



BACKGROUND NOTE

The Challenges of Providing Quality Advice and Mentorship Through Incubators

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The Challenges of Providing Quality Advice and Mentorship Through Incubators

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The rise of technology-based start-up enterprises—or tech start-ups—has been aided by the parallel creation of incubator and accelerator programs.¹ The programs provide support to entrepreneurs who attempt to commercialize innovative solutions and possibly create the next Grab, Gojek, or Google.

These programs nurture entrepreneurship by providing a range of advice, information, and networking opportunities that helps the start-up prototype a product, file a patent, secure funding, and so on. Assistance is provided by four types of people: (i) the manager of the incubator, (ii) trainers who deliver courses, (iii) speakers, and (iv) mentors. The Asian Development Bank’s current research on tech start-ups in Asia indicates that an effective incubator must engage high-quality people in these four roles.

The manager of the incubator is most effective if she or he has business experience. While this might seem obvious, it is often not the case. It depends on sponsorship. Incubators that are sponsored by government often employ civil servants. In several Asian economies studied, this was found to be a critical problem and was aggravated when the manager had concurrent duties in the government. Lack of business experience can also occur with university-based incubators where start-ups are supported on the tech side, but the incubator is run by a professor. Some trainers engaged by government and university incubators also often lack real-world business experience. Speakers who provide a one-off talk are also effective if they are successful entrepreneurs or from other parts of the private sector (such as financiers). However, incubators set up by corporations avoid the problem of relevance because they use their own staff or hire people with business experience.

The advice and training offered by incubators that do not have strong business links suffer from three weaknesses. First, the ideas are too basic, meaning that they do not provide practical insight into the business world. Second, the support is not sector specific, and thus the start-up

¹ Subsequently, “incubator” is used to denote both incubators and accelerators.

does not learn how to address unique challenges. And third, assistance does not account for the current lifecycle stage of the start-up.

A key attribute of a good incubator is its ability to provide quality mentors. One-on-one mentoring can give the start-up direction in organizing the business model, forming the team, and negotiating the “valley of death” (i.e., costs are incurred but there is yet no revenue stream). An incubator that cannot provide mentors with business experience is not likely to be effective. A mentor from one sector matched with a mentee from a different sector is also disadvantageous. While it might seem obvious that good and relevant mentors should be identified, incubators often find it difficult to do so. Successful entrepreneurs often do not have the time or willingness to mentor. Further, the start-up landscape in most countries is dominated by fintech and e-commerce, and it is difficult to find mentors from specialized areas, such as healthtech or greentech.