

COURSE 05: BUSINESS INCUBATORS AND ACCELERATORS

INTRODUCTION

Business incubation formally began in the US in the 1960s, and later developed in the UK and Europe through various related forms (eg. Innovation centres, technopoles/science parks).

THE IMPORTANCE OF ENTREPRENEURSHIP

It is generally agreed that the following five characteristics are what entrepreneurial spirit is all about:

- Technical Preparation;
- Business and Management Skills;
- The capacity to use resources and information to take advantage of business opportunities; (and more specifically for individuals)
- Personal characteristics including genuine passion, flexibility and hard working values;
- Interpersonal skills to understand social impact of business development.

DEFINITION

An incubator is a physical location that provides a defined set of services to individuals or small companies. This may include specific types of office space, flexible lease terms, access to technology, financing, and technical assistance (such as marketing, legal, finance, HR, and other business development services). By locating similar or complementary entities in proximity to each other, the incubator may also play a critical role in promoting knowledge transfer, both formally and informally.

Incubators recognized as a way of meeting a variety of economic and socio-economic policy needs which can include:

- Employment and wealth creation.
- Support for small firms with high growth potential.
- Transfer of technology.
- Promoting innovation.

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1 Business Incubation Definitions and Principles.

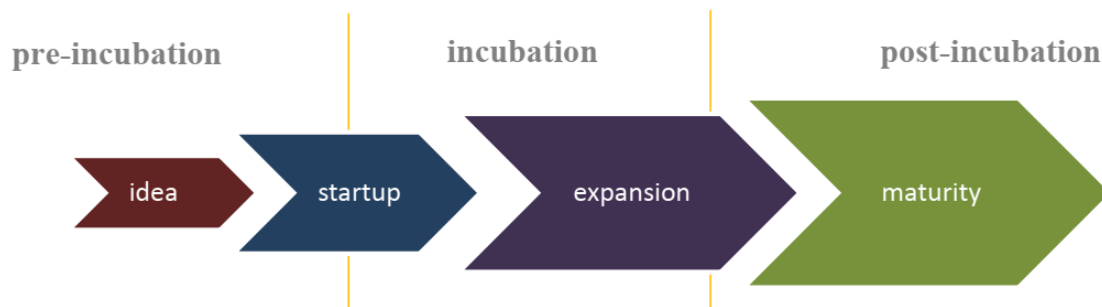
2. Mixed-use Incubator Handbook: A Start-up Guide for Incubator Developers.

- Enhancing links between universities, research institutions and the business community.
- Industry cluster development.
- Assessment of a company's risk profile.

BUSINESS INCUBATION PROCESS

Is a unique and highly flexible combination of business development processes, infrastructure and people designed to nurture new and small businesses by helping them to survive and grow through the difficult and vulnerable early stages of development.

UNDERSTANDING THE PROCESS



Germinate

This is the very earliest stage of intervention, where you are Ideas.

Preincubation- Expensive Risky public

helping an individual with an idea. Some incubators can afford this kind of activity where they can access public support or private risk capital. This is often required in hightech innovation industries and with incubators closely attached to Universities. Sometimes this innovation comes out of need, rather than opportunity, and is very risky.

Incubate/ incubation- Start-ups –Expensive- Part subsidized

This is where an idea has graduated to a plan, with a team, and operations have begun. Incubators can help refine the plan, build the team, provide resources and invest in the company. This is also a relatively early intervention, before the company is profitable. Companies are often not able to

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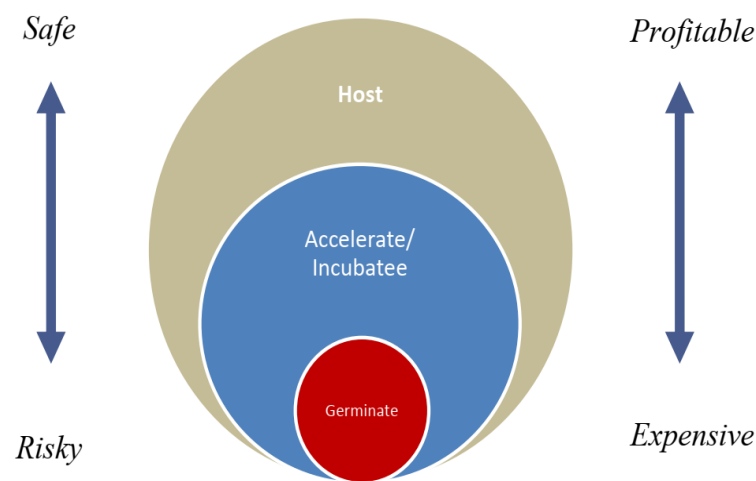
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pay for services, and assistance is general. Also known as ‘acceleration’ this focuses on more mature start-ups (Companies can pay for services, and need targeted assistance).

Host/Postincubation- Mature-Safe

This is where a profitable company merely seeks a particular type of facility. No intervention is required by an incubator, but we include it here as we feel many incubators act as hosts to some companies, for some period of time, and this relationship with mature companies can be a crucial strategy to assist with and subsidize their other programs.



Most incubators are not single-purpose. They may provide assistance to very early stage companies (germination) as well as mature companies (tenancies). This mixed use model is particularly appropriate where a diversified revenue model is required. To some they perhaps are serving only as a landlord, and to others they are deeply involved providing financial and business development support.

BUSINESS ACCELERATOR

A business accelerator is an organization dedicated to accelerating the growth and development of high-potential startups and emerging companies. Unlike business incubators, which primarily focus on the early stage of businesses, accelerators work with companies that have already started their activities and seek rapid growth. Business accelerators offer intensive, growth-oriented programs with a limited duration, usually three to six months. During this period, selected companies receive support, mentoring, and resources to accelerate their growth and achieve significant milestones in a short period of time.

Business accelerators provide a variety of services and benefits to participating companies. These can include:

Mentorship: Selected companies receive guidance and mentoring from experts in business and entrepreneurship, who contribute their experience and knowledge to help overcome challenges and seize opportunities.

Funding: Accelerators may offer initial funding to selected companies in the form of direct investment or access to networks of investors and venture capital. **Workspace:** Participating companies often receive shared workspace in the accelerator's facilities, allowing them to interact and collaborate with other entrepreneurs.

Network: Accelerators provide access to a network of contacts and industry connections, which can facilitate finding customers, business partners, and growth opportunities.

Training Programs: Accelerators typically offer training programs and workshops on various business topics, such as strategy, marketing, sales, finance, and management.

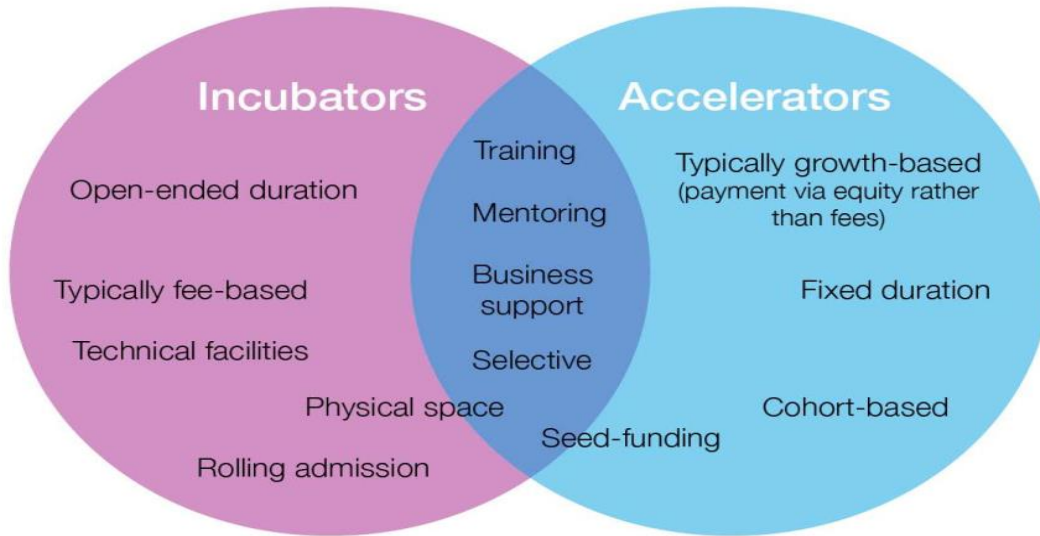
The primary goal of a business accelerator is to help startups grow rapidly by providing them with the necessary resources, support, and connections for accelerated development. At the end of the acceleration program, companies are expected to have achieved significant growth, validated their business model, and be prepared to seek additional funding or enter the market more solidly.

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FEATURES BETWEEN INCUBATORS AND ACCELERATORS



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