Which support services deserve the focus of the incubator? A value creation perspective.

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Management Summary

(Nederlandse) mgmt summary
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**Management Summary**

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1. Introduction

The tech companies in Silicon Valley are now more popular than ever and the start-up founders have become tech-rockstars in the eyes of the young IT enthusiasts. Venture Capitalists, Business Incubators, Business Accelerators, Angel investors and supporting businesses are eagerly waiting for and pursuing after their chance to work with the newest and most promising high-tech start-ups that these times have to offer. The nascent entrepreneur is almost sure of active support and attention. The business incubator offers a full package in order to nurture these entrepreneurs and its start-up. These incubators come in different shapes and sizes, addressing different needs of tenant firms. But which aspects matter the most? Which support services are the most helpful? That’s what this study is about.

The principal of this research is GoldenEggCheck (GEC) in Utrecht, the Netherlands. After developing a tool to assess the investor readiness of start-up ventures, further research is required to gain insight in which business development services create the most value for start-ups. Therefore, GEC took part in defining the research problem. For GEC, the outcomes of this research will enable them to offer better guidance to early-stage high-tech ventures that make use of the Golden Egg Check.

This remainder of this chapter serves as a clarification of the motivation behind this research. First the terms business incubator, supporting services and value creation will be introduced. Then follows a description of the problem that forms the basis for this research. Subsequently a description of the research scope will be given. The chapter will be concluded by an introduction of the research questions that will indicate the direction of this study.

1.1 Definitions

1.1.1 Business Incubators

Throughout the world Business Incubation centres have been established in order to stimulate entrepreneurship and support new ventures. The first formal Business Incubator (BI1) was founded in Batavia, New York in 1959 (Adkins and Association 2003). Since the 1980’s a rapid growth has been seen in the number of BI’S and similar concepts (science parks, R&D centres, business accelerators etc). The main role of the BI’S has been defined as: to assist entrepreneurs with business start-ups and development, and with possible involvement of the public, private and non-profit sectors (OECD 1999). In order to assist the entrepreneurs, incubators typically offer shared office space, a pool of shared support services, professional business support and network provision (Bergek and Norrman 2008).

Besides an increase in the number of BI’S, the BI has started to take on different shapes. Several ways have been described to classify the many types of BI’S. The main differing characteristics seem to be the selection, business support and mediation (networking) of the used incubation model (Bergek and Norrman 2008). When these aspects (the business support and mediation in particular) are examined, one would be able to group BI’S in three different generations. The first of which provides no business support and mediation. The second generation expanded its value proposition to include in-house business support services. The third generation

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1 Throughout this document, Business Incubators will be referred to as BI’S.
additionally offers preferred access to networks, acknowledging the importance of mediation (Bruneel, Ratinho et al. 2012) (also see Table 1).

Table 1 - Incubator evolution (generation classification) (Bruneel, Ratinho et al. 2012)

<table>
<thead>
<tr>
<th>First Generation</th>
<th>Second Generation</th>
<th>Third Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>Infrastructure</td>
<td>Infrastructure</td>
</tr>
<tr>
<td>Business Support</td>
<td>Business Support</td>
<td>Network Support</td>
</tr>
</tbody>
</table>

1.1.2 Supporting activities
When it comes to supporting the tenant firms in their struggle for survival and growth, different strategies are used. The spectrum, at which the application of business support varies, ranges from a rather free ‘laissez faire’ to a ‘strong intervention’ style. The first is mainly based on a request basis, where the tenant firm has to actively seek and ask for business support. The latter provides a guiding hand by which the tenant firm follows the incubation programme (Bergek and Norrman 2008).

Mediation can serve to connect the tenant firms to networks. Through these networks, the firms can get in touch with possible customers, financiers, employees, etc. This provides essential information required for the development of the firm. Institutional mediation allows firms to gain knowledge about the institutional demands introduced by regulations, laws, traditions, values, norms and cognitive rules. These are limited by region, or by technological field in which the firm operates. The supporting activities can be clustered as follows, based on 20 (empirical) studies (Figure 1):

![Figure 1 - Supporting activities; based on (Bergek and Norrman 2008)](image)

This research will focus on the intervening support activities. The passive support activities are limited in their impact on the value creation process, as the elements of these services very rarely vary during the incubation time (e.g. only the office space might increase).

1.1.3 Value Creation
In general, tenant firms have positive experiences with their respective BI’s (Hansen 2000, Scillitoe and Chakrabarti 2010). In order to gain insight which supporting activities are the most valuable, research has tried to determine the value creation of said activities. In an ideal setting, the effect would be measured by regularly determined firm valuations. Unfortunately these valuations do not take place very often. In literature we find several other definitions. In this study, value creation is defined as: **specific ways that an incubator program enhances the ability of its tenants to survive and grow in business** (Mian 1996). This predefines a link between the BI...
and the tenant firm in the field of value creation. In order to make a comparison later on in the research, this definition is preferable. Chapter 2. Literature Review further elaborates the findings in this area.

1.1.4 Value creation in the start-up process
The entrepreneurial process is still in need of a proper descriptive model (Moroz and Hindle 2012). The accompanying start-up process also had numerous attempts trying to model the process. It has shown itself to hard to model, yet some key events and its sequences have been discovered (Carter, Gartner et al. 1996). Value creating activities in the start-up process are deemed hard to classify as they have different levels of significance in every start-up. In the research conducted by (Amit and Zott 2001), value creation in e-business is categorized in four different drivers, being efficiency, complementarities, lock-in and novelty. Translated to the types of services used before, these can be interpreted as product development, business planning and customer development.

1.2 Problem definition and research objectives
Business incubation has been subject to many studies and research has been done to discover the best practices of the service portfolio. Research that has been done on this subject so far has let to some conclusions. Several studies on the service portfolio have investigated the satisfaction of the tenant firms with these services (Mian 1996, Abduh, D'Souza et al. 2007, Arlotto, Sahut et al. 2011)². These studies have used a variety of methods to map the tenant satisfaction with, utilization of and experienced importance of the supporting services by their respective BIs. However, in these studies the vision of the BI has not been taken into account.

The goal of this bachelor thesis will be to further investigate the (perceived) contribution on value creation, from both the tenant firm’s perspective and the BI’s perspective. Defining the value-adding services and networks at a more specific level than the generic findings published in literature so far. This enables a two-sided view on value adding services and networks in the BI industry, forming a more solid basis for managerial implications.

1.3 Research Scope
Not all the aspects of the stated problem can be covered in this study. The impact of the used incubation model, the geographic location, the environment in which the BI is embedded etc are factors that might influence the ratings on the value added services. Since research on all these factors will not only take a lot of resources, but also yield results that may not show significant extra value, some areas are excluded.

As the problem definition in §1.2 Problem definition and research objectives has already shown, the managerial implications for value creation in business supporting environments may lack a comprehensive basis. Lacking depth, a two-sided view or both. This study will focus on the Business Incubators. Business Accelerators have a different culture when it comes to the support and coaching, as their tenants specifically pick the program which fits their needs the most, a different stance pertaining to the coaching and networking services as a given. R&D Centres are

²An extensive analysis of the literature can be found in chapter 2.
subjected to corporate culture and values. Science parks are usually lacking the intervening supporting activities and solely provide the infrastructure.

In the BI’s, we distinguish three different generations, as earlier explained in §1.1.1 Business Incubators, the focus is on the third generation as the intervening support activities are used most in this generation (Bruneel, Ratinho et al. 2012). In order to compare the results of several incubators an industry selection has been made. As §3.1 Methodology Framework describes in more detail, a final selection of 3 BI’s has been made.

In order to make a comparison between sectors, a division between software and hardware has been made. This will allow us to see if different sectors provide different results and therefore affect the value creation process. The value creation of a co-working space is also studied, so we can see the value creating activities in an earlier phase of the start-up process. The final part of the research scope, the choice for the intervening support activities, has earlier been described (§1.1.2 Supporting activities). An overview of the research scope can be found in Figure 2.

Figure 2 – Overview of the focus areas of this research
1.4 Research questions
The main objective of this research is to cater a solution to the problem listed above. The following research question will be used to guide the research within its respective scope. In order to answer this research question sub questions are derived from the research question.

The research question is formed as follows:
‘What intervening support activities contribute most to value creation within the incubated firms, during the start-up process?’

Sub questions derived from the research question:
1. ‘What supporting activities do entrepreneurs need during the start-up process?’
2. ‘What supporting activities do Business Incubators offer to their tenant firms?’
3. ‘Which activities contributed most to the firm development of the tenant firm?’

The data needed to answer these questions will be gathered through extensive literature research, interviews and questionnaires, at both parties. A deeper insight in the research methodology can be found in Chapter 3. The data collection and analysis are covered in Chapter 4. In Chapter 5 the findings will be discussed, followed by conclusions and implications in Chapter 6. Chapter 7 describes the limitations and sets out guidelines for further and/or additional research.
2. Literature Review

In section 1.2 *Problem Definition* and 1.3 *Research Scope*, several insights into the research that has been done on this field have been discussed. This chapter serves to give a more complete and in-depth analysis of the literature study conducted to form a basis for the questionnaires and conclusions.

2.1 Previous research

As noted in a study about all the business incubation research up to 2004, the main topics have been changing along the decades (Hackett and Dilts 2004). The most recent research stream and corresponding topics in this study are studies theorising about incubators-incubation, asking questions about the significance of relationships and how they influence entrepreneurship (see Figure 3).

**Figure 3 - Overview of incubator - incubation literature (Hackett and Dilts 2004)**

Different approaches to these relationships can be applied in studies. Two different categories have been established by (Arlotto, Sahut et al. 2011). The first, named “normative”, deals with best practices of incubators and aims to define recommendations to improve incubation processes. Research so far has helped to identify best practices and success stories, under on the postulation that BI’s improve the performance of tenant firms. For example, (Bergek and Norrman 2008) has identified several strategies which lead to the performance optimalisation of several types of BI’s. Another example of the search for best practices is the study conducted by (Clarysse, Wright et al. 2005), providing an overview of the required resources for different types of BI’s. Other studies can be found with the same normative approach, trying to define the best practices for all given scenarios. This is also the main format used for performance measurement by incubator associations (e.g. European Business and Innovation Centre Network (Vanrie 2010)).
The second, named “positivist” has emerged to determine the influence of incubators in the value creation of firms. The positivist approach has risen to existence in order to determine the actual value creation that BI’s achieve. The eventual managerial implications that these studies bring forward are deemed more easily applicable and more accurate, as they are less based on external factors. Seeking the core of value creation will yield more transposable managerial implications as the best practices approach is relatively prone to error (Arlotto, Sahut et al. 2011). This approach will be used in this thesis.

2.3 Previous research outcomes
2.3.1 Needs of start-ups
The needs of the start-ups have been described in various ways. Sales and marketing, financial planning, raising finance and business planning have been identified by (Smallbone, Baldock et al. 2002). In research conducted by (Yusuf 2010), needs of nascent entrepreneurs have been categorized and mapped. Resulting in the following ranking (Figure 4).

![Figure 4 – Indicated main reasons to request support (Yusuf 2010)](image)

2.3.2 Supporting activities of BI’s
Many different shapes and sizes of the service portfolio exist. A study conducted by the University of Michigan, University at Albany, State University of New York and the National Business Incubation Association (NBIA) has identified the following key support services and key networks (Figure 5). Their findings are based on (Nieri, Sorensen et al. , Campbell 1987, Lichtenstein 1992, Rice, Matthews et al. 1995, Tornatzky 1996, Lewis 2001, Hackett and Dilts 2004, Clarysse, Wright et al. 2005)
2.3.3 Value creation by supporting activities of BI’s

Although there seems to be a general consensus that the supporting activities are in fact creating value (Mian 1996, Jones and Parry 2011), no clear image exists of the rank in which these should be seen. Research on this field has been used several different ways of assessing the relative importance of the services. For example, (Bruneel, Ratinho et al. 2012) identify the usage of the offered services (per generation of business incubator). This yields the following results:

The usage numbers reveal insight in overall importance these services have. The average usage level lies on 86%. The usage levels can be complemented with time and frequency data, to give a better insight in which of the services are preferred by the tenants.

One of the first studies focused at opening the ‘black box’ of the rank or preference is the study conducted by Mian. The following figure shows the most relevant outcomes, depicting the perceived value-added contribution from the perspective of the tenant firms (Figure 7).
In this study, the relationship between the frequency of use and the value creation was determined. Tax assistance, assistance in legal/government regulations and personnel recruiting show no significant relationship (marked with •), while the other services did. Implying that making more use of a service will provide more value to the tenant firm. If the financing, cost cutting and networking aspects are left out, a clear view on the business support arises (Figure 8). Business planning has a much higher rating than the other services with a combined (major & minor to moderate) score of 88, while the remaining services (6, 7, 9, 10, 11) score 68.6 on average (see Figure 8).

A slightly different methodology was used in a more detailed study by (Abduh, D'Souza et al. 2007) (see Figure 9). Their results are not comparable when it comes to their direct score, but the rank is eligible for a direct comparison. Some differences between their rank and the findings of Mian seem to exist. Business planning does not stand out and assistance to gain government grants and loans is rated as the most important. The business incubation services have been listed at the top, starting with the services with the highest importance rating. The networking aspects are listed at the bottom and divided into external and internal networking categories.
Further on, this study provides little more insight in the networking aspects, showing minor differences in the importance levels. Yet, no root cause for the success of these networks has been identified.

On the other side of the BI, (Smilor 1987), identified what consulting services were deemed to the be the most important, according to the BI’s. The following results have been collected from fifty incubators in the United States. They clearly show higher ratings over the entire scope, but show some consistency with the ranking found by (Mian 1996).

Figure 9 – Perceived importance of counselling related business incubation services. (Abduh, D’Souza et al. 2007) (Larger version available in Appendix 3 – Figures)

Figure 10 – Importance of consulting services provided (by the BI) (Smilor 1987) (Approximation)
2.2 Shortcomings in previous research
As noted throughout paragraph 2.1, the current state of the literature leaves (too) little information to constitute the proper managerial implications. There seems to be a lack of consistency in the results so far. This is partly due to the different research methodologies, changes over time and different characteristics of the sampled population. The different names for the services lead to more confusion and inability to compare the outcomes one-to-one. This paragraph further addresses the shortcomings of the literature, addressing the need for more information.

2.2.1 Generic results
In most of the studies so far, tenant firms have been questioned about the support services they used at a rather generic level. This is the proper approach when a general image of the used services is sought after, but it fails to drill down to the core of the services when it comes to the value creation. The absence of sector-specific research is also a cause of this, as production companies usually need other support than, say, service companies.

Which aspects of peer-to-peer networking are the most valuable? Which networks outside the BI are the most important? Contacts with customers, or potential suppliers? What part of business planning created the valuable insight? Neither of those questions can be answered with the generic information gained from the earlier studies.

2.2.2 Absence of the two-sided view
The study conducted by (Smilor 1987) shows significant differences in the way BI’s rate their own service, as no major differences occur among the entire scope. The rating by the tenant firms provides a more extreme ranking. This is probably due to the fact that the BI’s are careful or overoptimistic when rating themselves.

Yet, without the presence of the BI’s view, no useful managerial implications can be given to these BI’s. The perceived importance is presumably highly related to the amount of exposure the services have. If the BI is focussed on product development, little to no time will be allocated to the general management coaching, or the ability to acquire external funds.

2.3 Contribution of this chapter to the research questions
The shortcomings of the literature described in paragraph 2.2 were the core reason the problem addressed in paragraph 1.3, the inability to give proper and fitting managerial implications in order to improve the current service and networking portfolio, came into existence. The literature has been trying to get a large sample size, resulting in the absence of a sector-specific focus. In order to cater to the specialized BI’s we see in the Netherlands nowadays, it is of vital importance to address this issue.
The research question is formed as follows:

‘What intervening support activities contribute most to firm development within the incubated firms, during the start-up process?’

Sub questions derived from the research question:

1. ‘What supporting activities do entrepreneurs need during the start-up process?’
2. ‘What supporting activities do Business Incubators offer to their tenant firms?’
3. ‘Which activities contributed most to the firm development of the tenant firm?’

The information listed in this chapter has provided a starting point for the first and second sub question. The used list of supporting activities has proven to be insufficient or too generic, so it should only serve as a basis and needs additional or more in-depth activities (which can be provided by the BI’s).

The literature has provided some information for sub question 3 too. Literature, though sometimes contradicting, does show little hierarchy in the perceived added value of the activities. It also provides useful information for the methodology of sub question three, when it comes to BI’s ratings. This will be discussed in depth in Chapter 3.

This research aims to solve the shortcomings listed above. Using the methodology as described in chapter 3, this research will drill down to the core of the value creating activities, with a two-sided view, in a sector-specific setting, to ensure useful results for BI management.
3. Research Design

This chapter serves to explain the used research methodology and the used approach in order to collect the data (which will be discussed further in Chapter 4). At first an overview of the used methodology will be given in the methodology framework (§3.1). This will be followed by an in depth description of the techniques that will be used to collect the data (§3.2). The techniques used to handle the data will be described in the subsequent paragraph (§3.3). Further on, limitations (§3.4) and the contribution to the research questions will be given (§3.5).

3.1 Methodology Framework

In order to answer the research questions, a selection of research techniques has been made. These techniques will allow the questions to be answered within their respective constraints. The overall strategy consists of four elements:

1. Interviews with BI programme managers
2. Questionnaires among BI programme managers
3. Questionnaires among tenant firms of the selected BI’s
4. Comparison of outcomes

With the use of these techniques a suitable basis will be constructed to form answers on the sub questions and consequently, the research question can be answered. The techniques serve to help overcome the following challenges:

1. Identifying which supporting activities are actively offered by Dutch BI’s (through interviews and questionnaires among BI’s)
2. Identifying which supporting activities start-ups are looking for (by questionnaires among tenant firms)
3. Identifying which of these activities contribute most to value creation in the tenant firms (through both questionnaires)

The interviews may seem redundant, but have proven to be of vital importance. The interviews are in place to establish personal contact with the BI’s and ask for active back up to achieve a maximum response rate. Getting the BI’s to cooperate has been the main challenge for this thesis, as the sheer amount of studies conducted at their facilities, force them to scare off all students. Many incubated firms indicated that the personal contact and dedication shown were the only reason for them to fill in the questionnaire.

The interviews were held with Utrechtinc, YES!Delft and LaunchCafé. The programme managers of Starterslift and Brainport also participated in interviews but denied any further cooperation, as they stopped responding or indicated that sampling among their tenant firms would be too intruding. The incubators were selected from a list, compiled by the Dutch Incubator Association and supplemented with acquainted BI’s of B&M Business Development (See also Appendix 2 – Selection Process of BI’s). The selected BI’s are active in the IT & Internet sector or hardware. The final interview set-up and questionnaire designs can be found in the appendix. The questionnaire was tested on a tenant firm to identify minor adjustments that had to be made and get a head start on the supporting activities list.
3.2 Data Collection

3.2.1 Step 1: Interviews with BI Programme Managers

The interviews are in place to achieve several objectives. Due to the fact that BI’s and their tenant firms have been the subjects of many studies, the willingness to actively contribute to the research is low. This was taken very seriously from the beginning and taken into account. By visiting the BI programme managers, a clear picture of the benefits they can experience was given, further increasing their willingness to contribute.

Not only did these interviews serve as a door opener, important information for the questionnaires was sought for. The current state of the studies conducted on this field has several shortcomings (as described in §2.2.1 Generic Results). The generic results yielded by studies so far should be given more depth through discussion with BI’s. Actively discussing the value adding components with several BI managers yielded a list of the value adding aspects of the supporting services offered by the BI’s. Information about the current ways of improving their incubation programme was discussed too.

These interviews followed a set-up that was made in advance, yet the required exploratory nature of the goals named above, required only a semi-structured approach. The set-up can be found in Appendix 1.

The selection of the BI’s for this research was made out of 59 Incubators. This list has been build through the network of the DIA3 and acquainted incubators of B&M Business Development. Several criteria were handled in order to narrow the selection down. Initially, they had to be active in the IT & Internet sector, had to be of significant size and had to be located in the Netherlands. An overview of the selection process can be found in Appendix 2 – Selection Process of BI’s.

3.2.2 Step 2: Questionnaires among BI programme managers

The next step in the data collection process required the BI programme managers to fill in the questionnaires designed after the interviews. These questionnaires focus on the BI programme manager’s opinion about which of the given supporting activities contribute most to the value creation within the tenant firms.

Several ways of rating/ranking the services are possible. The amount of services excluded the possibility of a ranking, so direct rating (on a scale of 1-5) was used. A complete ranking of the provided services will be the outcome (with the option that some services can not be ranked, as they may not be present). The outcome of these surveys must be compatible with the outcome of the questionnaires among the tenant firms, as described in the next paragraph.

3.2.3 Step 3: Questionnaires among tenant firms

After the opinion of the BI organisation on the value creation process has been identified, it was time to identify the view of the tenant firms. This was done with a questionnaire that is adapted for the tenant firms. This step in the approach serves as a solution for the problem listed in 2.2.2 Absence of the two-sided view.

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3 Dutch Incubator Association http://bit.ly/14Nh8iq
For the co-working space that was included in the sample, the management was asked what their views were on the value creation in the tenant firms, whether or not these were aspects they worked on with the tenants. The tenants were asked to rate the service components based on the value created in their process, also with or without assistance of the co-working space management.

This questionnaire will contain the same list of supporting services, and use the same rating technique. By abstracting the ranking from the direct rating, these outcomes can be compared with the outcomes of the questionnaires under the programme managers.

3.2.4 Step 4: Comparison of the outcomes
The outcomes will be compared in a rank wise fashion, at a base level and at an aggregated level, in order to gain insight in the global focus of the selected BI programmes. By the use of the three steps listed above, the two main shortcomings of the literature can be avoided. The outcomes will be graphically displayed in (overlapping) radar-models, rapidly showing differences.

3.3 Contribution to research questions
Neither one of the sub questions can be answered solely based on the literature review. In this chapter, an overview of the methodology is given, with an in depth explanation following after. This methodology describes the way in which the data, needed to form a basis for the answers to the sub questions, can be collected. Following the program stated above, an answer to the research question can be constructed. The next chapter will further explain the way the data is treated. Chapter 5 will draw conclusions from the found data.
4. Data

This chapter contains information about the way the data was gathered, how it will be analysed and how this analysis can help answer the research questions.

4.1 Data gathering

In order to answer the research question and its sub questions, a selection of Dutch BI’s had to be made. An initial scan of the list (see Appendix 2 – Selection Process of BI’s), left 5 BI’s that were mature enough, in the right sector and a so-called third-generation BI (meaning they actively engage in support services and networks). Yet, of these BI’s, some declined to participate and others took a very long time to agree to interviews and questionnaires. During the research, the struggle to obtain data formed the need to widen the selection criteria. This meant that a hardware technology BI was included in the sample. In order to see the effects of the strategy by which the supporting activities are offered to the tenants (see 1.1.2 Supporting activities), a co-working space was also included.

4.1.1 Interviews with programme managers.
Programme managers from Brainport Eindhoven, YES!Delft, UtrechtInc, Starterslift Breda and LaunchCafé Groningen were interviewed. (Starterslift Breda and Brainport Eindhoven were later excluded from the sample). The interviews were semi-structured in form. The main topic of discussion was the list of supporting activities that BI’s offer to their tenants. The initial list was made on the basis of findings from literature. The ever changing environment and programme that BI’s offer to their tenants, constituted the need for input from the BI’s themselves. The final list was constituted after these interviews (also see Appendix 4 – List of BI support services).

4.1.2 Questionnaires among programme managers.
After all programme managers had been interviewed, the final questionnaire was constructed (see appendix). This questionnaire has been distributed among the programme managers, in order to see what their views are on the BI process. The tested services were rated on a 1-5 scale indicating contribution these services had to the value creation in the tenant firms. If services were not offered to the tenants, they were rated as ‘N/A’. After these questionnaires were filled, questionnaires were customized to represent the supporting services per incubator.

4.1.3 Questionnaires among tenant firms.
Based on advice given by fellow students, the BI programme managers and known (co-)founders of start-ups who were in BI’s, the decision was made to visit the BI’s and speak to the tenants personally. The response rate was projected to be too low and therefore a different strategy was needed.

Revisiting the BI’s has proven to be useful as meetings with the tenants provided the needed data. In these meetings the tenants were handed the questionnaire (on a laptop) and if there were any questions about the questionnaire they could be addressed to me, situated on the other side of the desk. This happened in about half of the meetings, as some tenants (despite the verbal introduction and the description on the questionnaire) were not sure how to interpret some of the questions. Many tenants stated that they would not have participated if I had sent it via email.
4.2 Data analysis
The data analysis is in place to give insights in three aspects of the research question (‘What intervening support activities contribute most to firm development within the incubated firms, during the start-up process?’). After analysing the aggregated data, the difference in the sectors will be handled, followed by insights in the effects of the moment in the start-up process. In addition the views of the management will be compared with the views of the tenants.

The data used for the analysis is displayed in the following table (Table 2):

<table>
<thead>
<tr>
<th>Data</th>
<th>Institution:</th>
<th>YES/Delft</th>
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<th>LaunchCafé</th>
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<td>Business plan</td>
<td>Business plan</td>
<td>Pre-business plan</td>
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<td>6</td>
<td></td>
</tr>
<tr>
<td>Programme management included?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

4.2.1 Aggregated data
In order to visualise the aggregated data (combination of the three incubators) plots are made. In these graphs the supporting services are plotted in a field, where their position is based on the usage ratio and the value creation score as provided by the tenant firms. Ten graphs are made (see Figure 12), each showing the location of a service and its components.

We can immediately see that the components of some services show very different value creation ratings among them, where the ratings differ more than 1,5 points (finance, team, product and networks). Others tend to show similar ratings (although the usage ratios may differ). Values that stand out are highlighted in the graph below:

![Figure 11 - Highest scoring supporting activities (aggregated data)](image_url)

The diamond in the bottom left corner shows that the service as used in the questionnaire has not been used by any of the tenants. This concerns import/export legislation. Other low usage ratios were found at R&D assistance and assistance with HR problems.
Figure 12 - Value creation rating of services components (aggregated data)
4.2.2 Difference among sectors

A difference in the sectors is examined by comparing the results from the software incubator (gold) and the hardware incubator (black), as can be seen in the graphs below:

Figure 13 - Sector comparison of value creation ratings (hardware in black, software in gold)
As the graphs show, several services and service components have value creation ratings that are heavily influenced by the sector in which the incubator is active (long term planning, offline marketing, short-term financing, HR problem assistance, peer-to-peer networks). Yet, some services and their components score (nearly) identical across both sectors (cost structuring, market research, IP strategy, accountancy service, debt/equity structuring, hiring, media training & PR, capital networks).

4.2.3 Difference along the start-up process

In order to see whether or not the value creation ratings change due to the position in the start-up process, results from the tenants from the co-working space and the tenants of the software incubator are compared. This provides insight in the needs of start-ups at certain moments.

The start-up process is described by the use of the Bell Mason framework for corporate venture development (see Figure 14). The co-working space serves entrepreneurs who are in the concept & seed stage, working towards the alpha phase. The software incubator has high demands for start-ups to become tenants, ensuring their position in the alpha and beta phase, working towards the market calibration phase. For the graphs showing the position of the service components in the concept/seed stage and the alpha/beta stage see Figure 15.

![Bell Mason Framework for Corporate Venture Development](image)

The graphs in Figure 15 show a difference on most fronts. As we can expect from the Bell Mason model, the business planning activities are less valuable to the alpha/beta stage tenants, as most of this is already clear upon entering the BI. The market development scores lower overall for the same reasons. Two aspects of legal advice are more important in the BI and a third (IP Strategy) ties, while neither use import/expert legislation. The marketing & sales service components need a closer look, while accounting seems to make no major deviations. The finance aspects provide a somewhat distorted outcome, as the governmental grants and loans are deemed to be unavailable and impractical constructions according to the BI management. The team aspects seem to overlap pretty much, except for the HR problem assistance component. But, as most tenants did not have any employees yet, this comes a no surprise. Help with the product development (component) differs greatly among the phases, while the other product development service components don’t. The distribution of the network components shows the importance of the potential customer base for the concept/seed phase tenants.
Figure 15 - Value creation rating stage comparison (concept/seed in gold, alpha/beta stage in gray)
4.2.4 Comparison with the management’s view

The service components have been given a value creation rating by the tenants and
the management. In order to see if these views align, their ratings are compared per
BI. The hardware BI will be handled first, followed by the software BI. The co-
working space will be handled as last.

As the picture (Figure 16) shows, there seems to be a consensus on the majority of the
topics, although the ratings tend to be higher on the management side. This is can be
explained by the fact that only one survey represents the management’s view, and the
tenants view has been represented in nine questionnaires, causing regression to the
norm to cancel out some extremities on both sides. This also applies to the other BI
and the co-working space, as the same procedure was used.

The BI in the software sector has another profile, as can be seen in Figure 17. The
view of the management also resulted in higher ratings over almost the entire scale.
One of the major differences is the support in R&D, as none of the tenants gave this a
rating, but all said it was ‘Not Applicable’.

The co-working space has been charted in Figure 18. The chart shows a large
difference between the BI management and the tenants view on value creation in the
tenant firms. This is due to the questionnaire as explained in 3.2.3 Step 3:
Questionnaires among tenant firms. It is managed with a laissez-faire style as
mentioned in 1.1.2 Supporting activities, so the co-working space does not have a
programme laid out for the tenants. The tenants filled the survey, which was aimed at
value creation in their own start-up process so far. This leaves some services out of
the sample, as one can see at HR problem assistance for example (as their teams were
simply too young and small to encounter these kind of issues).
4.3 Contribution to research questions

This paragraph shows the outcome of the questionnaires and handles the differences that may cause the findings discussed in the next chapter. This brief analysis forms a base for the answer to the sub-questions.
5. Findings

This chapter serves as a recap of the literature review and compares the outcomes of the literature review with the findings through the questionnaires. After the basis for the sub-questions is provided with the given literature, these will be complemented with the findings from the questionnaires.

The research question is formed as follows:
‘What intervening support activities contribute most to firm development within the incubated firms, during the start-up process?’

Sub questions derived from the research question:
1. ‘What supporting activities do entrepreneurs need during the start-up process?’
2. ‘What supporting activities do Business Incubators offer to their tenant firms?’
3. ‘Which activities contributed most to the firm development of the tenant firm?’

5.1 Literature and research data as an answer

The literature review in chapter 2, Literature Review, contains information that can forms a basis for all three sub questions. This paragraph will start providing answers to these sub questions, while the next paragraph complements these answers with findings from the questionnaires.

5.1.1. What supporting activities do entrepreneurs need during the start-up process?

With the literature review a list was found with the indicated main reasons to request support as found by (Yusuf, 2010). As can be seen in Table 3. The following table (Table 3) was used to make the figure:

Table 3 - Data table for Figure 4

<table>
<thead>
<tr>
<th>Reason to request support</th>
<th>% that has indicated as main reason to request support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learn how to start or manage a new business</td>
<td>21.2 %</td>
</tr>
<tr>
<td>Learn more about product, production or market</td>
<td>18.1 %</td>
</tr>
<tr>
<td>Networking or referral assistance</td>
<td>16.7 %</td>
</tr>
<tr>
<td>General training or information</td>
<td>16.7 %</td>
</tr>
<tr>
<td>Legal, political of administrative issues</td>
<td>4.5 %</td>
</tr>
<tr>
<td>Fulfil goals or satisfaction</td>
<td>1.5 %</td>
</tr>
<tr>
<td>Other</td>
<td>21.2 %</td>
</tr>
</tbody>
</table>

As one can see in Table 4, the outcomes on a more detailed level give a far more complicated view. The components of the services are widely dispersed throughout the list, proving the value of the detailed analysis. The high value creation rating on commercial capital falls away as the only 29.63% have used it in their incubation period. The top 10 service components (strategic positioning – financial planning) all have a score ≥ 3.00 and significant usage percentages. The service categories they stem from are business planning, market development, networks, team, training and accounting, a far more varying palette than the literature on this subject has provide thus far.
5.1.2 What supporting activities do Business Incubators offer to their tenant firms?

The literature has provided different lists, of different levels of detail. Most of these overlapped for a large part. An initial framework has been made based on the research of (Smilor 1987, Mian 1996, Abduh, D’Souza et al. 2007, Yusuf 2010, Lewis 2011). This framework has been complemented with information from interviews with BI programme managers. Interviews with YES!Delft, UtrechtInc, LaunchCafé Groningen, Brainport Eindhoven and Starterslift Breda have supplied more information and this led to the development of the framework as can be seen in Figure 19. In Appendix 4 – List of BI support services a list with detailed information can be found.

<table>
<thead>
<tr>
<th>Services</th>
<th>Finance</th>
<th>Market development</th>
<th>Team/Personnel</th>
<th>Legal</th>
<th>Product</th>
<th>Marketing/Sales</th>
<th>Training</th>
<th>Accounting</th>
<th>Networks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business planning</td>
<td>Revenue Model</td>
<td>Market research</td>
<td>Team Formation</td>
<td>IP strategy</td>
<td>Product development</td>
<td>Sales channels</td>
<td>Presentation skills</td>
<td>Accountancy service</td>
<td>Peer-to-peer</td>
</tr>
<tr>
<td></td>
<td>Cost structuring</td>
<td>Customer identification</td>
<td>Team Building</td>
<td>General Legal services</td>
<td>R&amp;D Assistance</td>
<td>Marketing planning</td>
<td>Business etiquette</td>
<td>Financial planning</td>
<td>Potential suppliers</td>
</tr>
<tr>
<td></td>
<td>Strategic positioning</td>
<td>Value proposition</td>
<td>Hiring</td>
<td>Product legislation</td>
<td>Production scaling</td>
<td>Offline marketing</td>
<td>Management</td>
<td></td>
<td>Potential customers</td>
</tr>
<tr>
<td></td>
<td>Long term planning</td>
<td></td>
<td>HR Problems</td>
<td>Import/export legislation</td>
<td>Commercial scaling</td>
<td>Online marketing</td>
<td>Mediatraining &amp; PR</td>
<td></td>
<td>Business support services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Capital networks</td>
</tr>
</tbody>
</table>

Figure 19 - Services list as found by literature and interviews (concise version)
5.1.3 Which activities contributed most to the firm development of the tenant firm?

The answer to the preceding sub question was needed in order to develop the framework by which the answer for this sub question could be found. The answers from the questionnaire based on this framework are discussed in chapter 4. Data. A summary from the data is given in Table 5. This table shows the outcomes of the aggregated data and the individual incubator ratings. The usage percentages are not included, as this has already been shown in Figure 11 - Highest scoring supporting activities (aggregated data)

<table>
<thead>
<tr>
<th>Overall Service</th>
<th>Hardware BI Service</th>
<th>Software BI Service</th>
<th>Co-working space Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial capital</td>
<td>4.67 Peer-to-peer</td>
<td>4.33 Commercial capital</td>
<td>5.00 Commercial capital</td>
</tr>
<tr>
<td>Team formation</td>
<td>3.98 Presentation skills</td>
<td>4.14 Production Scaling</td>
<td>4.57 Potential customers</td>
</tr>
<tr>
<td>Value Proposition</td>
<td>3.94 Customer identification</td>
<td>4.00 Reallife Marketing</td>
<td>4.50 Market Research</td>
</tr>
<tr>
<td>Short-term financing</td>
<td>3.92 Commercial capital</td>
<td>4.00 Short-term financing</td>
<td>4.50 Production Scaling</td>
</tr>
<tr>
<td>Peer-to-peer</td>
<td>3.92 Product development</td>
<td>4.00 Government grants/loans</td>
<td>4.25 Customer Acquisition</td>
</tr>
<tr>
<td>Reallife Marketing</td>
<td>3.90 Value Proposition</td>
<td>3.86 Team formation</td>
<td>4.20 Value Proposition</td>
</tr>
<tr>
<td>Customer identification</td>
<td>3.83 Government grants/loans</td>
<td>3.86 Online marketing</td>
<td>4.00 Revenue Model</td>
</tr>
<tr>
<td>Hiring</td>
<td>3.67 Team formation</td>
<td>3.75 HR problems</td>
<td>4.00 Peer-to-peer</td>
</tr>
<tr>
<td>Potential customers</td>
<td>3.66 Customer Acquisition</td>
<td>3.67 Value Proposition</td>
<td>3.75 Strategic positioning</td>
</tr>
<tr>
<td>Customer Acquisition</td>
<td>3.62 Potential suppliers</td>
<td>3.67 Commercial Scaling</td>
<td>3.60 Customer identification</td>
</tr>
<tr>
<td>Market Research</td>
<td>3.61 Online marketing</td>
<td>3.57 Customer identification</td>
<td>3.50 Sales channels</td>
</tr>
<tr>
<td>Sales channels</td>
<td>3.56 Potential customers</td>
<td>3.57 Sales channels</td>
<td>3.50 Reallife Marketing</td>
</tr>
<tr>
<td>Online marketing</td>
<td>3.52 Revenue Model</td>
<td>3.50 Hiring</td>
<td>3.50 Debt/equity structuring</td>
</tr>
<tr>
<td>Revenue Model</td>
<td>3.44 Market Research</td>
<td>3.50 Capital networks</td>
<td>3.33 Short-term financing</td>
</tr>
<tr>
<td>Strategic positioning</td>
<td>3.44 Hiring</td>
<td>3.50 General legal services</td>
<td>3.25 Team formation</td>
</tr>
<tr>
<td>Presentation skills</td>
<td>3.35 R&amp;D assistance</td>
<td>3.50 Team building</td>
<td>3.25 Hiring</td>
</tr>
<tr>
<td>Capital networks</td>
<td>3.28 Strategic positioning</td>
<td>3.33 Peer-to-peer</td>
<td>3.25 Commercial Scaling</td>
</tr>
<tr>
<td>Potential suppliers</td>
<td>3.22 Financial planning</td>
<td>3.33 Strategic positioning</td>
<td>3.00 Team building</td>
</tr>
<tr>
<td>Team building</td>
<td>3.19 Short-term financing</td>
<td>3.25 Market Research</td>
<td>3.00 Long term planning</td>
</tr>
<tr>
<td>Debt/equity structuring</td>
<td>3.11 Reallife Marketing</td>
<td>3.20 Customer Acquisition</td>
<td>3.00 Presentation skills</td>
</tr>
<tr>
<td>Financial planning</td>
<td>3.01 Long term planning</td>
<td>3.17 IP Strategy</td>
<td>3.00 Capital networks</td>
</tr>
<tr>
<td>Production Scaling</td>
<td>3.00 Sales channels</td>
<td>3.17 Product legislation</td>
<td>3.00 Product development</td>
</tr>
<tr>
<td>Long term planning</td>
<td>2.99 Marketing planning</td>
<td>3.17 Potential suppliers</td>
<td>3.00 Financial planning</td>
</tr>
<tr>
<td>IP Strategy</td>
<td>2.93 Business etiquette</td>
<td>3.00 Potential customers</td>
<td>2.75 Management</td>
</tr>
<tr>
<td>Product development</td>
<td>2.92 Capital networks</td>
<td>3.00 Revenue Model</td>
<td>2.67 IP Strategy</td>
</tr>
<tr>
<td>Marketing planning</td>
<td>2.83 Mediatraining &amp; PR</td>
<td>2.83 Cost structuring</td>
<td>2.67 Online marketing</td>
</tr>
<tr>
<td>Management</td>
<td>2.83 IP Strategy</td>
<td>2.80 Debt/equity structuring</td>
<td>2.67 Potential suppliers</td>
</tr>
<tr>
<td>Government grants/loans</td>
<td>2.70 Management</td>
<td>2.80 Marketing planning</td>
<td>2.50 Marketing planning</td>
</tr>
<tr>
<td>Business support services</td>
<td>2.62 Debt/equity structuring</td>
<td>2.67 Accountancy service</td>
<td>2.50 Accountancy service</td>
</tr>
<tr>
<td>Mediatraining &amp; PR</td>
<td>2.61 Business support services</td>
<td>2.60 Financial planning</td>
<td>2.50 Business support services</td>
</tr>
<tr>
<td>Accountancy service</td>
<td>2.50 Accountancy service</td>
<td>2.50 Management</td>
<td>2.50 Cost structuring</td>
</tr>
<tr>
<td>General legal services</td>
<td>2.50 Team building</td>
<td>2.50 Mediatraining &amp; PR</td>
<td>2.50 Cost structuring</td>
</tr>
<tr>
<td>Product legislation</td>
<td>2.58 Cost structuring</td>
<td>2.25 Business support services</td>
<td>2.50 Product legislation</td>
</tr>
<tr>
<td>Commercial Scaling</td>
<td>2.53 Product legislation</td>
<td>2.25 Presentation skills</td>
<td>2.40 Mediatraining &amp; PR</td>
</tr>
<tr>
<td>Cost structuring</td>
<td>2.53 General legal services</td>
<td>2.00 Long term planning</td>
<td>2.00 Business etiquette</td>
</tr>
<tr>
<td>Business etiquette</td>
<td>2.17 HR problems</td>
<td>2.00 Product development</td>
<td>1.50 Import/Export Legislation</td>
</tr>
<tr>
<td>HR problems</td>
<td>2.00 Import/Export Legislation</td>
<td>0.00 Business etiquette</td>
<td>1.50 Government grants/loans</td>
</tr>
<tr>
<td>R&amp;D assistance</td>
<td>1.17 Production Scaling</td>
<td>0.00 Import/Export Legislation</td>
<td>0.00 HR problems</td>
</tr>
<tr>
<td>Import/Export Legislation</td>
<td>0.00 Commercial Scaling</td>
<td>0.00 R&amp;D assistance</td>
<td>0.00 R&amp;D assistance</td>
</tr>
</tbody>
</table>

Table 5 - Summary of tenant questionnaire data
6. Conclusions and implications

This thesis aims to answer the research question. The answers to the sub questions form a basis to formulate the answer to the research question. The sub questions have been handled in Chapter 5. Findings.

The research question is formed as follows:
‘What intervening support activities contribute most to value creation within the incubated firms, during the start-up process?’

A simple answer to this question cannot be provided based on this research. This thesis has shown that different situations need different approaches. However, the list made on the basis of the aggregated data does provide a deeper insight on what has helped the tenants survive and grow in their business. With the information uncovered in 4.2.4 Comparison with the management’s view, BI’s are handed a way to align their resources to the service components that have the largest impact on the value creation in the tenant firms.

The hardware BI can directly see where its views differ with those of its tenants. In order to focus on the value creating activities, the view of the tenants should be taken into account. This would mean an increased focus on market research, off- and online marketing, provide more assistance to gain governmental grants and loans, focus more on team building and team formation, provide increased media training and strengthen the peer-to-peer network.

The BI that is working in the software sector should increase their efforts in the financing services, as the service components are contributing more to value creation than the BI management deems it to.

As for the co-working space, the answers of their tenants can be taken into account to further shape the co-working space and its environment. The co-working space is commercially viable as is and purposefully chooses not to change into a BI. The insights this study has brought to the table can be used to further cater the tenants’ needs.

For the Golden Egg Check, the principal of this research, the answer is the same, different start-ups need different assistance. The aggregated data can be used as a starting point and the different profiles for software and hardware start-ups can be applied. For concept/seed start-ups the profile from the co-working space can be used.
7. Limitations and further research

Like any other study, this research comes with its limitations. This study has had two major stages; the development of the framework and the application of the framework in the Netherlands. In both stages improvements can be made to ensure further development of the framework and more transposable outcomes of the application.

The framework development can be further enhanced by additional literature studies, as the new era of business incubation brings many developments to the table. Business acceleration, lean start-up and customer development are just a few of the new practices in the start-up scene. There is a lot of information available on these practices, but barely any empirical scientific literature studies are finished. These changes may have a significant impact on the BI programmes. The high exit sums (investment rounds at the end of the acceleration programmes) in Silicon Valley have gotten the attention of European BI’s and parts of their programmes are not only being applied in newly found business accelerators in Europe, but also entering the BI’s.

Application of the framework will be more useful as the scale improves. The research sample of 21 tenants in 3 BI’s is too small to perform any statistical analysis. Without the uses of statistics the outcomes are strongly influenced by coincidence, interpretation and bias. During this research, multiple tenants have used the interview to distance themselves from their BI and criticised the programme.

Further research should be focussed on increasing the scale, both in the number of BI’s and the number of tenants. Once these samples become large enough, a study can be performed to find sector specific profiles based on the framework. A similar approach can be used along the start-up process, where multiple co-working spaces are aggregated, multiple BI’s are aggregated and multiple business accelerators are aggregated to gain data specific for phases in the start-up processes.

As a final directive for any further research, the outcomes of this thesis should be subject to additional research. As now some service components have been identified, but not verified. So, do commercial capital, team formation and value proposition lead to value creation in tenant firms? This should be based on more than merely the view/ideas of the founder of the tenant firms.
Appendix 1 – Initial Interview set-up

Interviews will have a semi-structured from and discussion is used to have the value-creating supporting activities emerge.

<table>
<thead>
<tr>
<th>General information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
</tr>
<tr>
<td>Partners</td>
</tr>
<tr>
<td>City</td>
</tr>
<tr>
<td>Contact</td>
</tr>
<tr>
<td>Since</td>
</tr>
<tr>
<td>Sectors</td>
</tr>
<tr>
<td>Financed by</td>
</tr>
<tr>
<td>Number of employees</td>
</tr>
<tr>
<td>Number of coaches</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Programme information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission statement</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strengths of the programme</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Weaknesses of the programme</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Unique aspects</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Content of the service portfolio:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service</td>
</tr>
<tr>
<td>Assistance to gain government grants/loans</td>
</tr>
<tr>
<td>Sales/Marketing</td>
</tr>
<tr>
<td>Referral</td>
</tr>
<tr>
<td>Training &amp; Education</td>
</tr>
<tr>
<td>General counselling/mentoring</td>
</tr>
<tr>
<td>Business plan and/or strategic planning</td>
</tr>
<tr>
<td>Financial management</td>
</tr>
<tr>
<td>R&amp;D</td>
</tr>
<tr>
<td>Product development</td>
</tr>
<tr>
<td>Government procurements and regulations</td>
</tr>
<tr>
<td>Employment assistance</td>
</tr>
<tr>
<td>Legal/patent/IP</td>
</tr>
<tr>
<td>Assistance to acquire outside debt/equity</td>
</tr>
</tbody>
</table>
## Content of the networking aspects

<table>
<thead>
<tr>
<th>Networking field</th>
<th>Present</th>
<th>Yes/No</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peer networking</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conducting business with other clients</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accessibility to external networks, external information and resources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business-related people</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 2 – Selection Process of BI’s

The list shows all the examined business incubators in the Netherlands. Six were selected and contacted, three of these were included in the sample. Of the three that refused, one had no time, one would not let me interview tenants and a third stopped all correspondence. It was later in the process that the co-working space was added to the sample.
Appendix 3 – Figures

Figure 20 - Perceived importance of counselling related business incubation services. (Abduh, D’Souza et al. 2007)
## Appendix 4 – List of BI support services

<table>
<thead>
<tr>
<th>Services</th>
<th>Market development</th>
<th>Legal</th>
<th>Finance</th>
<th>Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business planning</td>
<td>Revenue Model</td>
<td>Market Research</td>
<td>IP Strategy</td>
<td>Debt/equity structuring</td>
</tr>
<tr>
<td></td>
<td>Cost structuring</td>
<td>Customer identification</td>
<td>General legal services</td>
<td>Government grants/loans</td>
</tr>
<tr>
<td></td>
<td>Strategic positioning</td>
<td>Customer Acquisition</td>
<td>Product legislation</td>
<td>Commercial capital</td>
</tr>
<tr>
<td></td>
<td>Long term planning</td>
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Bibliography


