explain the services on offer and clearly set out their benefits.
3. Use past and current clients. The more successful companies that come out of the incubator, the easier to sell. The greater the satisfaction of current customers, the more likely it is that new customers will be attracted to the incubator.

4.3.4. Funding of incubation activities

In most cases, the provision of physical incubation services represents a cost to the hatchery. Ideally, these costs should be covered by equivalent income from tenants. If these revenues are not sufficient, which is rarely the case, the incubator may need other sources of income, either from donors/public support, or by offering other services to tenants, such as, for example, accounting services, or by implementing success-sharing mechanisms (royalties or brokerage fees may be an option).

Ideally, an incubator could receive adequate space from its public and/or private sponsors. In this scenario, the profits from the spaces obtained at no cost would provide the incubator with income to fund its long-term expenses. This could even be the key to future self-financing if the spaces are large enough.

Another way to balance the books is to consider retaining a few long-term tenants, which are often called anchor tenants. These companies provide long-term rental income for the incubator. A good strategy is to retain anchor tenants who can offer services to new initiatives for incubation (web designers are a good example) that will contribute to the overall success of the incubator and tenant businesses.

4.3.5. Human resource requirements

Incubator tenants are likely to have difficulties with their start-ups. An incubator manager involved in tenant selection, day-to-day operations, and the coordination and facilitation of business services can not only be an invaluable asset to incubated businesses, but also key to the incubator achieving its goals. The manager would be responsible for all of the key components of an incubator listed here and will serve as a facilitator, mentor, coordinator and peer to all incubator tenants. Ideally, this manager should have connections within the business community, bringing experience, contacts, resources, and a presence in the community.

The social business incubator manager is responsible for the programming and operations of a mixed-use business incubator serving resident and affiliated businesses. The Business Incubator Manager exercises independent judgment, decision-making ability and discretion in the performance of job duties. Performance in this position will be measured by the number and success of businesses assisted through incubator services, and the relevance and quality of programs or services provided to businesses.

Social Incubator Manager

Specific duties of the social business incubator manager include:

a) Incubator development

As the business incubator is in the development phase, the business incubator manager will need to play a lead role in developing and codifying policies and procedures to govern the facility, its programs, and relationships with clients, service providers, and partners.

b) Programing Responsibilities

- Develop and manage entrepreneurial education programs, seminars, business skills training and networking opportunities for incubator tenants, affiliated clients and the business community at large.
- Plan and execute a marketing and public relations campaign designed to increase awareness of the Social Business Incubator and its programs, as well as recruit new tenants and affiliated clients.
- Provide direct support and advice to incubator tenants and affiliated clients on basic business topics, business planning, and directing businesses to additional public or private resources that can help them address more substantive issues.
- Establish and maintain a network of high-quality service providers who can provide training, mentoring, advisory services or resources to the incubator, its tenants and affiliated clients.
- Conduct community outreach, develop and maintain relationships with government agencies, economic development partners, businesses, organizations and individuals who can provide ongoing political, technical or financial support to the business incubator. Ensure collaboration with area economic development partners.
- Maintain close relationships with key social and financial resources in local communities, provide support for facility expansion, assist in technology commercialization, and support faculty and student social entrepreneurship.

c) Operational responsibilities

- Manage the day-to-day operations of the social business incubator, including maintenance, access and security, facilities or equipment scheduling, utilities and services, purchasing of services and materials, and other administrative functions.
- Develop annual operating plans and budgets, prepare monthly financial and activity reports for Board review, and recommend actions for Board consideration.
- Ensures compliance with legal requirements for operations, including compliance with local, state, and governmental laws, as well as all administrative laws that must be followed.
- Schedules and conducts monthly board meetings and coordinates the activities of all committees.
- Identify and complete grant applications and conduct other fundraising activities.

- Conduct recruitment, screening, intake and periodic review of incubator tenants and affiliated clients. Negotiate and structure client agreements and leases; including collecting rents and fees. Maintain accurate files and records of each client company and any related correspondence.
- Track and report on the performance of the business incubator, its tenants and affiliated clients.

The requirements of the Social Business Incubator Manager include:

- Bachelor's degree in business or related field, Master's degree preferred.
- Minimum five years of social business experience, with start-up experience preferred. Candidates with incubator management experience are also preferred.
- Demonstrated knowledge of contract management, budgeting, fundraising and project management.
- Candidates should also have expertise in the content areas of opportunity analysis, capital formation and financing, business plan and business model development, technology commercialization, social economy, customer development and soft startups, and risk assessment and management.
- Excellent interpersonal, verbal/written communication and problem-solving skills.
- Experience working with confidential and sensitive information.
- Flexibility and willingness to work beyond the regular 8-hour work/ day and to occasionally attend weekend and evening meetings. Occasional travel may be required.

Recruitment is required to provide a good level of service in the following key areas:

- Incubator administration - financial, legal, HR and IT;
- Development and maintenance of the physical environment (internal and external) through the provision of quality infrastructure and office services for clients - such as access and furniture and including office services and ICT facilities (fax, photocopying, telephone and internet), among others);
- Provision of quality business development services to clients;
- Marketing, stakeholder management and public relations;
- Strategic planning, reporting, monitoring and evaluation.

Human resources management covers recruitment and development of employees (staff members). The target of a well-functioning human resource management system is very important for several reasons:

- It will help to ensure a high level of performance within the incubator and will also serve to demonstrate the value of such an approach to incubated businesses.
- This is a complex area that is very important for the incubator because of the need to cover costs, make the most of resources and circulate information quickly.

4.4. Conclusion

A social enterprise incubator, like any other enterprise, needs a solid business plan as a roadmap to success.

By outlining the current situation in the innovation and social entrepreneurship ecosystem, for example through a SWOT analysis, the incubator can position itself in this overall context. The business plan is a tool that allows the incubator to define in details its vision, mission and strategy to achieve its expected impact. In this way, the social incubator can set the strategic objectives to be achieved and define the operational procedures and structures that will enable it to achieve them. In particular, it should include the implementation of a strong marketing strategy, detail the business model under which it will operate, and describe the overall operational and financial management aspects of the incubator. Turning the business plan into reality is part of the incubator's strategic planning.

