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INVESTING FOR IMPACT

ENABLERS OF IMPACT

The Role of Incubators and Accelerators in Bridging Investment and Solutions

March 2020

REPORT

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REPORT

ENABLERS OF IMPACT

The Role of Incubators and Accelerators in Bridging Investment and Solutions

Alessia Gianoncelli, Gianluca Gaggiotti,
Antonio Miguel and Inês Charro

EVPA and MAZE

March 2020

CONTENTS

EXECUTIVE SUMMARY

To complete the research of the report *"15 Years of Impact – Taking Stock and Looking Ahead"*[1] in 2019, EVPA decided to dedicate this report exclusively on impact *incubators and accelerators*. These key players work as enablers between the supply side, represented by the capital providers, and the demand side, which includes all types of social purpose organisations within the social impact ecosystem. This report marks a special moment for EVPA after its 15th anniversary and contains insights coming from multiple exchanges over the years to gather knowledge from *incubators and accelerators*.

This report has two key objectives: (i) explaining the added value that *incubators and accelerators* bring to the social purpose organisations they support and (ii) describing the role of *incubators and accelerators* in the European impact ecosystem. This report is the result of a 10-month research process that encompassed a webinar on the topic and a policy brief; a desk-based research that included over 60 European impact *accelerators and incubators*, as well as over 100 European business *incubators and accelerators* programmes, serving as a benchmark; qualitative interviews with 14 *incubators and accelerators* and a quantitative survey with 22 practitioners across Europe.

A common language was defined to ensure that all the value related to *incubators and accelerators* was captured. Thus, EVPA decided to use the umbrella term *incubators and accelerators* throughout the report to represent a more granular range of tools, namely: incubators, pre-accelerators, accelerators, investment readiness programmes and leadership programmes. Each of these categories is positioned according to (i) the type of support provided and (ii) the maturity of the social purpose organisations that they work with.

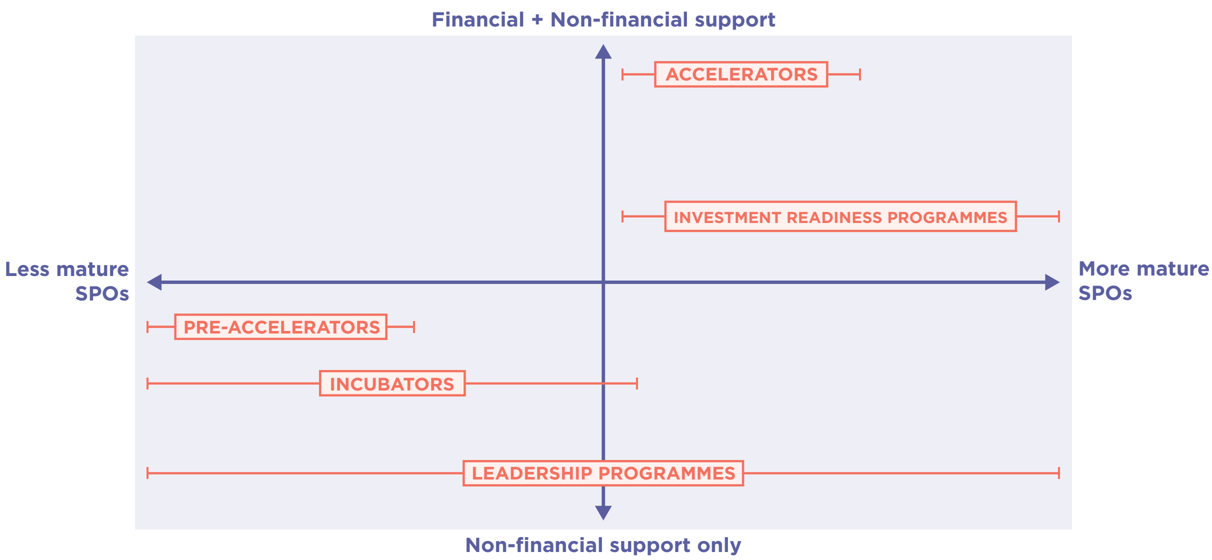


FIGURE I.
Positioning of incubators and accelerators based on type of support vs maturity matrix

The report is divided into three main sections: (1) the landscape of *incubators and accelerators* in Europe, (2) the main challenges and added value linked to *incubators and accelerators*, and (3) key recommendations for future actions.

1 **Gianoncelli, A.**, **Gaggiotti, G.**, **Boiardi, P.**, and **Picón Martínez A.**, (2019) "*15 Years of Impact – Taking Stock and Looking Ahead*". EVPA.

LANDSCAPE OF *INCUBATORS AND ACCELERATORS* IN EUROPE

In assessing the landscape of *incubators and accelerators*, EVPA has looked at several characteristics:

- The **funding model** of *incubators and accelerators* was assessed to understand how they are funded and able to create sustainable business models. The key insight is that corporate partners and philanthropic resources are the primary sources of funding for impact *incubators and accelerators*.
- EVPA has also analysed the **thematic focus** of *incubators and accelerators*, trying to understand if there are thematic areas that are more likely to be supported by these initiatives. The report concluded that most *incubators and accelerators* have a generalist approach, meaning that they do not target SPOs according to their focus on a specific area of action.
- The **type of organisations supported** by *incubators and accelerators* reflects the diversity of social purpose organisations along the spectrum of entities that have an impact mission. Almost all survey respondents work with for-profit entities with a social mission.
- **Support provided** by *incubators and accelerators*, ranged from financial to non-financial support. 50% of surveyed participants state that they provide financial support whereas all of them provide non-financial support (NFS). The main types of NFS provided include strategic, revenue strategy, financial management, fundraising, theory of change and impact strategy development.
- The three main **eligibility criteria** used by *incubators and accelerators* when selecting social purpose organisations are the impact thesis, the team composition and the business model.

MAIN CHALLENGES AND ADDED VALUE OF *INCUBATORS AND ACCELERATORS*

This report has used desk-based researches, a quantitative survey and qualitative interviews to gather information on the main challenges that *incubators and accelerators* face as well as the areas they are add the most value to.

The **main challenge** for *incubators and accelerators* is **creating a sustainable business model**. This refers to defining how *incubators and accelerators* generate revenue in the medium to long term in order to be sustainable. Some examples include funding models whereby the *incubators and accelerators* own equity stakes in the social purpose organisations that are part of their programme, with the hope that it will yield dividends in the future. They also include funding models whereby *incubators and accelerators* sell services to corporations to help them become more innovative and impactful.

The area where *incubators and accelerators* add the **most value** is on **improving the impact readiness of social purpose organisations**. Impact readiness is the ability and predictability through which a specific social purpose organisation delivers and achieves its intended outcomes and impact. The impact *incubators and accelerators* surveyed have scored the increase in impact as the area in which they have had contributed the most during the period of support.

RECOMMENDATIONS FOR *INCUBATORS AND ACCELERATORS*

EVPA has used the knowledge developed during this research process to make a set of recommendations for future actions. These recommendations aim at mitigating the following tensions: (1) the market mismatch between demand and supply; (2) the need for better collaboration among different stakeholders in the impact ecosystem; (3) the need of SPOs to measure and manage their social impact; (4) the specialisation versus the generalisation of *incubators and accelerators*; (5) the bias in the *incubators and accelerators* selection process.

KEY INSIGHTS	RECOMMENDATIONS FOR *INCUBATORS AND ACCELERATORS*
1. In the impact ecosystem the **market mismatch** refers to the mismatch between what the supply side is inclined to offer and what the demand side would need, which is typically between the range EUR 100,000 and EUR 500,000.	Engage with all investors (e.g. traditional philanthropic institutions, investors *for* impact, investors *with* impact, traditional investors), before, during and after the support programmes take place. If possible, the type of support provided should be co-created with partners. Such collaboration will result in supporting activities that simultaneously match the needs of social purpose organisations (SPOs) and the requirements of investors.
2. There is a **need for a better collaboration** among different stakeholders to sustain the growth of the market. It is necessary for *incubators and accelerators* to collaborate more to (i) help SPOs expand to new markets; (ii) increase the value proposition of their programmes; (iii) improve access to new investors and corporate partners.	Share more information and resources with other *incubators and accelerators,* and foster collaboration with different partners, such as investors *for* impact, universities and governments. By expanding networks, synergies can arise and the problems they try to address could be resolved more quickly and effectively. These alliances can prove to be an effective way to develop new tools and provide better support to entrepreneurs.
3. Social purpose organisations report that **impact measurement and management is one of their main needs.**	Help social entrepreneurs by providing them with the tools to measure and manage their impact, optimising it for their business model and communicating it in a clear and transparent manner. *Incubators and accelerators* should continue to frequently help SPOs define their impact goals and co-design a roadmap to achieve them.
4. The **tension between specialisation and generalisation** describes the trade-off between *incubators and accelerators* who choose to target one or two specific thematic areas (specialisation), and those who have an agnostic view regarding thematic areas (generalisation).	When choosing a specialised or a generalist approach, always consider the endgame of the programme and how it affects the types of support provided and the funding model. Specialisation provides an opportunity for tailored support targeting specific thematic areas and challenges, which can be relevant for specific industries and funders. Whereas a generalist approach is more open to a wider pool of SPOs, which can contribute to the scalability of the programme and result in more successful cases.
5. The **bias in the selection process of social purpose organisations** occurs when *incubators and accelerators* tend to select one specific type of organisations: for-profit entities with a social mission which are at least one year old. This selection bias ignores non-profit entities as well as entities that are in incubation or maturity stage.	Break down the types of support provided in smaller modules and services, allowing them to be adapted and replicable to the needs of SPOs that are at an incubation stage. SPOs in a growth stage could be offered mostly introductions to networks and commercial opportunities.

1. INTRODUCTION

The impact investment space represents currently, in Europe, an annual investment of approximately EUR 1-2 billion annually[2]. EVPA's work has mostly been focused on the supply side of the market (i.e. the capital providers that want to tackle societal challenges), and is meant to inform the work of venture philanthropy and social investment organisations (i.e. investors *for* impact), but also to provide useful insights for policy-makers. Thus, this report on *incubators* and *accelerators*, i.e. organisations that bridge the supply and the demand side of the impact ecosystem (i.e. social purpose organisations – SPOs), marks a unique effort by EVPA. This ambition of widening the focus of its research came with the commemoration of the 15th anniversary of EVPA. The knowledge gathered through the years, thanks to exchanges with *incubators* and *accelerators* who are part of the EVPA's membership base created favourable conditions to conduct a research on this specific type of stakeholder.

1.1. RESEARCH METHODOLOGY

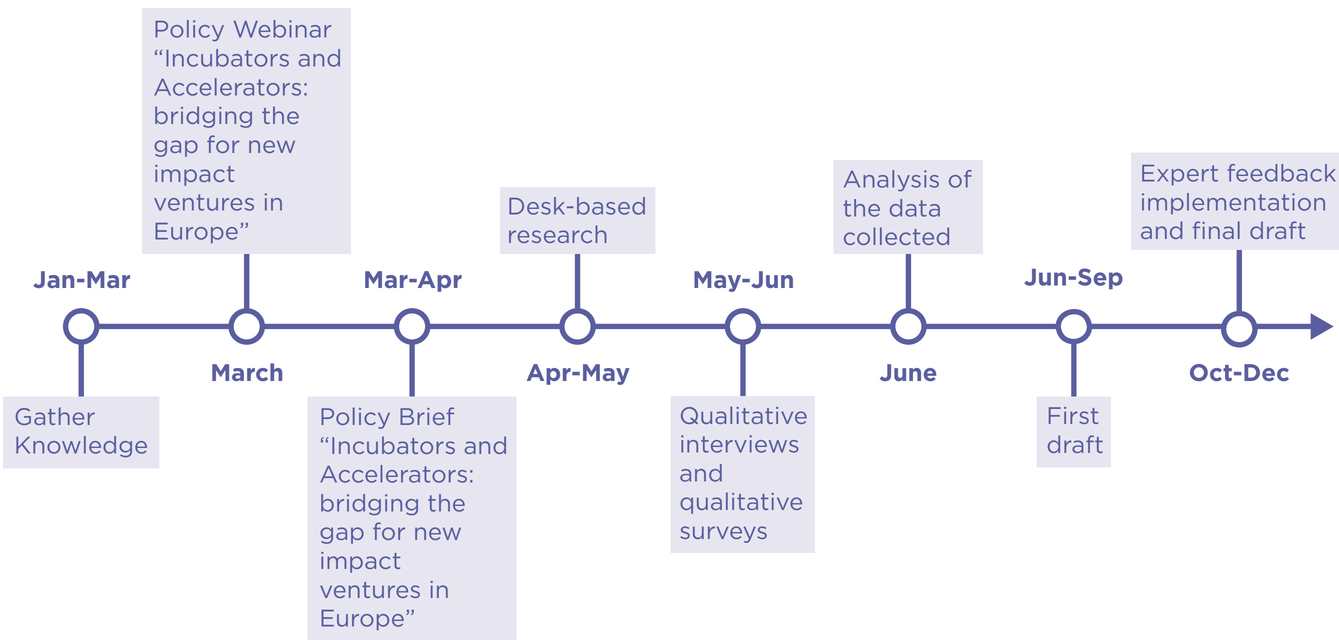


FIGURE 1
Summary table with programmes' characteristics

2 **Gianoncelli, A**. and **Boiardi, P.**, (2018), "*Impact Strategies – How Investors Drive Social Impact*." EVPA

This report aims at (1) explaining the contribution that *incubators/accelerators* have on the SPOs they provide financial and non-financial support to and (2) describing the role of *incubators* and *accelerators* in contributing to the European impact ecosystem by mitigating the supply/demand mismatch of capital. This report comes from a research process of over ten months and includes the following activities:

(1) A **webinar** on the topic, *Incubators and Accelerators: bridging the gap for new impact ventures in Europe*, with the participation of Lorenzo Triboli from Fondazione Social Ventures GDA, Jessica Stacey from Bethnal Green Ventures and Peder L'orange from Katapult Accelerator.[3]

(2) A **policy brief** informed by the webinar mentioned above: *Incubators and accelerators: Bridging the Gap For New Impact Ventures In Europe*.[4]

(3) A **desk-based research** that included over 60 European *impact accelerators and incubators*, as well as over 100 European business *incubators and accelerators* programmes, that serve as a benchmark for this report. The desk-based research allowed the creation of a database which includes the following variables: *(i) type of programme, (ii) impact focus, (iii) location, (iv) geographical coverage, (v) contact details, (vi) link to investors, (vii) thematic areas, (viii) non-financial support provided, (ix) number of SPOs supported per year, (x) cohort size, (xi) stage of development of SPOs accepted in the programme, (xii) programme duration, (xiii) cost for participant, (xiv) financial support provided, (xv) financial instruments offered, (xvi) amount of financial support provided,(xvii) focus of the programme and (xviii) year launched*

(4) **Qualitative interviews** were conducted, with a sample of 14 *incubators and accelerators* and networks, mostly members of EVPA's networks.[5]

(5) A **quantitative survey** was answered by 22 practitioners from across Europe.[6]

1.2. DEFINING A COMMON LANGUAGE

There is no ecosystem without a sound and robust infrastructure. In the impact ecosystem, infrastructure is the set of architecture and actors supporting the market operations between the players from the supply and the demand side of capital. The supply side is composed of traditional philanthropic organisations, investors *for* impact and investors *with* impact, whereas the term demand side refers to the organisations seeking financial and non-financial support to tackle societal challenges through innovative solutions. For ease of interpretation, this report will refer to all types of organisations from the demand side of the impact ecosystem as *social purpose organisations* (SPOs).[7]

In the impact ecosystem, examples of infrastructure include[8]: data and information providers, financial and non-financial intermediaries, product developers, research houses, platforms and exchanges, and education, skills and training providers.

This report is focused on the last category: the education, skills and training providers. These include incubators, pre-accelerators, accelerators, investment readiness programmes and leadership programmes. For ease of interpretation, this report will refer to (impact) *incubators and accelerators* when jointly referring to all the types of education, skills and training providers.

3 The recording and the presentation of the webinar are available at: https://evpa.eu.com/knowledge-centre/publications/incubators-and-accelerators-bridging-the-gap-for-new-impact-ventures-in-europe
4 The policy brief is available at: https://evpa.eu.com/knowledge-centre/publications/incubators-and-accelerators-bridging-the-gap-for-new-impact-ventures-in-europe
5 See Appendix A at page 37
6 See Appendix B at page 38
7 A detailed description of all the types of SPOs is included in section 2.4 (page 18)
8 **Gregory, D.**, (2013), "*Angels in the Architecture – Building the infrastructure of social investment.*" Common Capital.

Incubators and accelerators support the demand side of capital (i.e. the SPOs) in improving business and impact models, as well as in their growth process. The roles played by *incubators and accelerators* are often adapted to the different stages of development of SPOs, which require different types of support, both financial and non-financial.

1.2.1. INCUBATORS

Incubators are mostly focused on providing office space for SPOs and access to a community of like-minded entities. Around the provision of office space there are typically ancillary services that include training modules, shared services (e.g. accounting) and events (e.g. expert talks). Incubators rarely provide financial support to the organisations they incubate.

The support provided by incubators is often open-ended and partially funded through the rent paid by SPOs incubated in the space. Admissions usually happen on an ad-hoc basis, depending on the availability.

Incubators have proliferated around Europe and are usually funded by various forms of financing, including grants, government subsidies and investors *for* impact.

Incubators support SPOs at various stages of development even though they place a stronger emphasis on SPOs that are at an incubation stage given the light intensity of support they provide.

It is interesting to highlight that pre-accelerators, accelerators, investment readiness programmes and leadership programmes often take place in incubators. This happens for two main reasons: (i) these programmes benefit from existing communities of SPOs whose offices are based in the incubator and (ii) this allows a more complete offer of services, which include office space and shared services.

1.2.2. PRE-ACCELERATORS

Pre-accelerator programmes typically run between two and eight weeks and work on a cohort basis, usually supporting between eight and twelve SPOs per cohort. Pre-accelerators have a selective recruitment process and rarely provide SPOs with financial support.

The support provided is mostly non-financial and entails training modules, mentoring and coaching as well as access to industry experts. Pre-accelerators can have a specialist approach (i.e. focused on a specific thematic area, such as education for example), or a generalist approach. The SPOs supported by pre-accelerators are typically in incubation stage and are still in the process of developing their solution / product. Most of the time, these SPOs have no commercial or impact traction, yet.

1.2.3. ACCELERATORS

Accelerators are intensive programmes that usually run between six and twelve weeks and work on a cohort basis ranging between eight to twelve SPOs per cohort. Accelerators have a selective recruitment process and typically work with SPOs which have a record and are reaching a growth stage. Accelerators can have a specialist approach (i.e. focused on a specific thematic area, such as education for example) or a generalist approach. Acceleration programmes help SPOs focus on growth and scale their solutions.

The support provided by accelerators often includes financial support, in the form of equity or grants, depending on the approach. In terms of non-financial support, it is typically hands-on and encompasses training modules, access to mentoring and coaching, and opportunities to engage with corporations and investors.

1.2.4. INVESTMENT READINESS PROGRAMMES

Investment readiness programmes are very similar to accelerators. These are intensive programmes that last between six and twelve weeks and work on a cohort basis. Compared to accelerators, the key difference is the exclusive focus on helping SPOs raise external repayable forms of finance during and at the end of the programmes.

The success of investment readiness programmes is measured by the evolution of SPOs in their ability to receive investment as a result of the programme. The support provided is a mix of financial and non-financial and encompasses customised training modules focused on financial modelling, investment structuring, management control systems, and investors' engagement. Investment readiness programmes typically place a strong emphasis on providing SPOs with access to investor networks.

1.2.5. LEADERSHIP PROGRAMMES

Leadership programmes are more oriented towards individuals (e.g. social entrepreneurs) rather than towards SPOs. These are intensive skills-oriented training programmes that are typically short term, lasting a few days or weeks. The funding model of these programmes is usually composed by fees paid by participants and/or scholarships sponsored by grant-making organisations.

The support provided is exclusively non-financial and aims at developing the soft skills of entrepreneurs, namely leadership, organisations development, negotiation and communication, among others. Leadership programmes can be catered towards mature social entrepreneurs as well as those that have recently started their entrepreneurial journey.

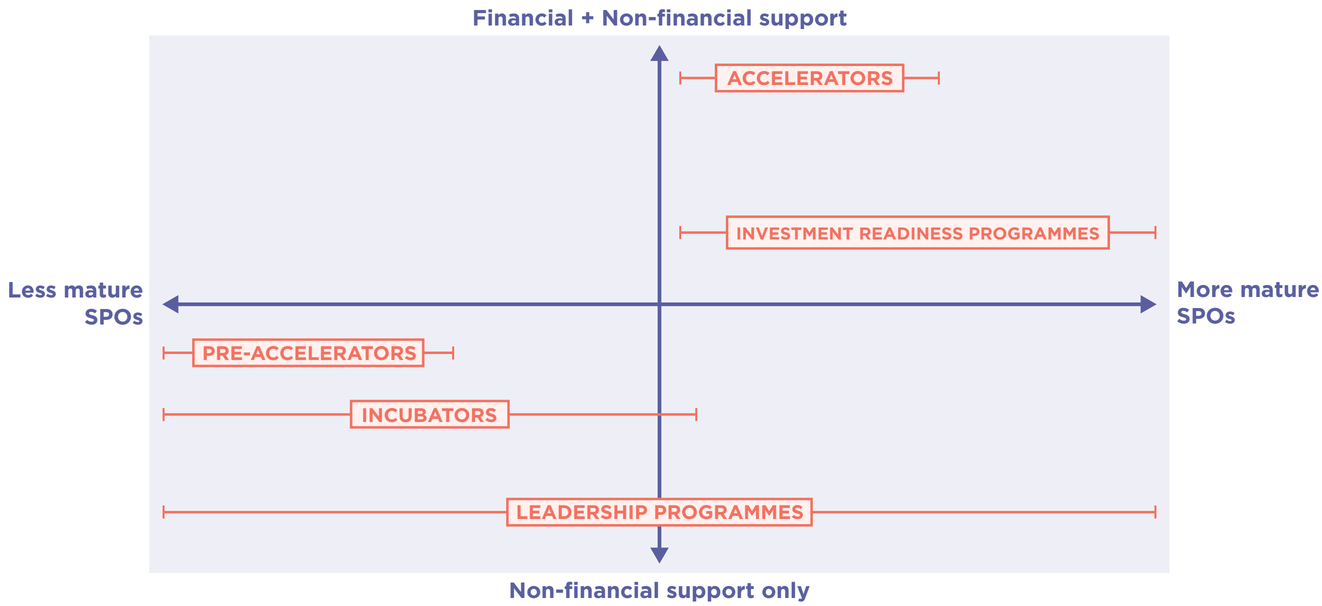


FIGURE 2
Positioning of incubators and accelerators based on type of support vs maturity matrix

	Incubator	Pre-accelerator	Accelerator	Investment Readiness Programme	Leadership Programme
Duration	Typically, open-ended timeline	2-8 weeks	6-12 weeks	6-12 weeks	Few days or up to a few weeks
Target organisations	• Early-stage of development; • Need support reaching a Minimum Viable Product (MVP)[9]; • Focus on ideation and product testing;	• Very early-stage of development; • Often support individuals, such as first-time entrepreneurs and recent graduates, as opposed to companies	• Stage of development range from incubation to maturity, but typically focus more on later-stage; • Organisations that meet the selection criteria of the programme	• Later stage of development • Organisations that meet the selection criteria of the programme	Not focused on the organisation but on the entrepreneur
Funding model	• Often supported by government grants; • Can have links to Venture Capital funds; • May be integrated into a larger acceleration programme;	• Often supported by government grants; • Can have formal links to acceleration programmes and prepare organisations for this next stage of growth support; • Can be enabled by University programmes;	• Multiple funding sources, including links to corporate partners; • Often supported by government grants; • Can be enabled by a venture capital fund; • Ties with university research;	• Can have links to corporate partners; • Usually connected with a venture capital fund;	Funded mostly based on paid fees
Financial support[10]	Sometimes	No	Yes	Yes	No
Non-financial support[11]	• Fundraising • Revenue strategy • Financial management • Operational support • Strategic support	• Theory of change • Revenue strategy • Financial management • Strategy	• Theory of change and impact strategy • Fundraising • Revenue strategy • Financial management • Strategic support	• Fundraising • Revenue strategy • Financial management • Operational support • Strategic support	• Strategic support • Human capital support

TABLE 1
Summary table with programmes' characteristics

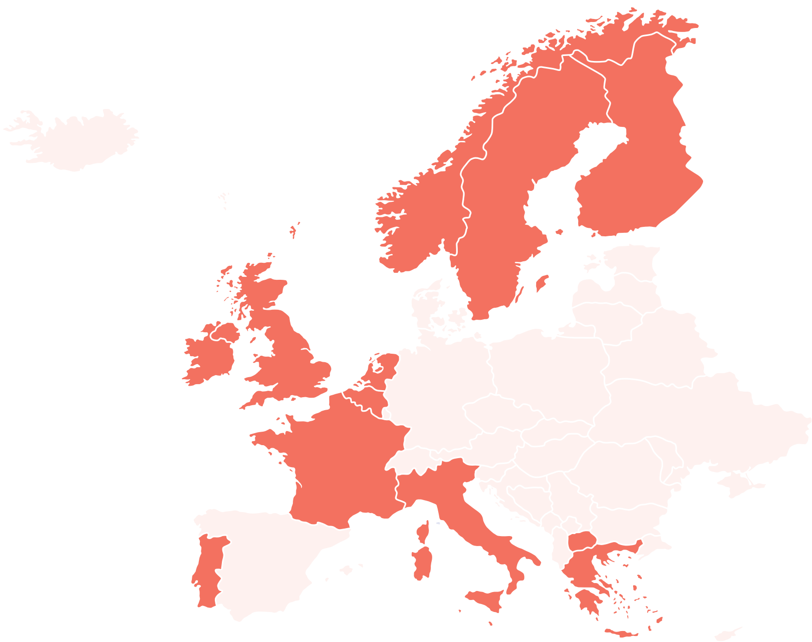
9 A Minimum Viable Product (MVP) is a product developed up to a stage where consumers can try it and provide feedback for future product development
10 Financial support is provided by about 50% of the programmes surveyed. The evaluation of whether programmes provide this support or not is based on the survey conducted. For more details on the survey, consult the Appendix B
11 Non-financial support is provided by 70% of the programme surveyed. The summary from this table shows the results of the survey conducted. For more details on the survey, consult the Appendix B (page 38)

2. THE LANDSCAPE OF *INCUBATORS AND ACCELERATORS*

For the purpose of this report, EVPA created a database of 62 impact *incubators and accelerators* from all over Europe. Italy, the Netherlands, Spain and the UK had the most impact *incubators and accelerators*. In this list, there are also *incubators and accelerators* that have offices in several European countries (11%). Many of them provide more than a single programme. Based on the type of activities offered, there are 71% accelerators, 33% incubators, 23% investment readiness programmes, 17% pre-accelerators, and 13% leadership programmes.

With the aim of accessing quantitative information in addition to what is publicly available, a survey was sent to these 62 *incubators and accelerators* of which 22 responded. The description of the landscape in this section is predominantly informed by the analysis of these responses, alongside the qualitative interviews undertaken and the information publicly available.

The survey sample of 22 respondents included accelerators (73%), pre-accelerators (35%), investment readiness programmes (35%), incubators (35%) and leadership programmes (26%).[12] We do not claim to have captured the entire *incubators and accelerators* sector in Europe, but we believe the sample to be representative, given its broad geographical coverage.



- **Belgium** (Sociale Innovatie Fabriek)
- **Finland** (Finnish Innovation Fund Sitra)
- **France** (Fondation la France s'engage, Lead Her, makesense)
- **Greece** (HIGGS)
- **Republic of Ireland** (The Awards Programme)
- **Italy** (Fondazione Social Venture GDA, SocialFare, BASIS Vinschgau Venosta)
- **Macedonia** (CEED Macedonia)
- **Norway** (SoCentral)
- **Portugal** (MAZE-X, AMPlifica)
- **Sweden** (Norrsken House)
- **Switzerland** (Kickstart)
- **The Netherlands** (Forward Incubator, THNK School of Creative Leadership, Next Level)
- **United Kingdom** (Bethnal Green Ventures, THRIVE, Feeding the City)

FIGURE 3
Geographical distribution of survey respondents *(n=22)*

12 The sum of all percentages does not equal 100%, as this is a multiple-choice question

2.1. FUNDING MODELS OF *INCUBATORS AND ACCELERATORS*

KEY INSIGHT
Corporate partners and philanthropic resources are the primary sources of funding for impact incubators/accelerators.

Incubators and accelerators can be funded through various sources, both public and private. Private funders include corporations, philanthropic organisations and venture capital financing. Public funding usually originates from national or European entities, focused on contributing to the development of the investment impact space, such as Big Society Capital in the UK and Portugal Inovação Social. Funding from Universities entails both public and private sources of capital.

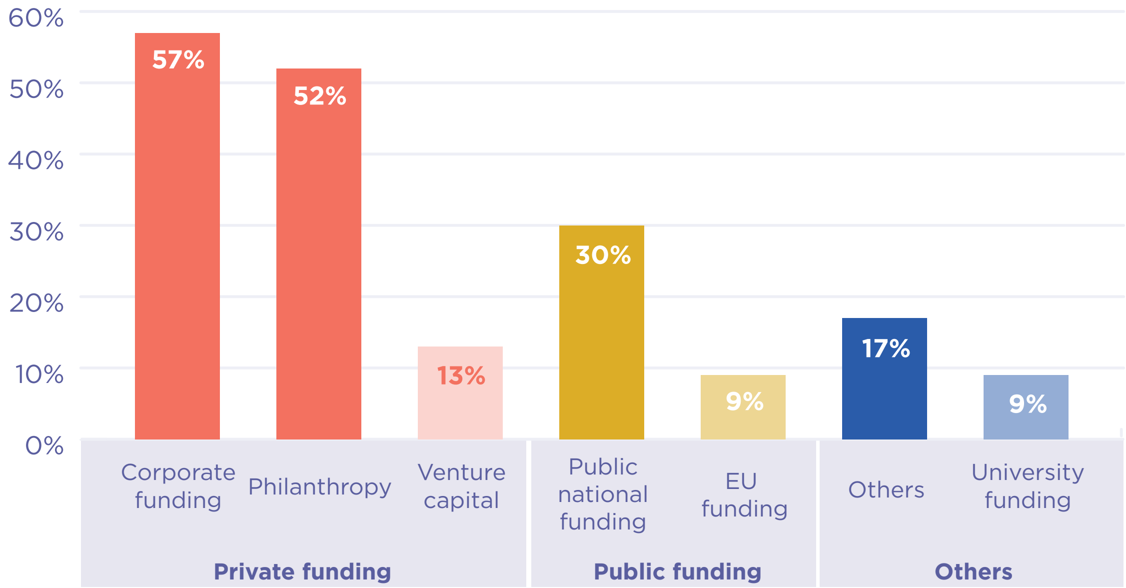


FIGURE 4
Sources of funding for incubators and accelerators (n=22, multiple choice question)

Corporations are the most common funders of *incubators and accelerators*. The main interest for corporations is to establish links with the SPOs participating in the programmes, to identify areas of work that could be relevant for their core businesses.[13] In exchange for funding, *incubators and accelerators* seek to provide match-making between SPOs looking to solve a problem, and corporations interested in boosting innovation in that field. Piloting solutions developed by SPOs is an opportunity for corporations to leverage their resources to test the innovation hypothesis of these smaller, often more agile organisations. As such, more than half of *incubators and accelerators* indicate corporate funding as a source of funding.

Meet **Norrsken House**, an incubator based in Stockholm focused on creating a space where entrepreneurs can do as much good as possible. The programme is partly funded, and supported, by corporations.

13 **Clarysse, B., Van Hove, J.** and **Wright, M.** (2015) "*A look inside accelerators.*" (page 17). Nesta

Philanthropic funding is a common funding source, and is mostly provided by foundations. When answering the survey, 52% of the respondents reported that they rely on philanthropy to fund their *incubators and accelerators* programmes. This is a characteristic common in impact programmes, more than *incubators and accelerators* that do not have any link with social impact.[14]

Meet **Get it!**, an acceleration programme that selects start-ups and give them access to one of the 25 partner accelerators throughout Italy. Get it! is funded by Fondazione Social Venture GDA, through philanthropic capital. This programme is interesting since, firstly, it allows start-ups to find the most appropriate accelerator, and secondly, the foundation can support the growth of the ecosystem, by supporting other existing accelerators.

The Venture Capital model was mostly used in the early days of impact investing. *Incubators and accelerators* were funded through equity in exchange for investment in the SPOs they accelerate. *Incubators and accelerators* used to invest in SPOs via equity, in exchange for an ownership stake. This funding model is becoming less prevalent with only 13% of respondents using this funding approach.

Meet **SocialFare, Centre for Social Innovation**, an acceleration programme in Italy deploying design thinking and system design methodologies. Social Fare is funded through a mix of sources that includes Venture Capital. Their fund, the SocialFare Seed, invests up to EUR 500,000 per year in SPOs accelerated by Social Fare, in exchange for equity.

Public funding at a national level contributes to the creation of new *incubators and accelerators*, as well as to the reinforcement of the existing ones. At a national level, the importance of *incubators and accelerators* in supporting local impact ecosystems has been recognised as being the actors providing SPOs with the means to tackle their needs. According to survey results, 30% of programmes stated that public national funding was one of their main financing tools.

Meet **AMPlifica**, a pre-accelerator focused on working with SPOs at incubation stage. It has been able to capture over EUR 200.000 in funding for some of its 20 former participants. AMPlifica has been funded for the past 2 years through public national funding from the Metropolitan Area of Porto which covers 17 municipalities.

EU funding provided by the European Commission (EC) can play a key role in fostering the impact ecosystem. Specifically, the EC DG Employment, Social Affairs and Inclusion, within its Employment and Social Inclusion (EaSI) Programme, has launched two calls for proposals focused on supporting capacity building and advisory services that help SPOs move from their current stage towards investment readiness.[15] These calls were also dedicated to *incubators and accelerators*. However, only two of the respondents to the survey reported to have benefitted from this source of funding.

When *incubators and accelerators* are analysed in isolation, there are some specificities linked to the different types of funding model. According to the survey, pre-accelerators are mostly funded by public national funding. This result may be linked to the focus of pre-accelerators in supporting early stage SPOs with no stable revenues. The absence of a proven business model can make it harder to attract private sources of funding to support these early stage SPOs, since private capital seeks more proof of concept and is more eager to generate returns to corporations/Limited Partnerships.

14 EVPA purposely uses the term “societal” because the impact may be social, environmental, medical or cultural. However, throughout this report we refer to “social impact” to indicate the same concept.

15 **European Commission**, (2016): “Call for Proposals. *Actions to boost the demand and supply side of the finance market for social enterprises*” (page 9)

2.2. THEMATIC FOCUS

KEY INSIGHT
Most incubators and accelerators that responded to the survey have a generalist approach, meaning they do not target SPOs that focus on a specific area of action.

Almost two thirds of *incubators and accelerators* surveyed (about 61%) have a generalist approach. This means they do not focus on supporting SPOs working on a specific thematic area, such as environment, education and heath, among others.

On the contrary, specialist *incubators and accelerators* concentrate on one or on a few thematic areas that target different social or environmental issues. This focus occurs from the start of the process. It is embedded in the way *incubators and accelerators* select the SPOs to work with, based on the problems they address. As a result, specialist *incubators and accelerators* often provide tailored and expert-based support around the selected thematic areas.

Meet **EIT Climate-Kit**, a clean tech accelerator focused on helping to manage climate change. According to EIT Climate-KIT, climate technology innovation represents the base on which solutions can be built, and incubators and accelerators facilitate this process by providing a new driver for climate action.

Another important focus point for *incubators and accelerators* in the impact ecosystem has been the United Nations Sustainable Development Goals (SDGs). Several *incubators and accelerators* have leveraged this framework to promote targeted actions on specific goals, selecting SPOs that address specific SDGs. Interviewees have shared that selecting SPOs based on the SDGs that they tackle is an effective way to aggregate and communicate the social impact of each cohort. The SDGs are a commonly known framework that allows *incubators and accelerators* to keep track of their cohorts' composition in a set of areas, chosen by the United Nations as the main goals to be reached by 2030. This widely known framework represents an effective way to foster programmes to become more accountable on impact.

2.3. ORGANISATIONS SUPPORTED BY *INCUBATORS AND ACCELERATORS*

KEY INSIGHT
Incubators and accelerators *mostly work with for-profit entities with a social mission.*

Incubators and accelerators can simultaneously work with all the categories of social purpose organisation presented in the box below, depending on their strategy and goals.

EVPA is aware of the multitude of concepts and nomenclature used to describe the range of organisations representing the demand side of the impact ecosystem. For the purpose of this report, EVPA uses the umbrella term social purpose organisations (SPOs) to jointly refer to all these organisations.

An SPO is an organisation that operates with the primary aim of achieving measurable social and environmental impact. Social purpose organisations include charities, non-profit organisations and social enterprises.

The description of each type of SPO is as follows :

Non-profit not generating revenue: these organisations have a non-profit legal status (e.g. NGO, Cooperative) and mostly operate via grants and subsidies, not having activities that generate revenue.

Non-profit that generate revenue: these organisations have a non-profit legal status (e.g. NGO, Cooperative) and operate via a mix of grants and subsidies alongside revenue generating activities, and have the potential to become financially/self-sustainable in the future.

For-profit with pure social mission: these organisations have a for-profit legal status (e.g. Limited by shares, public limited company, and community interest company). The social mission is embedded in their statutes and articles of association. Depending on their legal status, they either operate exclusively via revenue generating activities or also via grants and subsidies.

Profit maximising with social impact: these organisations have a for-profit legal status (e.g. Limited by shares, public limited company, community interest company) and do not have a social mission locked in their statutory documents. They operate exclusively via revenue generating activities and they have the intention to generate a positive social impact within their areas of work.

Looking at the different types of SPOs active in the impact spectrum, most *incubators and accelerators* work with for-profit entities with a pure social mission (96%), non-profit generating some revenue (78%) and profit-maximising entities with social impact (70%). At the extremes of the spectrum, traditional SMEs and non-profit not generating revenue represent the minority of organisations supported.

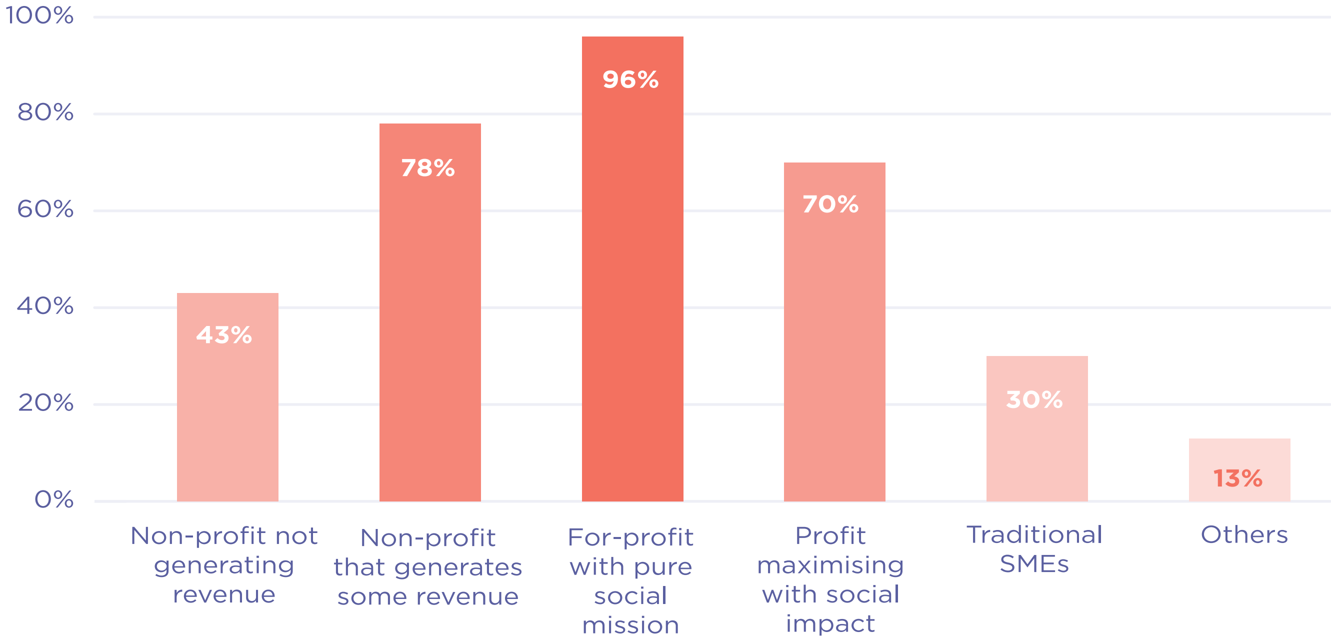


FIGURE 5
Type of organisations that incubator/accelerator programmes work with *(n=22, multiple choice question)*

An important nuance to note is that when incubators are analysed in isolation, the different types of SPOs supported are more evenly distributed, which means that incubators support a wider and mixed range of organisations compared to other programmes. This result may come from the fact that incubators provide less tailored support than, for example acceleration programmes. In the latter case, the support tends to be more customised to a smaller and more homogeneous group of participants.

2.4. SUPPORT PROVIDED BY *INCUBATORS AND ACCELERATORS*

KEY INSIGHT
Incubators and accelerators *mostly provide non-financial support to SPOs.*

2.4.1. NON-FINANCIAL SUPPORT

In previous research projects, EVPA has identified three main areas of development of the SPOs supported the European impact ecosystem: (1) social impact, resulting from the activities of the SPO, (2) financial sustainability, the ability of the SPO to have enough financial resources to conduct their operations and (3) organisation resilience, including, among others, the degree of development of the management of the SPO.[16]

16 **Hehenberger, L.** and **Boiardi, P.**, (2015), "*A Practical Guide to adding value through non-financial support*". EVPA

Typically, non-financial support is offered to strengthen these three areas of SPOs' development and it aims at addressing SPOs' needs for professionalisation and advice. Non-financial support has an important role in improving the SPO's ability to attract investments by structuring its business and reducing the risk of failure.[17] A range of different types of non-financial support is summarised in the table below.

Strategic Support	Support in defining strategic guidelines to define the short, medium and long-term goals of the SPO, as well as the planning of the milestones to reach those goals.
Revenue Strategy	Support focused on business modelling skills in order to develop and improve the revenue strategy of the SPO.
Financial Management	Support in developing and improving internal systems that ensure a sound management of SPOs finances and accounting.
Fundraising	Practical support with fundraising and assistance in securing follow-on funding. At *incubators and accelerators*, fundraising efforts usually culminate at "demo days" where SPOs pitch to an audience of investors. The term "demo day" was coined by Y combinator[18] to describe a day were the participants in accelerators pitch their ideas to a room of selected investors and press.
Theory of Change and Impact Strategy	Support in developing the theory of change and the impact strategy. EVPA sees the theory of change as a set of building blocks required to bring a given long-term goal. These blocks are visually represented in a map, assembling a pathway for change.[19]
Impact Measurement and Management	Support in developing an evaluation framework and performance measures. Impact measurement is the process of measuring and monitoring the amount of change created by an organisation's activities. Impact management is the use of the information collected through impact measurement to make informed managerial decisions to change activities in order to increase positive outcomes and reduce potential negative ones.
Operational	Support that covers the seamless management of office/workspace, legal advice, tech acumen, access to manufacturing and design facilities.
Human Capital	Support in developing strategies for SPOs to recruit and retain talents through organisational development mechanisms and initiatives.
Governance	Support in defining internal control mechanisms to establish proper governance within the SPO, specially targeted to avoid future growth pains. Internal control mechanisms establish control activities such as auditing procedures, risk assessment procedures, and structured channels to communicate information.

TABLE 2
Summary of different types of non-financial support

17 **Gianoncelli, A.** and **Boiardi, P.**, (2018), "*Impact Strategies – How Investors Drive Social Impact.*" EVPA
18 For more information on the elements to be considered, see https://www.ycombinator.com/demoday/faq/
19 **Gianoncelli, A, Hehenberger, L**. and **Boiardi, P.**, (2016), "*Impact Measurement in Practice: In-depth case-studies.*" EVPA

The survey showed that most *incubators and accelerators* focus on providing strategic NFS, revenue strategy, financial management, fundraising and impact strategy support. These areas cover the key barriers to the growth of SPOs identified by the European Commission, namely (1) the lack of access to investors and market, where strategic and revenue strategy support are key, and (2) lack of business skills, tackled through financial management support.[20]

A way in which *incubators and accelerators* help SPOs overcome the first barrier is the connection with funds and corporations, which can potentially invest in the SPOs. The link with investors is an important step towards accessing follow-on capital, especially relevant for SPOs in the early stages of development, looking for pre-seed or seed funding.

Regarding the second barrier, it has been also mentioned during the qualitative interviews, whereby many *incubators and accelerators* reported the need to urge SPOs to allocate their efforts in gaining business-related skills.

Almost all *incubators/accelerators* (95% of respondents), reported to provide their SPOs with strategic support, which has also been the most provided service by investors *for* impact, according to the last EVPA Industry Survey 2017/2018[21]. Other relevant types of support provided by *incubators and accelerators* include revenue strategy (88%) and theory of change (77%). In line with the results of the EVPA Industry Survey, the areas where less support is provided include operational needs, governance and human capital support.

Lastly, despite the agreement amongst interviewees on the importance of helping SPOs manage and measure their social impact, often *incubators and accelerators* struggle to find mentors and human resources who can provide advice in this area.

A common denominator among interviewees was the opinion that the type of non-financial support provided is one of the key factors that determines the success of *incubators and accelerators* in adding value to the SPOs. This view is also corroborated by external studies which suggest that other variables, such as the quality of the screening process and access to networks of support where programmes can exchange learnings, play a key role in the success of *incubators and accelerators*.[22]

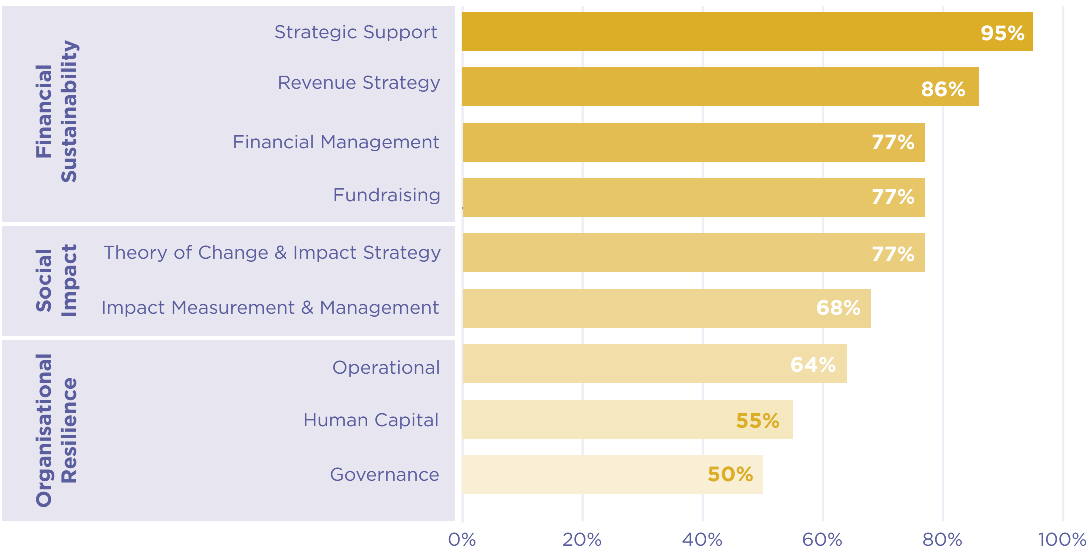


FIGURE 6
Type of non-financial support provided by incubators/accelerators *(n=22, multiple choice question)*

20 **Wilkinson, C**. (2014), "*A Map of Social Enterprises and Their Ecosystems in Europe*", European Commission
21 81% of the survey respondents reported to provide their investees with strategic support. Source: **Gianoncelli, A.**, **Gaggiotti, G.** and **Boiardi, P.**, (2018), "*The EVPA Survey 2017/2018 Investing for Impact*" EVPA.
22 **Lall, S.**, **Bowles, L.**, and **Baird, R.** (2013). "*Bridging the Pioneer Gap: The role of accelerators in launching high-impact enterprises.*" Innovations: Technology, Governance, Globalization, 8(3-4), 105-137

2.4.2. FINANCIAL SUPPORT

Financial support is the type of support provided by *incubators and accelerators* that involves a flow of capital towards SPOs. The survey found that, alongside non-financial support, 50% of the respondents also offer the SPOs they work with some financial support, deployed through different types of financial instruments (FIs), such as grants, debt, equity and hybrid financial instruments.[23]

Grants are non-repayable cash transfers made to SPOs. Grants are typically used to cover living costs or are awards given to the SPOs participating in *incubators and accelerators* programmes. Based on the answer to the survey, 70% of the *incubators and accelerators* providing financial support deploy grants.

> Meet **Social Entrepreneurs Ireland**, an accelerator based in Dublin. Over the course of 9 months, they focus on supporting social entrepreneurs from start-up to scale-up. The programme provides EUR 20,000 grant support to entrepreneurs.

Equity investments represent funding made by an *incubator and accelerator* in exchange of an ownership stake (expressed in percentage) of the SPO. This FI allows potential returns for *incubators and accelerators* in the form of dividend payments or capital gains (in case of an exit). Typically, *incubators and accelerators* provide equity funding of an amount between EUR 10,000 and EUR 50,000[24] in exchange of 5% to 10% of ownership of the SPO. According to the survey respondents, about 30% of *incubators and accelerators* report equity as one of the instruments of choice.

> Meet **Bethnal Green Ventures (BGV)**, a pan-European accelerator based in London. BGV works, over the course of 12 weeks, with tech enabled SPOs focusing on education, health and environmental issues. BGV takes a 6% ownership in SPOs in exchange for approximately EUR 22,000.

Debt instruments, commonly known as loans, are cash allocations made to an SPO that involve a fixed-term repayment together with interest rates. Both the type of repayment and the existence of collateral to secure the loan depend on the type of *incubator and accelerator.* Debt instruments often provided by *incubators and accelerators* are not accompanied by collateral and have very low interest rates. According to the survey respondents, debt is the least common FI provided, with only 10% of the *incubators and accelerators* using it.

> Meet **Forward Incubator**, a Dutch incubator based in Amsterdam, since 2018. Their first cohort had 10 SPOs that followed the programme's methodology including, professional individual coaching and accredited support. Forward Incubator provides financial support through debt and hybrid financial instruments.

Hybrid financial instruments are the most flexible financial instruments, with financial contracts that include revenue shared agreements, recoverable grants, convertible grants, convertible loans and mezzanine finance. According to survey responses, this type of financial instrument is used by 20% of *incubators and accelerators*.

According to the analysis of the survey, the type of financial support provided by *incubators and accelerators* varies substantially across the different categories. When looking at the categories in isolation, 75% of investment readiness programmes provide financial support through equity and hybrid instruments, which relates closely to their intended outcomes: help SPOs access finance. In order to achieve this goal, programmes work closely with SPOs, helping them with financial management and revenue strategy. Typically, investment readiness programmes also hold a close relationship with investors, namely through demodays, which create opportunities for future investments in the SPOs.

23 For detailed content and information on hybrid financing please see **Gianoncelli, A.** and **Boiardi, P.,** (2017), "*Financing for Social Impact – The Key Role of Tailored Financing and Hybrid Finance*." EVPA, and see: European Venture Philanthropy Association (2018), "*Financing for Social Impact – Financial Instruments Overview*".

24 **Pauwels, C.**, **Clarysse, B.**, **Wright, M.**, and **Van Hove, J.** (2016). "*Understanding a new generation incubation model: The accelerator*" page 13-24. Technovation, 50, 13-24

The survey also suggests that it is rare for pre-acceleration programmes to provide financial support (less than 1/3 of those surveyed do so). Pre-accelerators work mostly with SPOs in early stages of development (incubation and start-up stages) which makes them less prone to invest via instruments such as equity, debt or hybrid instruments.

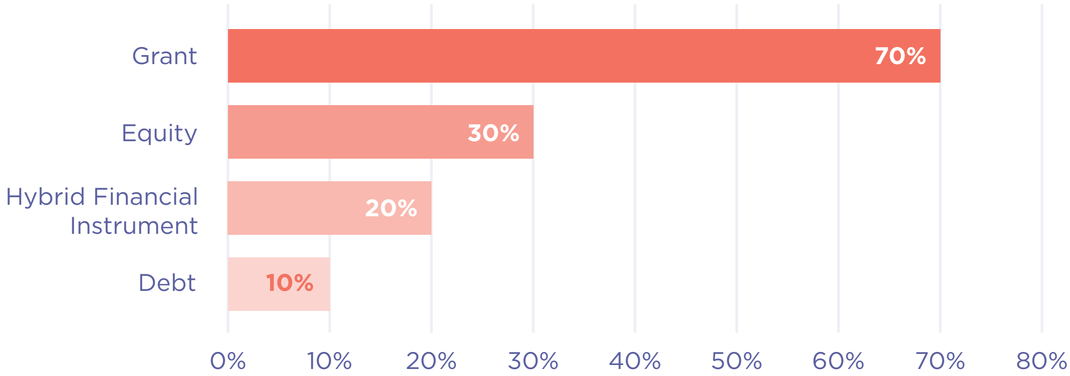


FIGURE 7
Type of financial support provided by incubators/accelerators *(n=11, multiple choice question)*

2.5. ELIGIBILITY CRITERIA USED BY *INCUBATORS AND ACCELERATORS*

KEY INSIGHT
Impact thesis, team and business model are the main criteria through which SPOs are selected.

Incubators and accelerators tend to be very concrete when defining the criteria that serve as the basis for selecting the SPOs that participate in their cohorts. The eligibility criteria can be based on a mix of variables, including SPOs' performance (e.g. traction to date, funding to date), team characteristics (e.g. gender, nationality, technical background), or type of SPO (e.g. thematic focus, stage of development, impact and business model, tech enabled).

The survey was clear about one result: all *incubators and accelerators* consider the impact potential of the SPOs to be a key eligibility factor. This is what unequivocally distinguishes impact *incubators and accelerators* from other homologous initiatives that are not impact related.

Furthermore, 77% of respondents not only consider the potential social impact but they also assess the degree of relevance of the social or environmental challenge tackled by the SPO as a key criterion.

Not surprisingly, business related criteria such as the quality of the team (73%) and the business potential (68%) are considered key eligibility factors by most *incubators and accelerators*.

The stage of development of the SPO also ranks high as an eligibility criterion, resulting from the need that *incubators and accelerators* have in providing tailored support to SPOs. Mixing SPOs at different stages of development in the same cohort has proven not be an efficient way of achieving the intended outcomes, as stated during the qualitative interviews with *incubators and accelerators*.

Less common criteria for eligibility include the country of origin of the SPO (23%), the gender of the founders (14%) and previous funding rounds (9%). With the recent rise of the tech for good movement, whereby technology is used to enable more and better social impact, it is interesting to note from the survey that only 27% of respondents use tech enabling as a criterion for selection. This is corroborated by the qualitative interviews that suggest that tech based SPOs tend to be eligible also for generalist non-impact related *incubators and accelerators*. In this sense, technology is a charactheristic that impact and non-impact *incubators and accelerators* have in common.

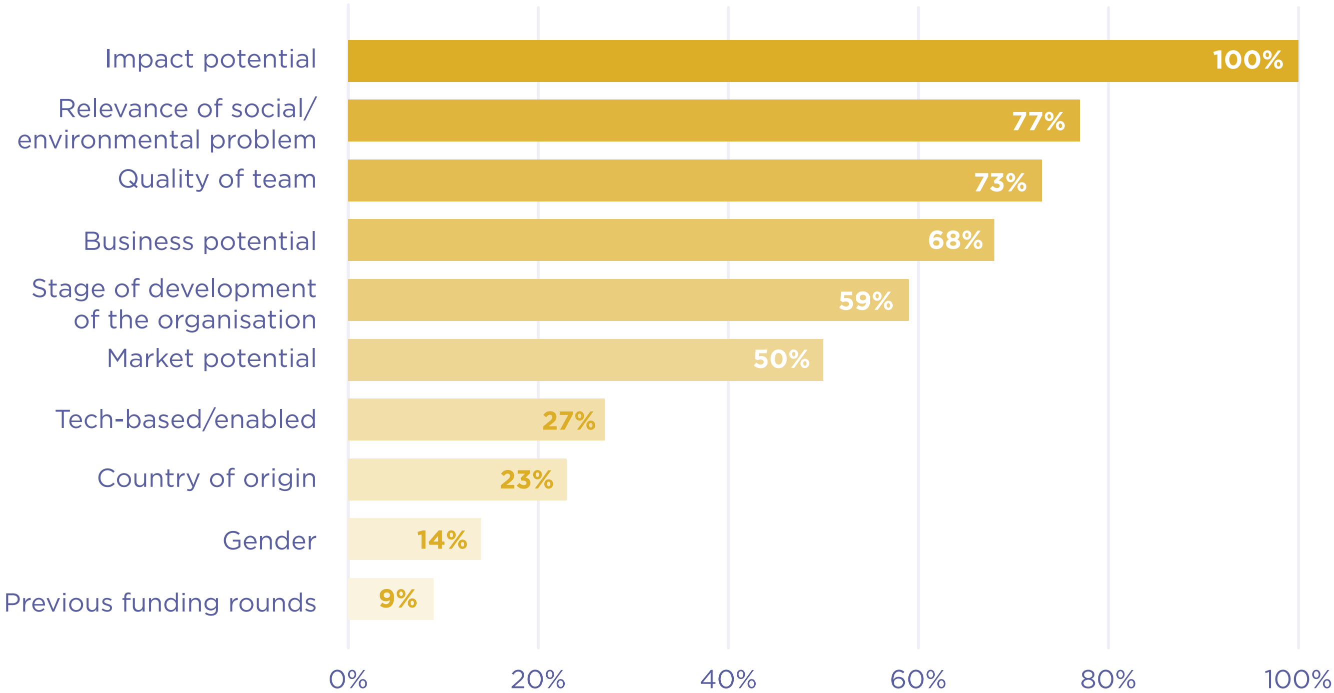


FIGURE 8
Eligibility criteria typically used by incubators/accelerators *(n=22, multiple choice question)*

3. THE MAIN CHALLENGES AND ADDED VALUE OF *INCUBATORS AND ACCELERATORS*

3.1. THE MAIN CHALLENGES OF *INCUBATORS AND ACCELERATORS*

KEY INSIGHT

Cracking a sustainable funding model and improving data collection are the most pressing issues.

The survey asked *incubators and accelerators* about the main difficulties they face, when it comes to their engagement with participants, positioning in the ecosystem and financial sustainability. More than 50% of the respondents stated the difficulty in developing a sustainable funding model and in finding the resources needed for the programme. This finding was also confirmed during the interviews with the managers of *incubators and accelerators* who shared that securing long-term support for their programmes was a hard task. One of the reasons is the high-risk and early-stage nature of the SPOs they work with.

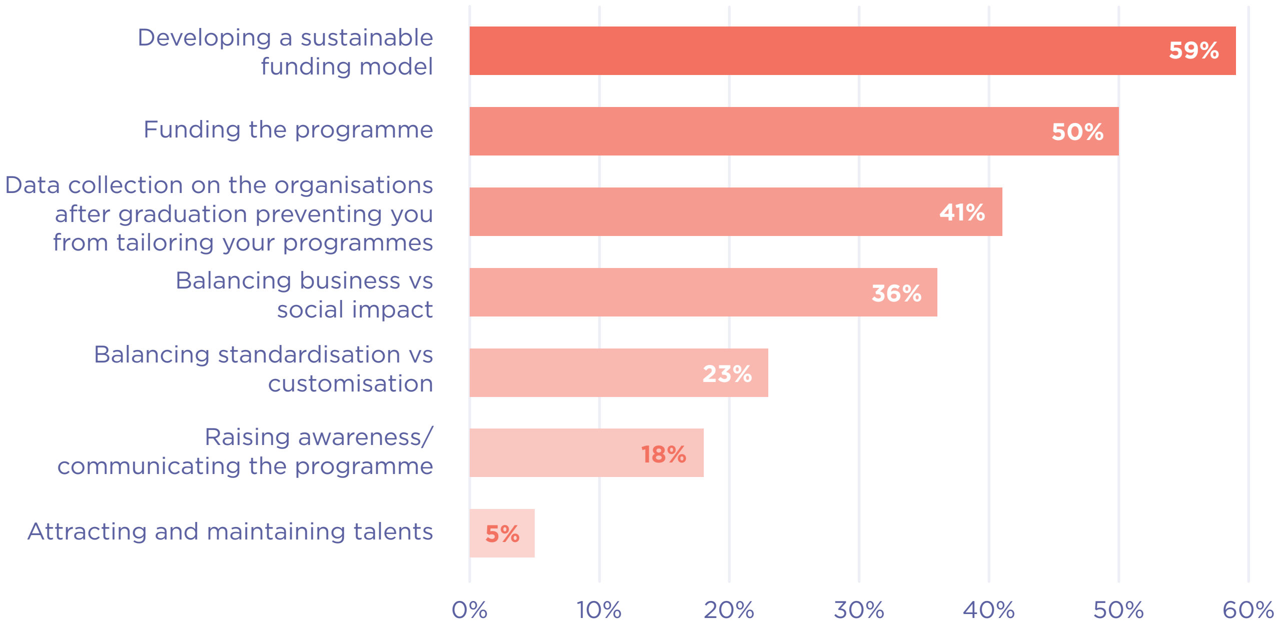


FIGURE 9
Main challenges faced by incubators/accelerators *(n=19, multiple choice question)*

Although they are linked, it is important to distinguish between the two categories: “developing a sustainable funding model” and “funding the programme”. “Developing a sustainable funding model” refers to how *incubators and accelerators* generate revenues in the medium to long term in order to be sustainable. Some examples include funding models whereby the *incubators and accelerators* own equity stakes in the SPOs that are part of their programme, with the hope that it will yield dividends in the future. They also include funding models whereby *incubators and accelerators* sell services to corporations to help them become more innovative and impactful. Whereas, “funding the programme” refers to the ability *incubators and accelerators* have in finding appropriate financial resources to run their own programmes and activities, without the focus on a longer-term strategy.

Another important challenge that emerged during the interviews relates to the data collection on the SPOs after their participation in the *incubators and accelerators.* Collecting data is crucial to better understand SPOs’ performance and social impact. When done right, data collection can contribute to taking better decisions and improving the tailoring strategy, for example with respect to the type of support provided, the type of SPOs supported and the profile of partners to work with.

It is also worth noting that attracting and retaining talent does not emerge as a big challenge. Our hypothesis is that this finding is corroborated by macro data that indicate that 74% of millennials want a job that has a purpose, like working for *incubators and accelerators* that support SPOs.[25]

3.2. THE ADDED VALUE OF *INCUBATORS AND ACCELERATORS*

KEY INSIGHT

The main contribution of incubators and accelerators is improving SPOs’ ability and readiness to deliver social impact.

When assessing the results of business *incubators and accelerators* (without a specific focus on social impact), studies and researches typically focus on their contribution to support organisations in accessing finance or in increasing their traction and growing in revenues and size, among others. Impact *incubators and accelerators* assess the same variables but, in order to understand their added value, they include an additional crucial factor: they assess their contribution to improve SPOs’ ability and readiness to deliver predictable and consistent social impact.

The survey asked *incubators and accelerators* how they evaluate their contribution to these three domains, on a scale from 1 (very unhelpful) to 5 (very helpful): (i) increase their impact, (ii) gain more traction and grow and (iii) access finance. Respondents reported to have equally contributed to improving SPOs’ impact readiness (score of 4.2) and to gaining more traction and growth (score of 4.2). Access to finance ranks the lowest (score of 3.7) which demonstrates that the financing gap between supply and demand in the impact ecosystem remains one of the main challenges to tackle for *incubators and accelerators*.

25 **Linkedin**, (2016) “*Purpose at work*”

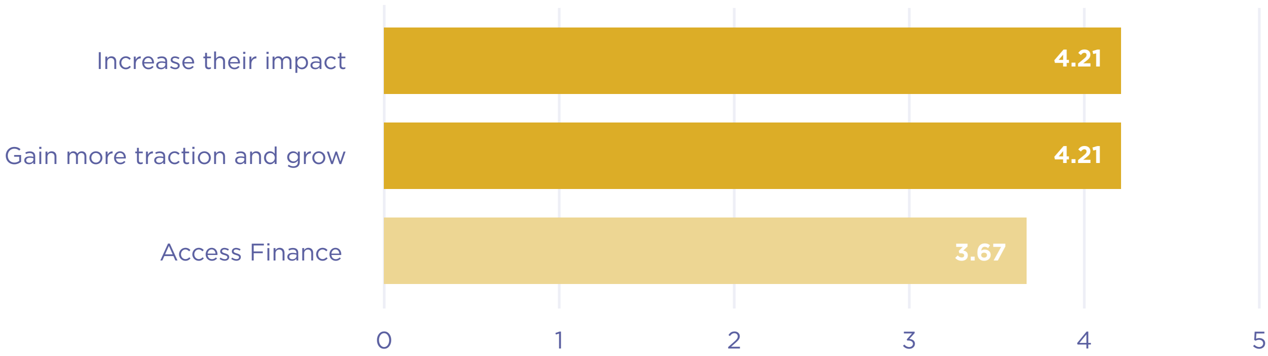


FIGURE 10
Extent to which *incubators/accelerators* have helped the organisations they work with, measured from 1 to 5 *(n=22)*

The qualitative interviews also provide interesting insights about the effect of *incubators and accelerators.* Interviewees were asked to rate the impact and the investment readiness levels of the SPOs they work with, on a scale from 1 to 10, before and after the participation in the programme.

On average, interviewees rated investment readiness before the programme as 3 and after the programme as 8 (Δ=+5). Whereas in terms of impact readiness, the average rating was 5, before the programme, and 9, afterwards (Δ=+4). There is an underlying limitation in these responses that should be considered.

Meet **Fondation la France s'engage**, an investment readiness and leadership programme based in France. Fondation la France s'engage uses the Method MESIS to measure their impact. It is a dynamic method of evaluation adapted to the different stages of development of an SPO. It aims at harmonising existing approaches and creating a methodology of reference to measure impact, with appropriate measurement criteria and tools. [26]

The perception of *incubators and accelerators* on their own contribution is highly dependent on how they choose to position themselves in the market: according to the survey, different types of *incubators and accelerators* offer relevant insights when analysed in isolation.

For example, investment readiness programmes state their ability to enable SPOs' access to finance as their key contribution. Whereas, incubators focused on early-stage organisations self-assess their main contribution as the increase of the social impact of the SPOs.

26 For more information on MESIS: https://www.caissedesdepots.fr/sites/default/files/medias/cp_et_dp/fiche_mesis.pdf

4. RECOMMENDATIONS

4.1. THE MARKET MISMATCH

The demand side of the impact ecosystem is encompassed by SPOs that seek financial and non-financial support. A study promoted by the European Commission in 2014 indicated a range between 130,000 and 244,000 SPOs in Europe, falling under the EU definition of social enterprise.[27]

To better understand the demand side of the social impact ecosystem, it is important to identify the main barriers and constraints to the development and growth of SPOs which are summarised in the table below[28]:

Lack of specialist business development services	This category includes the *incubators and accelerators* covered in this report which are fundamental to building capacity of SPOs and strengthening their skills.
Lack of access to markets	Namely the constraints that hinder the ability of SPOs to access public contracts, such as disproportionate requirements or inadequate clauses.
Lack of access to capital	Namely the difficulty in meeting investors' requirements and in accessing a diversified spectrum of resources, which other non-impact organisations typically have access to.

TABLE 3
Key barriers for the development and growth of SPOs

On the supply side, there are various types of investors. To this end, in 2018, EVPA published a report introducing the concept of "impact strategy"[29], which represents the way in which an investor codifies its own social impact investing activity along three axes: social impact, financial return sought and risk associated with the achievement of both the social impact and the (potential) financial return. In 2019, within the report "*15 Years of Impact – Taking Stock and Looking Ahead*"[30], EVPA presented the impact ecosystem spectrum (Figure 11), thatcovers the entire spectrum of capital and looked at the different impact strategies adopted. Focusing on the extreme ends of the spectrum, traditional grant-making is positioned at the extreme left. Within this category the impact strategies of philanthropic institutions are included, which are aimed at generating impact through more traditional grant-making activities. It is important to clarify that support to SPOs through engaged grant-making is included in the investing *for* impact part of the spectrum. The far right of the spectrum includes traditional investing, with the sole purpose of maximising financial returns, as well as sustainable and responsible investing (SRI).

27 This estimate has been computed looking at the data reported at pages 28-32 of the study of the European Commission "*A Map of Social Enterprises and Their Ecosystems in Europe*". For the definition of social enterprise given by the European Commission, look at: https://ec.europa.eu/growth/sectors/social-economy/enterprises_en

28 **European Commission** (2019), "*A Map of Social Enterprises and Their Ecosystems in Europe*".

29 **Gianoncelli, A**. and **Boiardi, P.**, (2018), "*Impact Strategies – How Investors Drive Social Impact*". EVPA.

30 **Gianoncelli, A.**, **Gaggiotti, G.**, **Boiardi, P.**, and **Picón Martínez A.**, (2019) "*15 Years of Impact – Taking Stock and Looking Ahead*". EVPA.

This investment strategy is usually adopted by large financial institutions that want to integrate ESG factors while managing their portfolios. The range of strategies can vary from "do-no-harm", i.e. avoiding investment in harmful industries, to a pro-active search of companies with positive ESG scores.

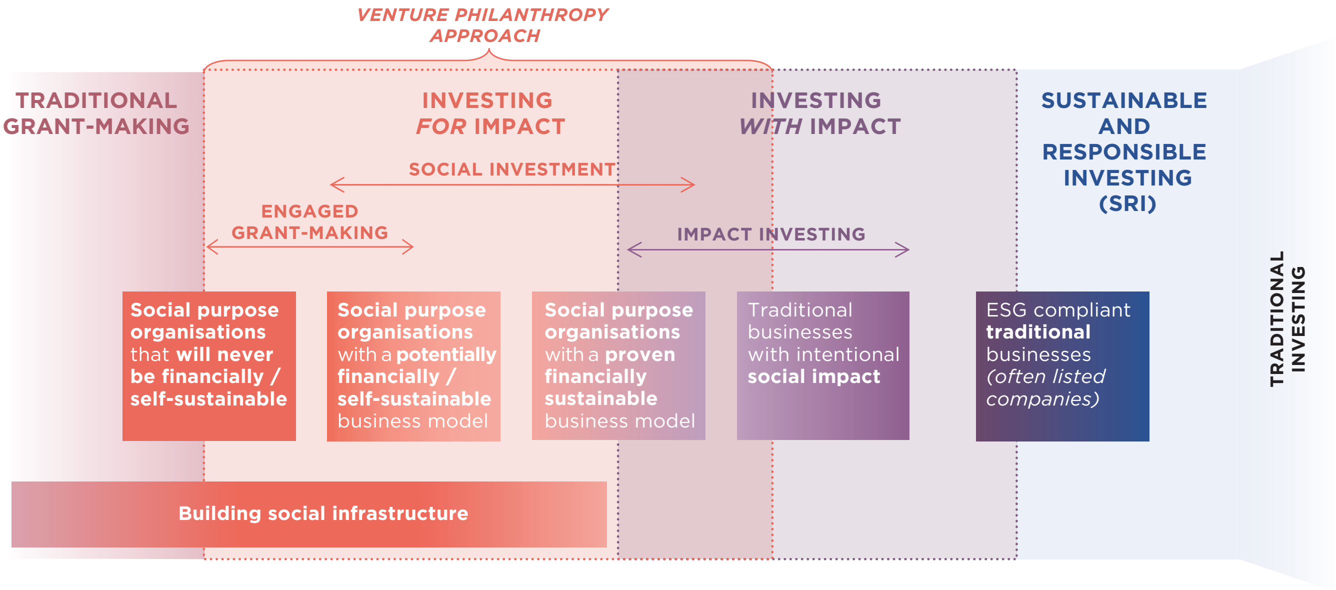


FIGURE 11
The Impact Ecosystem Spectrum (Source: EVPA)

Looking at Figure 11, in between traditional grant-making and sustainable and responsible investing, EVPA has identified two main impact strategies. On the left side, there are investors *for* impact that represent the core of EVPA's network. These organisations take the SPO's needs as the starting point, and reverse-engineer which financial instruments are most appropriate to support them. Investors *for* impact are capital providers that take risks that no one else can (or is prepared to) take. These investors usually support early-stage ventures that have the potential to develop new and innovative solutions to pressing societal challenges. Additionally, investors *for* impact may also support SPOs that are ready to scale. These could be SPOs that have an existing record, but have a risk/return/impact profile that would deter other types of investors, or SPOs that have to focus on the social mission during the scaling phase but still need Venture Philanthropy (VP) capital.

On the right side of the spectrum, investors *with* impact have access to larger pools of resources, but need to guarantee a certain financial return on their investment alongside the intended positive impact they aim at generating. The level of risk that investors *with* impact can take is often limited because of their mandates. These investors play a key role in scaling successful business models that have proven track records both on financial and impact performances. However, they should be particularly careful in ensuring that the commercial expansion goes hand-in-hand with the social impact achieved.

Given the large amount of capital that is available at either extreme of the supply side – investors adopting SRI strategies or traditional philanthropic institutions – there is a gap in the ecosystem for those who are willing to take higher risk in the stages of start-up and validation, i.e. investors *for* impact.

As a result, investors *with* impact and especially investors adopting SRI strategies are more willing to invest in SPOs that either are in a more mature stage of development or are best placed to reach this stage. The process from incubation towards growth stage requires intensive work and support on both business and impact models, which is not only costly but also difficult to find[31]. *Incubators and accelerators* play that role.

The mismatch between supply and demand in the impact ecosystem typically exists between the range EUR 100,000 and EUR 500,000. This means that investors are not willing to invest such relatively small amounts and that SPOs are often seeking amounts in this range. There are several reasons for such a mismatch from both sides: investors are focused on amounts above a EUR 500,000 threshold to compensate for the high transaction costs of these deals[32]; and SPOs seek amounts between EUR 100,000 and EUR 500,000 as this range represents the stage after which grant-making entities typically cannot fund.[33] This funding gap is widely acknowledged in the impact ecosystem and it is referred to as the "Valley of death".[34]

In order to attract high-risk capital, especially in the early stages of development, SPOs need to demonstrate a strong business and impact model, have potential revenue streams and a robust long-term strategy aided by rigorous management control systems[35]. *Incubators and accelerators* provide these elements of support, which together contribute to mitigating the mismatch between supply and demand of the impact ecosystem.

Incubators and accelerators are adopting a range of strategies to bring investors and SPOs closer, as corroborated by the survey and interviews:

(1) Putting a strong focus on non-financial support to build the SPOs' skills that investors require.
(2) Allocating efforts and resources to establish connections between SPOs and investors through networks and events.
(3) Raising funds from the contacts that incubators and accelerators have, in order to invest directly or provide follow-on investments to the SPOs that participate in their programmes.
(4) Creating a close relationship with corporations that serve as platforms for SPOs to test their solutions, showcasing concrete traction and commercial validation when engaging with investors.

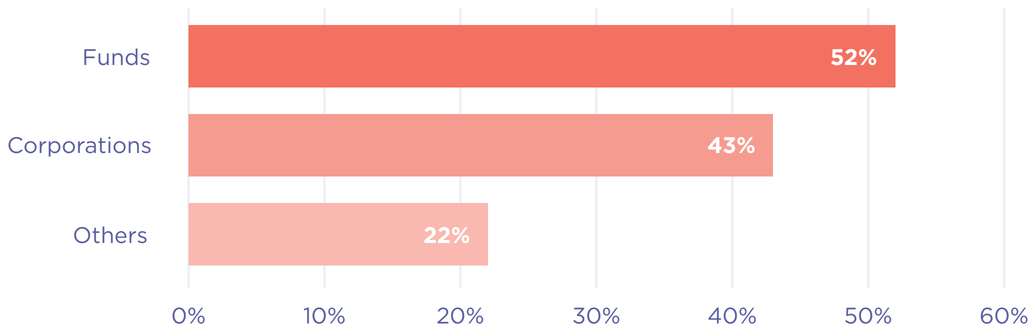


FIGURE 12
Type of investors that incubators/accelerators have formal partnerships with *(n=18, multiple choice question)*

31 **European Commission**, (2016): "*Call for Proposals. Actions to boost the demand and supply side of the finance market for social enterprises*", (page 4).
32 **GECES Commission Expert Group on Social Entrepreneurship**, (2016), "*Subject Paper of GECES Working Group 1: Improving access to funding*", (page 46).
33 **Makey, T.** (2012). "*Growing the social investment market: Investment Readiness in the UK*" Big Lottery Fund Research (72) (page 8).
34 See for reference: **Gianoncelli, A**. and **Boiardi, P.**, (2017), "*Financing for Social Impact | The Key Role of Tailored Financing and Hybrid Finance*", EVPA (pages 56-57). **Varga, E.**, and **Hayday, M.**, (2016), "*A Recipe Book for Social Finance. A Practical Guide on Designing and Implementing Initiatives to Develop Social Finance Instruments and Markets*", European Commission (pages 24-25). **GECES (Commission Expert Group on Social Entrepreneurship)**, (2016), "*Subject Paper of GECES Working Group 1: Improving access to funding*", European Commission (pages 19 and 46).
35 **Makey, T.** (2012). "*Growing the social investment market: Investment Readiness in the UK*" Big Lottery Fund Research (72) (page 8).

RECOMMENDATION FOR *INCUBATORS AND ACCELERATORS*

1. Engage with all investors (e.g. traditional philanthropic institutions, investors *for* impact, investors *with* impact, traditional investors), before, during and after the support programmes take place. If possible, the type of support provided should be co-created with partners. Such collaboration will result in supporting activities that simultaneously match the needs of SPOs and the requirements of investors.

4.2. THE NEED FOR BETTER COLLABORATION

In order to achieve an efficient allocation of resources within the impact ecosystem, there is a need for increased collaboration. As highlighted in the previous paragraph, *incubators and accelerators* should strengthen links with investors, especially with investors *for* impact, to help bridge the gap between the needs of SPOs and the requirements of investors. Interviewees also talked about the importance of collaboration among their programmes to (i) help SPOs expand to new markets, (ii) increase the value proposition of their own programmes, (iii) improve access to new investors and corporate partners. Lastly, it is also important to foster collaboration with different partners, such as universities and governments.

RECOMMENDATION FOR *INCUBATORS AND ACCELERATORS*

2. Share more information and resources with other incubators and accelerators and foster collaboration with different partners, such as investors *for* impact, universities and governments. By expanding networks, synergies can arise and problems could be resolved more quickly and effectively. These alliances can prove to be an effective way to provide better support to social entrepreneurs.

4.3. THE SPO'S NEEDS IN TERMS OF IMM PRACTICES

Impact is what distinguishes impact *incubators and accelerators* from their peers in other sectors / industries. As indicated in section 2.5, the impact potential is the main eligibility criterion of *incubators and accelerators,* adopted by 100% of the survey respondents. In addition, SPOs have noted that impact measurement and management (IMM) is one of their main areas of need. One of the interviewees even stated: "We cannot talk about impact, if we do not show we have one".

RECOMMENDATION FOR *INCUBATORS AND ACCELERATORS*

3. Help social entrepreneurs by providing them with the tools to measure and manage their impact, optimising it for their business model and communicating it in a clear and transparent manner. *Incubators and accelerators* should continue to support SPOs in defining their impact goals and co-design a roadmap to achieve them.

4.4. TENSION BETWEEN SPECIALISATION VERSUS GENERALISATION

As described in section 2.2 *incubators and accelerators* can either be generalists (i.e. sector/theme agnostic) or specialists (i.e. focused on a specific thematic area). Even though most *incubators and accelerators* are generalists, which avoids the need to have additional screening criteria, approximately 1/3 of the respondents specialised in a thematic area. Popular themes include social services, economic and social development, education and health.

Incubators and accelerators that adopt a generalist approach can offer broader support and increase the odds of success cases given the larger pool of applicants. Success cases can be, for example, SPOs that graduate from *incubators and accelerators* with an increased social impact, more market traction and/or opportunities for funding.

However, generalist *incubators and accelerators* have a main disadvantage: the barriers in communicating their social impact, given the lack of focus in contributing to solve challenges in a specific thematic area (or SDG). By focusing on solving problems, which can be easily attached to the commonly known SDGs, *incubators and accelerators* that focused on a sectorial approach, can more easily communicate their social impact to the wider public.

For impact *incubators and accelerators*, impact itself is a first filter in the selection process. This is already a first layer of specialisation. Some programmes also work with traditional SMEs, demonstrating that these types of enterprises are looking to pursue a social impact angle for their products or services.

As such, impact *incubators and accelerators* that go beyond the impact criterion and choose to focus on certain thematic areas, could end up with a smaller pool of SPOs that meet their criteria.

In addition, tailoring a programme around a specific theme, hiring specialists and developing targeted support, can be costlier. This is a burden that many *incubators and accelerators* cannot afford. Nonetheless, thematic areas are a relevant method to provide deep support, namely by finding mentors who are specialised in the area, and investors who have a particular interest in the theme, and by developing workshops and training sessions that are tailored to the specific areas the participants are focused.

Meet **Thrive**, a 6-month acceleration programme developed by UnLtd and based in London. The programme is thematic-focused and target health, economic and social development sectors.

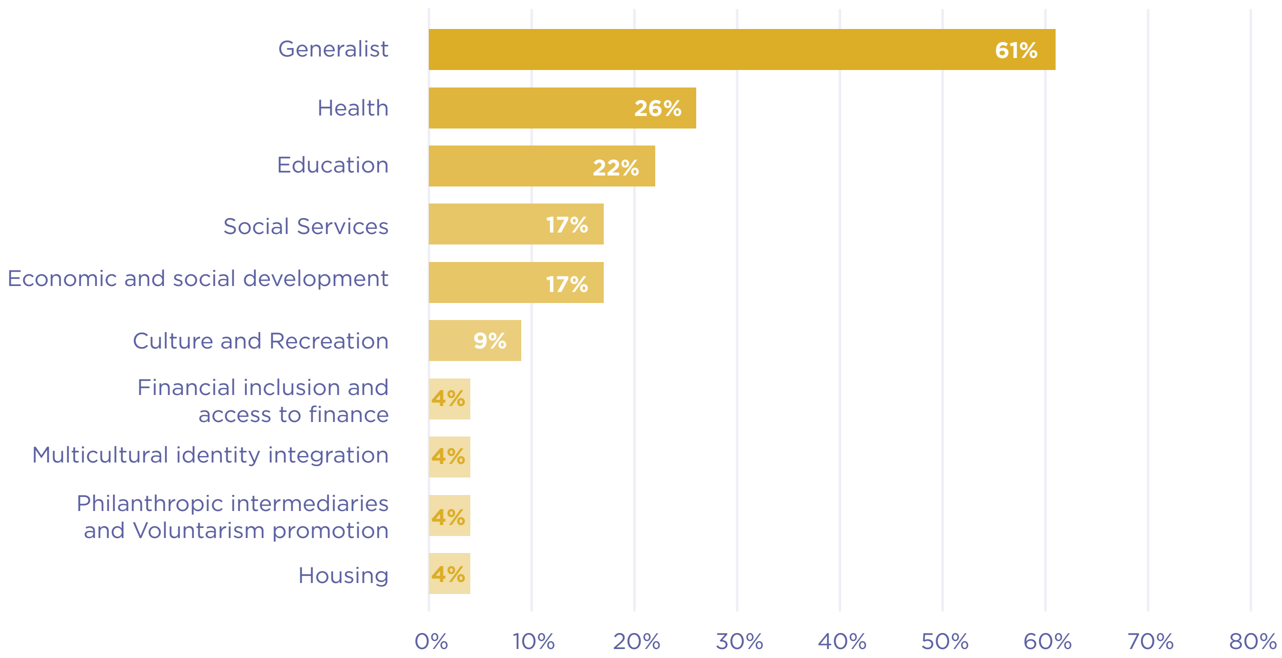


FIGURE 13
Thematic areas that incubators/accelerators focus on *(n=22, multiple choice question)*

RECOMMENDATION FOR *INCUBATORS AND ACCELERATORS*

4. When choosing a specialised or a generalist approach, always consider the endgame of your programme, how it affects the types of support provided and the funding model of the incubator and accelerator. Specialisation provides an opportunity for tailored support targeting specific thematic areas and challenges, which can be relevant for specific industries and funders. Whereas, a generalist approach is more open to a wider pool of SPOs, which can contribute to scalability of the programme and result in more success cases.

4.5. BIAS IN THE SELECTION OF SPOS LEADS TO GAPS IN THE ECOSYSTEM

This research suggests two trends that lead to selection bias of SPOs in *incubators and accelerators* programmes.

One trend is related to the type of SPOs supported: most are either for profit with a social mission, non-profit but generating revenue or profit maximising with social impact. As a result, non-profits not generating revenues have lower access to support services.

It is important to note that a non-profit that doesn't generate revenue when it starts receiving support from an incubator or accelerator could do so in the future. As shown in the EVPA impact ecosystem spectrum (see figure 11 at page 28) an SPO may have the capacity to change its business model from being potentially financial/self-sustainable, to actually becoming financially/self-sustainable. However, not accessing incubators and accelerators' support services due to an initial lack of a track record might end up hindering their ability to transform their business model and generate revenue in the future. One reason for such bias is related to the funding model of incubators and accelerators, as expressed during the qualitative interviews. Given the rise in corporate funding and the existence of several equity-based funding models, incubators and accelerators tend to focus on SPOs which have revenue generating activities, as these are perceived to increase the success of the programme.

In addition to the type of SPOs supported by *incubators and accelerators*, it is also fundamental to understand the stage of development of the SPOs. The stage of development tends to be a decisive factor on the type of support provided by *incubators and accelerators* as less mature SPOs have different needs when compared to more mature SPOs.

The various stages of development of SPOs have been segmented in: (1) incubation, when the focus is placed in ideation, (2) start-up, when the emphasis is on product / solution development and on defining a business model, (3) validation, when the main outcome is finding product-market fit and (4) maturity, when the full focus is on scaling.

This is where another bias in selection can be observed. Most *incubators and accelerators* target SPOs at start-up stage (78%) and validation stage (61%) creating a gap for those SPOs that are starting, and for those that need to grow. Even though this is not surprising for accelerators specifically, it does show that the whole range of *incubators and accelerators* in the European ecosystem do not adequately cover market needs across all stages.

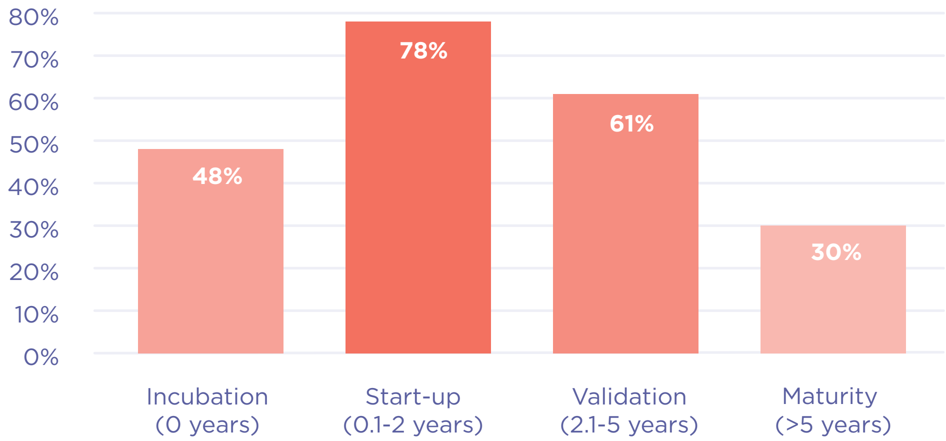


FIGURE 14
The stage of SPOs that incubators/accelerators work with *(n=22, multiple choice question)*

RECOMMENDATION FOR *INCUBATORS AND ACCELERATORS*

5. *Incubators and accelerators* can break down the types of support that they provide in smaller modules and services, allowing them to be adapted and replicated to the needs of SPOs that are at an incubation stage. The focus during the growth stage should be placed mostly on introductions and commercial opportunities.

5. CONCLUSIONS AND OVERALL TAKE AWAYS

Impact investment is growing, both in the number of related initiatives as well as in the amounts of capital that are being deployed to support social purpose organisations (SPOs). The growth on the supply side (i.e. the investors) is going to be reflected in an increase need for investment-ready and impact-ready demand side organisations (i.e. social purpose organisations). *Incubators and accelerators* play a crucial role in bridging the gap between investors and SPOs.

Education, skills and training providers encompass a wide range of segments, which include incubators, pre-accelerators, accelerators, investment readiness programmes and leadership programmes. While they are referred to as *incubators and accelerators* in this report, they are heterogeneous in nature, duration, target organisations, funding models and the support provided.

Incubators and accelerators are mostly **funded by corporate partners and philanthropic sources**. This is due to the type of SPOs they support and the low likelihood of such organisations to generate enough economic upside to fund the *incubators and accelerators*. Philanthropic funders target impact in isolation whilst corporate partners look for innovative solutions they can embed in their value chain. However, for *incubators and accelerators*, developing a sustainable funding model for their activities and programmes is still the biggest challenge.

For *incubators and accelerators*, one way to tackle this issue might be to **collaborate more closely with investors *for* impact**. They can engage with these capital providers in order to find funders for the SPOs they support. Once the SPOs grow thanks to the support of investors *for* impact, and in case of specific agreements between the *incubators and accelerators* and the SPOs, these social purpose organisations could also contribute to sustaining the business model of the *incubators and accelerators*. This scenario can happen through the payback of some dividends, in case *incubators and accelerators* have invested equity into SPOs, or through the repayment of the loans SPOs received, generating a cash flow benefitting the *incubators and accelerators*.

Another support might come from **European funding**, even though, survey results show this source of capital as unpopular among the community of *incubators and accelerators*. It is worth mentioning the European Commission's call for proposals VP/2019/017 – "Incubators (business support organisations) for inclusive and social entrepreneurship"[36], which foresees a total budget of EUR 1,300,000 with the idea of awarding a single grant to a consortium of European networks. This call was launched by the Directorate-General Employment, Social Affairs & Inclusion, under the EaSI Programme, at the end of February 2020. The call is intended to incentivise mainstream business incubators to expand their outreach to inclusive and social entrepreneurship or to team up with niche incubators targeting (potential) entrepreneurs from under-represented groups including social entrepreneurs.

The **organisations supported** by *incubators and accelerators* are present across the entire impact ecosystem spectrum, including non-profits not generating revenue, non-profit generating some revenue, for-profit organisations with pure social missions, profit maximising with social mission and even traditional SMEs. Most *incubators and accelerators* support **for-profit entities with a social mission**, which leads to a

36 To access the call for proposal, go to: https://ec.europa.eu/social/main.jsp?langId=en&catId=629&callId=582&furtherCalls=yes. Deadline for submitting proposals: 30/04/2020.

gap in the support for other types of organisations. Despite a targeted and narrowed approach in terms of organisations supported, most *incubators and accelerators* are generalists in terms of thematic areas.

Incubators and accelerators offer **a combination of financial and non-financial support**. Financial support is offered through various financial instruments (FIs), including grants, equity, debt and hybrid funding. Grants are the most deployed FI, used by 70% of the respondents to the survey. Non-financial support includes a myriad of areas. The main types of non-financial support provided by *incubators and accelerators* are strategic support, revenue strategy, financial management and fundraising.

The data gathered for this report during interviews, survey responses, and desk research have resulted in **five main takeaways** to inform future actions.

1. *Incubators and accelerators* should **strengthen their relationships with capital providers**. In this way, they help SPOs to overcome the barriers they face to access capital and markets, better matching their needs with the investors' requirements and narrowing the mismatch between supply and demand in the impact investment sector.

2. *Incubators and accelerators* should **strengthen other types of collaboration as well**. They should share more information and resources between themselves creating synergies, and fostering partnerships with stakeholders, such as universities and governments.

3. *Incubators and accelerators* should **provide social purpose organisations with support in impact measurement and management practices**. In order to attract investors it is essential for SPOs to prove the impact they generate and/or aim to, thus *incubators and accelerators* should deliver support to define their impact goals, co-design a roadmap to achieve them, and communicate results.

4. *Incubators and accelerators* should **accurately evaluate which approach to choose**, whether **specialised** – having better opportunities to tailor their offer resulting in more effective support of fewer SPOs; or **generalist** – being able to attract more SPOs increasing their own impact potential.

5. *Incubators and accelerators* should **go beyond their preferred type of SPO**: for-profit entities with a social mission that are at least a year old. They could strengthen their support to SPOs at incubation or maturity stage by customising their offer to the different needs linked to the diverse stages of development.

The consensus is clear: an efficient and well-functioning impact ecosystem will enable better responses to the most pressing societal problems the world is currently facing. And it is through continuous investment in capacity building of SPOs that the impact investment ecosystem can accelerate, and the mismatch between what investors are looking for and what SPOs are able to provide can be reduced. *Incubators and accelerators* are definitely the main players addressing this mismatch.

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7. APPENDIX

7.1. APPENDIX A

NETWORKS	**Euclid Network**	Veerle Klijn
	European BIC Network (EBN)	Clarelisa Camilleri (former)
	Global Accelerator Network (GAN)	Dani Larson
INCUBATORS/ ACCELERATORS	**Bethnal Green Ventures**	Paul Miller
	Forward Incubator	Laura di Santolo
	Fondazione Social Venture GDA (Get it!)	Lorenzo Triboli
	Katapult Accelerator	Haakon Brunell
	makesense	Lola Virolle
	Make a Cube	Matteo Bartolomeo
	Finnish Innovation Fund Sitra	Mika Pyykkö (former)
	SEIF	Mariana Jakob
	Social Entrepreneurs Ireland	Darren Ryan
	Social Nest Foundation	Margarita Albors
	UnLtd Spain	Thaís Bueno

TABLE 4
Representatives of the organisations interviewed for the report *(n=14)*

7.2. APPENDIX B

Bethnal Green Ventures	United Kingdom
CEED Macedonia	Macedonia
Feeding The City - Impact Hub UK	United Kingdom
Finnish Innovation Fund SITRA	Finland
Fondation La France s'engage	France
Forward Incubator	The Netherlands
Fondazione Social Venture GDA (Get it!)	Italy
HIGGS (Higher Incubator Giving Growth & Sustainability)	Greece
Kickstart	Switzerland
Lead Her - Mouves	France
makesense	France
AMPlifica	Portugal
MAZE-X	Portugal
Next Level - Social Enterprise NL	The Netherlands
Norrsken House	Sweden
The Awards Programme - Social Entrepreneurs Ireland	Ireland
BASIS Vinschgau Venosta	Italy
SocialFare | Centre for Social Innovation	Italy
Sociale Innovatie Fabriek - Social Innovation Factory	Belgium
SoCentral	Norway
THNK School of Creative Leadership	The Netherlands
THRIVE - UnLtd	United Kingdom

TABLE 5
Incubators/Accelerators that responded to the survey *(n=22)*

7.3. APPENDIX C

Element A	Austria
Investment ready	Austria
Sociale Innovatie Fabriek - Social Innovation Factory	Belgium
The Clearing House	Belgium
impact accelerator	Denmark
Finnish Innovation Fund Sitra	Finland
Fondation La France s'engage	France
Mouves (Mouvement des entrepreneurs sociaux)	France
Planetic Group	France
Scale up	France
F-Lane	Germany
Social Impact Start	Germany
HIGGS (Higher Incubator Giving Growth & Sustainability)	Greece
Social Entrepreneurs Ireland	Ireland
BASIS Vinschgau Venosta	Italy
FabriQ	Italy
FIT4SE	Italy
Fondazione Social Venture GDA (Get it!)	Italy
Future food ecosystem	Italy
Make a Cube	Italy
SocialFare | Centre for Social Innovation	Italy
CEED Macedonia	Macedonia
Social Impact Lab	Macedonia
Katapult Accelerator	Norway
SoCentral	Norway
Tøyen Unlimited	Norway
AMPlifica	Portugal
Bluebio	Portugal
MAZE-X	Portugal
The FoodHub LX	Portugal
Climate-KIC	Several locations
Impact Hub	Several locations
makesense	Several locations
Mars Catalyst	Several locations
Numa	Several locations
Rockstar	Several locations
Game Changers	Spain
Impulso	Spain
incoplex93	Spain
Social Nest Foundation	Spain
Startup Ole	Spain
UEIA	Spain
Youth X Impact	Spain
Norrsken House	Sweden
Reach for Change	Sweden
SE Outreach Accelerator	Sweden
Incitare	Switzerland
Kickstart	Switzerland
SEIF	Switzerland
Waterpreneurs	Switzerland
BidNetwork	The Netherlands
Forward Incubator	The Netherlands
Scale up nation	The Netherlands
Social Enterprise NL	The Netherlands
THNK	The Netherlands
Vijana Reloaded	The Netherlands
Bethnal Green Ventures	United Kingdom
CAN	United Kingdom
Mainstreet Partners	United Kingdom
The Young Foundation	United Kingdom
UnLtd	United Kingdom
SILab Ukraine	Ukraine

TABLE 6
Impact Incubators/Accelerators database *(n=62)*

EVPA - European Venture Philanthropy Association

Established in 2004, EVPA is a non-profit, membership association gathering organisations based in Europe and interested in or practising venture philanthropy (VP). These include social impact funds, grant-making foundations, social investment crowdfunding platforms, corporate social investors, impact investing funds, private equity firms and professional service firms, philanthropy advisors, banks or business schools. EVPA currently gathers over 300 members from 30 countries, mainly based in Europe.

EVPA defines VP as the approach adopted by investors *for* impact to build stronger social purpose organisations by providing them with both financial and non-financial support (i.e. capacity building) at all stages of their development in order to increase their social impact.

EVPA is committed to supporting its members in their work by providing networking opportunities and facilitate learning. Furthermore, EVPA strengthens its role as a European thought leader in order to build a deeper understanding of the sector, promote the appropriate use of VP and voice the concerns and expectations of investors *for* impact to policy-makers.

https://www.evpa.eu.com

MAZE – Decoding Impact

MAZE is an impact investment firm that works with entrepreneurs, investors, corporates and public sector leaders in implementing and scaling effective solutions that address social and environmental challenges. MAZE was created by the Calouste Gulbenkian Foundation.

Based in Lisbon, MAZE was established in 2013 as a catalyst for impact entrepreneurship in Portugal. To date, MAZE accelerated more than 100 impact ventures, launched 5 Social Impact Bonds, raised 35 million euros for the first impact fund in Portugal, in a joint venture with Mustard Seed. MAZE advised the Portuguese Government in the design of Portugal Inovação Social, the impact investment market champion in Portugal funded with 150 million euros from European Structural and Investment Funds.

In order to build the market intelligence around social innovation in Portugal and across Europe, MAZE supports both public and private institutions in various publications covering research, market consultation and case studies.

https://maze-impact.com

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