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PRE-INCUBATION AND INCUBATION STAGES IN THE NETHERLANDS

Become Busy 2.0

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INTRODUCTION

The Netherlands is one of the startup-friendly countries making a difference in Europe. This dynamic country, where many creative people live, is on its way to becoming a startup center and community. The reason why the Netherlands is a dream country for entrepreneurs is the technical infrastructure, access to talent, proximity to markets, tax reductions and ease of communication. Entrepreneurs can easily connect with stakeholders, incubators and investors in this city. The Netherlands is an open and progressive society with a diverse workforce that supports creativity and innovation. One in every five people in the Netherlands society has a parent born abroad. Amsterdam welcomes people from 180 different nationalities. 90% of the Dutch speak English and most are multilingual.

Non-EU/EEA citizens who wish to start a business in the Netherlands can start a business in the Netherlands with a Dutch Startup Visa. New entrepreneurs are given the option of a one-year session extension to launch their business idea. The fast-track immigration process for highly skilled non-EU migrants benefits both employees and employers.

The Entrepreneurship Action Plan supports startups. The Dutch government offers competitive tax breaks, refunds and financial support, as well as providing a level of clarity that companies can rely on in the long term. An effective corporate tax rate of up to 5% is one of the R&D and innovation advantages offered.

The Netherlands is known for an excellent transportation and telecommunications network that makes doing business much faster and easier. The country has one of the fastest broadband speeds in Europe and is the birthplace of Bluetooth and WiFi connections. The Netherlands is one of the 5 most competitive economies in the world. The Netherlands is a functional, democratic, law-abiding society that tends to create a safe environment for business activities. The Dutch are known to strive for consensus on important issues, have advanced social services and promote safety. Situated between Germany, Belgium and the North Sea, the Netherlands is ideally located to reach anywhere in Europe and the world. The Port of Rotterdam is the largest port in Europe.

1. STARTUP ECOSYSTEM

The Netherlands Startup Ecosystem is World's Leading Innovation Hubs, ranked at number 11 globally. There are 27 cities ranked in the top 1,000 in The Netherlands and the top ranked city in The Netherlands is Amsterdam at 27 globally. Amsterdam is followed by The Hague at 154 and Eindhoven at 176. The Netherlands also ranks at number 5 for startups in Western Europe.

Founded by Neelie Kroes, Startup Delta aims to unite the Dutch startup ecosystem in one connected hub, removing barriers and improving access to talent, capital, networks, knowledge and markets. According to research conducted at more than 60 locations in Amsterdam, Startup Delta initiatives directly contribute to supporting the startup culture and growth across the country.

On the StartupBlink Global Startup Ecosystem Map there is a sample of 1283 startups, 12 accelerators, 40 coworking spaces, 15 organizations and 3 leaders in The Netherlands. The StartupBlink 2022 Startup Ecosystem Rating Report measures each ecosystem with key criteria of quantity, quality and business environment. The total score is calculated on a comparative basis. The report rates ecosystems and provides insight into the gaps between these ecosystems. Investments in startup companies in the Netherlands grew nearly fourfold between 2020 and 2021, reaching their highest value in the last few years.

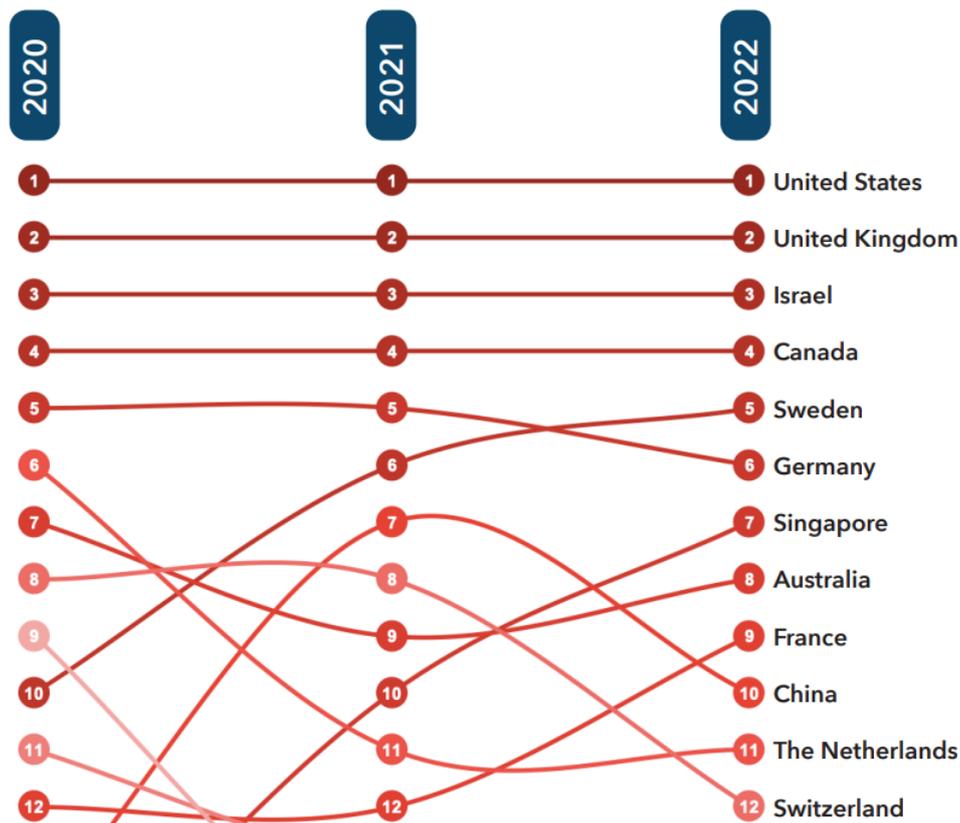


Figure 1: StartupBlink 2022 Startup Ecosystem Rating Report

In 2019, there were over 4,000 startups in the Netherlands. Nearly 700 of these startups were active in enterprise software. 490 companies were active in the health industry. The Netherlands is an ideal place to locate for Fintech and Energy startups. There is a sample of 431 Fintech startups in The Netherlands, 361 Energy startups in The Netherlands and 335 Marketing startups in The Netherlands.

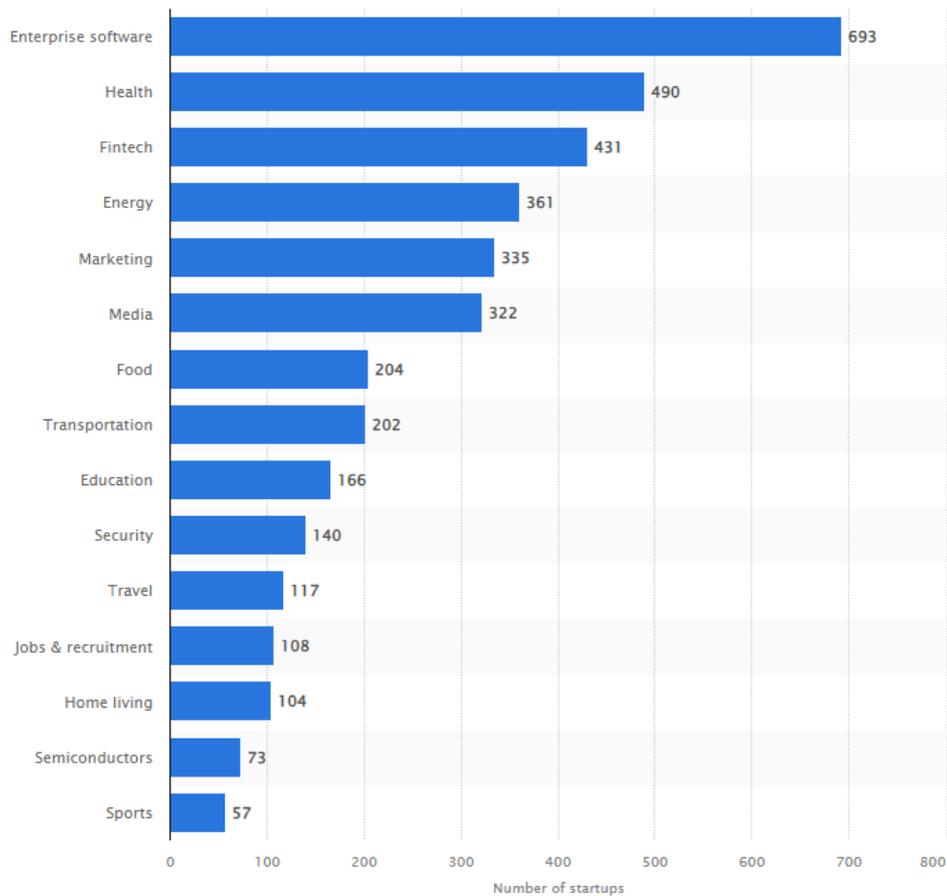


Figure 2: Number of Startups by Sector in the Netherlands (2019)

2. INCUBATION CENTERS

In the process of realizing a project or business idea, entrepreneurs face numerous problems in different subjects such as legal, economic, technological, etc. It is very difficult for entrepreneurs to cope with these problems alone and to establish and successfully maintain their companies. However, successful entrepreneurs, who find solutions to important problems in our lives are also contributing to the national economy. Recognizing this important economic and social contribution, public and private organizations have started to solve the problems of entrepreneurs in different processes and support entrepreneurs in many ways by establishing pre-incubation centers, incubation centers and acceleration programs. The main feature that distinguishes pre-incubator, incubator and post-incubator (accelerator) from each other is that they are suitable for entrepreneurs in different processes.

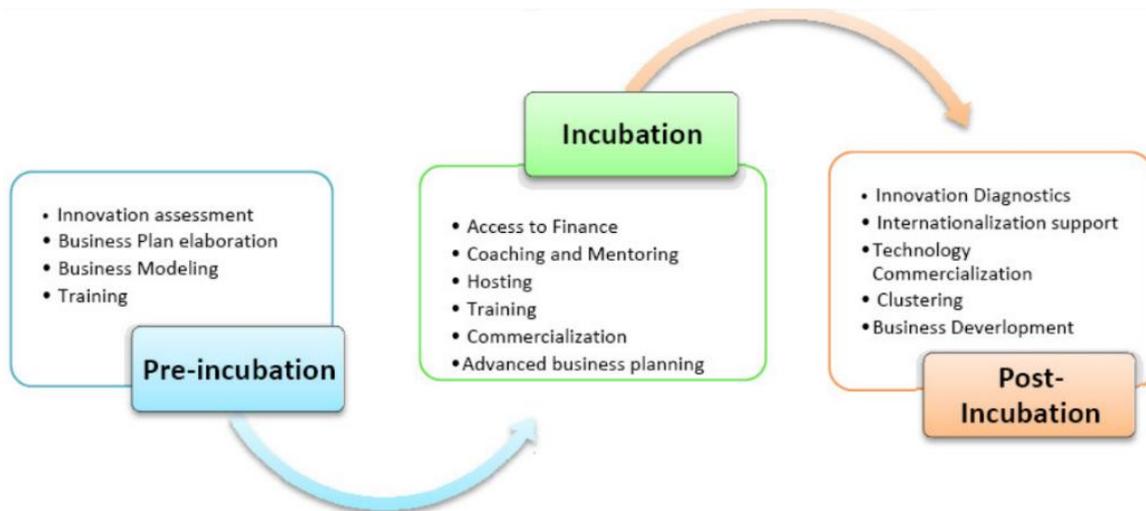


Figure 3: Pre-Incubation, Incubation and Post-Incubation Stages

2.1 PRE-INCUBATION STAGE

Pre-incubation is a process involving startups that start working alone or with a team, usually involving a technology-focused business idea or project, but not yet incorporated to bring that idea to life. Entrepreneurs in the pre-incubation stage need special training, mentoring and consultancy services to understand whether their ideas are feasible, commercialized and scalable. Pre-incubation centers provide entrepreneurs at this stage with physical spaces such as open offices and co-working spaces.



Figure 4: Pre-Incubation Steps

Entrepreneurs create an accurate and applicable business plan by clarifying their ideas with the support they receive from pre-incubation centers. At this stage, the number of entrepreneurs who move on to another, more viable business idea, benefiting from the knowledge and experience of mentors and advisors, is quite high.

The important thing in the pre-incubation phase is to build a team that can do the job and make the right business plan to save money. At the end of the pre-incubation process, entrepreneurs are ready for incorporation with a detailed business plan. The next stage is the incubation process.

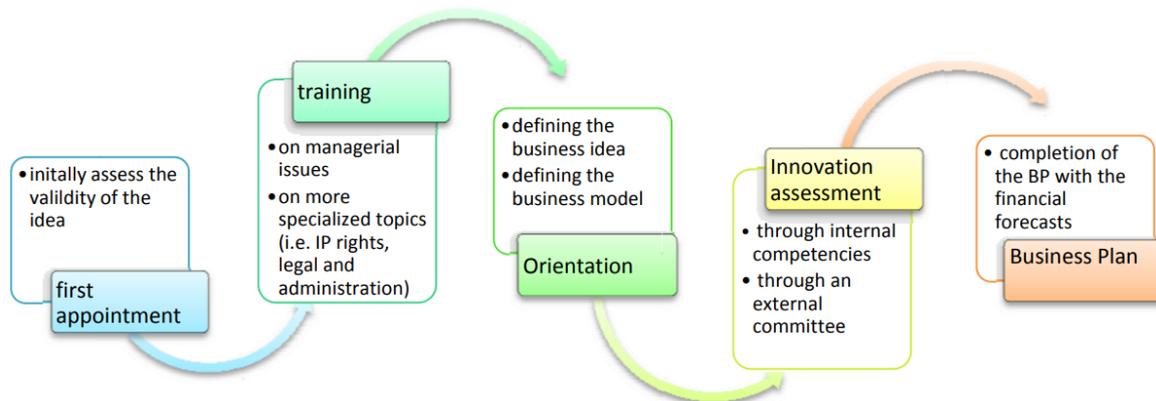


Figure 5: Pre-Incubation Stage

2.2 INCUBATION STAGE

At the end of the pre-incubation phase, the entrepreneurs who complete the business plan and are ready for incorporation move on to the incubation phase. Entrepreneurs in the incubation stage continue to need physical space, training, consultancy and mentoring services as in the pre-incubation period. Incubation centers meet these needs of entrepreneurs.

In the incubation phase, entrepreneurs establish their companies and produce their minimum viable products. Incubation centers provide technical support to entrepreneurs in terms of product development. After product development, one of the most difficult stages, commercialization of the product begins. The main reason why this stage is difficult is that commercialization efforts are costly. Due to the costs incurred, the financing needs of the companies increase and the entrepreneurs need to find new supports. This process proceeds differently depending on the sector of entrepreneurs are in or the product they are developing.

For example, licenses and certificates create serious costs for entrepreneurs providing services in the field of health. It is easier for startups to receive investment from angel investors and venture capital funds during the incubation period compared to the pre-incubation period. Incubation centers organize meetings, demo days for companies to be visible and find investment, and support companies in investor search processes.

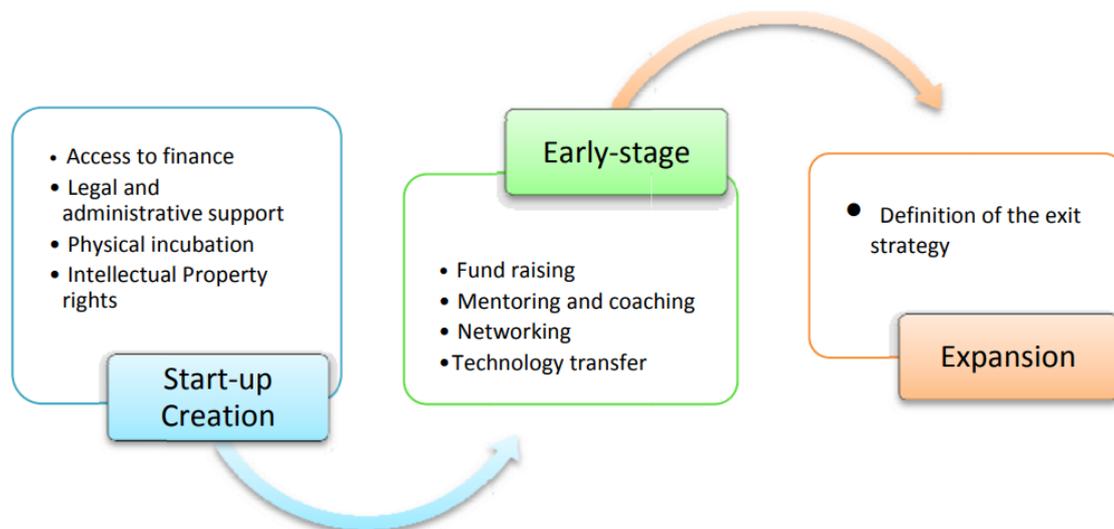


Figure 6: Incubation Stage

It is believed that startups make a great contribution to the Dutch economy and employment. This is why there are many incubators in the Netherlands that offer services to entrepreneurs. Big cities with universities also offer a lot of support for innovation. There are many factors that determine success in establishing up and operating incubators. However, the role and support of stakeholders is a critical factor in the successful establishment and operation of an incubator. Key stakeholders such as partners, connections, networks and service providers directly contribute to the success of an incubator if they are well implemented.

Incubation centers are generally established by public institutions, companies that want to advise startups, and educational institutions. Many startups also come directly from school and discover a gap in the market during their training. These entrepreneurs create jobs and innovation relatively quickly. That's why local governments like to cooperate with these entrepreneurs. The income of a real incubator mostly comes from subsidies from the government or education subsidies. These Incubators are usually located in business parks where the government is willing to invest.

For example, the Dutch incubators YES!Delft and New Energy Docks work with subsidies from the government, universities and companies. BVIT, on the other hand, earns a small portion of its income from subsidies and consulting work, while the bulk is from startups. They buy shares in a startup in exchange for bringing in investors or customers.

The first step when establishing an incubation center is a fully equipped business area. Incubators buy a building and divide it into several small workspaces. Thus, multiple entrepreneurs share unit costs. As the center grows, it expands by adding new spaces. Office space in incubators is usually fully furnished. Cleaning, security, internet and heating services as well as cafeteria and meeting rooms are provided. Sometimes plants, phones and computers are also included in these services. It is very advantageous for entrepreneurs to rent an incubation center where they can focus on their own business using this infrastructure readily available.

Funding sources, company and industry partnerships, university cooperation, connections with government agencies, networking activities play an important role in creating a good ecosystem for the incubator. Incubation centers offer attractive advantages to entrepreneurs with a wide network of advisors and workshops. The network of angel investors, venture capitalists, associations, corporate forums and investment arms that an incubator provides ease the accessibility problem for startups.

In addition to these connections and partnerships, an incubator provides secretarial, legal and audit support to start-ups. It incorporates professional legal, accounting, secretarial, business modelling, strategic planning, sales and marketing, finance, human resources, tax consulting and other service providers. By joining this network, the entrepreneur can consult service providers with international experience, find investors or look for partners.

The aim of an incubator is to remove barriers to the growth and development of young companies and create a safer environment for them. The support and guidance service offered to entrepreneurs during the establishment phase is very important for the continuity of the companies. An incubator is asked to increase the success rate of new entrepreneurs to 100 percent. In practice, however, if one in ten companies participating in an incubator actually succeeds, the incubators consider it a success. According to the research, while the chance of survival of newly established normal companies within three years is 50%, this rate is 85% for businesses in incubation centers.

3. KEY ORGANIZATIONS AND INITIATIVES

ROCKSTART



Rockstart <https://rockstart.com/> enables startups in Amsterdam to become scalable by providing access to capital, market, community and expertise in the domains of emerging tech, energy, health and agri-food.

THE FOUNDER INSTITUTE



As the world's largest pre-seed startup incubator, the Amsterdam-Silicon Valley Founder Institute <https://fi.co/> helps aspiring entrepreneurs, solo entrepreneurs and small teams get their initial traction and funding.

ACE INCUBATOR



The ACE Incubator <https://ace-incubator.nl/> supports students, academics and tech professionals who are starting or growing their business. This includes giving them training, coaching and introductions to a network of industry leaders, investors and service providers.

IMPACT HUB



Impact Hub <https://amsterdam.impacthub.net/> focuses on sustainable innovations and has a network of 17,000 entrepreneurs and innovators in over 50 countries and over 100 locations worldwide – including Amsterdam. Impact Hub also serves as a co-working space, making it an ideal meeting place for entrepreneurs.

DEMONSTRATOR LAB



Demonstrator Lab <https://www.demonstratorlab.nl/> is an entrepreneurship laboratory that helps transform ideas into a tangible product or service. Run in a learning-by-doing environment, the lab is open to students and staff members with the aim of boosting research-driven innovation.

PGE INCUBATOR



Made possible by Nonprofit Ventures, the Post Growth Incubator Programme <https://nonprofit.ventures/incubator/> is an 8-week training course catering to entrepreneurs who want to actively apply the post-growth model to their business endeavours.

SCALENL



ScaleNL <https://scaleni.com/accelerator/> supports Dutch tech startups who have the potential to make an impact by offering them a launchpad to the US market. Through ScaleNL's online platform, initiatives and events, entrepreneurs can connect with mentors and experts who can support their growth journey.

AMSTERDAM IMPACT



Amsterdam Impact, an initiative of the Municipality of Amsterdam, aims to strengthen the ecosystem for all companies tackling societal challenges through entrepreneurship. It guides and supports entrepreneurs through the ecosystem and gives them the tools they need to make a bigger impact. Its main purpose is;

Providing an improved environment for companies. Creating more effective companies. Tackling societal challenges through entrepreneurship. Making Amsterdam a leading city for social entrepreneurship.

SOCIAL ENTERPRISE NL



An economy that works for all people; circular, inclusive and poverty-free. Social Enterprise NL connects and empowers these entrepreneurs and operates in a more favourable ecosystem.

Social Enterprise NL increases the visibility of social entrepreneurs. Supports entrepreneurs by providing advice and assistance through its affiliate program. It creates a community of like-minded people who support each other.

BOOST JE BUURT SOCIAL ENTERPRISE NL



Boost je Buurt selects 4 social entrepreneurs from each district of Amsterdam who work on issues of urban life and well-being.

The 28 selected entrepreneurs participate in a two-month entrepreneurship program that includes workshops, e-learning modules and coaching sessions.

Participants campaign to collect as many votes as possible from Amsterdam residents. The jury and Amsterdam residents choose the prize winners of €2,500, €5,000 and €7,500 in the digital final.

THE IMPACT DAYS



In collaboration with the four largest cities in the Netherlands, Impact Days takes place on 18, 19 and 20 November. Anyone can participate in a wide variety of public events and social gatherings organized by different municipalities during these three days.

The aim of the event is to introduce people to the innovative world of social enterprises and show them the possibilities of social entrepreneurship.

AMSTERDAM CAPITAL HOUSE



Amsterdam Capital House is an annual event organized by Capital House. It set out with the mission of creating an ecosystem that supports the growth of entrepreneurs shaping the future of Amsterdam.

DUTCH INNOVATION PARK

DUTCH | INNOVATION PARK

The Dutch Innovation Park in Zoetermeer, near The Lahey, is the Dutch incubator space for applied IT solutions in the fields of cybersecurity, e-health, smart mobility and big data. This is where knowledge, research, capital, education, startups and well-known companies come together to build a better future. There are start-ups, mid-sized companies, multinationals and more than 800 IT students from The Lahey University of Applied Sciences. Synergies in the park enable innovation and new IT jobs. The aim of the Dutch Innovation Park is also to connect and offer opportunities.

4. CASE STUDY

UTRECHT INC – UTRECHT



UtrechtInc is the startup incubator of Utrecht University, UMC Utrecht and the Utrecht University of Applied Sciences - supporting researchers and entrepreneurs to successfully set up science and tech companies. UtrechtInc is located at Utrecht Science Park.

PhD students, researchers, entrepreneurs can start their IT startups in the UtrechtInc incubator at the Utrecht Science Park. Founded in 2019, UtrechtInc ranks among the top 10 university-affiliated incubators in the world. To date, the center has supported 301 startups. 70 percent of the supported startups are still active at the end of the 5th year. The investment amount attracted to the businesses supported by the incubation center, which generated 318 million Euros in revenue in 2021, is 3.3 billion Euros in total.

Utrecht Inc. It focuses on innovative IT initiatives with a predominant focus on Health, Climate and Learning. The guidance process consists of a three-month program focusing on coaching, interviewing, financing, education and housing. Entrepreneurs start an accelerated Pressure Cooker program here and work intensively with experts throughout the program. They get support from their own mentors for extra guidance. Entrepreneurs can take various training courses such as 'Cold Calling', 'Customer Development', 'Agile Management', 'How to Pitch', as well as access to different events and facilities. At biweekly meetups, entrepreneurs present their progress to each other and exchange advice. Entrepreneurs are encouraged to talk to as many customers as possible during this period. The community offers a rich network and motivation for fast progress. Entrepreneurs focus on their commercial business without engaging in secondary office work.

Startups work with the media relations department of the incubator for free promotion and receive important information about entrepreneurship. After the 3-month program, the License2Build event is organized. Entrepreneurs present their business models to an advisory committee to earn advantageous credit. The advisory board and the community decide to grant a start-up capital of €18,000. If the venture gets the loan, it is used for a follow-up program focused on growth and market entry.

The amount of repayment depends on the success of the enterprise. If the company has sufficient turnover, the amount is repaid up to a maximum of 2.5 times. The loan must be repaid after five years at the latest. Repayment starts after two years. The higher the turnover, the higher the repayment. The same applies in reverse. If the start-up fails and bankruptcy occurs, there is no need to repay the loan. In this way, the entrepreneurial risk is shared. In addition to this initial capital, startups can borrow €50,000 through the Rabo Pre-seed Fund. This loan is also not dependent on individuals and has a flexible term.

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“I am a passionate of startups, their energy, their passion, their capacity to change thing for the best. Europe really needs you today more than ever before.

I invite all of you to continue focus on growth and disruptive innovation because there has never been a better time to create or grow a startup in Europe. The ecosystem is maturing and well-capitalised, notably in the early stage, and the EU programmes are in place to provide further support where needed.

Mariya Gabriel, Commissioner, Startup Olé 2020 Conference

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