

The difference between business incubators and accelerators

Starting and running a business is challenging especially in today's economic climate. More than ever, the right support network for a small or medium-sized business can significantly improve the odds of success. This is where accelerator or incubator programmes can be incredibly useful and it's the reason that more and more SMEs rely on these programmes to assist with their growth.



Source: www.pexels.com

But what is the difference between the two? What benefits do these programmes provide and which one is right for your SME?

According to Megan Wuite, an executive at B&M Analysts, though the terms accelerator and incubator are often used interchangeably, there are distinctions between them.

Accelerator programmes help SMEs that demonstrate potential for rapid growth with expert advice, training, mentoring, networking, and often financial support too.

“Accelerators work with business owners for a set timeframe to ‘accelerate’ their growth, and help build a business to the point where it is investment-ready and scalable,” Wuite says.

Incubators on the other hand are programmes that work with budding entrepreneurs at the conceptual stage of the

business. Wuite explains: “Incubators nurture startups through the beginning phases of the business. They provide a conducive environment in which entrepreneurs can build on their ideas, determine the product-market fit and get investment-ready. They are the perfect platform for companies to set the foundations for their business growth.”

Here are three key differences between accelerators and incubators that SMEs should consider when choosing which programme is right for their business:

1. Stage of development

One of the key differences between accelerators and incubators relates to the company's stage of development. Incubators are primarily focused on startups, while accelerators target scale-ups. While both options provide guidance and mentorship, the business stage alters the focus of that guidance.

- Incubators help entrepreneurs discover and strengthen their Minimum Viable Product.
- Accelerators focus their guidance towards companies that have already developed a prototype, done project development, planned out their business and completed customer discovery. These ventures have a strong foundation and are looking for greater business traction as well as seed investment.

2. Duration of the programme

Another differentiator between incubators and accelerators is the duration of the programme.

- Incubators work based on the entrepreneurs' needs and have no time limit to the duration of the incubation services provided. These companies can be incubated for as long as they think is necessary.
- Accelerators, on the other hand, are meant to give SMEs the extra boost needed to successfully grow so they are bound by time. Accelerators, therefore, tend to take SMEs in cohorts and provide intensive training for entrepreneurs for a limited period up to 12 months.

3. Investor Funding

- Incubators are generally offered by private companies or organisations which provide support to startups by linking them to potential sources of funding; they provide coaching and mentoring, office space for them to work out of as well as access to legal counsel and networking opportunities.
- Accelerators on the other hand, help scale SMEs into full-fledged companies. A rapid, immersive programme, accelerators provide mentorship, access to supply chain networks (usually large, successful corporates), investment and preferential loans. They make the work of potential investors easier via their strict vetting process that ensures that only the SMEs with the most potential make it onto the programme. This is why investors often prefer to invest in accelerators as opposed to investing directly in the companies themselves.

Wuite says that while accelerators and incubators provide significant benefits to SMEs, from the differentiators provided, it is clear they should not be considered one and the same. Through careful self-reflection, entrepreneurs will be able to determine which is the right fit for their business.

She adds that if your SME is at the stage where you are ready to catapult your growth to the next level through market access to large corporate and investment opportunities, there are a number of cluster-based business accelerator

programmes available.

For more, visit: <https://www.bizcommunity.com>