

# Business Accelerator Interventions and MSME Growth in Lusaka, Zambia

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## ABSTRACT

Despite numerous interventions by the Zambian government and stakeholders, the failure rate of Micro, Small, and Medium Enterprises (MSMEs) in Zambia remains high at 50% (Chilemba 2021). This study investigates the influence of business accelerator programs on MSME growth. Employing a mixed-methods approach with 5 business accelerators and 50 MSMEs in Lusaka, the study found that accelerator programs offered MSMEs interventions including capital, mentorship, training, and networking. Training emerged as the most valuable intervention for participants. The study concludes that increased capital funding and expanded training opportunities are crucial for boosting MSME growth. It also recommends enhanced post-program mentorship and a shift in program emphasis from funding to broader growth support.

**Keywords:** accelerator programs, msme growth, entrepreneurship

## I. INTRODUCTION

Launching, growing, and sustaining any enterprise requires a combination of networking, intellectual capability, and dedication. Within the entrepreneurial ecosystem, accelerator programs play a vital role by integrating feedback, networking opportunities, and intellectual resources to facilitate business growth and success. These programs, characterized by their limited duration, assist businesses in building and launching their ventures. Accelerators typically engage peers and mentors from the broader regional community, including successful entrepreneurs, alumni of accelerator programs, venture capitalists, angel investors, attorneys, accountants, and corporate executives. They offer a range of networking, educational, and mentorship opportunities to participating teams, often culminating in a significant event known as a "demonstration day," where ventures pitch to qualified investors (Cohen & Hochberg, 2014).

Similar to angel investors and incubators, accelerator programs have significantly contributed to the development and growth of businesses in various communities worldwide. They facilitate the transition of small and medium-sized firms from the early, nascent stage to fully established ventures (Clarysse, Wright, & Hove, 2015).

In the United States, accelerator programs provide unique and substantial support to small and medium businesses. These programs encompass a blend of business development processes, infrastructure, and mentorship designed to nurture new and small businesses through the challenging early stages of development (Cohen, 2013).

In Canada, accelerator programs are often sponsored by private companies, municipal entities, and public institutions such as colleges and universities. They have proven to be instrumental in fostering sustainable growth for SMEs (Clarysse, Wright, & Van Hove, 2015).

Similarly, in European countries like Germany, accelerator programs, known as innovation centers, equip SMEs with the necessary experience and resources to initiate and sustain their ventures (DFG, 2016).

## II. LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

### 2.1 Accelerator Interventions

The concept of accelerator programs originated in the mid-2000s, with the launch of Y Combinator in Massachusetts in 2005, followed by Techstars in Colorado two years later (Kohler, 2016; Hochberg, 2016). These programs aim to enhance the success rates and expedite the growth of new ventures by providing early-stage startups with seed funding, co-working space, and access to educational, mentoring, and networking opportunities within a defined timeframe (Cohen & Hochberg, 2014).

Startup selection for accelerator programs is rigorous and cyclical, with acceptance rates at top accelerators typically below 3% (Miller & Bound, 2011). This process often involves an open call period followed by a standardized screening process, where the business idea and founding team are evaluated by both the accelerator team and external stakeholders (Pauwels et al., 2016). Accelerators may cater to specific industries or operate as generalists, usually taking a modest equity stake (5-8% on average) from participating startups (Cohen & Hochberg, 2014).

Originally focused on digital media startups, accelerators now support ventures across various industries, including biotechnology, wireless communication, and internet services (Malek et al., 2014). Startups typically "graduate" from accelerator programs after approximately three months, showcasing their progress at a culminating event known as a "demo day" to potential investors and the press (Cohen & Hochberg, 2014).

Additionally, accelerator interventions often include well-structured mentorship programs aimed at refining businesses, providing networking opportunities, and building trust with stakeholders who may become future investors (Akila, 2014). Mentors, often successful entrepreneurs themselves, play a crucial role in guiding startups through the program, with some mentors even becoming long-term partners or investors (Cohen & Hochberg, 2014).

## 2.2 Accelerator Interventions and Business Growth

Several studies have assessed the impact of accelerator programs on SME growth in different contexts. For instance, I-DEV International and Aspen Network of Development Entrepreneurs (ANDE) evaluated the growth of SMEs in Georgia, USA, finding significant increases in revenue and employment among participating entrepreneurs (I-DEV International & ANDE, 2014). Similarly, in Kenya, research by the Argidius Foundation focused on accelerator firms primarily in the agricultural and technology sectors, revealing geographical biases in their distribution (Argidius Foundation, 2015).

Another study in Kenya examined the influence of accelerator programs on MSMEs supported by the Tony Elumelu Entrepreneurship (TEE) program, highlighting the positive impact of seed capital, mentorship, and training on business growth (Gikabu, 2020). Similarly, a study in Zambia evaluated the role of business incubators in stimulating small business growth, emphasizing the favorable impact of such programs on reducing operating costs and improving long-term survival rates (Kasase, 2017).

The conceptual framework (see Figure 1) illustrates the underlying assumptions regarding the influence of accelerator programs on SME growth. It identifies mentorship, networking, training, and capital as independent variables, with SME growth as the dependent variable. External environmental forces serve as moderating variables, influencing the extent to which accelerator interventions affect SME growth. Changes in SME growth are measured using metrics such as sales volumes, revenue, operational space, and employment generation, based on Perrens growth theory.

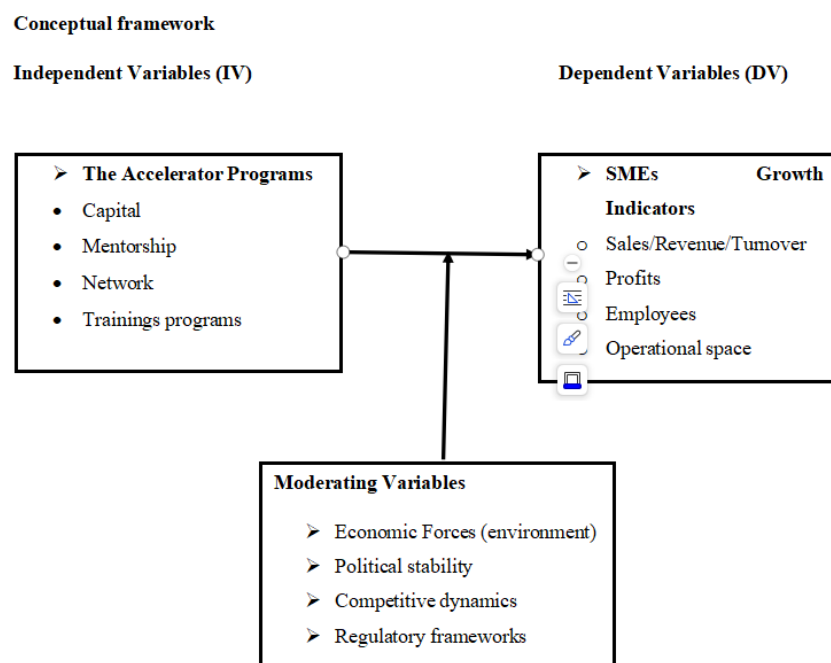


Figure 1: Conceptual framework

### III. METHODOLOGY

This research employed a mixed-methods approach, combining both qualitative and quantitative methodologies to capitalize on their respective strengths and enhance the understanding of the research problem. The study utilized a convergent research design, aiming to gather complementary data on the same topic to achieve a comprehensive understanding (Morse, 1991; Patton, 1990).

The study population comprised business accelerators and Micro, Small, and Medium-sized Enterprises (MSMEs) that received support from accelerator programs between 2019 and 2020. The sample frame included prominent business accelerator programs in Lusaka, such as the Zambia Development Agency, Prospero, The Hive, Women Entrepreneurship Academy, Growth Africa, AMSCO, and Accelerated Growth for Micro, Small, and Medium-Sized Enterprises in Zambia (AGS). MSMEs selected to participate in various curriculum/classes/cohorts at these accelerator firms were included in the research sample. Non-probability sampling techniques were utilized, with accelerators chosen through purposive sampling based on availability, while respondents (MSMEs) were randomly sampled from these accelerators.

Data collection involved both primary and secondary methods. Primary data collection instruments included interviewer-administered questionnaires and interview guides. The questionnaires were semi-structured, comprising both open-ended and closed-ended questions. Closed-ended questions required respondents to select predefined options, while open-ended questions allowed respondents to provide their own answers based on their experiences.

Secondary data collection utilized online sources such as Google Scholar, EBSCO, JSTOR, Zambian blogs, websites of accelerator firms, and the University of Zambia's catalog. This secondary data complemented the primary data collection efforts and provided additional context and background information for the study.

### IV. ANALYSIS OF THE RESULTS

#### 4.1 Response Rate

All five accelerators participated in the study, resulting in a 100% response rate. With reference to table 1 it can be seen that out of the 50 MSMEs that have gone through accelerator programs, 38 questionnaires were successfully returned, representing a response rate of 76%.

Table 1: Response rate

Response Rate (SMEs)	Frequency	Percentage
Returned Questionnaires	38	76
Unreturned Questionnaires	12	24
Total	50	100.0

#### 4.2 Business Accelerator Support

The study found that business accelerators primarily provide support to MSMEs in the form of capital, mentorship, and business training. Among the respondents, 47.4% received mentorship support, 36.8% received business training, and 7.9% received capital, while 7.9% claimed not to have received any form of support from the accelerators. Training programs were identified as the most valuable, helping MSMEs acquire knowledge and skills, become more innovative, improve overall management, and enhance their capacity to secure loans.

#### 4.3 Business Accelerator Interventions and MSME Growth

The correlation analysis in table 2 examines the relationship between accelerator interventions (capital, mentorship, training, and networking) and MSME growth, determining whether these relationships are statistically significant. The results in table 1 indicate a positive and statistically significant relationship between training and business growth (Pearson's correlation coefficient = 0.365). Mentorship, capital, and networking show weaker relationships with business growth (correlation coefficients of -0.139, -0.265, and -0.105 respectively). This suggests that while all four accelerator interventions are related to MSME growth, only training demonstrates a significant and positive relationship, while mentorship, capital, and networking exhibit weaker relationships.

**Table 2:** Correlation analysis of accelerator interventions

		Correlations					
			M	T	C	N	G
Pearson's	M	Pearson Correlation	1	-.278	.296	.066	-.139
		Sig. (2-tailed)		.091	.071	.692	.405
		N	38	38	38	38	38
	T	Pearson Correlation	-.278	1	-.033	-.281	.365*
		Sig. (2-tailed)	.091		.846	.088	.024
		N	38	38	38	38	38
	C	Pearson Correlation	.296	-.033	1	-.019	-.265
		Sig. (2-tailed)	.071	.846		.909	.108
		N	38	38	38	38	38
	N	Pearson Correlation	.066	-.281	-.019	1	-.105
		Sig. (2-tailed)	.692	.088	.909		.530
		N	38	38	38	38	38

\*. Correlation is significant at the 0.05 level (2-tailed).

## V. CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Conclusions

The study aimed to identify the support business accelerators provide to MSMEs in Zambia. The findings confirmed that capital, mentorship, business training, and networking were the main support programs offered by accelerators to MSMEs. Among these, training programs were identified as adding the most value to participating MSMEs. They helped respondents acquire knowledge and skills, become more innovative, improve overall management, and enhance their capacity to secure loans from financial institutions and other sources.

Additionally, the research revealed that accelerator program interventions (capital funding, mentorship, business training, and networking) have a positive relationship with business growth. Notably, training showed a significant positive relationship with business growth, while mentorship, capital, and networking demonstrated weaker relationships. Despite this, most enterprises experienced progressive growth in terms of employees, customers, sales turnover/volume, and annual profit between 2020 and 2021. Overall, increased training through accelerator programs is suggested to significantly enhance business growth.

### 5.2 Recommendations

#### 5.2.1 Recommendations for Accelerator Programs

- To bolster post-program mentorship, establish strategic alliances with leading learning institutions, development agencies, financial institutions, and governmental bodies to offer comprehensive support to MSMEs. Leverage the expertise of accomplished entrepreneurs who have graduated from the accelerator program as mentors to deliver personalized guidance to emerging entrepreneurs. Implement a structured mentorship framework incorporating regular feedback loops, goal-oriented strategies, and performance evaluations. Introduce robust monitoring and evaluation mechanisms to assess the impact of mentorship initiatives on MSME growth, enabling iterative improvements and sustained support.
- Promote the holistic benefits of accelerator programs beyond financial assistance through targeted marketing efforts and entrepreneur engagements. Highlight the invaluable opportunities for skill enhancement, strategic networking, and mentorship support provided by accelerator programs to foster sustainable business growth. Advocate for governmental policies that incentivize the adoption of accelerator programs by MSMEs and financial institutions, fostering a paradigm shift from viewing accelerators solely as funding sources to recognizing them as catalysts for comprehensive business development. By nurturing a culture of innovation and knowledge-sharing, accelerator programs can empower entrepreneurs to capitalize on diverse resources and expertise for long-term success.

#### 5.2.2 Recommendations for the Government

- Develop a centralized repository encompassing diverse accelerator programs and participating MSMEs to enhance transparency, accessibility, and inclusivity within the entrepreneurial ecosystem. Implement a user-friendly platform accessible to entrepreneurs, investors, and stakeholders, providing comprehensive information on program offerings, eligibility criteria, and success stories. Facilitate cross-program collaboration and resource sharing to optimize support for MSMEs across different sectors and regions. Utilize advanced analytics and reporting tools to track program impact, identify areas for improvement, and tailor interventions to the evolving needs of MSMEs. By fostering

collaboration and knowledge exchange, the database serves as a catalyst for innovation and equitable growth in the MSME sector.

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