



## PROPELLING LOCAL SYSTEMS OF INNOVATION: ARE INCUBATORS, HUBS AND ACCELERATORS THE CATALYSTS FOR INNOVATION AND ENTREPRENEURSHIP?

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The critical role of innovation in improving economic growth and as a stimulus to address poverty reduction in developing countries can never be underestimated. The development of national systems of innovation (NSI) has received priority in developing countries and emerging economies in the Southern African region with significant investment in the following areas: knowledge generation, technological adoption and implementation; focus on increasing technological skills in the labour market; specific investment in high growth areas for local and global markets; improved management and value addition to natural resources; and an increasing trend towards regionalization and globalization.

Experts propose that the local dynamics of innovation which create the nexus of the innovation ecosystems in developed and developing countries is fundamental to the development of national systems of innovation. Within these local “hot beds” of innovation, there is considerable support for the interplay between different actors within the multi-helix system of innovation where public, private, academia and civil society actively engage to produce local innovative solutions for local challenges. Within these local innovation ecosystems, the interplay of different actors, the transfer of tacit knowledge and deeper cooperation and trust generated within critical relationships to share and impart knowledge and co-create technology solutions is vital.

Over the last decade innovation hubs, incubators and accelerators have emerged as key enablers in the multi-helix and are currently an integral catalyst for innovation and entrepreneurship.

Hubs serve as innovation growth points and focus on the local interaction between innovation catalysts and can provide insight into regional growth patterns for innovation and entrepreneurship. Innovation hubs, incubators and accelerators have been demonstrated in China to provide the perfect convening point and a catalyst for innovative activities and integral part of the ecosystem in America, Europe and South Korea. The hubs serve as the focal point for innovative activities and idea generation, development and commercialisation. Robust ecosystems also provide a support network for emerging technology-based companies, who flourish, generate more investment into new products and research in groundbreaking emerging technology areas, thus attracting more people into the ecosystem and stimulating entrepreneurship. This trend has also been successfully demonstrated in other emerging economies in East Asia, Latin America and Eastern Europe.

The facilitation of knowledge sharing, building of core capacities and attraction of new investment further stimulates the growth of the existing enterprises and the provision of services to further support commercialisation and increased investment into the ecosystem. In stimulating and supporting success, the



presence of highly successful large enterprises within the hub, incubator or accelerator also serves as support players for other emerging companies. Often an incubator may have an entrepreneur in residence programme which may also serve a similar purpose.

The World Bank through its *infoDev* programme was at the forefront of support for incubators and established the Africa Incubator Network. *infoDev* delivered the first accredited courses to support capacity development of effective incubators and the collation of best practice, metrics and guides for incubators as early as 2006 and supported the development of incubator managers globally.

When iHub was launched in Kenya in 2010, it became the magnet for vibrant entrepreneurs interested in making their mark in the Kenyan innovation scene, trailblazers in Africa who were aiming for an impact globally. iHub also became the go-to place for innovators, start-ups and tech entrepreneurs to meet funders and potential investors, providing a co-working and learning space and the impetus for investment in start-ups in Kenya.

In Cape Town, the establishment of Bandwidth Barn in 2001 enabled budding tech entrepreneurs in the Mother City to have a haven where they could co-work, learn from seasoned entrepreneurs and be supported with their digital innovations. A key element to the success of Bandwidth Barn was the close cooperation and collaboration it has with the Cape Innovation Technology Initiative (CiTi) established in 1999 to bridge the gap between business, government and society, a mutually beneficial partnership which has evolved, pivoted and remained relevant even after 20 years of operation.

So, what is the mainstay of some of these initiatives in being successful and remaining relevant within their sector and original purpose? One of the critical features that underpin most of the successful incubators and hubs is maintaining relevance both to their original mandate and to the target sector they are serving. Having the ability to clearly define their purpose, offer a unique differentiator and value proposition when there are so many other competitors for the same market and pool of funding is critical. Being able to read the market, the foresight to have a viable, agile business model, adept at pivoting and still being relevant and delivering the same quality service offering is vital for the success of an incubator, hub or accelerator.

Another dimension of success is building smart partnerships and leveraging complementary opportunities. For example, building business models around key core competency areas ensures that the skills and competencies within the hubs, incubators and accelerators enables them to attract programmes they can collaborate with other influential partners. This enables these innovation catalysts to grow and access opportunities elsewhere, and also leverage opportunities for the start-ups and entrepreneurs they support. By continually demonstrating success, they are then able to build up a portfolio of programmes that not only attracts other valuable and influential partners for collaboration and possible investment but also attracts like-minded emerging entrepreneurs who have growth mindsets and want to scale.

Often the incubator can attract emerging start-ups purely through the opportunities provided via an innovation competition, hackathon, technology challenge competition, and is then able to sustain their interest by the high quality and relevant value-added services the facility can provide. The intricate network of relationships, linkages and access to opportunities facilitated by the incubator or accelerator can propel the start-up to gravitate and makes them receptive to new opportunities.

A third important success factor is being discriminatory in the type of entrepreneur that the incubator, accelerator or hub can support. Ensuring that there is alignment between the type of start-up or technological innovator that the vehicle can support is important in defining both success parameters and metrics. It also enables the hub, incubator and accelerator to refine and target its value proposition to a particular range of start-up enterprises. In doing so, it can advance more tailored service offerings, enhanced technical support and ensure that there is a greater chance of success, growth and development of the start-up and potential impact.

In 2019, a survey conducted by Afrilabs, a network of African innovation partners in 40 countries, indicated that one of the challenges facing hubs and incubators was access to funding and opportunities for connecting companies with investors or providing them with a clear pathway to fundraising. A further challenge was the lack of experienced staff able to effectively provide value to startup founders and was a factor preventing hubs from taking a more central role in setting companies on a sound path to growth.

Another dilemma confronting hubs, incubators and accelerators is the increasing role that is “thrust” on the hub, incubator or accelerator as that of the main facilitator for stimulating innovation and entrepreneurship in a local ecosystem. It is not the role that hubs and incubators or accelerators were designed to fulfill, and this places these innovation vehicles under severe pressure to meet the somewhat unrealistic expectations of funders, government, and the emerging entrepreneur. So, while innovators, hubs and accelerators play a critical role in enabling and catalysing innovation and entrepreneurship, this can only be achieved within a supportive and enabling local innovation ecosystem.

With the global crises COVID-19 has evoked and the subsequent enforcement of social distancing and non-use of physical spaces over the past few months, the Virtual Hub becomes more appealing. Hubs, incubators and accelerators now have to increasingly rely on the strength of the programmes they offer, online platforms to offer skills and development support and mentorship and peer support – the so-called “soft skills” which are sometimes overlooked when establishing physical infrastructure. Many virtual programmes also need to ensure that they sustain their value-added approach and utility to entrepreneurs who are at different stages of their entrepreneurial journeys.

Apart from creating micro-environments where innovation catalysts can be supported, there needs to be a focus on the regional dynamics whether at local government, national, sub-regional or even within regional (intercountry) economic groupings. Robust policies, open transactional processes and more efficient procurement practices within local and national government play a pivotal role in securing support for emerging companies within the innovation hubs, incubators and accelerators and their associated innovation ecosystems.

Associated with the physical and human capital investment, the refinement of policies related to innovation e.g. intellectual property protection; support and investment into knowledge and technology transfer activities; incentives for SMME investment; robust and inclusive innovation policies; and the capacity and skills in government to support and enable the growth of technology-based businesses is also critical for innovation ecosystems to thrive. Entrepreneurial support and incentivised programmes are crucial to engaging local communities to be involved in the creation and adoption of locally produced innovation.

Finally, building a robust and effective communications infrastructure to facilitate knowledge sharing and uptake and active programmes is crucial or else efforts in these vital areas yield no tangible impact.

