



**Città
metropolitana
di Milano**

Description of activities carried out by the Regional Implementation Group and Summary of the Regional Implementation Plan for Città metropolitana di Milano and its region

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Abstract

This executive summary briefly describes the genesis of the Italian Regional Implementation Group (RIG) starting from the InCompass study visit in Milan and following with the main appointments of the group. Major decisions are explained as well as main issues discussed and goals achieved. The recent evolution of the incubation system of the Milan metropolitan area is illustrated. From the report it emerges an increasing awareness of the stakeholders concerning the importance of incubators and start-ups and the role of cultural and creative industries in attracting talent and promoting local development. The many new incubation initiatives in Milan may not last in the long run, but the experimentation currently going on in the area will create know-how that will be useful for public and private stakeholders. Indeed, the most successful private incubators are already partnering with public administrators to run new initiatives and this is a very significant change.

Scope of the report

The InCompass project started in 2012 with the purpose of finding good financial practices among incubators of cultural and creative enterprises. The timing could not be more favourable thanks to two concurrent phenomena: the cultural and creative sector was emerging as one that could offer new jobs and economic development in many regions of Europe, while startups became very popular in the media and incubators enjoyed a renewed interest.

In recent years, public administrations had to cope with continuing cuts in resources. Economic and financial sustainability of the incubators was more and more necessary. Therefore, incubator managers started looking for ideas to improve the accounts of their facilities.

Making incubation profitable is not easy and in fact there are not so many examples of success. The challenge is even greater in areas such as the cultural and creative enterprises. In fact, these companies do not have the growth potential of those of the most technology, so there can be little expectations about future ability to pay significant digits for rents and services or to recover any capital investment.

Here, we will not give account of the project visits, neither talk about the conclusions and findings of the project, already widely discussed in the document prepared by the scientific coordinators of the University of Delft and known as Toolkit. (a compendium of the most interesting of the practices identified during the study visits).

We want here to give account of the activities of the so-called Regional Implementation Group (RIG), a group of interested parties to the practices of incubators and incubation policies that have met in recent years to discuss the issues of incubation and discuss proposals for public administrators and local operators in the industry.

The Study Visit to Milan

Between June 6 and June 8, 2012 we held the study visit of the project InCompass in Milan, the second after the one in Rotterdam.

In previous months, the project team of the Metropolitan City of Milan (former Province of Milan) and the BIC La Fucina had struggled to identify an overall strategic plan that had guided the evolution of the city and the development of cultural and creative sector. This despite the historical presence of cultural institutions such as the Teatro alla Scala and the fact that the city is an international capital of fashion and design. Add to this, the OECD report of 2006, which feared a possible decline of the city as a creative hub, particularly because of the inability to attract and retain talent.

However, Milan is still the Italian city where the entrepreneurial ferment is traditionally higher and is the most open to the trends that come from abroad, so it is not surprising that even in the field of incubation there were many private initiatives. For this reason, it was decided that the visit would focus on the city transformation rather than on the glories of the past.

The organization of the visit helped the host team to understand that the incubator concept as a place where newly formed businesses can find space and services was not economically sustainable. However, there were private ventures that were genuinely trying to support startups with an innovative approach. They incubate cultural and creative enterprises in an economically and financially sustainable way. However, their approach did not correspond to the traditional concept of incubator, but it offered valuable food for thought.

The project partners perceived Milano as an archipelago of creative islands, which often do not know or do not talk to each other. In their view, this resulted in a waste of opportunities that could be avoided with more careful, targeted policies.

Their recommendations suggested to the institutions not to consider incubators extemporaneously, because policies for incubation require comprehensive, long-term actions. This should cover both public/publicly financed incubators and private ones that are sometimes left to their own despite their positive contribution to the local economy. They also suggested more coordination between incubated companies, incubators and organizations that deal with incubation. From here, we started to think about our regional implementation group (RIG).

The setting of the Regional Implementation Group

The study visit to Milan clearly showed that the private incubators were developing skills that policymakers had not, and that the latter had to be exposed to new business models and best policies for incubation. The role of the Province and the RIG was clear: to foster networking between the public and private parties and coordinate a dialogue between stakeholders.

The first step was to choose the name, Mi.Lo. derived from the contraction of Milan and Lombardy, indicating the need to integrate the municipal, metropolitan and regional size. It was also decided that we would focus on the local situation and we would face very specific issues with the use of a participatory methodology to promote exchanges in a neutral environment. For this reason, we

decided that the meetings would be hosted by the incubators. This was a way to know them better, and make sure that they talk to each other. This also reversed the traditional logic of institutions that receive citizens in their premises.

The first table MiLo: activities and results

The first meeting of the Regional Implementation gathered incubators expectations related to their participation to the RIG: learn about new business models and look for other ways to obtain returns from investments, increase collaboration with institutions and maybe establish a regional network of incubators. Municipal and Regional public administrations participated to the meeting too.

The situation that emerged from the discussion was satisfactory, the local incubation system in Milan was relatively new and therefore there are still opportunities for growth and improvement, but there were several incubators. Indeed, we noticed that incubation had become a fashion phenomenon born mostly out of the availability of spaces. Moreover, these initiatives were fragmented, hence the need for a network that would strengthen the local eco-system.

The discussion highlighted that the arrival of new incubators does not imply the need for additional public funds (which is increasingly low), rather it is an opportunity to try different models, covering a variety of needs and areas and introducing more managerial approaches, while overcome the real estate model. It was said that a mix of start-ups and older enterprises can promote the creation of a virtuous circle of exchange of knowledge and support higher rents. However, their strength depends on the vitality of the system to which they belong and financial resources available.

Policy makers could illustrate the many programs publicly financed and other planned initiatives. Business operators required that programs such as vouchers should benefit the most innovative companies and high potential projects. All participants agreed on the need to continue the effort avoiding duplication of initiatives.

The second MiLo: thinking about a network of incubators

The second meeting was convened some months after the first one. On that occasion, we informed the participants that the InCompass team advice for policy-makers were to focus on the entire incubation process included the acceleration phase, consider the regional innovation system as a whole and work on building partnerships rather than on support to individual incubators. Of particular interest are the platforms for exchange of best practices, knowledge sharing and the development of new contacts that the government could offer to academic and research institutions and enterprises.

It was then asked participants to identify the factors that invigorate the regional incubation system. Responses were: need of more training for entrepreneurship, constitution and animation by the public sector of a network of subjects dealing with incubation (which does imply some clear criteria and shared credit), one-stop shop for public financing and generally administrative simplification. It was also suggested to extend support to to all companies engaged in transformations such as

generational change and business restructuring. The internationalization of the economy, the attraction of talent and cross-fertilization between the creative industries and the traditional ones were other levers of development to consider.

When we moved to the factors that weakened the system of regional incubation, these were listed: limited differentiation of incubators and few after-incubation support plus little understanding of the creative professions. Business representatives were reproached a lack of mentorship culture, few occasions to interact between start-ups and established firms, lack of awareness about intellectual property. It was also noticed a decline in enterprise growth. The public sector was reproached of lack of coordination between policy-makers, complexity of calls, poor accessibility to data and information. Moreover, it was said that controls should not be only formal.

The following actions were proposed to improve the incubation system:

- qualification of entities that provide incubation support (these incubators should be not only in high-tech sectors, and they should have specific training and peer recognition);
- incubator service differentiation;
- mapping of entities, services, initiatives and programs supporting incubation;
- foster entrepreneurial culture;
- events to make the great potential of cultural and creative enterprises understandable to traditional sectors.

On that occasion, the representative of the Lombardy Region presented the CCALPS project and its Creative Camps. Moreover, the project for a network of incubators included the creation of a transnational hub network was presented in the second part of the meeting.

The third table MiLo: SWOT analysis and first good practices

The scientific coordinator of the project was invited at the third meeting in order to give an account of InCompass study visits and present some of the best practices emerged to date. We then discussed the strengths, weaknesses, opportunities and threats of the incubation system in Milan and priorities emerged in previous meetings. These is the version modified after discussion with participants:

SWOT analysis of the incubation system of Milan and Lombardy

Strengths

- Presence of many incubators and incubation support agencies, some of which have started a dozen years ago and others were opened more recently (at least eighty surveyed in a recent study of the region, one half of which also caters to businesses cultural and creative).
- Significant variety of business models of incubators (public / private space available for rent, value-added services and / or entry into the capital) and sectors (technological, creative, social).
- Growing interest of public institutions; substantial funding for programs such as those of the Lombardy Region and the involvement of organizations such as the Chamber of Commerce

Weaknesses

- Some new structures were opened probably due to a fashion effect or to take advantage of available space regardless of their willingness and ability to support start-ups.
- The economic viability of many of these structures and some public initiatives is doubtful, so it is realistic to expect some consolidation in the medium term.
- Until recently, public programs to support start-ups were quite generic and have had a modest impact on the creation of new companies of great potential.
- There has been a substantial lack of coordination among the stakeholders of incubation and this has contributed to the fragmentation of the initiatives in this field.
- Not enough business angels, lack of capital for pre-seed and seed initiatives; problem even more serious for creative start-up that by their nature struggle to find investors.
- In Italy the will to engage in startups is less developed than in other advanced countries; often young Italians are not prepared to present their projects, particularly difficult to grapple with international partners.

Opportunities

- There is a lot of interest about start-ups both from media and institutions and Milan is the Italian capital of incubation, especially in the areas of technology and CCIs.
- This results in a flurry of initiatives with the opening of new subjects that deal with incubation and explore innovative ways of doing business with great potential for growth and learning.

Threats

- Those typical of a phenomenon that could be a fade when the first disappointments will come and bring someone to exit the industry.
- Difficulty of identifying strategic options and priorities for high impact in public investment
- Risk that private operators do not have sufficient vision to make the system together.

Prof. Arie Romein of Delft Technical University emphasized the great variety of forms of incubators met: there are few places home to only start-up, while most prefer a mix of different companies of maturity. As for revenue sources, all facilities visited during the project InCompass rely on one or more of the following practices, sometimes in innovative ways:

- space available for rent to individuals or to third incubated for events,
- providing professional services and not,
- services trade and barter,

- participation in funded projects and
- equity for start-ups to make gains on their increase in value

There were also explained a series of practical cooperation with institutions and local companies, including banks, cluster and foreign universities. These partnerships can be designed to obtain additional funding to the incubator and incubated companies, though they are useful to create a more productive climate to launch and develop new business.

Finally, Prof. Romein shared with the participants some preliminary recommendations for policy-makers involved in the policies of support for incubation:

1. The evaluation of public funding should not be limited to costs, but it should include the benefits in terms of business creation and growth of the economy
2. To facilitate the assessment of the benefits, incubators should be able to track what happens to companies incubated by them even after they have left the incubator
3. Policies for incubation should be tailored to the individual, to the reference sectors and the local context, taking account of what is already on the territory
4. Policies for incubation should distinguish between incubators and incubated companies, but keep in mind that the success of these is also linked to the ability of those
5. Policy makers should not care so much operations of incubators but rather the construction of an environment conducive to the incubation through the coordination and collaboration between those active in the area.

The challenges that had emerged in previous meetings were discussed to check the progress and suggest further improvements, with the understanding, however, that things are going in the desired direction thanks to these moments of confrontation. Incubators repeated the need to have a public administration competent and capable of making strategic decisions while avoiding indiscriminate funding and regulatory excesses. They also suggested new ways of financing for start-up with public-private partnerships.

The fourth MiLo meetings

At the fourth MiLo meeting, they were invited new stakeholders such as bank foundations and business angels associations. For the first time, there were participating also startups.

The purpose of this meeting was to discuss the state of the metropolitan innovation system, hence the decision to invite parties related to finance, which is a key element for the creation of new businesses, and startups, that are the users and the results of system activities. On this occasion, the Municipality of Milan declared its commitment to the creation of enterprises through the establishment of eight incubation structures. A novelty was their approach to support the creation of

facilities directly but management that should be left to professionals. The City can help by creating places and incentives for business creation in particular in the creative and cultural sector.

The Chamber of Commerce emphasized the complexity of the economic fabric of Lombardy, which entails almost 700 thousand companies of which 288 thousand only in Milan. Of these companies, approximately 95% have less than 10 employees but still there is a significant cultural distance from startups. The renewal rate of the manufacturing is 10% a year, while 46% of enterprises registered in 2004 is still active today. The good news is the rate of employment growth of companies that exceed the first three years: youth businesses (under 35) have an employment growth rate of 206%, while for the other firms this rate is about 100%. A good 40% of the resources of the Chamber go to start ups. In 2014, the system of Chambers of Commerce selected 300 startups to meet investors all media. All this only partially offsets the situation of a country that does not shine for competitiveness.

Italian Angels for Growth (IAG) said that their business angels are very selective with respect to the proposals received, but have begun to collaborate with incubators because they have noticed that the incubated companies have projects definitely better than other startups.

Another major operator in the territory is the Cariplo Foundation that delivers about 150 million euro grant for a year, especially in areas of youth (youth enterprise, career development), community welfare and well-being of the person. This Foundation, the largest in Italy, in the past has invested heavily in scientific research and technological transfer and currently collaborates with national and international entities such as Microsoft. The Foundation believes that there is a problem of lack of attractiveness for foreign talent in Italy. Incubators are necessary to accompany young entrepreneurs to create their own company, and it would be necessary to know more about their results.

Healthy competition among incubators can be useful to make them grow and have that selection that avoids excess supply. This also applies to start-up, they need support but also challenges. Luckily enough our region is a diffused fab-lab where there are all necessary resources and competences.

Conclusions

The report is not strictly a Regional Implementation Plan. Indeed, many changes occurred during the RIG and thanks to it, as the previous pages describe. Meeting after meeting, we witnessed the results of our work seeing that discourses progressed, exchange of experiences became more intense, good practices were adopted and new initiatives developed with the latest approaches to incubation. Today, there are several public and private entities involved in competent incubation activities and surely this is also because they have discussed with us and between them.

It has been a great opportunity for the team of the Città metropolitana di Milano to participate to the InCompass project and we believe that there was a real impact on our territory.

Appendix – Calendar and locations of RIG meetings

Meeting	Date	Place	Website
0	5 June 2012	Hangar Bicocca	www.hangarbicocca.org
1	26 March 2013	Avanzi/Make-a-Cube	www.avanzi.org
2	4 July 2013	Polihub Politecnico di Milano	www.polihub.it
3	3 December 2013	Digital Magics	www.digitalmagics.com
4	6 May 2014	Città metropolitana di Milano	www.cittametropolitana.mi.it
5	21 November 2014	SIAM1838	www.siam1838.it