

SPACE TO GROW: NEW MODELS OF BUSINESS SUPPORT

Accelerators, incubators and accountants



What are accelerators and incubators?

Incubators support business creation and development. They are typically physical spaces that provide additional services such as training and mentoring for entrepreneurs, access to networks and, sometimes, specialist equipment or facilities such as laboratories. They can be non-profit institutions set up by universities, governments, agencies, donors, or commercial enterprises set up by private sector companies and investor groups.

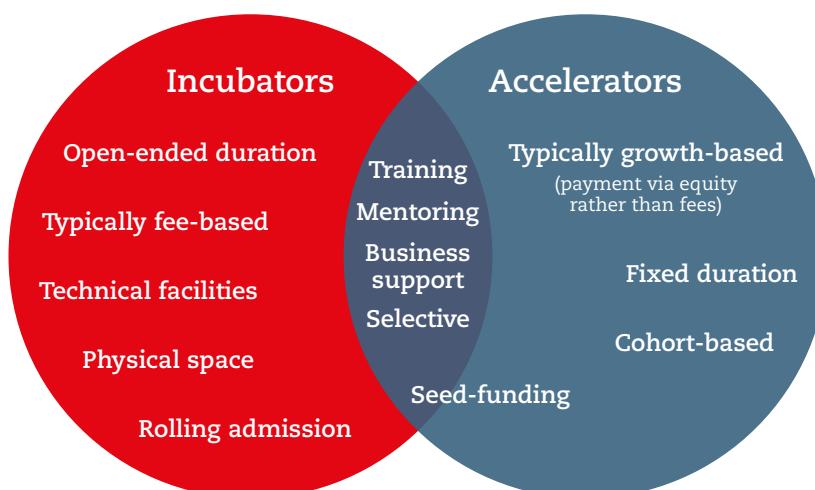
Accelerators focus on growth and have historically put greater emphasis on funding, although elements such as networking, mentoring and market access are increasingly seen as equally important. A key feature of accelerators is that they offer highly selective and time-limited programmes.

Figure 1 graphically presents key distinctive features of accelerators and incubators as well as overlapping areas of support provided by both models. Experts interviewed for this report underline the increasing convergence between the two types of support models.

Accelerators and incubators are continuing to change the business support landscape

Depending on the country, incubators and accelerators can provide general business support and access to finance to a wide range of start-ups and SMEs, or in-depth support concentrated on specialised industry verticals and sectors. Their goals differ between countries and regions: in the emerging markets the aim may be primarily to foster entrepreneurship as an alternative to employment and encourage businesses that will themselves create jobs. Or they may intend to create 'clusters' of new enterprises and promote the country as a target for more inward investment. In more mature markets, such as the UK, incubators and accelerators may focus more narrowly on very high-growth sectors and candidates. Different goals have different patterns of risk: a high failure rate may be acceptable when the goal is to help investors to find the next 'unicorns', less so when it is to create a generation of resilient and self-supporting entrepreneurs.

FIGURE 1: Defining characteristics of incubators and accelerators





INCUBATORS AND ACCELERATORS FOSTER RESPONSIBLE AND SUSTAINABLE ENTERPRISES.



Accountants can augment and support this evolving ecosystem

The role of incubators is generally either to fill gaps in existing support for businesses or to go above and beyond such support, as well as ensuring that businesses do in fact access that support. They cannot and do not attempt to replicate the accountant, and accountancy firms should not feel threatened by these models, but rather seek to join the 'ecosystems' that are growing up around them. This might mean access to clients or the introduction of their own clients to the right incubators or accelerators. Accountants can also learn from and replicate parts of the accelerator's and incubator's model in their own service offering.

Professional associations, such as ACCA, are also a natural partner for incubators and accelerators and can work with them to ensure that entrepreneurs get the highest level of professional support. They also play a valuable role in articulating business concerns at a policy level and helping to create a start-up-friendly environment.

Finance and beyond: broadening the support base for clients

Assisting access to finance is a major role for accelerators and incubators, but advice and ensuring good governance are, if anything, more important. As well as introducing entrepreneurs to investors, accelerators and incubators will offer everything from a basic grounding in financial literacy to an understanding of the power of analytics.

For start-ups, the breadth of advice and access to communities of peers and networks of investors is more important than simple funding. In addition to practical advice from people who have faced or who share similar challenges, there is an emotional element of support and validation that is invaluable to entrepreneurs and their teams. Because these networks are also matching businesses with suitable connections, they create further opportunities: to trade and to partner and enter new markets, to innovate and adopt new technology. The key point is that these resources are blended: for example, start-ups select investors not just for their willingness to invest but also to add value from their experience, contacts, market access and so on.

Accountants, who are interested to replicate the accelerators and incubators models should therefore take a more holistic

view of their clients' needs and ambitions and try to match it to what they themselves have to offer: in providing not just solutions to specific problems but access to communities and networks, to help their clients learn and develop, drawing on a broad mix of resources: financial, technological and advisory.

Incubators and accelerators foster responsible and sustainable enterprises

Some incubators and accelerators are very much targeted on a particular social impact, whether that be social inclusion, sustainability or other social benefits. But any incubator will be looking to set its entrepreneurs on a path which is both financially and socially responsible, pursuing not just growth but sustainability. The ecosystem mentality may have wider applications in promoting business resilience and sustainability more generally.

Impact incubators demonstrate how the support model can be fine-tuned to produce social outcomes. Incubators have been effective stimulators of entrepreneurship activities by women and people from ethnic minorities and other underrepresented groups. Some incubators focus on producing green products and disability aid or promoting financial literacy and employment.

New business support models will play a vital role in post-COVID-19 business recovery

COVID-19 has put extreme pressure on smaller businesses, many of which have had to close their doors as a result. Others have experienced extremely rapid growth. Many support networks have found their members and alumni looking to them for support, not to grow but to survive. A number of incubators and accelerators have activated their members and former members to work together for mutual support and to find innovative solutions to a range of issues thrown up by the crisis.

In this crisis, the tool sets developed by the incubators and accelerators have proved very adaptable: existing businesses may have been forced into start-up, or rather 'start-anew' mode, looking for new business models that will enable them to find new markets or serve existing customers in different ways, while coping with pressures on supply chains, logistics and finance. Others will have had to cope with the consequences of explosive and unexpected growth putting a strain on all their systems.