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### Ljubljana: A Talent-Friendly City Hub

#### PARALLEL 4

#### New business models for incubators in STPs

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## Entrepreneurial culture in Slovenia

The research and innovation strategy of Slovenia for the 2011-2020 period recognizes that economic development heralds the transition from the post-industrial era into a knowledge-based society. This transition is a major challenge and at the same time an opportunity for any society to come to the forefront of economic and societal development.

Regardless of the change spearheaded by knowledge-based societies, its winners will be those who succeed in attracting and applying talent. This year signifies 11 years from the publication of Richard Florida's book "The Rise of the Creative Class", which highlights the importance of creativity and innovation for the well-being of modern societies. According to his research, talent, technology and tolerance (the three Ts) are at the heart of success of modern creative societies. As a result, an appropriate innovation ecosystem is key to economic success in any knowledge-based society. This system must offer ample access to capital and other resources needed for the development of technology and entrepreneurial talent alongside developing a community and internal values.

Slovenia is at an important economic and industrial crossroads. On the one hand we have a highly-educated workforce, while on the other, we face difficulties in establishing mechanisms to commercialise knowledge and use entrepreneurial talent productively. Slovenia's knowledge institutions have over 100,000 students, researchers and other staff and a highly-educated population, while conversely, Slovenia is one of the worst of all European countries in terms of innovation and commercialising knowledge. After completing high school studies, students prefer social science studies, and furthermore, our education system is focused on developing employees rather than employers.

The most recent 'Innovation Union Scoreboard Report 2013' shows Slovenia as a country of vast potential in terms of talented human resources. Although all age groups in Slovenia are active in entrepreneurial activities, in previous years, members of the population aged between 25 and 34 years were most involved in early entrepreneurship activities. In 2011, the share of this age group was 31%, while the year before it was as high as 39%. In 2012, the group aged between 35 and 44 prevailed with a share of 32%.

Table 1: The share of emerging and new entrepreneurs per age group and group of companies, GEM Slovenia 2012

### Share of emerging and new entrepreneurs

Age of entrepreneurs Slovenia GEM countries European GEM countries Innovation economies SE Europe European Union

18– 24 years 10.36 15.31 12.00 10.10 13.54 12.03

25– 34 years 31.39 32.59 31.11 27.94 33.16 31.10

35– 44 years 32.38 25.88 26.43 27.96 24.92 26.15

45– 54 years 15.91 17.81 20.51 22.43 17.86 20.85

55– 64 years 10.01 8.41 9.94 11.57 10.51 9.86

Furthermore, it is worth noting that Slovenia is characterized by early entrepreneurial activities, as the share has risen compared to 2011, when the TEA index was 3.65%. In 2012, early entrepreneurial activities among the active population in Slovenia rose for the first time after three years to a promising 5.42%.

Both formal and informal education is of incredible importance to entrepreneurship as it enhances the individuals know-how and skills needed in detecting and realizing business opportunities. At the same time, the educational structure of entrepreneurs is one of the key factors affecting the quality of enterprise and its potential to develop and grow further. The GEM Slovenia 2013 national study on entrepreneurship found that the share of highly educated emerging entrepreneurs fell from 44.3% in 2011 to 39.2% in 2013. The European Commission believes that this reduction in the number of highly-educated entrepreneurs is due to the fact that over half of university students in Europe have no access to entrepreneurial training. Entrepreneurial training can contribute to developing know-how and skills students can use to develop the technical and business skills needed for a successful career in enterprise. The GEM Slovenia 2013 study allows the conclusion that acquiring entrepreneurial know-how, skills and an entrepreneurial awareness is of key importance for a career in entrepreneurship. Economic experts and managers have confirmed that in order to encourage entrepreneurship, innovation must be promoted and entrepreneurial training and education at all levels of formal education and after provided (43.8%).

We address and train Slovenia's entrepreneurial potential and talents in entrepreneurial support organisations such as university incubators and technology parks. The central region of Slovenia, which also comprises the capital, Ljubljana, already boasts all types of support organisations. The effects of both the entrepreneurial potential as well as support organisations is reflected in the high number of companies in light of the number of population – there is one company to every 15 inhabitants. Entrepreneurial support institutions provide entrepreneurial advice and training focused on global market breakthroughs. Over 100 new innovative start-up companies have been formed in such institutions in recent years and they are usually co-founded by young talented individuals. Most of these companies have been registered and operate in Ljubljana.

## Table 2: The innovation profile of Slovenia

### Attracting and retaining entrepreneurial talents

Slovenian entrepreneurial talents are ever more responsive to the opportunities offered by new global enterprise hubs. Foreign cities, whose own offering allows them to concentrate talent, also attract Slovenian entrepreneurial potential and ensure the ever greater concentration of enterprise.

Increased mobility will also likely result in a brain drain of areas that are unable to adjust to the values and paradigm of a knowledge-based society in time. As a consequence, such areas will begin to lose jobs, which will result in less economic growth and a lower level of development of the affected towns and regions. At the same time, Europe's aging population and its diminishing interest in careers as entrepreneurs require reflection both in Slovenia and the European Union on industrial and entrepreneurial policy and mechanisms for encouraging entrepreneurship and enterprise.

On the other hand, research shows that immigrant entrepreneurs and their descendants are an important source of economic growth and competition both in the state they emigrated to and the state they emigrated from.

In the fields of creating and accelerating entrepreneurship, international hubs of enterprise, usually founded by cities together with local stakeholders (universities, technology parks, incubators, real estate developers, banks), are ever more important. Together with its surrounding area, Ljubljana, a university city and the capital of Slovenia, represents the most developed region in Slovenia, which in the past has succeeded in retaining most domestic talent (in terms of creative, innovative and enterprising individuals). This concentration of talent is reflected in the more rapid economic development of Ljubljana and the Central region of Slovenia. Through the globalisation of Slovenia and as support institutions for enterprise become more and more mature, more and more focus is put on developing domestic talents and attracting talents from abroad. Through the well-planned retention and simultaneous attraction of new entrepreneurial and innovative potential to Ljubljana, we hope to enhance competition, strengthen the economy and improve the quality of life in the region.

Due to these reasons, Technology Park Ljubljana has encouraged the city of Ljubljana to face modern challenges stemming from the concentration of talent and the development of competences and services aimed at increasing the attraction of Ljubljana and the wider region as an internationally recognised, talent-friendly enterprise hub. This would allow us to retain our own entrepreneurial potential and to attract foreign talents especially from South-Eastern Europe. Thanks to its tradition as an educational, economic and financial centre, as well as to its high standard of living, the Slovenian capital is a great location to attract foreign talents to and develop new start-up companies.

The Venture Factory university incubator (Tovarna podjetij) and Technology Park Ljubljana grounded their proposal to develop Ljubljana as a centre for start-ups in the national Start:up Manifest umbrella document. The Start Up Manifest is a strategic document of national importance dealing with the development of a support environment for enterprise. It has been presented to key state institutions with the aim of ensuring support and including parts of the programme in national development programmes. The document aims to systematically raise the level of activating entrepreneurial talent with the aim of increasing the number of innovative start-ups. More highly-knowledgeable individuals should be dreaming of realizing their own multi-million breakthrough projects capable of changing the industry.

In the next stage, in cooperation with the city of Ljubljana and the Regional Development Agency, Technology Park Ljubljana also helped create a target strategy for the overall development of an internationally-recognised hub for entrepreneurial talents. This strategy directs the efforts of Ljubljana by providing examples of other enterprise-friendly hubs mentioned by the Startup Gene study. These include the Silicon Valley, New York, London, Toronto, Tel Aviv, Los Angeles, Singapore, Sao Paulo, Bangalore, Moscow, Paris, Santiago, Seattle, Madrid, Chicago, Vancouver, Berlin, Boston, Austin, Mumbai, Sydney, Melbourne, Warsaw, Washington D.C. and Montreal. Developing such a concept for encouraging enterprise also allows us to address the disadvantages of the Slovenian innovation system identified by the OECD in its 2012 study, which mainly include a lack of coordination and management of mechanisms supporting enterprise at the national level.

Public-private partnership in providing a talent-friendly entrepreneurial environment

Technology Park Ljubljana is the main institution of the national enterprise support environment and as such prepares guidelines for the development of the support environment at city-wide, regional and national levels. In the past, we were mainly focused on developing physical infrastructure. Through the implementation of city

planning regulations, which allowed us to connect the technology park with the university campus, the focus of the strategy of park development shifted from excellence in supporting entrepreneurial talent to spearheading regional development and benchmarking standards with all key elements of the quality of life offered by the concept of a city of enterprise.

In addition to offices and lab facilities offered by Technology Park Ljubljana, we decided to offer perspective talent also a place to live and learn in Ljubljana. However, in addition to physical infrastructure, programmes are also an important factor in attracting and retaining talent in the region. Through strategic partnerships in implementing our programme for entrepreneurs, we aim to transform Ljubljana into the most attractive enterprise hub in South-eastern Europe.

The entrepreneurial programme Technology Park Ljubljana provides together with its strategic partners is focused on supporting start-ups by differentiating between them depending on their development phase. Since the successful transition from one phase to another does not ensure success in the new phase, start-up companies need constant support provided through appropriate programmes through all stages of their development. Quality programmes, linked at the national level and aimed at helping entrepreneurial talents in the particular phases to solve the business and technical challenges they encounter, are an indispensable part of the enterprise ecosystem.

The first key challenge is identifying and encouraging talent. The appropriate programmes must provide state-of-the-art knowledge and career success pathways, values of innovation and entrepreneurship, general creativity, and so on, all with the purpose of giving the most apt individuals insight into all the potential of the domestic market. In the talent phase, in addition to identifying talented individuals, it is key to provide systematic assistance in developing entrepreneurial ideas and include such individuals in appropriate programmes aimed at supporting business ambitions.

The second critical point is establishing the company, preparing the business plan or minimally viable product (MVP) and flexible organisation of the company. In this stage, company fail rates are extremely high as the individuals realize that the path to the first customers is not as easy as they imagined, and that managing a young start-up is one of the hardest career challenges. Several risks exist preventing companies from succeeding. Therefore, it is crucial to provide start-up entrepreneurs with a community of like-minded people, reduce administrative hurdles, state-of-the-art entrepreneurial know-how, access to seed and start-up capital, as well as advisors and mentors to help them through the most critical points of growing a young company.

Even though the vast majority of companies fail to succeed on the market, even more fail in the rapid growth phase. Making the shift from a garage company to a professionally organised entity ready to compete on global markets is entrepreneurship's greatest challenge. Therefore, mentoring and easy access to other global enterprise hubs are key in the growth phase, as they make positioning and growth on global markets much easier.

The Technology Park Ljubljana is currently systematically developing a friendly environment through pilot programmes currently being tested and launched under regional financing. These programmes are of especially importance to students and entrepreneurs at the beginning of their paths (Imagine Cup, iTIME+, Ljubljana start:UP, Start:UP Slovenija). Subsequently, accelerators of entrepreneurship become more important (Hekovnik, Silicon Gardens, Geek house), as well as incubators (Venture Factory - Tovarna podjetij, Ljubljana University Incubator, Technology Park Ljubljana, ICT RC) and counselling activities (Business Planning Centre,

Entrepreneurial Wednesdays). After the company is founded, growth, internationalisation and industrialisation become most important (Go:Global Slovenia). The basic scope of programmes is provided through our partners' own funds as well as through EU funds.

Ljubljana, an internationally recognized entrepreneurial city hub

The vision of the city of Ljubljana as an internationally-recognized city hub of enterprise comprises upgrading the programmes already carried out by Technology Park Ljubljana with further target contents and activities. In upgrading the contents, both the municipality and the Regional Development Agency of the Ljubljana Urban Region have a key role. The latter will include the city hub in its strategic document entitled Regional Development Programme of the Ljubljana Urban Region 2014-2020.

In order to ensure Ljubljana's breakthrough as an internationally-recognized entrepreneurial hub, the hub will be promoted in key South-eastern European states where Slovenia's reputation and image are untainted. Designing a single brand and online entry point will allow talents to find all the information they need on business, mentoring, educational and other programmes in Ljubljana in one place.

The Ljubljana city hub will provide the following services aimed at developing business ideas and start-ups:

Ambitious, bold, enterprising highly-knowledgeable talents working on a new enterprise will be able to join the Start up GeekHouse programme . Any person working on their own prototype, minimally viable product (MVP), business plan, who are looking for their first customer or have already begun operations but do not need their own office can hire a desk in shared office facilities.

Accelerator of business ideas in ICT, biotechnology, and creative industries together with venture capital sources. Accelerators of business ideas are aimed at young talents who are guided in developing their business idea and core competency. Participants gain basic knowledge on entrepreneurship and learn how to express value propositions. Various talent competitions (Imagine Cup, Festival of Innovative Ideas for Young People) are an integral part of accelerators of business ideas, as is access to infrastructure in technical and research facilities of faculties and institutes.

Business Planning Centre with its collection of video footage, e-books and other entrepreneurial aids, including business planning tools. This centre is a one-stop-shop providing a full knowledge base and tools for bustling start-up companies. One of the highlights is an internationally-comparable business planning application that entrepreneurs can use to simplify preparing the financial projections of their start-ups.

Technology Park Ljubljana Start up Centre provides advice and assistance to start-up companies in preparing their business plan, evaluating their business idea and model, providing more general advice and presenting members to sources of capital, human and other resources.

Promoting the achievements of entrepreneurs aims to encourage entrepreneurship under the single brand of the entrepreneurial hub.

The entrepreneurial hub will especially focus on contents aimed at talent development and globalization:

The soft-landing programme is key for attracting talents and functions as an entry point

offering foreign talents complete infrastructure, allowing them to verify their business idea and obtain the advice of the Technology Park Ljubljana team before pursuing their business idea.

Go Global Slovenia is the key programme aimed at the global growth of start-up companies. The mentoring programme enables the most perspective start-ups to professionally organise their particular business functions (marketing, finance, etc.) with the mentors and prepare the company for global growth. Mentoring and experience & knowledge transfer is an important aspect of reducing the level of failure of start-up companies since mentoring empowers entrepreneurs to make better business decisions. In this regard it is especially important for mentors to be experienced businesspersons who have already successfully built their own companies. Those who have already succeeded in practice can pave the way to others realizing their dreams with their role model and mentoring. Activating talent involves resolving extremely specific questions which requires systematic mentoring as part of which knowledge and experience is transferred in contrast to general theoretical counseling. Furthermore, the Start-up Gene research shows that mentored companies are much more likely to win a venture capital investment.

The internationally well-received Start-up event in Ljubljana and national competition for the Start-up of the Year, together with wide promotion of enterprise and highlighting success stories in business.

In phase two, the concept of a city hub could be upgraded with additional programmes for entrepreneurs, including:

- Start-up grants for start-up companies.
- Free infrastructure in the first year of operations within the Start:up Geek House co-working space.
- Building specific laboratories and clean premises for biotechnology start-ups.
- Access to below-market rate apartments for both domestic and foreign talents.

Our vision is to provide talents not just business infrastructure and content-related programmes, but also simple time-limited and below-market rate access to living space.

Conclusion: Sustainability of the concept of the city enterprise hub

Very few entrepreneurial talents are high potential. They represent each nation's most precious human resources and should be supported accordingly. Economic policy and enterprise acceleration policies must understand that not all entrepreneurial activities are the same and that the reasons people become entrepreneurs are even more varied. Providing the conditions for ambitious innovative entrepreneurship is significantly different from providing the conditions for entrepreneurship where the main motivation is self-employment.

Together with the Regional Development Agency of the Ljubljana Urban Region, Technology Park Ljubljana is preparing a vision and action plan of the development of the innovation system of the Ljubljana urban region in order to ensure the sustainability of the concept of the city enterprise hub. This vision anticipates developing the region and city as a centre of entrepreneurial and dynamic innovation. We anticipate to upgrade the programme of measures in light of potential co-financing from European funds as part of the next financial perspective of the EU. Other stakeholders in the entrepreneurial environment, such as the University of Ljubljana, Ljubljana University Incubator, Career Centre of the UL, private incubators, public research organisations in

Ljubljana, large and medium-sized enterprises and others were all included in preparing this strategic document.

The internationally-recognized entrepreneurial hub will contribute to attracting domestic and foreign talent to Ljubljana, to increasing entrepreneurial activity in the city, and to providing new ways for young people to assert themselves in Ljubljana. It will provide high-quality jobs, economic growth, a range of globally-competitive products, and increased activity of the population to both the city and the region. These activities will position Slovenia's capital as a talent-friendly international city hub.