

InCompass Study Visit Milan 6-8 June 2012

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1 Introduction to the project

An incubator is a type of business support infrastructure that assists new, usually young promising entrepreneurs for a limited period of time to grow from the birth of an idea for an innovative product to a starting business that can stand on its own feet. Most incubators of start-ups in creative industries are public and non-profit organizations. Therefore, it is often taken for granted that they are strongly supported financially by national, regional or local authorities. Besides, it is very common that these authorities provide physical infrastructure (buildings, land) for their establishment. In the past few years since the start of the global financial turmoil and economic slowdown, these business support institutions face growing difficulties for public funding due to austerity policies.

It cannot be taken for granted that public funding of creative incubators will be re-established in the way and to the extent as before the current austerity policies, irrespective of any recovery of public finance. Therefore, the EU-subsidized project InCompass (in full: Financially Sustainable Creative Incubator Units) aims to support the financial sustainability of creative incubator units by developing innovative methods to move away from a financial dependence on public funding. To that aim, it will undertake a program of transnational research and analysis of existing and emerging innovative financial practices by means of study visits to incubators in several partner cities in InCompass. The experiences and conclusions of each visit will be reported to Regional Implementation Groups in all cities and regions that are official partner in the project.

In the next chapter, this report discusses the definition of an incubator and the variety of incubators that can be observed, as well as a possible working definition. Chapter 3 then presents some background information on the main themes of InCompass. These themes are subdivided into three Work Groups. The Chapters 4 and 5 are dedicated to a short characterization of Milan as the urban and policy context in which the visited incubators are situated, as well as a characterization of these incubators as such. The main part of the report is constituted by the Chapters 6, 7 and 8, each one presenting how the incubators earn income by ways that fit in each of the three Work Groups. The report concludes with some final remarks, including a table that overviews the findings from the Chapters 5 to 8 and some indications of opportunities and threats in the near future on their way to more financial sustainability.

As few literature references are mentioned, it should be mentioned that Chapter 4 has been written by the Milan team on the basis of their local expert knowledge. Chapters 5 to 8 are based on the presentations given during the study visit, as well as on notes and sound recordings made during the visit.

An important, final remark concerns the focus of the report. We decided to focus on the four incubators visited (Laboratorio Innovazione Breda, Fabbrica del Vapore, HUB Milano and Make a Cube³), which focus entirely or partly on start-ups. We left out the Hangar Bicocca and the Centro Sperimentale di Cinematografia. We did so 1) for reasons of conciseness, as the report is already quite long as it is, and 2) because while the visit to these organisations was quite interesting and valuable, we consider them part of the context of creative industries in Milan rather than genuine incubators, not even in a broad definition, as they do not support or accommodate business start-ups. Hangar Bicocca is mainly an art and exhibition centre, while the Centro Sperimentale di Cinematografia is the Milanese branch of the Italian film academy. Accordingly, they were only to a very limited extent described in draft study visit reports we received.

2 Towards a definition of an incubator

The question of what exactly constitutes and incubator has been raised during project meetings. The validators of the Rotterdam and Milan study visit reports also raise the issue. Therefore some brief remarks on this topic are appropriate.

So far the definition of an incubator used in the project has been rather open en flexible. In general an incubator is considered a breeding place for starting entrepreneurs, and is assumed to consist of three elements:

- a building, cheap working spaces;
- networks, a community of incubatees as well as external relations;
- support services, for instance courses, access to affordable loans, tax and administrative support.

Literature may provide more strict definitions. Bergek and Norrman (2008:20) define an incubator in terms of its function, as a concept that "... is often used as an overall denomination for organisations that constitute or create a supportive environment that is conducive to the 'hatching' and development of new firms".¹ Likewise, Qian et al. (2011:79) define incubation as "... a business support process that accelerates the successful development of start-up and fledging companies by providing entrepreneurs with an array of targeted resources and services".² These services include primary services such as shared facilities, administrative services and professional services, including entrepreneurial support as well as networking.³

The functional definition of Bergek and Norrman allows for a considerable variety of incubators, many of which are indeed observed during the study visits of InCompass. The incubators visited in Rotterdam (DNAMO and the Creative Factory) are of the 'ideal type', providing working spaces, networking facilities and entrepreneurial support. Nonetheless, during the study visits to Milan and Malmö (forthcoming study visit report) several venues have been visited that, within the context of the project, have been considered incubators, but that lack one of the above elements. This lacking element is not always the same; in general it may be each of these elements.

On the one hand, an incubator may not provide primary services, in particular office space. Qian et al. define this as a virtual incubator - or in terms of Bergek and Norrman, we might say an incubator that provides a virtual (i.e. non-physical) supportive environment. In Milan, Make a Cube³ may be considered an example of this. On the other hand, some incubators provide office space but no additional support other than e.g. a shared reception desk and share catering and ICT services. These are in fact shared or managed workspaces rather than incubators, although the distinction is not always clearly made (cf. Montgomery, 2007).⁴ The Fabbrica del Vapore comes close to this, but does not even focus start-ups anymore. The HUB Milano and LIB represent in-between types. The HUB provides optional working space and ample networking opportunities, but no support programme; LIB provides working spaces and support, but leaves the organization of networking to the incubatees themselves.

¹ Bergek, A. and C. Norrman (2008): Incubator best practice: a framework. *Technovation*, 28(1-2), pp. 20-28, <http://dx.doi.org/10.1016/j.technovation.2007.07.008>.

² Qian, H., K.E. Haynes and J.D. Riggle (2011): Incubation push or business pull? Investigating the geography of U.S. business incubators. *Economic Development Quarterly*, 25(1), pp. 79-90, <http://dx.doi.org/10.1177/0891242410383275>.

³ Wiggins and Gibson, in: Qian et al. (2011:79).

⁴ Montgomery, J. (2007): Creative industry business incubators and managed workspaces: a review of best practice. *Planning, Practice & Research*, 22(4), pp. 601-617, <http://dx.doi.org/10.1080/02697450701770126>.

Furthermore, an important factor is whether an incubator focuses exclusively on start-ups, or on a combination of start-ups and existing firms. Several incubators, such as LIB or the HUB and, increasingly, the Creative Factory in Rotterdam, focus on both groups. In the case an incubator does not focus (anymore) on start-ups, as in the case of the Fabbrica del Vapore, the question is justified whether we should actually speak of an incubator.

It hardly makes sense here to strive for the final definition of 'the' incubator. As the above examples are based on just three study visits it seems possible, if not likely, that other incubator types will be observed in later visits. A too strict and exclusive definition may make it impossible to study and compare a diversity of cases within a city - and thus a common local context. Moreover, it is possible that by studying such a variety, InCompass may contribute to a more generic incubator definition. At the current stage the pragmatic approach applied in InCompass is more appropriate and to a large extent resembles the definition by Bergek and Norrman, which allows for sufficient variation and focuses on the function of an incubator rather than on its shape. We suggest, therefore, to adopt the definition of Bergek and Norrman as a working definition for InCompass.

3 Themes of the project

3.1 Introduction

Self-sustainable financial independence of creative incubators from government support depends on their continuous profitability. Taking into account their particular output – trained entrepreneurs in the creative industries and new companies that survived infancy – they invest primarily in programs to coach starting (young) entrepreneurs and to facilitate the growth of their businesses. Fees for obtained services and facilities and the rent of working spaces are the sources of income of creative incubators that first come in mind. However, these payments are in most cases a rather limited and insecure contribution to financing of the incubator. In addition, they also leave potential sources of earnings out of consideration. In order to diversify and extend their sources of income, incubators may also direct to a variety of opportunities to generate income from sources outside the incubator.

InCompass recognizes quite a broad spectrum of possible strategies to generate income that also involves external actors and partners. These strategies are grouped together as commercial contextualisation, social contextualization, and tiers of support, networks and partnerships. For each theme, a Work Group that is composed of partners in InCompass is responsible to collect data during the Study Visits and model the data as input for the Study Visit Report. Below, the three Work Groups (WGs) are specified into some detail, mainly by means of a few examples of possible ways of earning money that fit into their label. As some of these examples show, the three types of income-generating strategies may to some extent overlap in practice.

3.2 Commercial contextualisation (WG1)

The aim of WG1 is to identify commercial ways for creative incubators to become more financial self-sustainability. These are first and foremost the above mentioned fees for services (e.g. workshops, master classes), facilities (from broadband internet to kitchen), and spaces (e.g. working spaces, rehearsal or meeting rooms) by start-ups that participate in the incubation programs. Economies of scale can be achieved by shared use of services, facilities and spaces by these incubatees.

In addition to these fees, there are other commercial ways to earn money. On the one hand, income may be generated from the building and the organisation of the incubator, for instance by

- making use of spaces for developing other activities (e.g. hotel, catering, conference tourism) on own account;
- renting out facilities and unused spaces in the incubator to commercial parties for activities that have little business with the incubation process but are attracted by the building;
- supplying specialised services (e.g. consultancy services) to external companies.
- charging fees to featured supplier companies

Regarding fees and rents, it is recommendable to keep them low for starting companies in an infant stage and increase these gradually with their survival and growth, i.e. with their increasing financial capacity. A well-considered selection of entries to the incubation program lays a favourable foundation for such successful entrepreneurs.

Income might also be generated from 'alumni', successful start-ups that have grown and left the incubator. This may be achieved by giving the incubator a share in the start-ups it supports. This model – maybe less known in Europe – stimulates the implementation of strict selection criteria for start-ups that apply for support, since the success of start-ups is directly linked to the future income of the incubator.

3.3 Social contextualization (WG2)

Social activity as labelled in the title of this WG includes mediation activities that connect incubatees both to each other and to partners and actors in the outside world. The main aims of these connections are stimulation of informal learning by exchanging new knowledge, information and best practices, and networking activities that may result in forms of co-creation. This entails stimulating networking between incubatees within the incubator, and between incubatees and potential partners or associates outside the incubator. The internal networks can be built up for example by

- organising social meetings in the incubator (e.g. 'Friday afternoon' and 'eat & meet' get-togethers);
- creating places in the incubator which encourage spontaneous encounters between incubates.

In addition, networking may also go beyond the incubator itself. This may include

- opening up the incubator, physically and socially, towards the surrounding urban area to discover and possibly advance resident creative talent and creative activities;
- testing creative concepts and products in the surrounding district as a learning stage in concept and product development (open lab). If fees are received for this, social and commercial contextualisation may overlap.

By and large, social contextualization contributes to successful progress of start-up companies in the incubator rather than to a sound financial position of the incubator as an enterprise in itself. Still, the more successful incubatees are, the higher their financial capacity to contribute to covering the expenses of the incubator to provide and maintain services, facilities and spaces.

3.4 Tiers of support, networks and partnerships (WG3)

The topics of interest for WG3 include all sorts of more or less planned and organized forms of support, networks and partnerships, in particular with partners from outside the incubators. These

partners can represent a diversity of firms and institutions, including industrial companies, consultancy agencies, banks and insurance companies, and education and knowledge institutes. The contribution of tiers of support to a solid financial position of incubators can be both direct and indirect, i.e. through contributing to the successes of incubatees. These include for instance:

- subsidies and sponsoring, the latter for instance in exchange for exposure as privileged partner on the website or the wall of the incubator;
- contribution to incubation programs by means of tutoring, lecturing and coaching of incubatees in both management and entrepreneurial skills and product development.

Usually, tiers of support, networks and partnerships involve mutual benefits: public and semi-public institutions and private companies enter into such arrangements with incubators in exchange for some types of contributions to their own objectives.

4 Local context

4.1 Origins of the creative sector in Milan

Milan has a long tradition in cultural production and a long-standing prominence on the international stage. As an example we can mention the Teatro alla Scala opera house, which was inaugurated in 1778. Milan is the city of the most important Italian newspaper, the *Corriere della Sera*, publishing houses such as Mondadori, Feltrinelli and Ricordi in the musical field. Here are the headquarters of Mediaset, the commercial TV broadcaster that has strongly influenced the Italian social and political landscape of the last two decades.

Also with regard to creative industries and in particular design, many famous Italian products have been conceived in or near Milan. This happened for a number of circumstances, among them the fact that the city has never been the industrial capital of the country (that was Turin, the city of Fiat) nor a political capital. However, Milan is the economic capital of Italy because of the strength of its trade, fed by a local industry specializing in high quality and luxury goods since the 14th Century.

Milan and the Milan region have always been home of a vibrant craft tradition which, coupled with a certain intellectual awareness, gave rise to a culture of design seen as a way to transform the daily life more effectively than what Rome, the political capital, was capable of doing. Small and medium enterprises identified an unsatisfied demand of modernity and thanks to the collaboration of designers and architects coming from all over the world, they moved beyond the traditional craft industry but avoided the pitfalls of mass production. In practice, Milan has seen its heyday when its openness to different cultures was at the highest, confirming the theories of Richard Florida, who in his book *The flight of the creative class* (2005) included Milan in the world top ten of creative cities.

Since the 1930s the strategic research centre of Olivetti, the first design-conscious business machine firm, was based in Milan. Arflex, which invented the modern furniture, is a spin-off of Pirelli. Cult brands such as Alessi, even though it is based in Piemonte, have much stronger links with Lombardy and its capital. Montecatini, the plastic polymer company, was based here. Moreover, enlightened entrepreneurs like Riccardo Sarfatti (Luceplan) or Giuseppe Brion (Brionvega) founded their company in Milan. After the Second World War, architects like Gio' Ponti and Ettore Sottsass came to Milan to open their workshops, which had an impact both on culture and business.

A similar pattern can be seen in the fashion industry, another sector in which Milan is one of the leading cities in the world. While Italian *haute couture* was born in Rome and Florence, the diffusion of *prêt-à-porter* - branded fashion at affordable price - could happen only in Milan, because of its

cosmopolitanism and the presence of a large network of small and medium manufacturers and specialized suppliers organized according to the paradigm of 'flexible specialization'. The strength of this system has been recognized by the Harvard Business School with the publications of several articles by Roberto Verganti and its book *Design-Driven Innovation* (2009)

However, the role of Milan as a creative hub is threatened not only by the difficult economic and political situation of the country and by the international crisis and the emergence of new markets and strategic locations. Already in 2006, the OECD in its territorial review pointed out that the city may have lost its historical drive and risks its position as creative service hub on the world stage because of its decreasing attractiveness to qualified human capital (compared to other creative cities, in Milan wages are lower and cost of living is much higher). What has been lacking for decades, both at the national and the local level, is an industrial and innovation policy.

While the political system seems currently too fragile to provide viable answers, institutions such as the Triennale with its Design Museum opened in 2007, the decision of the Politecnico di Milan to deliver all its master courses in English starting from 2014, and the Universal Exposition of the 2015 provide opportunities to revert the trend.

The next section will deal with figures and trends of the creative sector in Milan and Lombardy. We will then list the main stakeholders and resources available for creative entrepreneurship and finally describe two cases of brownfield regeneration, one in an area of Milan called Bicocca and the other in the adjacent city of Sesto San Giovanni.

4.2 The creative sector today ⁵

Milan is considered the Italian capital of creativity. Here one worker out of five deals with innovation and creativity. The entire sector employs more than 350,000 people, i.e. 20.4% of the working population. In 2010, the creative industry included 36,976 enterprises, accounting for 12.9% of the overall Milanese economic system. The city hosts dynamic universities and research centres as well as prestigious international schools. Historically, this has been a hub for human capital. In relation to geographical distribution, the creative industry is rooted in Milan more than in other major production centres in the country: one creative enterprise out of ten is set up in Milan (9.7%). Despite the sluggish Italian economy and the economic crisis, cultural activities related to cinema, radio, TV and entertainment are increasing in the province of Milan. In particular the video industry and software publishing more than doubled their size in a couple of years.

Milan fulfils a unique function of specialised high-level services provider. While the 'ring belt' around the province of Milan is the place of industrial districts, the core of the Milan Metropolitan region concentrates on small and micro-firms specialised in advanced functions and conception-oriented high level services such as industrial design. These firms tend to agglomerate in the centre of Milan due to proximity to specific codified knowledge provided by universities and related research centres and to the vibrant environment that helped to generate and spread tacit knowledge. In the metropolitan area, about 540 thousand workers are employed in 130 thousand local units; 31% of the working population is involved in the creative knowledge sector, as well as 45% of the local units: the creative sub-sector employs 14% of the working population of the metropolitan area, followed by the law sector (6%), ICT and finance (5%) and by research and development (1%) sectors.

⁵ Analysis, data and figures are based on research carried out within the 2006-2010 ACRE project, funded under the Sixth Framework Programme of the EU.

Design and fashion are traditionally the most characteristic sectors of the Milanese creative economic system and they also shape the very image of Milan itself. This does not only depend on the presence of big names such as Armani, Prada and Versace, but is also due to the existence of a host of small and medium sized companies working in fashion or design. In certain sectors, Milan has an attractive power at international level, and regarding design, the 'made in Milan' brand seems to be even more important than 'made in Italy'. The design and fashion sector counts 14,494 businesses, 4,7% of the national figures. These provide a turnover of 13 billion euros, 13% of the national turnover in the sector.

Design

Milan is a benchmark for design in Italy: of the 4,562 studios or small firms working in the design field in this country, 1,191 (26%) operate in Lombardy and 523 (11.4%) right in the province of Milan. Of the 2,100 members of the category associations nationwide, 895 (42.6%) operate in Lombardy and 644 (30.1%) in the provincial area of Milan (Source: Chamber of Commerce – Research 'Design Driven Innovation 2009'). However, these statistics overshadow a more intricate situation: generally, production industry firms have an in-house design department which is not statistically included in the design sector. For example, the car industry such as Fiat, Lancia and Ferrari directly employs designers to design new products. The 'accuracy of the shape' goes across all products, from the washing machine to the airplane, and increasingly the designers are fully part of other productive sectors of the industry.

Design business is based on constant demand from local producers, including the automotive industry, furniture, fashion and communication sectors. The success of the Milanese design sector also depends on the excellence of local training facilities: Lombardy boasts 54 public and private training centres, school of designs (IED), academies (Domus Academy) and the first design faculty in Italy (Politecnico di Milan). In 2005, these facilities provided training and education for 9,620 students – 3,843 of whom from abroad – split over industrial design, communication design, interior design and fashion. Milan also hosts the Salone del mobile (the International Furniture and Design Fair of Milan), the largest design trade fair in the world. The annual exhibition, which in 2012 was at its 52nd edition, showcases the latest in furniture and design from international sources. The exhibition is completed by the Milan Design Week, which transforms city of Milan every year in a giant fair of ideas and idea makers.

Fashion

Milan holds a long-established localisation advantage in fashion. Milan, as an 'international capital of fashion' gave birth to global brands such as Armani and Prada. The city also specializes in many segments of the fashion supply chain other than clothing, such as interior design and luxury activities. Overall, the fashion supply chain involves 60,000 workers in the Milan area, with 7,745 enterprises, 8 billion euro of turnover in 2010, 850 showrooms and 14 fashion schools, attracting more than 6,000 students, especially from abroad. Furthermore, the city hosts the Milan Fashion Week twice a year, just like other international centres such as Paris, London, Tokyo, and New York. Milan's main upscale fashion district is the Quadrilatero della moda (literally, 'fashion quadrilateral'), where the city's most prestigious shopping streets are.

The fashion business has promoted economic-productive synergies in the city that have consolidated its international flavour. The distinguishing features of the industry are its close-knit, innovative and highly interactive network of large and small firms and craftsmen and their creative and managerial skills. As reported in the OECD Territorial Review (2006), specific assets have supported the development of Milan's fashion cluster:

- excellent organizational capacity of firms;

- networks of SMEs that formed a flexible production framework;
- strong local textile sector that provide a constant flow of information;
- localisation of specialized services such as publishing and printing.

The fashion cluster and the design cluster benefit from very close relations. The bulk of the firms involved in the design an stylist of textile, clothing, shoes, jewellery and furniture are clustered in the Navigli and Ticinese neighbourhoods. They have been able to fully exploit mutual complementarities and synergy effects: the fashion cluster focuses on the 'emotional aspect' of the product (creativity and artistic sensitiveness), while the design cluster meets the 'functional aspects' (operational capacity and minimised costs). Interaction between these two clusters has also encouraged the creation of entertainment and cultural services (restaurant, bars night-clubs and specialized shops), local private goods the generated a 'buzz' environment and free exchanges of innovation ideas.

Media and publishing

With the headquarters of multinational groups such as RCS MediaGroup and Mondadori in the city, Milan has always been Italy's media industry capital. A recent census put the number of companies involved in the publishing and printing cycle in the province of Milan at 4,754 and the number of publishing houses proper at 700, or 21% of the national total; within this segment, the weight of companies operating exclusively in multimedia publishing is on the rise.

The main private national broadcasting networks (Mediaset, SKY, MTV) are Milanese and moreover in Milan the national public broadcaster RAI has its second largest TV production centre. In addition, over the last few years, a number of local and regional TV networks have sprung up. Gravitating around this industry, there is a hefty sector producing contents and services (film companies, other productions, formats, dubbing, etc.). The broadcasting stations located in the province of Milan employ 25% of the national specialized workers in this field. Businesses related to videogame industry, advertising, animation and cartoon production and distribution are emerging in recent years.

4.3 The local system of innovation and support to creative entrepreneurship

Strengths and weaknesses of the economic system

Although Milan has been a national cultural and innovative centre since the nineteenth century, this is the result of organic bottom-up enterprise development, rather than of direct policy intervention. Indeed, the early development of Milan's specialisation of small to medium sized industries, specialising in areas such as textiles, furniture, fashion and design, cannot be attributed to policy-making neither at the national nor at regional level.

Milan is going through a difficult moment in its history, due to both the economic crisis and the sometimes not effective and coordinated political interventions. The new needs and emerging urban questions have not always met an appropriate response by politicians. When local government was not able to solve the urgent issues, it attempted to postpone the answers by passing the problems from one legislature to the other, rather than promoting new strategies.

The city is struggling also because of twenty years of institutional scarce effectiveness, and even if stakeholders may glimpse some new, positive energies, public institutions have to deal with a long period of institutional disaffiliation and low trust levels among firms, managers and cultural operators. The slowness of procedures and the high level of bureaucracy have created a timing

mismatch between the firms' quickly changing needs and the public administration's response. For a long time, cultural operators have felt abandoned by the public institutions and in some instances they even feel that the latter oppose their positive initiatives.

*The environment for creativity in Milan*⁶

Creative talents are attracted by a combination of hard and soft factors that can be found in Milan. The presence of 'hard' factors such as manufacturing and finance industries, an extensive transport infrastructure, a vibrant working environment and an educational system that attracts people from a wide surrounding area, still is one of the reasons for the success of the creative and knowledge intensive industry in Milan.

On the other hand, Milan is quite contradictory in terms of 'soft' factors. The city's cultural supply, although it can be considered as quite remarkable, is perceived as limited especially if compared internationally with New York, London and Paris. Quality of life in Milan is said to be rather bad, due to aspects such as air pollution, traffic congestion and high prices, especially of housing. Nevertheless, the city is strong on a number of soft factors such as international branding, a favourable geographic location, the presence of a number of local actors (e.g. Chamber of Commerce) and social networks and relations.

On the other hand, the area of Milan is characterised by the following weaknesses:

- a less appealing cultural offer compared to EU capitals such as Paris or London;
- difficulties in integrating people from other countries and cultures, especially non-EU citizens, due to the strong and ineffective bureaucratic system;
- insufficient coordination of political interventions;
- insufficient attention in policy for the specific needs of creative industries;
- mediocre quality of living and high costs of living;
- low attention paid to innovation and investments in innovation;
- a limited access of new generations to 'the creative circle'. The formal and informal network is very strong but at the same time this makes it very difficult to get in.

Milan is considered 'a place to be' but different sectors have got different location strategies. Within the creative sector, the only industry which maintains a traditional location pattern is that of big fashion design firms because they made a real estate strategy buying the buildings in the city centre. In other cases, the size of the firms matters in the location strategy because for big spaces it is necessary to go out of the city centre.

One of the main features of the Milanese context is the macro and micro dimension of the incubation system: not only offices designed for start-ups but a system which involves neighbourhoods. Business incubators are not only permanent facilities but can be also temporary, such as in the case of the abovementioned Design Week. The Design Week is a scattered event characterised by street events in different neighbourhoods (Tortona, Brera, Ventura) and including over 300 stands, as well as temporary flagship projects. It provides companies and designers with ample opportunities for networking and collaboration.

⁶ Mingione, E., E. dell'Agnese, S. Mugnano, M. d'Ovidio, B. Niessen and C. Sediti (2007): Milan city region: Is it still competitive and charming? Pathways to creative and knowledge-based regions. ACRE report WP2.12. Amsterdam: AMIDSt; Mingione, E. F. Zajczyk, E. dell'Agnese, S. Mugnano, M. d'Ovidio and C. Sediti (2008): Milan: A city easy for working but difficult for living? Understanding the attractiveness of the metropolitan region for creative knowledge workers. ACRE report WP5.12. Amsterdam: AMIDSt; G., S. Salvemini (eds.) (2005): La città creativa. Una nuova geografia di Milano. Milano: EGEA.

A significant number of events during the Design Week take place in the 'zona Tortona.' This is a creative district and design cluster in a semi-central position where industrial production stopped in late 1980s. Workhouses and small industry facilities were regenerated by local real estate developers regulated by an informal network. As in other cases, there was no public intervention to redevelop this area and this apparently has not been a disadvantage.

The institutional setting

Milan is the capital of the *Regione Lombardia* and the head city of the *Provincia di Milano*. A recent survey found out that in terms of employees in the creative sector Lombardy is the third region in Europe, after London and the Ile de France (Paris region). The *Regione Lombardia* is a public administrative body with legislative powers. It is in charge of scientific and technological research and support to innovation in productive sectors. *Regione Lombardia* has a unit operating on cultural and creative enterprises within the Direction of Education, Training and Culture. Its tasks are to support cultural and creative enterprises, to coordinate activities with the Unesco World Forum for creative and cultural enterprises and to foster participation to EU projects. This year, the region issued a new scheme for the creative and cultural sector, including activities to improve the access to credit facilities and to encourage young talent and the start-up of new cultural enterprises.

The *Provincia di Milano* is an intermediate body between the municipality of Milan and the Lombardy Region and a policy maker. It works in strong cooperation with main policy decision centres (Lombardy Region, Chamber of Commerce, municipalities etc.) to enhance transferability opportunities and further cooperating schemes. Some of its the most relevant initiatives during the last years have been:

- the implementation of an experimental pilot action (Creative Hub) identifying a scheme of pre-incubation for young talents in creative sectors, building a networking platform for the creative stakeholders. In order to reinforce the action of the Creative Hub, the Province of Milan has created in 2010 the CREAMI Network (the embryo of a creative cluster), made up of fashion, design, cinema, cartoon cinema, communication school, universities, academies, entrepreneurial associations, creative freelance or professional and other stakeholders active in the creative sector;
- the Innovation Festival, an event designed to bring a large audience of citizens, young people and non-professionals closer to technological innovation and creativity;
- the Mind Lab, the first online research laboratory set up for creation and development of a network of information, reports and knowledge to support new trends and the transfer of innovation in design-oriented sectors (www.mi-nd.it).

The *Comune di Milano* (Municipality of Milan) is the official body of the second city in Italy. They have a counsellor for culture, fashion and design, which is particularly involved in the management of locations and facilities to host cultural and creative enterprises and professionals. The *Comune* is also involved with the *Regione* in the Universal Exposition of 2015 which will be held in and around Milan. The *Chamber of Commerce* is a public body and promotes services of interest to the firms and enterprise located in the province of Milan. Its aim is to encourage entrepreneurship and foster credit for business, innovation and transfer of technologies. Among the initiatives launched by the Chamber are the call for proposals for Creative Enterprises (2004, 2006 and 2008) and the collaboration agreement with the *Provincia* in 2012 to support entrepreneurs and creative businesses with innovative projects.

Milano Metropoli is the development agency for the Promotion and Sustainable Development of the Metropolitan Area of Milan. It is a joint-stock company, with public capital, promoted by the Province of Milan to promoting economic and social development in greater Milan. *Milano Metropoli's*

mission focuses on territorial development, the support of strategic economic sectors and on special industrial, reindustrialization and urban development projects.

*Universities and design schools*⁷

The *Politecnico di Milano* was established in 1863 with the name of 'Istituto Tecnico Superiore' along the lines of the polytechnics in German speaking countries. The school was dedicated to high engineering and technological research education and followed by the special section for civil architects. Giuseppe Colombo, Rector from 1897 to 1921, gave further impulse to the Politecnico by developing the relationships between the university and the industrial world and by establishing new companies like Società Edison which acted as an extraordinary driver for the development of the electrical industry. Since then, the Politecnico has never ceased to grow, and has played a significant role in the field of engineering and technology as well as in architecture and design, and contributed through its graduates, who then became professors, researchers and entrepreneurs, to making the history of scientific research in Italy and in the world. Today the university, with its premises in Milano-Leonardo, Milano-Bovisa, Como, Cremona, Lecco, Mantova and Piacenza, offers its students some of the most advanced laboratories for scientific and technological research in the world. It hosts also a business incubator called Acceleratore which hosts mainly ICT spin-offs.

The second State University of Milan is the *Bicocca University*. This university was founded in the 1980s to move some educational facilities out of the city centre.

Access to finance

Milan is the financial capital of Italy. However, while corporate and private banking are thriving, venture capital and business angels are less active than in other advanced countries. Early stage financing is the Achilles heel of the financial system with less than 300 deals per year.

The role of bank foundations such as *Fondazione Cariplo* is 'to organize social freedoms', in-between public agencies and the community of citizens, i.e. to carry on the philanthropic activities previously carried out by savings banks. In the cultural and creative sector, Fondazione Cariplo financed the project 'Cultural districts', promoting the cultural, social and economic development of the region by leveraging its cultural heritage. Under this plan, the Foundation favoured the integration of the efforts to preserve and foster a given area's cultural heritage with infrastructures and with the businesses conducted by the other industries. Fondazione Cariplo also partners with Lombardy Region to implement a call for supporting pre-start up projects (in order to maintain the entrepreneurial idea and planning the business plan) for profit and no profit subjects working in innovative services for culture.

4.4 The regeneration of Bicocca and Sesto San Giovanni

The Bicocca factory, located in the north-east part of the Milan, has been the most important tire manufacturing facility of Pirelli from 1908 to the 1970s. In 1985, local public authorities with the agreement of Pirelli, decided to transform the area in a technology pole. Soon, leading technology companies and research centres moved there. During the 1990s, the process of reindustrialization and re-urbanization went on with the arrival of the HQs of the National Research Council, Siemens, Deutsche Bank and a direct tram to the subway (soon to be replaced by a light railway). Flagship of

⁷ Mingione, E. F. Zajczyk, E. dell'Agnese, S. Mugnano, M. d'Ovidio and C. Sadini (2008) Milan: A city easy for working but difficult for living? Understanding the attractiveness of the metropolitan region for creative knowledge workers. ACRE report WP5.12. Amsterdam: AMIDSt.

this real estate operation is the Teatro degli Arcimboldi, which was built to host the Scala events when the famous theatre was under renovation.

Pirelli was the driver of this process. In terms of governance, what happened in Bicocca differs from the re-industrialization of the north-east of Milan and surrounding municipalities, built in the mid-1990s by a municipality and managed by North Milan Development Agency, now Milan Metropoli Development Agency.

During the 20th century, the North Milan was a heavy industrialised area, where the Fordist model prevailed. Since the second half of the 1970s, heavy-industry in North Milan is in decline. The end of the de-industrialization process comes together with the Falck factories' closure in January 1996 with relevant social, economic, environmental, cultural and urban effects. About, 1,700 workers had to be outplaced and a quick and effective reply was needed. Already in 1995 the Municipality of Sesto San Giovanni organised an OECD socio-economic audit, that helped to analyse the situation, draft local development guidelines and transform the industrial crisis in a relevant opportunity.

In July 1996, following also OECD recommendations, the local administration promoted the North Milan Development Agency to tackle the socio-economic problems. Redevelopment has produced a series of positive results: unemployment, which was as high as 10% in 1996/1997, was slashed by half and is now in line with the average for the metropolitan area of Milan, there has been a surge in the number of new businesses, impressive growth rates have been achieved in advanced sectors such as IT (+400%), and an exceptional array of successful projects has been implemented.

Physical redevelopment and conversion work has affected 67,270 m² and included the construction of four industrial parks for SMEs and artisan's workshops (two in Sesto San Giovanni, one in Bresso and another in Cologno Monzese), two innovative business incubators in Sesto San Giovanni (OMC and Laboratorio Innovazione Breda), a Resource Centre for Social Enterprises and a craft/commercial workshop in Cinisello. This in turn has attracted 71 new start-ups and approximately 78 SMEs and artisan's workshops. By December 2004, these new businesses had generated 1,671 new jobs.

The importance of these labour figures is confirmed by the positive ratio between jobs actually created and jobs initially forecast. The North Milan redevelopment project had estimated 754 new jobs: with 2,000 new jobs, the ratio is approximately 280%. The overall cost of all the public and private works implemented by the Agency from 1997 to December 2004 was 262 million euros. For public actions, where the Agency played a decisive role in obtaining and coordinating the provincial, regional, national and EU public financing tools, the Development Fund (phase II) provided 7 million euros and served as a flywheel for a further 11.5 million euros of public financing. These actions also attracted over 243.5 million euros' worth of private investments. Another important outcome of the project is a new identity and a new image for North Milan, which has gained a pivotal new metropolitan role, as well as international visibility.

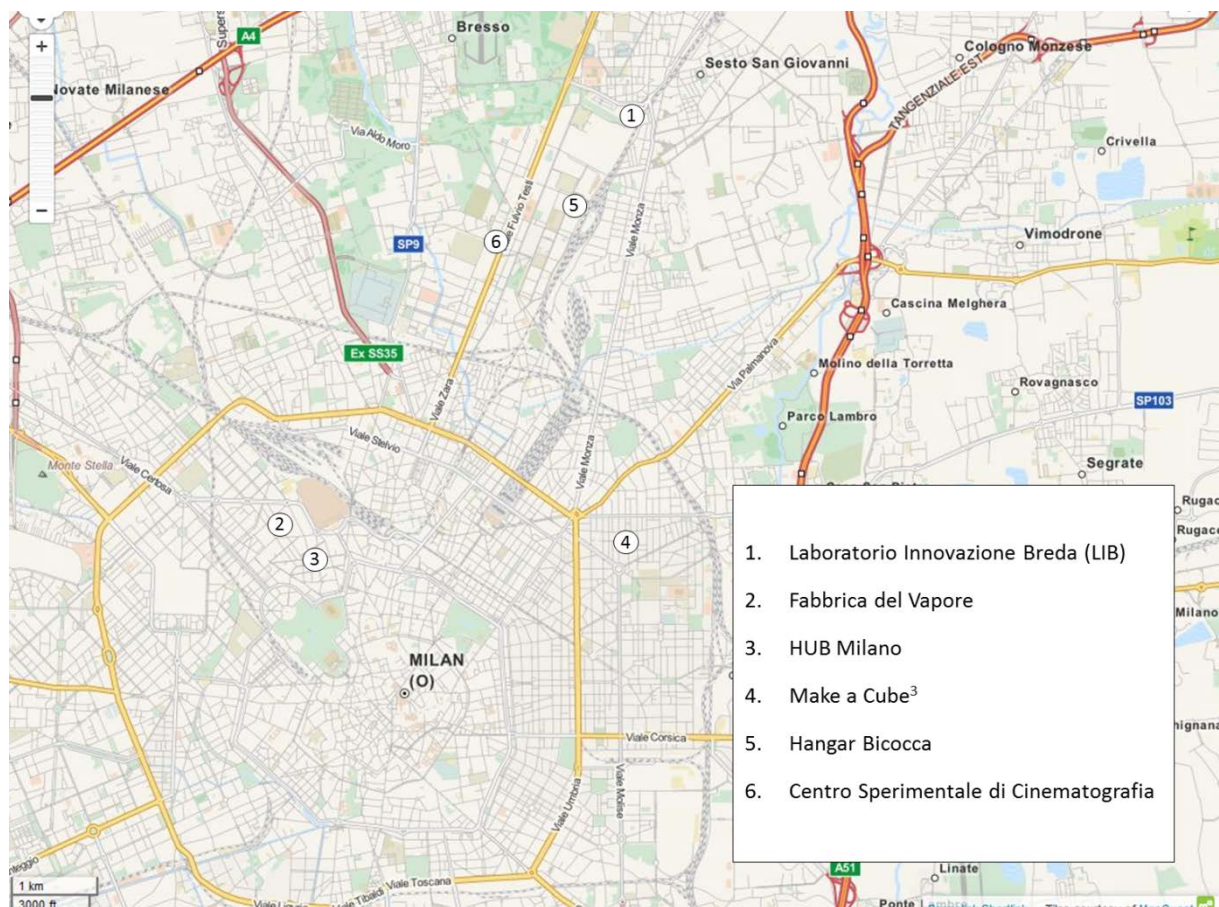
5 The incubators

5.1 Laboratorio Innovazione Breda (LIB)

Via Venezia 23, Sesto S. Giovanni (MI), <http://www.milanomet.it/en/servizi/business-incubator-lib-2.html>.

Laboratorio Innovazione Breda (LIB) is the largest public incubator in Milan. Founded in 2003, LIB is part of the process of redevelopment of the former Breda areas in Sesto San Giovanni (see map on p. 14). Milano Metropoli Development Agency is the owner of the building, which also accommodates the headquarters of Milano Metropoli, BIC La Fucina and the Proxima Centre. The management staff of LIB consists of 4 people (reception, IT, facilities & infrastructure, and general manager).

Location of the incubators and the other locations visited (@ OpenStreetMap contributors).



The approach used in LIB is classical one where a public actor, BIC La Fucina, a non-profit business innovation centre established in 1996, plays the main role in supporting certain fields of businesses via business support institutions. LIB offers 4,500 m² of fully equipped spaces and support services to start ups and spin offs, former managers and professionals, companies currently downsizing, branches of bigger enterprises. LIB hosts only soft skill activities such as ICT, media, training or consultancy, but no handed-crafts etc. These are activities that fit quite well in the productive structure of the area. The incubator now hosts 29 companies; in total, it hosted 94 companies and 600 people between its start in 2003 and December 2011.

The LIB incubator provides enterprises with:

- office rooms;
- technical equipment;
- a shared reception;
- 7 conference rooms;
- a fully equipped conference room with a seating capacity for 60 people;
- a room for board of directors/executives meetings;
- other support services (telephone, internet, , cleaning, alarm system, controlled access etc.).

Incubated companies can take advantage of corporate development support services and of a network of contacts and opportunities. Value is added by services such as the mentoring and monitoring of activities of tenant companies, provided by BIC La Fucina, and availability of a network of contacts and the aforementioned spaces. Firms wishing to join the incubator have to undergo standard appraisal and selection procedures. The Selection Committee (formed by Milano Metropoli and BIC La Fucina) assesses the business idea, the business model and the business plan. Other criteria of assessment are the feasibility of business idea from technological point of view, the entrepreneurial team, the market opportunities, critical aspects of business model, the solidity of the business plan, and the synergy and compatibility with other activities (companies) already in LIB. The type of activity is also one of the criteria for selection, but it is difficult to strictly maintain this when not all spaces in the incubator are rented out.

5.2 Fabbrica del Vapore (FdV)

Via Procaccini 4, 20154 Milano, www.fabbricadelvapore.org.

The Fabbrica del Vapore (literally 'steam factory' - a former train factory) is an incubator focusing exclusively on creative businesses. The Comune di Milano has invested in the Fabbrica del Vapore. The municipality got the area almost for free and is now the owner. It implemented the project, provided the space and the financial support for the renovation and reconstruction of the abandoned area. The refurbishment of the area has taken a long time: 2001 – 2010 for the southern and the central part, while works in the northern part only started last year and are still not finished, partly due to a lack of funding. The municipality also covers its operational costs and directly manages the incubator. Legally it is not independent institution, but a subdivision of the city municipality.

The Fabbrica del Vapore hosts a number of companies and events in new media, theatre, visual art, dance, architecture, design, graphic art photography. Currently, there are fifteen art and creative industry units in the incubator. The area includes four buildings; quite a few others were in bad condition and have been demolished. This created the big square that can be used for outdoor events. The usable indoor space is 15,000 m², of which 70% for companies, 30% for services. The larger part of the incubator is not rented to permanent tenants. These free spaces are used for events such as fashion festivals. This includes the so-called 'Cathedral' that is for its most part mainly used for temporary exhibitions.

There were over 300 applications, of which sixteen were selected after a three day course of business planning and individual coaching at the prestigious Boconi business school, and an assessment by an international expert commission. Because the refurbishment of the project is not complete yet, some applicants are housed outside the project in temporary space. The main criterion for selection of applications has been youth. Spaces are reserved for either young artists or for young people to start a career as entrepreneurs. In addition, some applications have been approved that are interesting from e.g. a multi-ethnic point of view. In the end, the age criterion has been applied

less strictly to encourage economic solidity; the creative quality of the idea was, in some cases, more important than the age of the 'owner' of the idea.

Nevertheless, Fabbrica del Vapore it is not an incubator in the strict sense, nor was it ever planned to be. Instead, it intends to be a production unit where services are supplied to cultural and creative activities, but, for instance, not explicitly for start-ups. In practice many enterprises hosted at the Fabbrica del Vapore that managed to survive the start-up phase did not leave the incubator and moved to a 'post-incubation' phase. In a sense this also applies to the incubator itself. Instead of the broadly focused incubator it used to be, the Fabbrica del Vapore to a large part has evolved into a fashion cluster. There are plans, however, to add a 1,500 m² incubator in future.

5.3 HUB Milano

Via Paolo Sarpi 8, 20154 Milano, <http://milan.the-hub.net>.

The HUB Milano is the first Italian point of an international network of physical spaces where creatives and professionals share working spaces, have access to common resources and develop business opportunities. Currently, there are more than 25 HUBs, who together have over 4,000 members. This is expected to grow to over 100 HUBs within the next 5 years. HUB Milano uses the franchise approach of the international HUB network (<http://www.the-hub.net>) to support businesses by providing businesses or individual entrepreneurs shared office space, mentoring and networking. The HUB focuses in particular on social entrepreneurs.

The philosophy of the Hub is to let people work side by side, to share and exchange knowledge etc., in order to activate innovation and new ideas through collaboration. The HUB sells 'time-based membership' for the use of certain spaces (work, meeting spaces etc.) in the building. Membership reflects the different needs of people for accessing the HUB and using its services. The building consists of a highly modular space of 500 m² with adjoining courtyard. The space is composed of a large central hall, which serves as a space of co-working by day and a space for large events in the evenings and at weekends, as well as several smaller rooms and a huge kitchen, the Valcucine.

The HUB Milano has 340 members. Some buy a few hours a month only to make use of the digital services, others buy much larger 'packages of hours' to work here, up to 24/7 (unlimited membership). The length of the 'bought time' can change from month to month, including months of no time at all, and membership is in principle not limited to a maximum period. If you go to Africa for three months to do a project, you do not buy time but are still connected to the membership by social media.

Even though the HUB is not a traditional business incubator, it features many of the basic elements of more traditional incubators, and has an incubator function for some of its members. The HUB does not, however, provide a structural support programme, for a fixed period, for starting entrepreneurs, nor does it focus specifically on start-ups. Instead, the philosophy of the hub is to let people work side by side and to share and exchange knowledge on the shop floor in order to activate innovation and new ideas through collaboration.

5.4 Make a Cube³

Via Ampère 61/A, 20131 Milano, <http://www.makeacube.com>.

Make a Cube³ is the first Italian incubator for social and sustainable enterprises. It is a (private) joint venture between Avanzi (80%) and Make a Change (20%). Avanzi is a leading think tank and consulting firm that works on sustainable development issues. Make a Change is an Italian association dedicated to the promotion of 'low-profit' social business in the style of the UK community interest company or the US benefit corporation. This focus is considered a strength in the current economic turmoil.

Make a Cube³ is a business start-up support initiative, but unlike traditional incubators it does not provide working spaces. Instead, it provides four types of business support services oriented to development and growth of social and environmental businesses: pre-incubation (Make a Cube warm-up), incubation (Make a Cube 121), acceleration (Make a Cube HD) and intermediation (Make a Cube B2B). Make a Cube³ exists since November 2011. In this period, it received about 60 business ideas for evaluation, and currently works with 3 or 4 selected ideas.

Table 1: Overview of incubators in Milan

	LIB	Fabbrica del Vapore	Make a Cube ³	HUB Milano
SERVICES				
office spaces and shared facilities	yes	yes	no	yes (optional)
networking (e.g. meetings)	no, but stimulates incubatees to organize this themselves	no, apart from some specific events e.g. fashion shows	yes	yes
entrepreneurial support (e.g. training, courses)	yes	no	yes	yes
FOCUS				
focus on start-ups or existing firms	both	initially start-ups, now existing firms	start-ups	both
specialism	soft skills (media, ICT, consultancy)	creative industries in general	social and sustainable enterprises	no distinct specialism
KEY FIGURES				
surface (m ²)	4,500	15,000 of which ca. 10,500 for companies	n.a.	500
current no. of incubatees	29 firms	16 firms	3-4- firms	340 members
no. of incubatees since start	94 firms (600 people)		ca. 60 firms	

Make a Cube³ applies a stage-gate roadmap for incubation. This starts with the selection of business ideas and ventures on the basis of their overall quality, degree of eco and social innovation, consistency with market and environment conditions, motivation of future entrepreneurs, capabilities and networks. Second, business plans are then reviewed in order to ensure a robust

financial and operational business model. In the third phase the incubation program also provides strategic and day to day assistance necessary to transform a good idea into a successful and sustainable venture. Prototyping and market tests are carried out in this phase. The incubation process typically ends after 6-9 months, when the start-up is ready for the market, and should be able to attract sufficient funding from the capital markets.

A mix of young start-ups and more established businesses at the end of the incubation programme, that already went successfully through the critical early stage of infancy and can be charged higher rents, is 'normal practice' in incubators. However, the 'co-working space' in Make a Cube³ is also in use by more mature firms in creative industries and by the consultancy firm Avanzi (co-founder and -owner of Make a Cube³), all with better rent paying capacity.

6 Commercial contextualisation (WG1)

6.1 Laboratorio Innovazione Breda (LIB)

LIB is a self-financed and financially self-sustaining initiative. It doesn't receive public funding, although Milano Metropoli, a public body, owns the building and manages the incubator, and the province of Milan, local authorities and several municipalities in the area are shareholders and members of 'Board of Advisor.

The costs are completely covered by the income from rents, which amount to 500,000 euro per year. Working spaces ('modules') measure mostly between 40 and 80 m², and incubatees can rent more than one module. Rents increase with the size of the rented space, but also with the number of years an incubatee has been in LIB. In practice yearly rents differ from 9,000 euro for a small module in year one, to over 20,000 euro for a large module in year three. The rents are kept below market prices for this area, close to Milan, but it is not the intention to compete on price only. Atmosphere, service and levels of support are considered key factors of competition as well.

Next to start-ups LIB also hosts spin-offs by former managers and professionals of established companies, existing companies, irrespective of age, that are currently downsizing and need less (expensive) space than before, and branches (offices) of bigger commercial enterprises. In general, these more mature activities can afford higher rents (although some are severely hit by the economic crisis) and have a lower risk factor.

Additional income is generated through 'projects', that can also realize synergy with activities by incubatees. For instance, the participation in various EU funded programmes allows covering some operational costs as well and this adds to financial self-sustainability of the incubator. The management team of LIB together with BIC La Fucina creates an added value by means of additional support and services for tenants and for companies in the neighbourhood of the incubator, but these activities do not generate sufficient revenues to make them significant part of the income of LIB.

The intention is to cover costs by income from rents only. For the last five years LIB succeeded in this. This means the financial performance of LIB depends on the amount of rented space and, indirectly, the number of tenants. Currently there is critical mass of potential entrepreneurs in the Breda region as well as sufficient space to rent out to reach a break-even point. However, while LIB is still 'fully rented', keeping that up is not easy in the current period of economic downturn. At the same time, the current size of the incubator is at a critical minimum for achieving economic sustainability.

After entrance in the LIB incubator, new enterprises are mentored, monitored and advised in many aspects of business growth. Every 6 months BIC La Fucina performs a qualitative and quantitative check in order to monitor the performance of the companies, to increase the awareness of the entrepreneur and offer instruments for management control, and to introduce the entrepreneur to banks, investors etc. This monitoring and analysis activity gives LIB the opportunity to assess and rate the business risk of the incubated companies. Especially in this difficult time, however, LIB is flexible (not too strict) in case of the first signals of insolvency.

Incubatees in LIB presenting their business



6.2 Fabbrica del Vapore (FdV)

Companies in the Fabbrica pay the market price, based on full costs. Rents are defined each half year by the Chamber of Commerce. Associations or services - a category defined by the Fabbrica's statutes which more or less covers social enterprises - pay 30% of market price, due to a municipal regulation for space in all municipal ownership. This only concerns rent, however, not the other costs. The reduced rent is applicable for about 20% of the companies in the Fabbrica. In view of the economic sustainability of the Fabbrica, the focus has been broadened from young entrepreneurs to creative in general.

A clear overview of the Fabbrica's income and expenditure is not available, since it has no separate budget. Staff of the Fabbrica is employed by the municipality, which also covers other operational costs. It also covers the losses of the Fabbrica, but it is not clear whether this will continue after the elections. Profits would also go the city, but it is unlikely that there are any at present. This is a

bottleneck, especially in these days of shrinking public funds. It is clear the Fabbrica has to become less dependent on public funding, and increase private funding.

Since the renovation of the area is not yet completed, available space is likely to increase in the foreseeable future. Furthermore, other expansions, e.g. with an incubator, are being planned. This means more space could be rented out, which may considerably improve the financial position of the Fabbrica.

Fashion workshop for incubatees in the Fabbrica del Vapore



6.3 HUB Milano

The HUB Milano is working in the 'difficult middle', with little support from the outside world. The traditional philanthropic world turned it down for being too profit oriented, the traditional business world for being not profit oriented enough, local government simply was not interested. This made the start of the HUB a difficult one. Public funding was not available, private money hard to obtain, foundations were reluctant to invest because the HUB is a company, and there was no funding from the international HUB network. Initial investments came from 'friends, fools and family', i.e. from sponsoring by existing relations. Turnover in the second year was 200,000 euro. A second round of investment will now take place and after three years of considerable turnovers, private investors are becoming more willing to invest.

The exact policy concerning rents and fees differs between HUB branches. In Milan 70% of the income comes from membership fees, the remainder 30% from the rent of spaces to members or

external non-profit organisations. No spaces are rented to external for-profit organisations. These figures - a relatively low income from rents, compared to other incubators - reflects the fact that the emphasis is on being a 'member', but not all members rent space. The same space can be rented to different clients, but at different times. This means incomes can be increased if spaces are unoccupied for part of the time. Flexibility in pricing makes it possible to distribute the rented space more efficiently.

The HUB also raises income from consultancy for third parties, which also include large commercial companies (e.g. Fiat). Nevertheless, the HUB does not do 'green washing', i.e. providing a green image for activities that are in fact not sustainable.

6.4 Make a Cube³

Make a Cube³ is a 'low-profit' social enterprises. This specific term is due to Italian legislation, which only recognizes 'profit' and 'public' organizations but no in-between forms. The focus is not, therefore, on making profits from the incubatees. This would hardly be possible anyway, since the current type of incubatees hardly have money to pay for services: Make a Cube³ works with 'early, pre-investment stage companies'.

The companies or start-ups which are using the services of Make a Cube do pay fees for the programme and working spaces, but these are relatively small. Rents currently account for 10% of the incubator's income. There are 50 working places ('tables') which each yield 2,500 euros per year. This would mean an income from rents of 125,000 euros with a 100% occupation rate, but probably less in practice. Other sources of income are the renting out of spaces for events.

Altogether, this does not cover the expenses. The low amount of fees enables the company grow their business only slowly as it does not generate a big profit. Funding of services remains a challenge, therefore. The incubator is investigating the possibilities of crowd funding. Relations exist with ENVIU (see study visit report on DNAMO in Rotterdam), which is also applying crowd funding.

7 Social contextualisation (WG2)

7.1 Laboratorio Innovazione Breda (LIB)

LIB organizes some social events where companies can get to know each other and foster cooperation, but does not consider this a main task of the incubator. Events are mostly related to specific 'projects' run in the incubator, in order to improve the synergy with established activities in the incubator. In addition there are general meetings twice a year. Furthermore, LIB promotes events organized by companies in the incubator, which may invite other (external) companies.

There are free common areas in the incubator in order to encourage informal contacts between incubatees. Nevertheless, it seems there might be a broader interaction between the incubatees if there was a different arrangement of open space and offices, with more open spaces and less 'closed' offices.

There is no continuous or formal relation with the local community on the scale of the neighbourhood. But beyond that there are multiple links to the community of Milan and the public sector:

- the management of LIB comes from the public sector;
- several public services moved to North Milan when the incubator was opened; some have their offices in the LIB building;
- information points were established for the unemployed in the local community;
- formal and informal training programs are run for the local community and a strong formal and informal network was established;
- at the beginning of the transformation of the region four events were organized. A design week was organized together with street events;
- the Scala of Milan supported the region by performing there for 5 years while the theatre was being renovated.

The above actions provided (and for a part still provide) crucial social benefits for LIB, deriving from the direct or indirect participation of the public sector in the incubator. Milano Metropoli, the owner of the building, cooperates with the public authorities operating in the metropolitan area of Milan, including local town councils. Milano Metropoli is also responsible for territorial development, for supporting strategic economic sectors and special industrial, reindustrialization and urban development projects. In this regard the incubator is important for local development, as it triggers a self-propelling mechanism that constantly revitalizes the fabric of local businesses, particularly favouring the spread of firms with an innovative drive whose staff are geared to working in a network.

7.2 HUB Milano

The HUB Milano brings together a variety of entrepreneurs and operators of non-profit organizations, professionals and young students, designers and computer experts etc., united by the wish to have a positive impact on Milan and the world. The members as well as the management of the incubator are committed to the field of social economy and sustainable development. The selection of the members has a very personality-centred character, exploring the motives of the applicants on the basis of a video rather than a conventional CV. This is followed by a face-to-face interview in order to establish the 'profile' of the applicant.

The HUB functions as a 'flexible ecosystem'. Crucial in this ecosystem is the role of the 'host'. A host can be a member of the HUB, but not necessarily so. The host 'hosts' a dinner party, which is an important element of life in the HUB. The host has a number of tasks:

- make sure that the 'house' is in good order: warm, welcoming and inviting for co-working;
- invite the right people, building the right community of members that align to the core mission and the social and environmental values of the HUB. This means careful selection;
- provide food. This can be a traditional dinner, but also 'food for the mind': inspiring outsiders invited to meet with HUB members during lunch talks, dinner parties but also large-scale events. The intention is to inspire the members to 'start thinking laterally';
- being a genuine host: making people comfortable, knowing: who is this person, what drives him, which types and ways of cooperation with others fit best with him.

The HUB Milano hosts a variety of events, from every day meetings to the organization of workshops and labs in order to foster networking and collaborative learning. It organises events in which the participants can propose innovative ideas, plans or business proposals to companies participating in the meeting. The events are inseparable elements of the 'ecosystem'. Besides the informal education deriving from the everyday interaction between members, some events have a more formal structure focused on specific topics, ranging from ICT, the food sector, social economy, environmental management, communication methods etc.

Spaces

Under the premise that “physical spaces are key to our impact”, HUBs aim to create uniquely designed spaces provided for creative environment as well as a professional infrastructure to work, meet, learn and connect. The HUB building is a highly modular space of 500 m² with an adjoining courtyard. The space is composed of a large central hall, the Hall of Clouds, which serves as a space for co-working by day and a space for large events in the evenings and at weekends. The personality-centred character of HUB is emphasised in the building by means of photos and contact details of the members. Moreover, the design of the spaces in the HUB evolves with the changing demand of the members, who can participate in the designing process.

Clever use is made of the social function of cooking and eating together. Most hubs have kitchens rather than bars. The use of space encourages new relations between incubatees starting with the preparation of a coffee or a light meal and leads members to get to know each other, exchanging and sharing business ideas. Cooking together is a social activity that provokes more exchange and sharing of knowledge etc. than drinking coffee together. Therefore the HUB Milano supports a huge kitchen (Valcucine), which deliberately is included to encourage interaction between members.

Working spaces in the HUB Milano.



Relations to the local community

Another key aspect is the relationship with the local community. The HUB Milano has only been operational for a few years now, and there are not yet clear-cut results in this respect. Some targets have already been set, however. At the end of 2012 a quantitative research/assessment will start of

the social impacts of the HUB on the local community. The partners of the HUB in the local community seem to be the inhabitants, rather than formal organizations, which is important as the HUB hopes to achieve some direct effects on everyday life in the local community. Until now, finances do not play any role in that interaction. Two successive events can be mentioned at the level of the local community:

- since the HUB Milano is located in the Milanese Chinatown neighbourhood, an event has been organized focused on improving the embeddedness of the Chinese community, and the communication with the rest of the city. Otherwise, however, there is little interaction with the Chinese community;
- the HUB has adopted the control and maintenance of green spaces in the neighbourhood.

7.3 Make a Cube³

Regarding the social contextualisation theme a number of interesting practices may be identified at the Make a Cube³ incubator. Several of these are related to the incubator's specific focus on social and environmental enterprises, i.e. start-ups with a high potential for creating social and environmental value. This mission is clearly defined in the incubator's statutes. These state for instance that:

- priority is given to the maximization of the social impact. Economic sustainability is considered primarily as a means to achieving sustainable development goals;
- limitations are set on the return on investment and on the top management salary. These and other limitations have been introduced voluntarily rather than for fiscal reasons;
- the social, environmental and economic performances and impacts generated through the incubator's activities are assessed and measured to create accountable results.

Interaction between incubatees is encouraged by the existence of co working spaces and use of social networks to foster formal and informal cooperation. More in particular, one of the tailor-made incubation programs provided by Make a Cube³, Make a Cube HD, is specifically focused on fostering this kind of social interaction. It consists of a high density incubation process, where up to 10 start-ups are incubated simultaneously for a period of 6 months, after an open call for ideas on a given sustainability issue. The process results in a 'pressure cooker' which maximizes the possibility of mutual learning between the start-ups and efficiently brings them to explore their full potential.

8 Tiers of support, networks and partnerships (WG3)

8.1 Laboratorio Innovazione Breda (LIB)

After entrance in the LIB incubator, new enterprises are mentored, monitored and advised in many aspects of business growth (see Section 5.1). Every 6 months BIC La Fucina performs a qualitative and quantitative check in order to monitor the performance of the companies, to increase the awareness of the entrepreneur and offer instruments for of management control, and to introduce the entrepreneur to banks, investors etc.

In addition to the official support program, the more mature firms hosted by LIB, such as spin-offs and downsizing firms, may provide valuable knowledge and experiences for the true start-ups. The incubator does not regularly organize events for the exchange of knowledge, but occasionally companies in the incubator do, for instance by inviting companies 'from outside' to visit.

Milano Metropoli, owner of the LIB building, has an extensive network from which the incubator may benefit. At local and regional level, Milano Metropoli cooperates with public authorities operating in the metropolitan area of Milan and in partnership with local town councils, development agencies, universities and research centres, trade unions, the business community, banks, foundations and non-profit making organizations. It should be noted in this respect that Italian banks tend to have a close relation to the development of the area in which they are located, since most were public organisations before the 1980s and, after privatisation, are still partly owned by public bodies.

Guided tour by LIB management



On a national and European level, Milano Metropoli participates in several networks of development agencies takes part in numerous development agency networks:

- AIDA, the Italian association of local development and territorial marketing agencies (Milano Metropoli promoted its formation and has chaired it since 2003);
- EURADA, European Development Agency Association (the Agency has held the presidency since 2008);
- EBN, the European network of Business Innovation Centres;
- LEED, Local Employment and Economic Development, in the OECD;
- RDA Net Ceda, East Europe;
- Cabernet, the European Concerted Action on Brownfield and Economic Regeneration Network;
- Rete di Agenzie Centro Nord promoted by Formez;
- AUDIS, the Associazione delle Aree Urbane Dismesse.

Furthermore, Milano Metropoli, BIC La Fucina and LIB have close contacts with knowledge institutions (universities) in Milan. Nonetheless, these contacts concern strategic projects for area development rather than the incubation process, as many of these knowledge institutions have their own incubators for academic spin-offs.

8.2 HUB Milano: social innovation matters!

The HUB Milano is a highly flexible space perfect for meetings, seminars and major events. The HUB hosts a variety of events, from daily informal meeting to the organization of workshops and labs in order to foster collaborative learning. The HUB believes that “peer-to-peer learning is the most effective method to advance our collective wisdom”.

The HUB has no formal support program like a more traditional incubator has. Instead, the HUB functions as a ‘flexible ecosystem’, which provides support in many ways. The services offered are modular and differ with the changing profiles of the members and their needs. The evaluation process also is an important aspect of the incubator’s governance. Each week a member is interviewed, in order to measure the impact of the HUB’s services and support on their business.

The HUB provides members with ample networking opportunities - in fact this is one of its main *raison d’être*. The centre encompasses different type of individuals, such as entrepreneurs and operators of non-profit organizations, professionals and young students, designers and computer experts etc. from a wide range of “professional backgrounds, cultures, nationalities, approaches and contexts”.

Funding the HUB itself has become less problematic (see Section 5.3). The HUB wants to move to a next stage of business development, and start an investment fund inside the HUB - not investing in the HUB, but ‘to invest in the members of the HUB’.

The HUB Milan seems to be able to build a strong ‘social capital’ based on the relationships between members all over the world. This provides opportunities for cooperation between members and projects also beyond Milan. Currently, there are more than 25 HUBs, having a global network of more than 4,000 members, growing rapidly, and being very well-connected through different tools, such as social networks (facebook, twitter etc.). All HUBs and their members are also connected by a virtual platform (HUB Connect) which helps them to collaborate and exchange ideas. The HUB founders and hosts meet twice a year in global forums to re-connect, take strategic decisions and share best practices. In addition a global conference is planned to unleash the collaborative potential of the HUB membership around the world. In the meantime, members are encouraged to visit other HUBs when they travel and connect to the local communities directly. Newly founded HUBs are supported by a sister-HUB for a year during the application process.

Social or organizational innovation, responding to societal challenges seems to be an important comparative and competitive advantage of this incubator. A good example of such an approach is the SICamp. This event is organized by the HUB Milano in cooperation with Social Innovation Camp (UK), Esterni, WWF Lombardia, Ciessevi Milano, with funding from the Fondazione Cariplo and the UniCredit Foundation, and in collaboration with Avanzi/Make a Cube³. SICamp is a contest that combines ideas, people and digital tools to find solutions to social and environmental challenges. Individuals of all ages and professional backgrounds are encouraged to participate. The solutions they propose must:

- be web-based - the final product has to be a website or an app for smart phones;
- demonstrate a strong impact on one or more challenges in the social, environmental and cultural fields, preferably in Milan and in Lombardy, but also in the rest of Italy;

- be innovative and at a preliminary stage of development.

HUB Milano cooperates closely with knowledge institutions: it has an internship program with Piacentini university, and more informal collaboration with the Politecnico in the field of social innovation.

8.3 Make a Cube³

Make a Cube³ provides co-working spaces and uses social networks to foster formal and informal cooperation. The 'co-working space' in Make a Cube³ is also used by more mature firms in creative industries and by the consultancy firm Avanzi (co-founder and -owner of Make a Cube³). They provide advisory to start-ups with a high potential for creating social and environmental value and business support services, including back-office, governance expertise, access to knowledge and financing.

Make a Cube³ offers four personalized support services:

- Make a Cube warm up: focuses on 'change-makers' with ideas who need to focus on business model engineering and experimentation. The centre organizes a two-day interactive lab, made up of traditional frontal teaching and intensive project works;
- Make a Cube 121: provides a tailor-made incubation process, designed around the needs of a specific start-up/innovator/entrepreneur;
- Make a Cube HD: provides a high-density incubation process, where up to 10 start-ups are incubated at the same time, for a period of 6 months, after an open call for ideas on a given sustainability issue. The process maximizes the possibility of mutual learning between the start-ups and efficiently brings them to explore their potential;
- Make a Cube B2B: helps private corporations and local authorities to develop new social enterprises, building on their underutilized tangible and intangible assets.

Core incubation starts with the development and review of a business plan, in order to build a robust financial and operational model, and continues with all the strategic and day to day assistance necessary to transform a good idea into a successful and sustainable venture. Make a Cube³ also helps incubatees to raise money from funds or e.g. awards.

Make a Cube³ cooperates with different incubators. These include the HUB Milano, but also incubators outside the city, such as DNAMO in Rotterdam.

9 Overview

We have seen that creative and cultural industry is a driving force of local development and economic regeneration for Milan and its region, contributing to job creation and emergence of new job profiles. Milan is an archipelago of creative islands, which lack identification and communication amongst them. In the opinion of people working in the creative and knowledge based economy, the current mismatch of the crucial elements that allow for an economic development of the city may continue if politicians don't act rapidly.

Table 2: overview of main findings

	commercial contextualisation	social contextualisation	tiers of support, partnerships
Laboratorio Innovazione Breda (LIB)	<p>from incubator activities:</p> <ul style="list-style-type: none"> rents from incubatees as main source of income; regular 'risk analysis' <p>from building and organisation:</p> <ul style="list-style-type: none"> rent out spaces to existing companies and entrepreneurs, able to pay higher rent raise income from other projects (e.g. EU) that may strengthen synergy between incubatees 	<p>within incubator:</p> <ul style="list-style-type: none"> stimulate incubatees to organise own events and invite external firms <p>neighbourhood level:</p> <ul style="list-style-type: none"> accommodate local public services (e.g. employment info points, public offices) organize events with neighbourhood (e.g. fashion week) 	<ul style="list-style-type: none"> regular check on incubatees' performance knowledge exchange between incubatees and mature firms provide access to external network of incubator partners (Milano Metropoli and investors)
Fabbrica del Vapore (FdV)	<p>from incubator activities:</p> <ul style="list-style-type: none"> higher rents from incubatees not meeting statutory aims (non-social enterprises) <p>from building and organisation:</p> <ul style="list-style-type: none"> increase amount of space to be rented out 		
HUB Milano	<p>general:</p> <ul style="list-style-type: none"> use initial sponsoring to gain momentum for private investors in a later stage <p>from building and organization:</p> <ul style="list-style-type: none"> rent out spaces to external not-for-profit parties (e.g. social events) consultancy for third parties 	<p>within incubator:</p> <ul style="list-style-type: none"> organize events, workshops etc. for networking 'host' to organize meetings and make 'home' flexible, personalized design of common spaces common kitchen: social function of eating and cooking together <p>neighbourhood level:</p> <ul style="list-style-type: none"> organize events with local community (e.g. Chinese community) 	<ul style="list-style-type: none"> personalized support services based on evaluation and incubatees' profiles start internal investment fund for incubatees provide access to international (physical and virtual) network via other HUBs sister-HUBs to support starting HUB common events to meet societal 'challenge' (e.g. SICamp) partnership with knowledge institutions for internship
Make a Cube³	<p>from building and organization:</p> <ul style="list-style-type: none"> rent out spaces to external parties (e.g. social events) 	<p>within incubator:</p> <ul style="list-style-type: none"> use of co-working spaces, especially shared use with mature companies use of social networks 	<ul style="list-style-type: none"> help incubatees to raise money from funds (e.g. awards) knowledge exchange between incubatees and mature firms support by consultancy firm (Avanzi) personalized support services based on four programmes cooperation with other incubators (e.g. DNAMO)

Four incubators were visited in Milan. Two of these, the HUB Milano and Make a Cube³, are private initiatives and are completely or largely privately funded. It is noteworthy that these are also the incubators with the most explicit focus on social and sustainable businesses, which indicates that 'shareholder value' is not their primary motivation. Furthermore, these incubators also seem to be best embedded in an international network of incubators which, particularly in the case of the HUB, may be a considerable added value for the incubatees.

The Fabbrica del Vapore and LIB, on the other hand, to a large extent depend on support from public authorities, whether in money or in kind. It is likely that these public funds are available partly because both incubators are part of urban redevelopment schemes. It is not clear, however, what will happen when these schemes will be completed or come to an end because of austerity measures.

In spite of the above differences, there is no clear difference between publicly and privately funded incubators in terms of the means applied to raise income and support incubatees. With regard to the latter, it should be noted that the incubators visited focus not only on start-ups but also accommodate more mature firms and entrepreneurs, and do not all have a distinct support program for incubatees. The HUB Milano and Make a Cube³ offer a more or less personalized program based on the profile and requirements of incubatees. In other aspects the HUB is the most particular example of the four included here, as it is a network or 'ecosystem' rather than the archetypical building with small firms, and part of an extensive international network of partner HUBs. As such it represents an alternative but quite interesting incubator model.

10 Validators' remarks

10.1 Introduction

The study visit report has been validated by five experts, including the management of the two incubators visited. These validators are:

- Dr. Silvia Mugnano (Lecturer in Urban Sociology, Department of Sociology and Social Research, Università di Milano - Bicocca)
- Mr. Daniele Cavallotti: consultant, independent agent of local development
- Dr. Alexandra den Heijer (Delft University of Technology, Faculty of Architecture)
- Leo van Loon (manager/owner of the Creative Factory, Rotterdam)

As far as the validators' comments were corrections or annotations to the text that have been included in the previous chapters. This was the case with all comments by Dr. Mugnano and Mr Cavallotti, and many of the comments of the other validators. The remaining comments are presented in this chapter. When necessary, comments have been edited and translated from Dutch by Arie Romein and Jan Jacob Trip.

10.2 Alexandra den Heijer (Delft University of Technology)

Most of the comments of Alexandra den Heijer have been included in the text of the previous chapters. Some brief issues remain to be mentioned here:

- The report can be more illustrative – the data can be presented more 'operationalized' by means of e.g. benchmarks, charts and maps. Also, it would be very nice to show some of the

brands/products of incubators to illustrate ‘what is produced’ or to inspire the reader in general.

- As for good practices, I would like to mention the co-working space of HUB that allows mature companies to share (knowledge).
- The report is very descriptive: I would plead for more analysis and “guidelines” for incubators. What useful components for a programme of requirements can be drawn from this case? [Regarding this comment, it should be noted that a number of ‘practices’ have been distinguished at the thematic seminar, but that we consider it too early in the project to define something like guidelines or a programme of requirements. This is more likely one of the outcomes of the project.]

Alexandra den Heijer also recommended to include a map of Milan and to be specific about the definition of an incubator. Both elements have been included in the previous sections (Chapters 2 and 5 respectively).

10.3 Leo van Loon (Creative Factory)

Most of the comments of Leo van Loon have been included in the text of the previous chapters. Two brief issues remain to be mentioned here:

- In 2012 the Lombardy region has made steps towards developing a coherent Creative Industries Policy for example by joining the winning alliance of the European Creative Industries Alliance Platform. This alliance will develop a new European policy for Cultural and Creative Industries.
- The Lombardy region has a huge potential in terms of the creative sector. The region is known for its unique chains of suppliers, particularly in the fashion industry. It is a pity that this potential is hardly used by local policy makers and politicians.

11 Thematic seminar

11.1 Introduction

The aim of the thematic seminar was to identify good practices for policy-makers to strengthen the financial sustainability of incubators that could be transferred to any or all other InCompass partners regions. The discussion in the thematic seminar accordingly was guided by two questions: 1) What good practices can be identified, on the basis of the Milan study visit report, for public policy-makers? 2) Did the Milan study visit report or the study visit itself inspire any other ideas? Participants of the thematic seminar were for the largest part local and regional policy-makers - facing similar challenges and opportunities members of the regional implementation groups are likely to face - together with e.g. academics, business park managers and representatives of regional development corporations.

The seminar resulted in the following practices.

11.2 Stimulate cooperation and networking between incubators on a regional scale

This practice is inspired by the example of the Hub Milano, which is part of the worldwide Hub network. Members of the Hub Milano are welcome in all other Hubs, to work and make use of facilities. Hub policies are pretty similar everywhere, and members who feel at home in the HUB Milano likewise feel at home in other HUBs. Policy-makers could stimulate a similar kind of networking and cooperation between other incubators. In view of the focus of InCompass it seems most realistic to start this on a local or regional scale, although in theory the same practice may be applied on a national or international scale (see practice 2).

Regional cooperation between incubators could have a number of advantages. Collectively, incubators would have a better bargaining position to make deals with partners such as banks and attract more support from investors. Furthermore, the focus and support programmes of incubators could be coordinated, providing incubatees with a larger choice of courses and training facilities, as they may also participate in the support programmes of other incubators within the region. In a more comprehensive type of cooperation, incubatees may choose to relocate at the incubator that best aligns with their way of working or their specialism. In total, this could make incubation on a regional scale more efficient, either by combining equal quality with reduced costs (e.g. due to better partner deals), equal costs with higher quality, or both.

In short, the thematic seminar made a plea for policy-makers not to focus on individual incubators, but to develop a vision on the incubation process on a regional scale. Many local or regional authorities support one or more incubators, by means of investments or regular subsidies. They may redirect these subsidies towards measures to strengthen networking and cooperation, between their 'own' incubators and with other, privately-owned incubators. So far, this reflects the perspective of the regional policy-maker.

More difficult may be to actually include in this scheme the incubators not supported by public funding - such as, indeed, the Hub that inspired this practice. It seems possible that some of these will see benefits in participating in a regional network, although it may make the management of the incubator more complicated. Others, that already are active network members, such as the Hub, may be reluctant to participate, and may not be too happy to see one of their specific strengths being adopted by other incubators.

11.3 Stimulate incubators to make use of available European network opportunities

In line with the above practice, the thematic seminar considered networking on a national or European scale also important for incubators. Again the Hub Milano provided inspiration. However, networking on this larger scale is hard to organize or stimulate for local or regional policy-makers. What they can do, however, is to inform incubators about European networks that exist, and encourage them to participate.

Several European networks of, or for, incubators exist, such as the European Creative Business Network (ECBN), which connects creative centres and their businesses throughout Europe by providing Easy Landing Points. A second European network is the European Creative Industries Alliance (ECIA), which executes several projects to connect clusters around Europe, e.g. Cluster 2020. Although the advantages for an incubator of joining such an international network seemed obvious

to the thematic seminar, in practice many incubators are not a member of either one of these networks. It is possible that they are just not aware of the existence of these networks.

Regional policy-makers may have a role in this, in two ways. First, they may use their influence to inform incubators in their city or region and to encourage them to join one of the above networks (or other similar networks). Second, however, they may investigate the possibility of signing up to this kind of network as a region, and let the benefits of membership trickle down to the individual incubators.

In spite of the above practice, the thematic seminar also adds a critical note on the issue of international networking and cooperation. From the perspective of regional policy-makers, cooperation and increased mobility of start-ups should not lead to the departure of start-ups to other regions - even if it is recognised that this may imply a dilemma, because such a move may be beneficial from the position of the start-up itself. This danger seems larger in some sectors - architecture and urban design are mentioned - than in others. In general, start-ups seem to be less mobile than expected due to their social ties to a city and the difficulties of starting a business in another country.

11.4 Ensure an equal approach towards all incubators in the region, whether public or private

This is actually based on a 'bad practice' concerning the Fabricca del Vapore in Milan. This Fabricca was set up as a private incubator, but it failed and was taken over by public authorities. These then accepted a lot of financial responsibility, while the Fabricca did and still does not show much success in terms of incubatees - de facto it does not function as an incubator anymore - as well as regarding larger financial sustainability. Meanwhile public authorities showed no interest whatsoever in the Hub Milano, which was also a private initiative, but with a much higher chance for success (which has been proven since). There has been not only no support, but no dialogue at all. In short there has been a huge degree in inequality in the approach of public authorities in these cases.

The above suggests that policy must ensure an equal, balanced approach of policy-makers and public authorities towards all incubators, whether publicly supported or owned incubators or private initiatives that origin 'outside council thinking'. The thematic seminar did not reach a clear conclusion as to how such a policy should be defined.

11.5 Recognise the importance of social capital, invest in it

Local contexts, but also business cultures in the InCompass regions are very different. The thematic seminar recognised that in all cases the existence of trust between stakeholders is important, as it is a condition for e.g. sharing risk and accountability. The thematic seminar concluded that policy-makers should be aware of the importance of what may be called social capital, and recognise the large amount of social capital included in incubators. They should be aware that an incubator is not just a 'start-up factory' but also represents a stock of social capital worth investing in.

This requires that public authorities invest in mutual trust and understanding among the partners involved in incubator development - the more so as they themselves in many cases are one of these partners. This definitely means a focus on long-term partnerships. It also means less focus on public authorities' own visibility, status and career.

11.6 Concluding remarks

Some of the practices derived from the Milan case studies are relatively clear-cut, while others need much elaboration and discussion in the regional implementation groups and elsewhere about the possible applicability in InCompass regions. Nevertheless, even in the more elusive parts of the discussion a returning theme may be distinguished. Policy-makers should not consider incubators on an ad-hoc basis. Instead, a regional, long-term perspective on incubation is required. This should apply to publicly owned or supported incubators, but must also take into account private initiatives. Networking and cooperation are crucial, between incubatees, between incubators and between partners involved in incubator development.