Stephan Jung

Towards a dominant design of Corporate Start-up Accelerator Programs? Analyzing 54 different programs world-wide

120 Digital Business Transformation – Open Innovation, neue Geschäftsmodelle, Produktivitätsstprünge und neue Arbeitsformen im digitalen Zeitalter

Abstract

Corporates are said to lack innovative ideas or technologies, as they mostly experience difficulties in adapting to the speed of innovation and technological advancements, the risk-taking ability and the targeted high growth rate over a short period of time (Weiblen & Chesbrough, 2015). Therefore, start-ups are becoming increasingly important for them, as they are a major source of innovation (Anthony, 2012). They engage themselves with emerging technologies to create and invent products and reinvent whole business models. Based on this insights, large Corporations (Kawohl, Rack, & Strniste, 2015) have increased their engagement with start-ups in the past years. In that light corporate accelerators and incubators, which are by far the most prominent activity of corporates, are the next step of the process of outsourcing or at least separating corporate innovation from the exploitative side of business (O'Reilly & Tushman 2004; Drucker 2002). Until now, we only have a rather vague understanding of what an accelerator program is offering. It is stated, that these programs provide young companies with space, money, mentoring and guidance to help the entrepreneurs developing and spreading their business idea (Clarysse & Yusubova, 2014; Fehder & Hochberg, 2014; Cohen, 2013). Nevertheless, it is quite unclear, whether there exists a dominant design of accelerator programs, or a broad range of different approaches. Therefore, this paper wants to shed light on the structure and elements in order to develop a typology of accelerator programs.

Keywords:

Corporate Entrepreneurship, Corporate Accelerators, Accelerators, Innovation management, Start-up Programs, Intrapreneurship, Corporate Incubators, Incubators

Introduction: Importance of Corporate Accelerators

Corporates are said to lack innovative ideas or technologies, as they mostly experience difficulties in adapting to the speed of innovation and technological advancements, the risk-taking ability and the

targeted high growth rate over a short period of time (Weiblen & Chesbrough, 2015). Therefore, start-ups are becoming increasingly important for them, as they are organizations designed to search for a "repeatable and scalable business model" leading to a high willingness to take risks as well as fostering a high speed of implementation (Blank, 2014). Additionally, start-ups nowadays are a major source of innovation (Anthony, 2012). They engage themselves with emerging technologies to create and invent products and reinvent whole business models. Corporations that embrace an open innovation strategy can benefit from start-ups as much as the start-ups can benefit from the corporations themselves.

Based on this insights, large Corporations (Kawohl, Rack, & Strniste, 2015) have increased their engagement with start-ups in the past years. Corporates test various ways of getting in touch with start-ups and they have various motives for that engagement. It ranges from various forms of accelerators and incubators, start-up challenges, hackathons and other events, or corporate venture capital and collaborations with private accelerators. This start-up engagement can be seen as an approach to addressing certain corporate pains, with internal innovation and/or establishing a culture of innovation (Kanter, 2006; Dougherty, 1996, Shieh, 2011). In that light corporate accelerators and incubators, which are by far the most prominent activity of corporates, are a the next step of the process of outsourcing or at least separating corporate innovation from the exploitative side of business (O'Reilly & Tushman 2004; Drucker 2002).

Until now, we only have a rather vague understanding of what an accelerator program is offering. It is stated, that these programs provide young companies with space, money, mentoring and guidance to help the entrepreneurs developing and spreading their business idea (Clarysse & Yusubova, 2014; Fehder & Hochberg, 2014; Cohen, 2013). Nevertheless, it is quite unclear, whether there exists a dominant design of accelerator programs, or a broad range of different approaches. Therefore, this paper wants to shed light on the structure and elements in order to develop a typology of accelerator programs.

The following sections of this paper are organized as follows. First, I give a literature overview on the phenomenon of (corporate) start-up accelerators. Second, I analyze 54 international start-up accelerator programs based on publicly available information, interviews and databases like crunchbase.com, corporate-accelerators.net and startupaccelerator.vc. Secondary data was collected throughout the whole period of research starting from October 2016 and ending in November 2016. Third, the results are clustered and described, followed by a conclusion section.

Literature on (Corporate) Accelerator Programs

According to the Global Accelerator Report (2015)[1], accelerator programs are founded in all possible regions throughout the globe. While in 2012, over 7,000 start-up incubators and accelerators could be identified worldwide[2], today over 8,000 programs exist, which evidences the growing importance as a strategic tool not only for corporates, but also for universites, public institutions or states (Peters et al., 2004; Becker & Gassmann, 2006; Birdsall et al., 2013)

Accelerators provide an environment where start-ups can learn and test their business models with the help of mentors and peers. Several start-ups enter an accelerator together in groups called cohorts. These cohorts get the possibility to connect with each other as well as with a broader community of alumni, benefiting from their diverse skills and helping each other in difficult situations (Grimaldi & Grandi, 2005; Hansen et al., 2000). At the end of the program they often have the opportunity to present

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[1,8] Gust (2015). Global Accelerator Report 2015. http://gust.com/global-accelerator-report-2015/
[2] The International Business Innovation Association, 2016

their company to possible investors. Specific models can differ from company to company, they do not necessarily include ownership of the start-up as a prerequisite (Weiblen & Chesbrough, 2015), others run the program with corporate partners and some are totally run externally (Christiansen, 2009). Nevertheless, many these programs usually receive an equity stake of 5 to 7% in return for a five-figure investment (Hoffman et al. 2012; Fehder & Hochberg, 2014). Today, the trend seems to be to narrow down their scope by diversifying into industry focused programs. Consequently, accelerators are seeking specific start-ups and are lately placing their focus on technology. If certain start-ups fit into this narrow scope is determined by their business model as this is the way how the business is structured and how it intends to obtain its goals .

Big corporations run accelerator programs, because of nine different motives and goals. Those goals are 1) Extending the company's network to the start-up ecosystem, 2) Distribution of products and services of start-ups, 3) Access to start-ups as future customers, 4) Investment opportunity, 5) Access to innovation, 6) Access to new talent, 7) Learning from start-up culture, 8) Marketing and PR as well as reputational issues and 9) Corporate Social Responsibility (Jung, 2016).

Analyzing the accelerator programs

Therefore, the author tried to explain the differences and similarities between accelerator programs based on an explorative, yet quantitative analysis of 54 specific programs using cluster analysis and correlation calculations. This analysis is based on a pre-organized database containing detailed information about the programs and variables that seem to be important aspects for such programs, like duration, mentorship, cash investment, workplace as well as focus of the program on certain industries or technologies. Results show that mentorship is for all different accelerators essential, as all programs offer some kind of it. The majority of the programs last for 3 months, only accelerators that focus on complex technologies or on rather later stage startups last for 6 up to 12 months. There seems to be a trend of differentiation, as more recent started programs tend to be more focused (e.g on certain industries or technologies). Additionally, programs that are more focused invest on average a higher amount of cash. Interestingly, this does not automatically mean that they also take a higher equity position.

As this research project is still ongoing detailed analysis and concrete numbers are only available at the time of the presentation. The author is aware of this weakness of the paper, nevertheless I think the topic of this paper is interesting to discuss in the light of the digitalization of the corporate world.

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