



Country Profile for the UK

Identification of Existing State of Business Incubation

SUPER – Start-Up Promotion for Entrepreneurial Resilience

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Introduction

The start-up ecosystem in the UK is well-developed when compared to that of many other European countries. There is a strong start-up culture within the main UK city hubs, with a recent trend toward development of large corporate players in the incubation scene, often focussing efforts on one related industry area. In addition, the UK university incubation ecosystem is equally well developed. Of 144 Universities for which data is available, 82% undertake incubation activity for either start-up or spin-off ventures.

Furthermore, entrepreneurship in higher education is a core element of the EU2020 objectives of smart, sustainable, inclusive growth. The EU recognises entrepreneurship as the key to ignite the engine of growth for local and regional economies. Therefore, it is argued, more needs to be done to develop entrepreneurial attitudes and behaviours and stimulate entrepreneurial mindsets of young people across Europe, and to develop and foster cultures that are more friendly to entrepreneurship and entrepreneurs (European Commission, 2008).

In response to this, and other pressures as a result of political and legislative changes, there has been a recognisable increase in the entrepreneurial activities of UK universities, including the development of mechanisms to create spin-off companies and working with local and regional institutions to develop business incubation and acceleration programmes (Wright *et al*, 2007; Siegal *et al*, 2007). In addition, with the important role of education in promoting and supporting more entrepreneurial attitudes and behaviours becoming more widely recognised (European Commission, 2008), entrepreneurship education has become ubiquitous in business schools across the UK, with entrepreneurship education offered at the majority of UK HEIs. When coupled with the strong university incubation ecosystem previously highlighted, it can be seen the UK is in a strong position across the entrepreneurial and start-up/ incubation contexts.



A Note on Terminology

Whilst there is distinction in the UK between 'accelerator' and 'incubator', the terms are often used interchangeably and seen as synonymous with one another. However, in general terms incubators can be seen to work with business earlier in the process, typically at the start-up stage and offer support for core business activities and needs: office space, internet access etc. On the other hand, accelerators will often work with firms at a later, albeit early, development stage, and programmes can be short and extremely intense. It can also be seen that incubators will often engage in 'acceleration' as their business clients develop, and there is no 'progression criteria' from incubator to accelerator in most cases.

Co-working spaces seek to bring together freelancers, start-ups and small business to avoid business 'isolationism'. Fees tend to include desk (either fixed or hot-desk), access to communications facilities, use of meeting rooms and access to scheduled events.

General Country Context

Key facts:

- Business incubators can be seen to have developed in the 1960's in the US. In the UK, first incubators started appearing in early 1980s.
- Establishment of United Kingdom business Incubation in 1998
- Movement toward measuring impact of incubation activities.
- Well-developed start-up scenes can be found in London (61% of UK incubators) with a push to develop activities in the North of England.
- HEIs often host science parks alongside incubators/ incubation activity.

Key figures:

- Approximately 300 incubators, supporting around 12,000 businesses.
- Of 144 universities for which data is available, 118 (82%) have a start-up incubator.
- 105 Universities have on-campus start-up incubators.
- 86 have off-campus start-up incubators.
- 98 Universities have on-campus spin-off incubators.
- 82 Universities have off-campus spin-off incubators.
- 85 Universities have science parks with accommodation for either start-ups or spin offs.



There has been significant growth in the UK incubator ecosystem over the past decade, with one study noting that half of all incubators operating in 2015 were launched after 2011. In addition, UK government schemes such as SEIS/ EIS tax relief, offering generous tax breaks for early stage/ start-up investors and entrepreneur/ graduate entrepreneur visa, seek to encourage growth of start-up activity in the UK, likely leading to further development of the incubator/ accelerator ecosystem.

The UK University start-up/ incubator ecosystem can be seen to be well developed and in good health. Of 144 universities in the UK, 82% of them (119) have a start-up incubator. Furthermore, in 2015 the UK's Set-Squared university/ enterprise partnership (Bath, Bristol, Exeter, Southampton and Surrey Universities) was ranked as the top University business incubator in the world (Telegraph, 2015).

In addition to UK University incubation ecosystem activity, a significant move toward corporate incubation can be noted. For example, John Lewis launched 'JLAB' in 2014, seeking to assist start-ups through a structured 12-week programme of incubation and acceleration activity. The programme offers traditional services such as office space, mentoring, and education. However, it offers access to John Lewis data, customers and the organisation's expertise – something that is attractive for start-up firms in the retail space in particular.

Other well-known corporate brands that are making in-roads in the incubator/ accelerator space include Barclays (Barclays Accelerator/ Techstars), Red Bull (Red Bull Amplifier), Pearson (Catalyst for Education) and Telefonica (Wayra). Interestingly these corporate incubators also mirror an emerging trend in incubation – that of the sector-specific programme. For example, John Lewis' JLAB focusses on retail-sphere start-ups, Red Bull's Amplifier focusses on music industry start-ups and Pearson's Catalyst focusses on disruptive education start-ups.

However, the majority of the incubation ecosystem can still be found within London (approximately 2/3 of all programmes). There are concerns that this clustering in London draws resources and opportunity away from other regions of the UK. Additionally, there is concern that this clustering may also create an unsustainable 'bubble' that may be harmful if it were to burst. This said, growth can be seen in other major UK hubs such as Birmingham, Bristol, Edinburgh and Manchester, though this tends to be less developed than that found in London.



Start-up Eco-system in Country and History + Current Incubation / Acceleration Practice

Timeline:

1960's: First incubators in the US.

1980's: First recognised incubators in the UK.

Mid-1980's: First university science parks established.

1998: UKBI established, bringing more focus to measuring impact and outcomes of start-up activity.

2005: First co-working space set up in London.

2015: Wider dissemination of co-working ideas and activity around the UK. Set-Squared UK enterprise/ university partnership named best incubator in the world.

HEI Eco-systems – entrepreneurship development and incubation

Key facts:

- 157 universities in the UK
- 2.27 million students in 2014/15
- 77 universities offer degree programmes in entrepreneurship as of January 2016. 47 at an undergraduate level and 53 at a Master's level. 4 universities offer an MBA with an entrepreneurship specialism.

The UK Higher Education Academy (Owens and Tibby, 2012) argues that enterprise and entrepreneurship education, '...supports employability by enabling students to develop the characteristics, attributes and skills that will enable them to make effective contributions to the economy and society. Enterprise education clearly links to employability and as such, should be at the core of employability strategies.' (Owens and Tibby, 2014, p3). More specifically, in recognition of the likelihood of a shortfall in graduate opportunities, both in the public and private sector, and given the significant increase in UK HE students post-2000 have resulted in graduates requiring higher levels of interdisciplinary entrepreneurial skills to compete in the changing job market (Williamson *et al*, 2013; QAA, 2012).

Against this backdrop, a report by the National Council for Graduate Entrepreneurship (NCGE), which mapped graduate enterprise provision, concluded that enterprise education had made a profound impact on HEIs and that the initiatives had begun a 'vibrant' cultural shift (Pittaway and Cope, 2008).

Within the UK, HEIs look to the Quality Assurance Agency for Higher Education (QAA) for advice, guidance and support in developing programmes that are of a suitable standard in achieving outcomes for students. In its 2012 guidance for UK HEIs, the QAA differentiates between 3 levels of developmental stages in entrepreneurship education, stating:

“**Enterprise education** is defined as the process of equipping students (or graduates) with an enhanced capacity to generate ideas and the skills to make them happen. **Entrepreneurship education** equips students with the additional knowledge, attributes and capabilities required to apply these abilities in the context of setting up a new venture or business. All of this is a prerequisite for **entrepreneurial effectiveness**, that is, the ability to function effectively as an entrepreneur or in an entrepreneurial capacity, for example within small businesses or as part of ‘portfolio careers, where multiple job opportunities, part time work and personal ventures combine’ (QAA, 2012, p.5).

Table 1: QAA typology for enterprise and entrepreneurship education

Enterprise Education	Entrepreneurship Education	Entrepreneurial Effectiveness
<ul style="list-style-type: none"> • Enhanced capacity to generate ideas • Skills to make them happen. 	Additional: <ul style="list-style-type: none"> • Knowledge • Attributes • Capabilities to apply abilities ...in setting up new ventures.	Function effectively: <ul style="list-style-type: none"> • As an entrepreneur • In entrepreneurial capacity.

(Adapted from QAA, 2012)

Past research indicates that, though teaching approaches vary across HEIs in the UK, the majority of enterprise and entrepreneurship modules in the UK take a content driven approach in which students acquire knowledge about entrepreneurship. This approach typically utilises traditional teaching methods that focus on scholarly consideration for entrepreneurship topics. Such topics typically include learning points such as, who makes a successful entrepreneur, opportunity identification, the start-up process and the economic impact of entrepreneurial activity (Pittaway and Edwards 2012; Mason and Arshed, 2013; Williamson *et al*, 2013).



This approach, however, is often derided in pedagogic literature. Indeed, literature on pedagogic approaches indicates that entrepreneurs learn through experience and reflective practice, experimentation, making mistakes and problem solving. Thus there is a prominent call for enterprise and entrepreneurship education to take a ‘through’ approach by allowing students to experience entrepreneurship themselves through experiential learning and to reflect on the process, outcomes and self-development throughout the process (Mason and Arshed, 2013, QAA, 2012; Gibb, 2002).

In such cases it can be seen that the propensity for UK HEIs to have start-up activity embedded through their incubation opportunities is beneficial in developing student entrepreneurship ideals. However, it is important to note that, due to the various funding models employed, and wide range of objectives, it is impossible to fully assess the overall impact of entrepreneurship education and further start-up activity on a national level, though it is believed to be considerable (See, for example, NESTA, 2011). Nonetheless, the UK’s position can be seen to be a strong one; possessing both well developed entrepreneurship education activities alongside well developed incubator/ accelerator ecosystems bodes well for the future of UK start-up and entrepreneurial activity.



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