Business Incubators and Accelerators: The National Picture

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Mission to ‘help bring great ideas to life’

- Policy, Analysis & Research
- Tools & Skills
- Investments
- Practical Programmes
Startup Research

- Good at starting businesses (383,075 business births in 2016)
- Only 2 in 5 make it to be 5 years
- ~1% become scale-ups - growing by 20%+ or more or 3+ years
- Shift 1% of SMEs with 10-49 employees into scale-ups -> +234,000 jobs and +£39 billion to GVA within three years

### Intervention potential – 1% into HGFs

<table>
<thead>
<tr>
<th>Employment band</th>
<th>Total business population</th>
<th>1% of businesses into HGF mode</th>
<th>Aggregated additional employment impact</th>
<th>Aggregated additional turnover impact £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-49</td>
<td>186,745</td>
<td>1,867</td>
<td>52,276</td>
<td>7.1</td>
</tr>
<tr>
<td>50-249</td>
<td>30,685</td>
<td>307</td>
<td>43,287</td>
<td>7.1</td>
</tr>
<tr>
<td>250+</td>
<td>6,595</td>
<td>66</td>
<td>142,560</td>
<td>24.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>224,025</strong></td>
<td><strong>2,240</strong></td>
<td><strong>238,123</strong></td>
<td><strong>38.72</strong></td>
</tr>
</tbody>
</table>
Definitions

Defining Characteristics of Incubators and Accelerators

- **Incubators**
  - Open-ended duration
  - Typically fee-based
  - Technical facilities
  - Physical space
  - Rolling admission

- **Accelerators**
  - Training
  - Mentoring
  - Business support
  - Selective
  - Seed-funding
  - Typically growth-based (payment via equity rather than fees)
  - Fixed duration
  - Cohort-based

Source: Adapted from Dempwolf et al. (2014)
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Numbers:
- 205 Incubators
- 163 Accelerators
- 11 Pre-accelerators
- 7 Virtual accelerators
- 4 Virtual Incubators
Overview - Incubators

- Supporting around 3,450 new businesses a year
- Average residency ~2 years
- All provide office space
- 72% of incubators funded through fees / rent but often (>40%) subsidized by public funding
- Cater to pre-startup -> later stage scaling ventures but concentrate on early-stage ventures
Overview - Accelerators

- Supporting around 3,660 new businesses a year
- Average cohort = 16 & duration ~6 months
- Mentoring and funding are most common form of support
- Average investment of £39,000, ~£33 million invested per year
- 46% take equity in startups (average 7% share)
- More than half funded by corporates and more than 40% receive public funding, only 8% VC funded
- Cater to similar business stage profile to incubators
### Sectoral distribution

- The Majority have no sectoral focus or a broad digital focus
- High reliance on public funding by Agritech & Transport incubators and Space and Satellite accelerators

#### Top 5 sectors of focus

<table>
<thead>
<tr>
<th>Incubators</th>
<th>Accelerators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital</td>
<td>Digital</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>Social Enterprise</td>
</tr>
<tr>
<td>Engineering &amp; Manufacturing</td>
<td>B2B</td>
</tr>
<tr>
<td>Health &amp; Wellbeing</td>
<td>Health &amp; Wellbeing</td>
</tr>
<tr>
<td>Energy &amp; the Environment</td>
<td>Fintech</td>
</tr>
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</table>
Geographic Distribution

- More than half of accelerators based in London
- Incubators more evenly spread throughout the UK
- Some LEPS (Marches and Cumbria) have no Incubator or accelerator
Do Accelerators Work – Adding Value

“If the accelerator provided no funding to your company at all, how much equity would you give them just to go through the program?”

Survey answer:
• 21% of startups would allocate no equity;
• 55% of startups would allocate 1-6% equity, even without funding.

Most valued components:
• Mentorship / Coaching / Feedback (>80%)
• Network / Alumni / Prestige (>80%)
• Investment & Financial benefits (>30%)
• Connections to investors (>30%)

Source: Jed Christiansen for Accelerator Assembly, based on suggestion from Ian Hogarth
“accelerated ventures grew revenues at a rate (+36.4%) that was roughly three times faster than the ventures that applied but were not accepted... Employee growth was also roughly 3x larger.”

“First, the rate that companies get acquired after completing top tier US programmes is higher than the average rate of US VC backed companies. Second, companies from top tier accelerators are likely to see earlier exits than the average VC backed company.”

Source: Michael Birdsall, Clare Jones, Craig Lee, Charles Somerset and Sarah Takaki, University of Cambridge, 2013
But do they create success or just select for it (or both)? If former, how much is due to signalling effect?

Source: Michael Birdsall, Clare Jones, Craig Lee, Charles Somerset and Sarah Takaki, University of Cambridge, 2013
Our current study

• BEIS funded study with LSE, Open University and Beauhurst
  • What is their effect on startups they support?
  • What is their effect on the ecosystem around them?
1. **Focus groups**
   - **Programme managers**
     - Activities, Links to ecosystem (e.g. LEPs, Universities, VC and public bodies), Selection processes, Barriers
     - **Ability to share data on startups they support / scores they gave applications**
   - **Startups that have been through programmes**
     - Barriers, How accelerators helped overcome these, Have they benefitted from other startup support e.g. SEIS, Incentives to answer survey

2. **Survey of accelerators and incubators (from database)**
   - Questions informed by focus groups, collect data on accepted / non-accepted startups and the scores they were given
Accelerator and incubator survey – Objectives

- Achieving social impact, promoting innovation within a particular sector and local economic development were the most important goals.

- Biggest difference in goals was found in terms of Generating a financial return for your owners/investors, Accelerators more likely to regard this as Important or Very Important.

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<th>Objective</th>
<th>Accelerators</th>
<th>Incubators</th>
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<tr>
<td>Achieving social impact (e.g., solving pressing social problems)</td>
<td>74%</td>
<td>67%</td>
</tr>
<tr>
<td>Promoting innovation within a particular industry</td>
<td>72%</td>
<td>82%</td>
</tr>
<tr>
<td>Local economic development/regeneration</td>
<td>68%</td>
<td>81%</td>
</tr>
<tr>
<td>Strategically supporting the parent organisation (e.g., creating an innovative culture or awareness of)</td>
<td>62%</td>
<td>57%</td>
</tr>
<tr>
<td>Generating a financial return for your owners/investors</td>
<td>40%</td>
<td>62%</td>
</tr>
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</table>
Accelerator and incubator survey – Perceived benefits

- Some key benefits consistently highlighted by both incubators and accelerators
- However, also some big differences between incubators and accelerators

% of times selected in the top 3 programme benefits

- Access and connections to potential partners and customers
  - Accelerators: 59%
  - Incubators: 31%
- Access and connections to potential investors/funders (e.g.,
  - Accelerators: 59%
  - Incubators: 46%
- Business skills development (e.g.,
  - Accelerators: 54%
  - Incubators: 42%
- Testing & refining business model
  - Accelerators: 46%
  - Incubators: 39%
- Access and connections to peers
  - Accelerators: 46%
  - Incubators: 38%
- Other
  - Accelerators: 18%
  - Incubators: 11%
- Direct funding from the programme (e.g., grants or investments)
  - Accelerators: 16%
  - Incubators: 10%
- Awareness and credibility (e.g., association with a recognised
  - Accelerators: 23%
  - Incubators: 10%
- Laboratory space or technical equipment
  - Accelerators: 18%
  - Incubators: 5%
- Helping with team formation
  - Accelerators: 18%
  - Incubators: 3%
- Legal / financial / marketing support
  - Accelerators: 11%
  - Incubators: 3%

Accelerator and incubator survey – Perceived benefits

To what extent are these barriers preventing you from maximising your impact on participating ventures? Percentage reporting ‘To a very great extent’ or ‘To a very great extent’
Our upcoming study

1. **Surveys**
   - Startups that were accepted and non-accepted (based on info from programmes)
     - Questions informed by focus groups, collect data on startups progress since programme e.g. (Investment, turnover/employee growth)

3. **Compare success of those who were accepted to those not-accepted**
   - Overcome selection concerns - effect of differences in performance of accepted / non-accepted above predicted by application scores (Regression discontinuity analysis)
   - Ideally model would also include types of intervention e.g. Training, mentoring, office space, technical facilities

4. **Analysis the Ecosystem effect**
   - Look at the change in VC investment and business births following at Local Authority level following launch of accelerator or Incubator

We Need your help!
Download the full report and directory here: