

Chapter 6

Alter'Incub: A regional incubator, France

Alter'Incub is the first regional incubator driving the creation of social enterprises in France. It develops a multi-stakeholder response to unmet local needs and establishes an enabling the ecosystem for social enterprises. This chapter presents the objectives and rationale behind Alter'Incub's creation, along with its main activities and impact. It discusses the challenges faced when implementing the support structure, the lessons learnt and the conditions for transferring this approach to other contexts.

Summary

Alter'Incub¹ is the first regional incubator dedicated to social enterprises in France. The scheme was launched in 2007 by the Regional Union of Co-operative Companies of Languedoc-Roussillon (URScop-LR),² in partnership with the Regional Council of Languedoc-Roussillon³. Both shared the ambition of supporting the social and solidarity economy (SSE) sector, and the creation of social enterprises.

Like every incubator, Alter'Incub's main mission is to assist entrepreneurs and offer them legal, financial and commercial support to create socially innovative enterprises. It also helps them establish partnerships that master the necessary competencies to launch their enterprise. Alter'Incub emphasises partnership-building, participative management, democratic governance and profit-sharing.

Alter'Incub is a "social-innovation think-and-do tank". Not only has it led to the creation of new social enterprises and jobs, it has also fostered a better understanding of the sector in France. To exchange practical experiences with other European countries and experiment new ways of promoting social innovation, Alter'Incub organised the first International Conference on Social Innovation in Montpellier in 2013, as well as another conference on financing social innovation in November 2015. It also participates regularly in major

international events.⁴ In 2016, Alter'Incub joined the European Social Innovation Accelerators Network co-ordinated by BENISI, thereby gaining international visibility.

Alter'Incub conceived its own replication pattern and now heads a network of five incubators in three regions.⁵

Key facts

Alter'Incub arose from a partnership between the Languedoc-Roussillon Region, the European Regional Development Fund (ERDF), the Caisse des Dépôts et Consignations (a public financial institution) and several major stakeholders in the SSE sector, including the co-operative movement, mutual funds (Macif Foundation) and co-operative banks (Caisses d'Épargne). Alter'Incub was the first SSE programme in France financed by the ERDF as an innovation project.

Alter'Incub's annual budget amounts to nearly EUR 500 000 (euros), 70% of which is used to support projects and 30% to co-ordinate the scheme.

The average cost of an incubated project is about EUR 22 000 a year, half of it spent on external consultancy (market analysis, legal advice, etc.).

The Languedoc-Roussillon region and ERDF provide 90-95% of Alter'Incub's financial support, and the co-operative movement – either URScop or CGScop – funds 5-10% of the scheme through self-financing.

The combination of public and private funds has helped embed Alter'Incub in the regional and institutional ecosystem. Alter'Incub works with other technological incubators and accelerators promoting innovation and the SSE sector. It also collaborates with social science research centres and universities (e.g. Montpellier and Aix-Marseille), to ensure that entrepreneurs benefit from the most up-to-date scientific research.

Alter'Incub is run by 5 URScop employees: 1 chief executive officer; 2.5 full-time equivalent mentors in charge of assisting social projects (2 mentors in the pre-launch phase and 1 in the start-up stage, working part-time at Alter'Incub and part-time at URScop); and 1 part-time employee working on communication and administration.

The organisation relies on three committees:

- The steering committee comprises financiers (bank representatives and investors) and the Languedoc-Roussillon Innovation (LRI) regional academic incubator, and determines Alter'Incub's strategic orientations.
- The selection panel comprises about 20 professionals from different horizons, e.g. the public sector, the SSE sector, technological/academic incubators and researchers.
- The technical committee comprises four to five people at the heart of the scheme (URScop, Region, LRI), who decide whether or not to select a project.

In addition, Alter'Incub has brought together a group of academic researchers in management and economics. They analyse Alter'Incub and similar schemes from a local, national and European perspective, focusing more on the conditions promoting the emergence of ecosystems than on the projects' social impact. Postgraduate and PhD students also perform continuous appraisal of the project.⁶

Since 2007, Alter'Incub has received 275 applications from people wishing to create socially innovative enterprises, yielding 138 entrepreneur interviews, more than 88 mentoring sessions and 41 social enterprise creations.

Objectives

Alter'Incub has three main objectives:

First, it aims to drive the creation of social enterprises that enhance economic, social, and local development, and create jobs. The Languedoc-Roussillon region has the highest unemployment rate in France, and most of its revenues come from wealth distribution mechanisms. In this context, supporting the development of the SSE sector and the creation of social enterprises – regardless of their legal status – helps meet local needs. Responding to this common interest is the condition for public sector investment in Alter'Incub economic model.

Second, Alter'Incub links locally identified social needs with humanities and social sciences research, and entrepreneurship opportunities. This interaction allows social projects to benefit from scientific research and become more innovative; it may also facilitate technological incubators' entrepreneurial development. More broadly, Alter'Incub develops a multi-stakeholder response to locally unmet needs and strengthens the ecosystem for social entrepreneurship. In this context, the co-operative model (e.g. *sociétés coopératives d'intérêt collectif*⁷), which emphasises governance, and involves employees, as well as public and private stakeholders, appears to be a relevant status for the social enterprises created.

Third, like any incubator, Alter'Incub supports entrepreneurial teams in developing innovative and economically viable answers that will result in the creation of social enterprises by the end of the incubation period. The goal is to take advantage of all possible synergies to transfer social innovation from the theoretical to the economic sphere in sectors such as housing, environment and consumption. Regardless of their legal status, all the projects must have a viable business model and a social and/or environmental purpose. In accordance with Alter'Incub's hallmark co-operative model, they must also feature participative management and a limited pursuit of profit, ensuring employees' long-term wellbeing, and profit distribution between employees and stakeholders.

Rationale

Social innovation appears when various actors with heterogeneous skills work closely together to create solutions for poorly met or unmet social needs.⁸ More specifically, the synergies between territories (which have a close understanding of the population's needs), humanities and social sciences, and entrepreneurs should lead to socially innovative entrepreneurial solutions. Academic incubators focusing on business-oriented innovation greatly influenced the design of Alter'Incub. The idea was to transpose the existing model to a new kind of innovation – social innovation – in the French context.

Despite national interest in social entrepreneurship in the early 2000s, barely any support existed in France for social innovation and business creation. Alter'Incub was a pioneer in helping projects to take advantage of existing instruments in the conventional economic system. As a test project, Alter'Incub helped develop policies supporting social-business initiatives. Both *Avise* (the agency for the promotion of socio-economic initiatives, created in 2002) and the *Mouvement des entrepreneurs sociaux* (the social entrepreneurs' movement, created in 2010) pointed to the Alter'Incub model to highlight social innovation, thereby contributing to its recognition, development and legitimacy.

As the SSE sector was barely institutionalised, URScop-LR acted as a unifying interface between stakeholders. The lack of social enterprises and co-operatives in the region of Languedoc-Roussillon encouraged URScop-LR to boost their development. Rather than

promote its own co-operative network as initially intended, URScop-LR gradually started to promote the development of the regional SSE sector and the overall regional economy. So far, these inclusive positions, based on common values and close personal or institutional relations, have prevailed over the struggle for influence and resistance to change.

Alter'Incub contributed to creating an overall ecosystem supporting social enterprises at every step of their creation, in a context where the Regional Council of Languedoc Roussillon was willing to support all innovative business initiatives. Indeed, its policy strongly favoured organisations and programmes that helped creating innovative enterprises, such as the Business & Innovation Centre, the academic incubator LRI and the Synersud network, which brings together incubators and accelerators. Benefitting from the regional network of universities and research centres, these organisations and programmes were included in the Regional Strategy for Innovation,⁹ and a social innovation department within the Regional Agency for Innovation was established. Step by step, this ecosystem was extended to encompass social enterprise and SSE in a broad ecosystem,¹⁰ and two incubators were created: Alter'Incub (supporting projects in the “pre-launch” phase) and Realis (a social economy and entrepreneurship centre helping projects in the “start-up” phase). Thus, Alter'Incub has allowed mainstream business support schemes to become involved in socially innovative projects.

Activities

The overall Alter'Incub process lasts 15 months.

The **pre-incubation period** lasts three months, during which the entrepreneurial team, its mentor and an external consultant carry out a strengths, weaknesses, opportunities and threats (SWOT) analysis of the project and collectively decide whether it qualifies for the second phase.

At this point, a selection panel evaluates the project for the second time and decides whether to usher it through to the 12-month **incubation process**, where it receives individual, collective and external (complementary) expert support.

To be selected, projects must meet the following four requirements:

- target a new or existing market in an innovative manner and offer goods and services, always keeping in mind the public interest
- opt for a collective form of management – either co-operative (e.g. Scop or Scic) or including users and/or local authorities – without, however, limiting entrepreneurs to a particular legal status
- lead to the creation of more than one quality job offering a good salary and good working conditions.

In recent years, Alter'Incub has provided entrepreneurs not only with technical support, but also access to new opportunities and resources: regional partners see admission to Alter'Incub as a “quality label”, since the project goes through a strict selection process to enter the incubator.

The Alter'Incub incubation package includes:

- Individual support: helping entrepreneurs with networking, market studies, financial and business planning, choice of legal status and management

- Collective support: collective training sessions leading to positive group dynamics; better communication between project initiators; acquisition of strategic, marketing and management skills; and understanding of what being an entrepreneur means
- External support: mobilising partnerships with local experts to meet the needs of innovative projects in particular, when entrepreneurs need specific resources (e.g. specific legal advice, detailed market studies) that would not be available otherwise.

Challenges encountered and impact

Alter'Incub was created at a time when no public policy or common definition of social enterprises existed. Despite this adverse environment, Alter'Incub helped define social innovation and social enterprises in France, as well as launch new public actions at the regional level to build an ecosystem.

Challenges

At a time when the SSE sector was not yet formalised, the region opted for an original plan of action, opened to all types of enterprises – including those not operating in the SSE sector. Three challenges arose for Alter'Incub from this inclusive stand: combining economic performance and social responsibility, welcoming all kinds of economic models and stakeholders, and helping local projects reach national scope.

To muster skills, expertise and funds, Alter'Incub initiated wide partnerships at the regional and national levels. However, its plan to mobilise researchers specialising in social innovation – who are not used to interacting with enterprises – is still proving difficult to implement; organising broad social partnerships takes time. Alter'Incub also had to convince its partners that socially innovative projects require longer-term and more complex mentoring than regular projects, and thus increase the cost of incubation.

Today, Alter'Incub faces two new challenges. First, scaling up the incubator network requires reinforcing the spin-off strategy, which includes formalising methods and practices (business, model, process and skills) to increase the number of incubated projects, as well as taking the time to promote and co-ordinate the network and its community (i.e. the incubated projects and businesses). Second, scaling up the social enterprises that have been created implies designing new tailored financing instruments.

Table 6.1. presents an analysis of Alter'Incub's strengths, weaknesses, opportunities and threats (SWOTs).

Impact

Alter'Incub could not have been created without strong co-operation between a private SSE player at the forefront of business creation and a public institution intent on developing social enterprises.

In slightly more than eight years, Alter'Incub has enhanced the deployment of SSE in Languedoc-Roussillon and involved historical SSE actors in developing the regional economy.

The incubator's activity has had great impacts:

- It has contributed to defining social innovation and social enterprise in France, and helped define regional and national policies supporting social innovation.
- It has helped reduce the distinction systematically made between SSE enterprises and regular enterprises, and has had a positive impact on the local development strategy.

- Its scaling-up and spin-off strategy has led to the creation of five Alter'Incub incubators in three other regions.
- It has led to the creation in the region of 250 jobs and 41 social enterprises combining a social purpose with a viable business model.

Table 6.1. **SWOT analysis of Alter'Incub**

Strengths	Weaknesses
<p>External:</p> <ul style="list-style-type: none"> • Network of local partners • Alter'Incub network is the first national network of social incubators • National recognition (Mouves, Avise) • Contributed to public recognition of social entrepreneurship and social innovation • International visibility • Synersud – Alter'Incub partnership <p>Internal:</p> <ul style="list-style-type: none"> • Skilled teams • Professional mentoring • Formalised practices and methods with skill bases and body of knowledge elaborated within Alter'incub 	<ul style="list-style-type: none"> • Financial dependence on regional and European authorities • Difficulty in mobilising researchers in humanities and social sciences • High incubation costs (EUR 22 000 per year per project) • Risk of shifting from projects seeking limited profit to projects with high economic potential: a “creaming-off” justified by the need for performance
Opportunities	Threats
<ul style="list-style-type: none"> • 2014-20 European scheme supporting social innovation and entrepreneurship • Dynamic network of innovation incubators and accelerators in Languedoc-Roussillon • Building a community of innovative social entrepreneurs; networking • Think-and-do tank resulting in the creation of new tools to develop social innovation (e.g. a dedicated accelerator) 	<ul style="list-style-type: none"> • Alter'Incub creates tensions within ESS because it upends conventional paradigms; some actors in the ecosystem have a narrow vision of entrepreneurship • Lack of recognition of social innovation and social enterprises in public policy and the world of enterprise creation • Few financing schemes dedicated to social enterprises

Lessons learnt and conditions for potential replicability

Lessons

Alter'Incub has drawn the following lessons from its experience in the Languedoc-Roussillon region, which it put to good use in setting up its subsequent incubators in the Poitou-Charentes and Rhône-Alpes regions.

First, the incubator needs to **know its regional and local environment**, and take advantage of all existing resources (local partnerships and infrastructures, regional subsidies) to take root locally. Rather than insourcing skills, Alter'Incub has relied on the skills of local actors since the beginning. For example, when entrepreneurial projects require technological skills, they are automatically assisted jointly by Alter'Incub and a technological incubator, or the Regional Agency for Innovation.

Second, the incubator needs to be **skilled at mentoring** entrepreneurial projects. Technical guidance during the pre-launch and start-up stages is not enough; a project's success depends on the quality of entrepreneurs' brainstorming with their mentors.

In a nutshell, time, listening skills and strong partnerships are the key factors that enable Alter'Incub to point out the strengths and weaknesses of a project, team and/or (local or familiar) environment.

Conditions for potential replicability

Two years ago, Alter'Incub decided to replicate its model, formalising its processes and practices in a guide (Alter'Incub and Union Régionale des Scop Languedoc-Roussillon, 2013). The CEO of Alter'Incub provides strategic coaching for the replication, underlying the central

role of partnership and a consistent ecosystem. Today, the scheme runs in three regions and is expanding rapidly.

The conditions for replication to other regions relate to the previously mentioned challenges:

- The scheme should not be limited to social enterprises in the SSE sector, but should also include the new model of social enterprises recognised by the 2014 Law on the Social and Solidarity Economy.
- The ecosystem should be based on wide partnerships, and build synergies with existing schemes.
- The incubation phase needs to last longer, as socially innovative projects require more time to combine their social purpose with a viable business model.
- The business and networking skills required to run the scheme must be formally defined.
- The incubator needs to create an evaluation framework to measure its impact. This assessment should not focus solely on immediate job creation, but should also include indicators on the human and financial resources, and the quality of partnerships both in the SSE and mainstream sectors. Medium-term indicators should also be developed, as projects need to be given enough time to become fully operational.

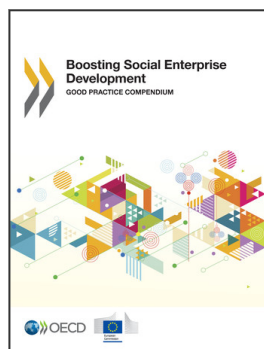
Notes

1. For more information, please refer to: www.alterincub.coop/.
2. URScop is a trade union supporting regional productive co-operatives (Scop and Scic). All URScops are part of the General Confederation of Co-operative Companies ("CGScop" in French).
3. When Alter'Incub was created the name of the region was Languedoc-Roussillon, but it changed to Occitanie in January 2016, after the territorial reform.
4. For example, the 10th Annual Meeting of the OECD LEED Forum on Partnerships and Local Development (Stockholm, April 2014); Social Innovation in Europe: Exploring social innovation ecosystems (Berlin, June 2015); and BENISI final event: Scaling Social Innovation (Brussels, March 2016).
5. Alter'Incub Rhône-Alpes was created in 2011, Alter'Incub Poitou-Charentes in 2013, and Alter'Incub Midi-Pyrénées in 2014 and Alter'Incub Auvergne in 2016.
6. A postgraduate student currently doing an internship at Alter'Incub is studying how to better mobilise regional financing tools for socially innovative projects. Another PhD student is analysing Alter'Incub's work and writing a thesis on the role of incubators in co-creating social innovation.
7. Community interest co-operative companies, a new status introduced by the 2001 law.
8. Here, "social" is understood as "societal": the needs do not only concern vulnerable or excluded population, but also encompass sanitary, environmental and cultural dimensions, etc. (see examples in Frame 2). This definition is aligned with the SSE law of 31 July 2014.
9. One of the five objectives of the "Entrepreneuriat et Innovation" strategy was to establish the Languedoc-Roussillon region as a model for supporting innovation and social entrepreneurship. For more information, please see: <http://www.3s-en-lr.com/entrepreneuriat-et-innovation>.
10. It has also inspired social economy policies in several other French regions.

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