

Building Local Innovation Support Systems: Theory and Practice

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Abstract Interest in innovation as a way of meeting societal challenges is increasing. Interest in different types of public innovation support is therefore increasing as well. Umeå University has many years of experience in developing and operating a well-functioning innovation support system. A common theme is to offer project owners creative arenas as context for entrepreneurial judgments and assessments during the various steps of the innovation process. Improved program theories are needed to enable evaluations that provide feedback, learning, and accountability.

Keywords Coaching · Networking · Community · Active ownership · Learning by doing

1 Introduction

Public support to university researchers and students who are in the process of starting businesses is receiving increasing worldwide attention as an essential and more prevalent part of selective public innovation and environmental policy spending. The effectiveness of these support measures is often taken for granted. This study discusses long-standing experiences of active innovation support and incubator support and raises the following questions: How can an even more effective local innovation support system be built in order to foster innovations and spinoffs from universities more efficiently? What explicit, valid program theories—theoretical generalizations that connect policy interventions to desired outcomes—can be constructed? The chapter is divided into three main sections: First, an empirical section briefly describes the innovation support system linked to Umeå University: The innovation office, three majority-owned business incubators, and a business angel network that interacts with the academic entrepreneurs during the whole startup process, exhibiting different modes of support. Second, a theoretical section

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discusses the identified types of support in light of different conceptual models in an attempt to explore possible program theories. In line with Vedung (1997), the aim is to reconstruct program theories that involve both the individual actor, the firm level, and the market level. Support is vital for startups which have positive effects at the overall market level. Further, a concluding discussion of all types of publicly financed support examines the overarching questions of how the identified practices are validated in light of (different) theoretical approaches, and whether and how program theory arguments can be further translated into a framework for local structures that develops local innovation support systems. Finally, some ideas for further discussion are suggested.

2 The Umeå Region Innovation System: Organizing Entrepreneurial Judgment

Three incubators linked to the University of Umeå in northern Sweden offer the empirical basis for this chapter. These incubators are well known, have received high ratings from several external reviews, and receive annual support from the Swedish innovation agency Vinnova. The state-owned Almi Business Partner—one of Sweden's major provider of support for small and medium-sized firms (SMEs)—ranks one of the incubators, *Uminova Innovation*, as one of Sweden's leading university incubators. The other incubator, *Umeå Biotech Incubator (UBI)*, has been declared Scandinavia's best biotech incubator. The most recently established incubator, *eXpression*, develops new methods to support new creative industries. In total, the incubators facilitate over 100 startups every year.

All incubators are majority-owned by the Umeå University Holding Company. They are closely linked to the university's innovation office, which manages the system and exercises pre-incubation activities like scouting for business ideas with commercialization potential and research ideas that can be utilized by society. The innovation office acts as a bridge between the university, the incubators, and society at large.

This first part of the chapter uses primary and secondary data as an empirical basis and point of departure for a better understanding of the work being done in practice. It draws material from a prior survey of 222 startups in Umeå (Hjalmarsson, 2017) in which one in four respondents reported receiving some kind of public support. About one-tenth of all startups emerged from university research of some kind. An understanding of incubator support was sought in three different ways: First, the CEOs of the innovation office and the three incubators were interviewed in the spring of 2019, focusing on how they view the process of starting new academic-based companies and how they perceive the rationale behind the support they offer. Second, the understanding here results from a decade of participatory observation as a member of the board of Umeå University's Holding Company, which is responsible for the innovation office and also the majority owner of the three incubators.

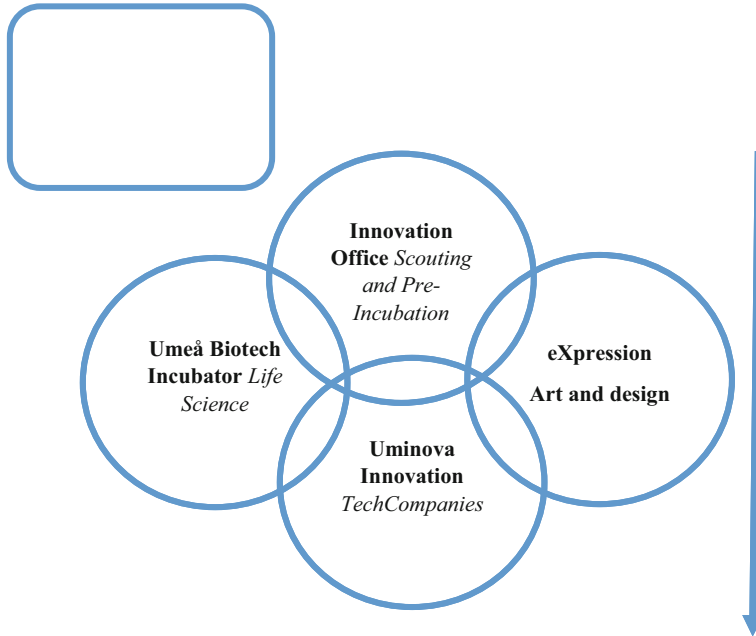


Fig. 1 Umeå academic innovation support system: from idea to market

Third, the discussion draws upon public documents and evaluations of the Swedish incubator support system and innovation systems in general (SOU, 2020:59) *Innovation as a driving force, from research to practice*. Figure 1 depicts an initial schematic view of the local innovation support system and the type of companies it seeks to attract.

An empirical description of actual support activities is summarized in four short narratives, crystallizing the essence of incubator support activities as kinds of Weberian ideal types (Giddens, 2006). The aim is to identify a few central concepts that can cover the empirical content of the support activities. Throughout the chapter, concepts like *direct support*, *sounding board coaching*, and *creative arenas* will be discussed.

2.1 Academic Innovation Support in Practice

This section rests on interviews, participatory observation, written documents, and earlier studies. The interviews, as the main source of information, were conducted as conversations with CEOs of the innovation office and the incubators, comprising the following questions: How can the process of starting a new business be understood? How do support needs differ at different stages of the development process? Are there differences between startups in different lines of business? What does the

incubator do? What are the basic support measures? Does support differ between startup cases? Will action differ over time? What kind of *program logic* guides the incubator's work?

The innovation office and the incubators work within the Umeå academic innovation support system (Hjalmarsson, 2017). The incubators are also members of the Swedish Incubators & Science Parks (SISP) organization, which has a total of 63 members throughout Sweden. The innovation support system in Umeå consists of Umeå University Holding Company, which is responsible for the innovation office and is the majority owner of the incubators: *Umeå University Innovation Office*; *Uminova innovation (UI)*; *Umeå Biotech Incubator (UBI)*; *eXpression*; and a *minority-owned business angelsnetwork*. A total of about 50 people work in the Umeå academic innovation support system, including the Holding Company's own employees.

Umeå Innovation Office. The innovation office presents itself online as follows:

We help you to refine and realize your ideas. Regardless of faculty or discipline, our well-developed innovation support system is here to help you explore the possibilities and potential of your idea.

The innovation office thus aims to help individuals at Umeå University, from ideas to markets, with the utilization and commercialization of innovative ideas generated within the university. The innovation office is run as a separate part of the Holding Company's organization. Its activities are divided into two categories: First, its task is to inform and encourage people in academia to take an interest in entrepreneurially utilizing ideas emerging from academic activities. This information-sharing can be seen as a kind of *nudging* to convince people to consider commercialization and utilization. Second, its role is to provide early, development-stage support. Here, the innovation office offers pre-incubator activities to verify the idea for the potential entrepreneur.

The innovation office's information-sharing activities comprise a broad set of activities to stimulate and *nudge* utilization activities: In 2018, ten seminars were conducted to generate an inflow of ideas from the various faculties at the university, as was a course for researchers and doctoral students in collaboration with the Swedish Patent Office. Furthermore, special funding from Vinnova supported collaboration with Companion and eXpression over the Social Innovation Hub project to strengthen the knowledge of social innovations.

The overall aim of the innovation office's attempts at stimulation and encouragement is to spread knowledge about and interest in the resources available within the innovation support system. The goal is to demonstrate that entrepreneurship can be an alternative career path and a way to realize dreams. During the summer, students on vacation can have their business ideas verified in order to generate students interested in commercializing their own academic ideas. Students are given advice in evaluating their business ideas and verifying commercial potential. Other activities include the Innovation Boot Camp, Startup Coffee (with Uminova Innovation), and Summer eXpression (with eXpression).

The innovation office's second central task is to verify whether business ideas have the potential to be commercialized in new companies or whether ideas can be utilized in other ways. In this role, the innovation office works to provide access to networks and skills that may be necessary in further development of the project. It is crucial to meet, to connect, to create *a startup community*. Activities also include more direct action. The innovation office offers the support needed in order to properly be able to sign contracts or otherwise secure intellectual property (IP) rights. Important work also includes offering resources for innovation development and advice, licensing, and social innovation. The innovation office can provide funding for verification at very early stages, an activity carried out in ongoing cooperation with the three incubators.

The innovation office stresses that "every business is unique." Further, that, "It is difficult to categorize in a world where service offerings and physical products are mixed with digital, often global, solutions . . . No processes are linear. . . but still there are useful tools to support like Lean Canvass, value-creating, and design and prototyping." The key to success for such firms is always "Grit and enactment."

The mission of Uminova Biotech Incubator AB (UBI) is to support the commercialization of ideas from Umeå University's life science research. In 2018, UBI handled 17 business ideas, 4 of which were carried further into the incubator. UBI describes its incubator as follows:

Being a state-of-the-art biotech incubator, offering facilities, know-how and financing. We provide full service support for biomed innovators who are eager to test and verify their business ideas within the life sciences field. . . . UBI verifies and supports.

The focus is on taking academic research and ideas in biotechnology all the way from idea to startup company. Ideally, companies should remain in Umeå, preferably with 20–100 employees. The focus is on building companies and on supporting profitable businesses. For UBI, it is important to create growth, mainly in Umeå. Starting a business in biotech "takes place in a different context." Business models, public procurement systems, and regulations are specific to the life science industry. Another feature is that the business is global from day one. "A researcher with a possible idea may think that you do not need to talk to the customer early." But the definite view is that the customer must always be in focus, from the beginning and throughout the whole development process.

UBI provides each project or tenant startup a designated coach that facilitates the case and the work ahead with practical questions and issues related to the strategic development of the project. These coaches are given a clear activity plan. The working method is described in detail in a document that clarifies the development process from idea to established company or business deal, and how the process can be promoted. This process has been documented in a Standard Operation Procedure that resembles the development process in the Medtech business.

UBI operates in a scientific context in which verification and testing are central to the *business culture*. UBI's work has similarities with the testing stages that apply in the pharmaceutical industry, whereby each product goes through (1) an idea phase, (2) preclinical studies, then (3) three phases of clinical trial, to finally (4) market

launch. UBI stresses that it is crucial to set clear goals and sub-goals early in the development process, and then work purposefully according to the Standard Operation Procedures to effectively pursue the projects. At the same time, UBI emphasizes the creative role of the incubator in that the exact process “depends on what phase the current case or company is in. There is also some individual freedom in coaching as long as the overall incubation process is followed and reconciliation is discussed with others in the [business coach] team.”

Uminova Innovation AB (UI)—the second incubator—offers support for “startup companies with growth potential.” Venture ideas emanate from students, researchers, and staff at the university, the university hospital, and from the business community in the region. UI focuses on different types of business ideas with an emphasis on tech firms. UI offers initiatives such as (1) startup programs for new business ideas, and (2) an accelerator program for companies that can and want to scale quickly and already have a good team in place. In 2018, there were between 60 and 70 business ideas and startup companies at various development stages and phases in the incubator. “Nobody knows in advance what to do when starting a successful business, and what to do when you want to support a company. It changes over time.” One of the general problems described in developing research from the idea stage to a growing company is that the idea-owner and team is not focused enough and fails to allocate enough time to move the project forward. UI therefore tries to provide external people who can participate and push the project forward, helping to build entrepreneurial teams. UI works to continuously supplement the team, set up shadow boards, and otherwise ensure that the original project owners are complemented with the resources needed for successful development. The incubators also charge tenant firms rent for staying in the incubator. The incubator, like other incubators, works according to common methods in the *entrepreneurship support industry*, such as *customer development* and *lean canvas*, to quickly find out if the idea is feasible and then uses *acceleration processes* to start scaling up.

The incubator is also involved in efforts to impact the local entrepreneurial ecosystem through external activities such as networking events and different types of external information. The goal here is to create meetings, *creative arenas*, between different individuals who can contribute to the development of ideas and to create good general conditions for commercialization. Every year an event called Umeå Tech Arena is organized. In 2018 about 400 participants—entrepreneurs, students, researchers, investors, and businesses—participated.

eXpression AB—the third incubator—was started in 2014 at the university’s art campus. The purpose was particularly to support business ideas in the cultural, artistic, and creative industries, including business ideas in design, architecture, art, social media, informatics, journalism, music, film, fashion, and gastronomy. eXpression seeks to “unite creative minds. . . The incubator welcomes differences and similarities, in an environment of co-creation and community. With a dynamic method, innovative environment, and experienced coaches, the incubator supports the idea-owner to release their inner entrepreneur.” During 2018, eXpression worked on several activities including a startup program (Express program) and an incubator program (Creative Corporation). The summer of 2018 was the second time the

summer eXpression activity was conducted. The incubator also managed a large number of workshops. eXpression emphasizes that people within the incubator's framework are often value driven and want to start operations as a means of achieving things like environmental sustainability and equal opportunities. Many are initially one-person companies "who, through the incubator, want to develop as part of a larger network, to reach further." Creating new ventures in the arts sector primarily stems from creativity, and the incubator staff argue that business is "more than just making money. But still the project-owner wants to be economically self-sufficient and wants to be responsible, and to move forward, to be active in 'new industry networks.'"

3 Incubator Support Action in Practice: A Conceptual Discussion

The narratives above display different aspects of incubator support. Intervention design depends on many different factors, internal incubator resources, and specific firm contexts. The narratives above can be coarsely summarized with three types of support measures.

3.1 Information and Nudging for Utilization

One crucial task for the innovation support system and especially for the innovation office is to *nudge* toward utilization, to foster an interest among students, professors, and other employees within academia to practically apply ideas to benefit society.

3.2 Direct Support in Solving Problems

The innovation office and incubators support the startup process with external expert advice and resources, with the aim of solving concretely identified problems. It could be an idea-owner in a pre-incubator phase or later a startup team that needs technical or business expertise to solve immanent problems. Thus, the innovation office and incubators provide—with their own resources or through intermediation with external consultants—concrete advice on legal intellectual property issues as well as production techniques and the like: problems where relevant parameters are known and can be identified and calculated as a basis for the advice given.

3.3 *Coaching Along the Startup Process*

As the empirical description of praxis has shown, it is not regarded as sufficient to provide direct support to solving identified problems. The innovation office can support the idea-owner in the early phase, and incubators—as with UBI—can offer *full service support*. Each project is given a designated coach that facilitates the case and the work ahead, and deals with practical and strategic questions. Hence, it is equally important to facilitate the whole startup process, to take the project all the way to economic and social realization of a *business deal*. For eXpression it is to “help the artists to release their inner entrepreneur.”

3.4 *Networking and Providing Creative Arenas*

Much of the activities in the innovation support system concern networking, *bridge-building*, and providing *creative arenas*. The innovation office arranges different kinds of gatherings and seminars and other campus activities in order to *nudge* the utilization of activities. The incubators arrange different events where people from the business community meet and mingle with academic entrepreneurs. In Uminova Innovation, this is to build “Community and Culture” and eXpression talks about an “environment of co-creation and community.” The aim expressed in all incubators is to enable creative meetings in which startup entrepreneurs or startup teams can extend their business networks in order to further refine their business ideas.

One challenge for these organizations is to construct an organizational structure that effectively maintains and enhances these support processes over time. The basic support processes identified in this chapter have been summarized in four different categories: Nudging, direct support, coaching, and creating arenas. The different activities take place in four different organizational structures: In the innovation office and in each of the three incubators. Figure 2 illustrates the challenge. Each part of the innovation support system has its own *specialties*: In short, a focus on scouting/nudging and pre-incubation; on biotech; on art and design; and on high-tech products and more general services. A crucial question is the extent to which the different support processes—the four basic activities—are specific to each organizational body or whether the measures can, and in that case how, be used more generically throughout the whole system to achieve synergies. Another is how the majority owner—the Holding Company—can facilitate and secure an even more effective use of existing and new innovative measures, without taking away the responsibility for strategic vital choices from the project-owner team.

Two intertwined aspects must be considered in the process depicted in Fig. 2 the ongoing support *processes* in the system and the organizational *structure* of the system. Closely related to the structuring of the system is the question of how results should be measured. More traditional measurements and indicators, such as estimating the number of companies leaving the incubators and the employment impact,

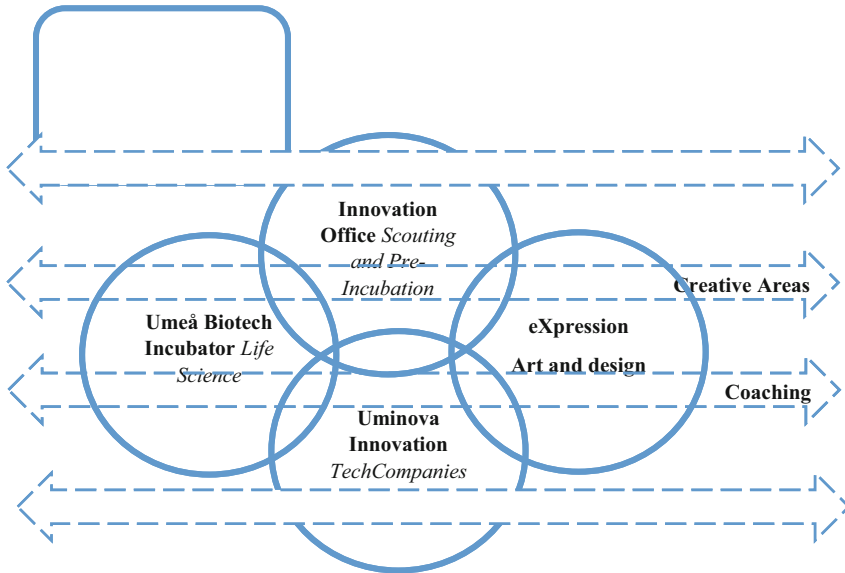


Fig. 2 Structures and processes in the Umeå innovation support system

profitability, and survival rate, are important. Yet such simple quantitative indicators generally indicate that most incubators may fall short of the goals they aim to achieve (Ejemo, 2019). Thus, alternative policy choices must be considered. It is important to ask how the system impacts attitudes and values toward utilization, and to what extent the system is an essential part of the Umeå region’s economic ecosystem.

4 Conceptual Rationales Behind Public Support Systems for Innovation

In general there are few explicit theoretical arguments for the provision of economic interventions such as innovation policy. See SOU (1993:70) *Strategy for Small Business Development*, (SOU, 2000:93) *Governmental Organization for Industrial Policy*, and also OECD (2013). No explicit references to theoretical notions are made in the governmental inquiry (SOU, 2020:59).

The innovation support system—directly or through the mediation of consulting services—provides expert advice and ready-made solutions. This assumes that there are rational solutions to problems faced by entrepreneurs and that a generic knowledge is equally attainable for all startup companies. The reasoning is that it is possible to provide support to tackle intellectual property issues, labor-law problems, and other more strategic problems that constitute the *everyday reality* in startup processes and incumbent small businesses. This idea has been expressed by several government investigations besides the aforementioned governmental investigation

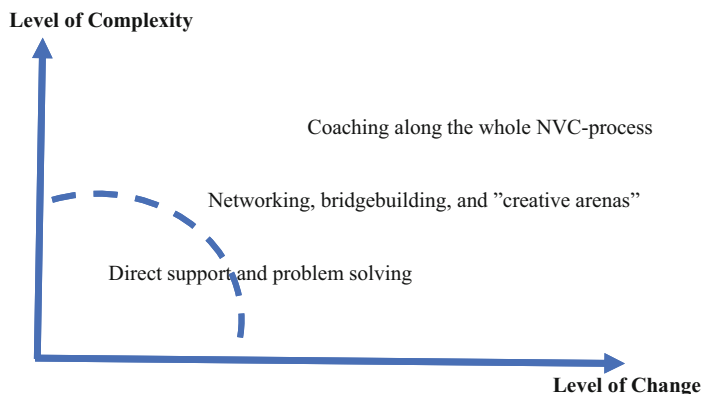


Fig. 3 Complexity and change in the incubation process

(SOU, 2020:5959). In these reports, investigators see no obstacles to offering operative or strategic support directly to startups.

However, two fundamental sets of questions always arise. First, what kind of resources can—efficiently—be provided through public interventions, and are there limitations? Second, if the intervention is, by necessity, limited to concrete and tradable services, how will that impact the market? Is there a risk that public interventions distort the functioning of the market?

Figure 3 schematically illustrates situations in which the complexity is so vast, and the level of change is so high that it is not realistic to find grounds to offer concrete and direct advice. Accordingly, in these circumstances there will be no viable advisory services to purchase on the private market. The *solution* is to organize a creative arena in which the project team is exposed to the resources they need for entrepreneurial judgment. It is simply too difficult to determine a market price and make a reasonable business contract. In these strategic circumstances, the startup team has to lean upon its own *entrepreneurial* judgments, within its own *organizational hierarchy*. Coase (1937) distinguishes between “initiative or enterprise” on the one hand and “management” on the other. Put simply, management can be purchased on the market or, as in this case, be offered by public support agencies, while initiative and enterprise remain basically entrepreneurial. This limit, where the complexity becomes too great, must be handled with entrepreneurial judgment—here labeled the Coase/Williamson line—and it is, of course, not static. Nor is it possible to determine in advance or in general. This boundary has also, not least in recent times, changed radically and has been moved *further away from the origin point* in Fig. 3.

4.1 Direct Interventions May Run the Risk of Causing Market Distortions

The interviews indicate that in practice, the innovation office and incubators rarely give direct advice on strategic issues, thus limiting their activity to organizing strategic arenas focusing on mediation of support and avoiding direct support measures. What is seen as effective in the individual case and to benefit certain individuals may be seen as counterproductive at the market level (see Growth Analysis, 2015; OECD, 2013). Do selective industrial policy cause growth?

The most common drawbacks associated with direct support are the so-called *pick-the-winner problems*. When the support is selective, this means by definition that not everyone can receive support. Thus, the question arises, how should the support provider—in this case the incubator—select the *right* companies or projects to help? From a broader perspective, should the support provider impose positive change at the local market level? And how can the policymaker avoid supporting *wrong* companies that lack potential and thus in the worst-case scenario launch support that slows down or impedes a desirable process of creative destruction?

Another difficulty has to do with so-called *displacement problems*. In the previously mentioned Umeå study, Hjalmarsson (2017) shows that a significant proportion of the new companies in the region are active as consultants and business-to-business service providers. In the adverse case, incubators offering similar services to private actors could make it difficult for new companies to operate in local markets.

Other problems associated with providing direct support to startups can emerge. One may be that entrepreneurs use public support as their *business idea*: They simply see different types of grants and benefits as sources of income, something referred to as *rent-seeking* or *subsidy entrepreneurship*, that is, firms systematically apply for and obtain a collection of government subsidies. Research on such subsidy entrepreneurship has shown that firms that receive more government support tend to have lower productivity and pay higher wages (Gustafsson et al., 2020).

Public support systems for innovation—contrary to what has sometimes been assumed in government documents—do not provide a clear basis for program theories validating direct strategic support and extensive coaching. When incubators and other supporting agencies operate in *large worlds*, the theoretical basis for this kind of far-reaching direct support is missing. In these cases—as will be discussed in the concluding section—only the entrepreneurs themselves can make legitimate decisions (Foss & Klein, 2012). The service provider has in most cases limited their advisory services more concrete, tradable services to avoid direct intervening in entrepreneurial decisions. See also Hjalmarsson and Johansson (2003). As discussed above, the innovation support system should avoid causing *market distortions*. First and foremost, it should handle the so-called pick-the-winner problem. Additionally, there is always a risk of displacement and rent-seeking such as subsidy entrepreneurship. All these caveats are explicitly discussed and dealt with by the Umeå innovation support system.

4.2 Focus on Favorable Conditions

The ambition to provide favorable institutional conditions may from the local perspective serve as a kind of rationale or program theory for the efforts made by the incubators when they create *meeting places* and *creative arenas*. They actively *produce* favorable conditions, a kind of *free and thick market*, to allow for entrepreneurial judgments locally and regionally.

Incubators and innovation offices offer “*commons*,” to use a concept from Sölvell’s (2015) *Construction of the Cluster Commons*. The basic idea is that commons provide an arena in which entrepreneurs can meet potential customers and business partners and have an opportunity to find what Lachmann (1986) defines as “unthought-of information.” Thus, a significant part of the resources within the innovation support system is used to design these kinds of creative environments or *local markets*; everything from the annual Umeå Tech Arena event to seminars and courses for researchers and doctoral students: The Social Innovation Hub, Summer Verification, Innovation Boot Camp, Startup Coffee, Summer eXpression, and much more. In principle, a public support program theory could then be based on an attempt to—using Foss and Klein’s concept (2012)—“organize” entrepreneurial and creative meetings, based on regional and local conditions where *unthought-of information* can emerge. This explains the usefulness of providing *creative arenas*.

Consequently, it is possible to find theoretical support for organizing these different kinds of creative arenas. However, the questions remain, what is lacking in the local environment? What needs to be supplemented with these types of *arenas*? How can a better understanding of the incentives and motivations for individual entrepreneurs be developed?

5 Discussion and Conclusions

The empirical material discussed in light of various established theoretical perspectives suggests that there is no once-and-for-all *best* way to initiate and promote startup processes in local contexts. Thus, there is no once-and-for-all theoretical grounds for a simple and general program theory. One voice summarizes the complexity of innovation support:

Nobody knows in advance what to do when starting a successful business, and what to do when you want to support a company. It changes over time. . . . the entrepreneurial journey is never predictable, and the development process is rarely *a piece of cake*. Therefore, the incubator must also be innovative in itself and able to adapt its own business model to each case, to the company’s operations, and to the individual’s skills and experiences.

The very concept of innovation connotes complexity and dynamism. Innovation is by definition something new, not a previously existing artifact. The process of starting a business with the aim of producing an innovation is indeed an elusive phenomenon. And public innovation policies with an aim of intervening in order to enhance this innovative startup process are indeed elusive as well.

Every innovative business concept and every entrepreneurial startup process has its own specific qualities, every regional and local development environment has its own unique conditions, and every incubator has its own strengths and weaknesses. Therefore, a program theory framework of the kind suggested above could be seen as a road map for policymakers in the process of developing specific innovation policy measures—in local and regional contexts—that addresses all these aspects of innovative developments simultaneously.

In some “thin” regional markets in northern Sweden, direct support may be of greater importance than in other more “thick markets” elsewhere (see Amezcua et al., 2013). Creative arenas or meeting places are always an important intervention, not least as a way to change attitudes toward starting businesses. In some economic ecosystems, there could be a lack of business role models and difficulties finding experienced board members. Here, sounding board coaching may be especially important. All kinds of activities are also involved in the crucial information and nudging task: The aim of fostering increased interest and ability to pursue the utilization of ideas.

5.1 Direct Support with Limits

In the spirit of Stinchcombe (1965), the innovation support system wants to provide startups with direct support during the whole New Venture Creation Process. Theoretical arguments for this type of direct advisory service have been expressed in various public government documents (SOU, 1993:70 and SOU, 2000:1993) based on a relatively superficial understanding of industrial organization economics, for example, on Stiglitz’s (2000) discussions on mitigating market failures. This type of reasoning has also been reiterated in international bodies such as the OECD (2013) and the previously mentioned government investigations (SOU, 2020:59).

However, scholars like Coase (1937), Hayek (1945), and Williamson (1975) indicate clear practical and theoretical limitations for external resource supplementation. A direct effort to provide publicly funded strategic advice, which goes beyond what here has been labeled the Coase/Williamson limit, where the complexity and dynamics are too extensive, cannot be reasonably efficient when seen from both the individual level and the market level. As elaborated above, external expertise can be used when the task is of a concrete and rational kind; such advice could potentially be obtained on the private market. Here the following problem arises: If the publicly funded support system offers tradeable services, market distortion may occur. And if the support system offers *entrepreneurial judgment*, problems of accuracy and

economic responsibility arise. It is important that project owners constantly maintain the crucial decisions.

The “construction of new markets,” as Kjellberg and Helgesson (2007) explain, is always associated with realizing something *new*. No one knows in advance what will succeed. When entrepreneurial (ownership) decisions are required, these decisions cannot be *outsourced* to external experts. Foss and Klein (2012) also discuss the possibilities of *organizing* this type of support to achieve “entrepreneurial judgments” in complex and genuinely uncertain situations. And like most proponents of the entrepreneurial university they claim that participation in strategic decision-making must include shared ownership and financial responsibility. In principle, this can lead to the public support provider, in effectuating this kind of direct support, in fact transforming into an entrepreneur. Thus, direct advisory services must be limited to services that in practice can be found in existing or potential markets.

As discussed in the previous section, a program theory must acknowledge the inherent caveats associated with direct support. Publicly funded support by necessity may come close to tradeable services, and the following shortcomings may arise and must be recognized in a framework for such programs. It is important to address these issues:

- Allocate selective resources to avoid the so-called *pick-the-winner problem*.
- Escape the risk of crowding out private companies—so-called *displacement problems*.
- Prevent *rent-seeking*, the possibility that entrepreneurs use public support as a way of earning a living, as a rent-seeking business idea in itself.

As mentioned in the introduction, improved program theories are needed as an important step to enable evaluations that provide feedback, learning, and accountability. Without a theory-driven learning process, the policymaker may fall short in understanding how to better provide selective public innovation support. And without this understanding, policy measures will be based only on faith and wishful thinking, not facts and proven experience. In Umeå, the acting entrepreneur is in focus, as addressed by the Austrian economic paradigm.

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