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Business Incubators: a useful tool for encouraging entrepreneurship

The technology business incubator in Lugo di Romagna: a case-study

1.

The Technology business incubator in Lugo di Romagna represents a very interesting example of business support organization for encouraging entrepreneurship and innovation at a local level.

Situated in the Ravenna province, a few kilometers far from the Bologna province and the Municipality of Imola, Lugo di Romagna has a population of 32,000. As a matter of fact, the district is made up of 9 municipalities with a total population of 90,000.

Lugo has a strong agricultural tradition and all the industrial activities that have flourished over the years are linked to the mechanical, agro- and food industries.

The local industrial system is made up of a network of small and medium enterprises that are mainly oriented to manufacturing activities and are lacking – as many researches have pointed out – of advanced services.

This is the reason why many firms very often address to the services provided by professionals located in Ravenna, Bologna and Imola.

2.

The business incubator has been founded with the cooperation of Lugo local council with a twofold purpose: on the one hand they wanted to create new jobs for young entrepreneurs who were providing innovative services; from the other hand, they wanted to support the development of innovative services and, at the same time, made them available to small and medium enterprises of the area.

In a way, on a small scale, the incubator was also a kind of territorial marketing operation since it developed the attractiveness of the territory. As we will see later in this paper, many businesses from the surrounding municipalities were interested in this project.

At the beginning, a variety of cultural initiatives linked to IT activities were organized by the Lugo council, among which a training course funded by ESF and

managed by a local training centre. After the completion of these initiatives a first group of would-be entrepreneurs was formed.

The incubator is located on the premises provided by the local council. The restyling and managing of the building was carried out by our company, Genesis, which in the past had acquired an extensive experience in this field.

The incubator occupies a floor of a converted school. It has been fitted out for this particular purpose with basic technological facilities such as computers, printers, telephones with broadband Internet connection; it also offers secretarial and consulting services.

The incubator has been inaugurated in 2002 and at first housed 4 companies that were selected through a public call for bids. Among those businesses there was also a firm made up of 4 ex-students of the course that we mentioned earlier.

Then three more companies were added to the the incubator that is currently operating at its full capacity (7 companies). Now we are considering the possibility of expanding the equipped workspace.

The incubator now provides units to start-up companies. The maximum tenancy length is three years. All the businesses in the incubator operate in the IT industry and specialise in various sectors such as: web site designing, tri-dimensional simulations, portal realisations and the creation of business data base.

Five out of seven firms are made up of entrepreneurs living in other Municipalities.

As far as advisory services are concerned they range from one-to-one coaching and advising to seminars. The main goal of consultancy services is to spot and develop new markets in order to promote business expansion. This was the case of one company which has started a profitable business relationship with local wine producers; another company has created a new editorial product that was presented during an important exhibition.

All firms, together with the local council, financially support the whole structure. The external funding sources provided by the Lugo council amount to 30 thousand Euros per year, whilst each company pays a fee that covers general costs and the rent (shared services provided by the incubator are included). Tenants pay a very low fee for the first year, that grows up a bit in the following years.

There are some goods examples of inter-firm collaboration between companies in the incubator. Two companies, in particular, are currently collaborating on various projects.

3.

Thanks to its peculiar characteristics, business incubation is a more cost-effective and sustainable new business creation tool than other comparable forms of direct investments.

- ❑ Business incubators financially support their business tenants and help them to reduce operating and investment costs.
- ❑ Companies operate in a highly innovative environment. Tenant companies can share significant information and receive professional advice.
- ❑ Business incubators promote integration between manufacturing activities and training initiatives.
- ❑ Business incubators promote new business opportunities through co-op ventures.

All the above mentioned elements are very important for the promotion of new businesses. Furthermore these elements become critical in the successful setting up and management of IT start-ups.

In particular:

- ❑ since this sector presents a high degree of innovation, it is important to promote the circulation of information and business know-how to help companies grow from a technological and innovative point of view;
- ❑ the peculiar nature of the manufacturing process of the IT sector promotes the creation of business integrations, synergies, cooperations (either on-going or on a temporary basis according to the various projects to fulfill);
- ❑ the high costs of technological facilities (computers, software, colour printers, etc.) lead the companies to share office equipments and costs.