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Three Myths about Business Incubators and Accelerator

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ATDC Georgia Tech, SeedRocket, Y Combinator, 500 Startups, and Techstars are well-known incubators[1] and accelerators[2] that have supported successful startups. Currently, incubation and acceleration programs are recognized as crucial instruments of worldwide policies that aim to stimulate regional innovation, employment, and economic progress by supporting the creation and growth of new firms. However, the reality could be very different, and some myths may surround the results expected from those programs.

Using a statistical analysis that combines the results of multiple scientific studies, my research discovered a positive relationship between participation in incubators and accelerators and the new firms' performance. However, that is not always the case. The results of my study uncovered three myths about participation in incubators and accelerators.

<u>Myth 1: Incubators and Accelerators Increase Chances of New Firms' Survival</u>

Business incubators and accelerators provide a resource-rich context (e.g., physical space, technical support, access to financial resources) that aids the new firms, but this does not necessarily guarantee firms' survival. I did not find that participation in those programs positively impacts new firms' survival. Existing research suggests that incubators and accelerators might originate dependencies that, in turn, hinders the new firms' survival when those programs end[i]. For example, an incubator may lead new firms to routines, competencies, and structures in a resource-rich environment that is not entirely congruent with the more competitive context outside the incubator. Moreover, those studies point out that new firms' survival depends on many other factors other than a resource-rich context (e.g., fit of resource type provided and environmental conditions).

<u>Myth 2: Incubators and Accelerators Facilitate New Firm's Growth</u>

Many entrepreneurs participate in incubation or acceleration programs aiming at their firms to grow. In those programs, entrepreneurs seek key resources that foster growth (e.g., financing, access to new markets) and connections with

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[1] An incubator is a center that helps new firms to grow in their early stages by providing them with rental space, shared offices, and assistance through business consulting services .

[2] An accelerator is a fixed-term, cohort-based program providing education, and mentoring to startup teams, preparing founders for public pitch events, and connecting them with experienced entrepreneurs, investors, and corporate executives .

universities and other stakeholders. Surprisingly, my investigation discovers that participation in incubation and acceleration programs does not positively impact the new firms' growth. The business model of incubators might explain this finding. Business incubators charge clients for rental fees. Thus, incubators might delay firms' growth, as this would result in reducing incubator profits resulting from space renting[ii].

Myth 3: Incubators and Accelerators Lead to Job Growth

For decades, new firms have been linked to the creation of employment. Also, incubators and accelerators are often viewed as instruments to favor the development of new firms. Therefore, these programs have been frequently linked with the development of new jobs. However, some researchers have pointed out that small enterprises do not constitute a significant source of employment through their first years[iii]. The results of my study confirmed this last argument. I found that participation in incubators and accelerators does not positively affect the employment generated by participant new firms.

There is no question about the popularity and importance of incubators and accelerators in the modern entrepreneurial ecosystems. However, policymakers, entrepreneurs, and corporations should expect realistic outcomes from such programs and avoid their myths.

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