



## IPI-IKED Working Paper on Incubators and Venture Capital

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### EXECUTIVE SUMMARY

Innovation is a priority in most countries throughout the world, and **regional and national competitiveness** and economic growth are increasingly dependent on shaping the underlying conditions supporting **risk-taking** and **innovative ideas**. Economic growth has in recent years been coupled with access to information and communication technology (ICT), the ability among firms to introduce organisational changes and the level of human capital together with research and development in small and large firms. However, despite many efforts to identify the key factors determining growth and innovation, a number of countries are still faced with challenges forcing them to **rethink their current position**. Wealth and social well-being for thousands of people around the globe are dependent on societies' willingness and ability to adapt themselves to the new opportunities evolving in the Knowledge Economy. Today, the field of **entrepreneurship** is emerging and initiatives supporting the development of entrepreneurial activity are highly imperative.

Together with **incubators, venture capital** contributes to economic growth in SMEs. While incubators, by nurturing young firms, provide a **favourable environment** for their birth and early development, venture capital funds represent the financial means ensuring further development of successful entrepreneurial ideas. Therefore, the **two roles are complementary**, and an **efficient collaboration** among incubators and venture capitalists can potentially guarantee a business climate where enterprises can grow smoothly and rapidly.

However, while a number of **studies on incubators** primarily concentrate on showing best practices, guidelines for fostering new start-ups, incubation management, evaluation of incubator programmes and effectiveness of incubator programmes on start-ups, **only little research** has been **devoted** to investigate to what extent **incubators and venture capital investors** are successful in their attempts to collaborate. As a result, questions such as **'how efficiently do incubators and VC collaborate'** and **'to what extent are the firms prepared to meet investors'** are hitherto left **unanswered**.

Based on an **international survey of 28 incubators in 15 countries** including Cyprus, Denmark, Finland, Germany, India, Ireland, Italy, Japan, Palestine, Romania, Singapore, South Africa, Sweden, Tunisia, Turkey and the United States, IPI and IKED conclude that generally, there are some **severe difficulties for incubators** throughout the world **to access venture capital** investors. However, a certain group of incubators is **particularly successful** in their approach to venture capitalists. For instance, those public or private incubators that are **working for-profit**, appear **national or international oriented** with staff members experienced in the **private sector** and housing companies occupied with **ICT and research and development** activities tend to have a better cooperation with venture capital investors. Among other things, certain **training and follow up activities** are suggested to strengthen the venture capital availability among incubators. Moreover, enhanced **dialogue** between incubators and venture capital investors and **matchmaking events** are highlighted and certain **policy recommendations** regarding incubators are brought forward.