



What's Working in Startup Acceleration

Insights from Fifteen Village Capital Programs

EXECUTIVE SUMMARY



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VillageCapital



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Introduction

Public and private sector organizations are showing increasing interest in supporting small and growing businesses (SGBs) as catalysts for broad-based economic development. This is stimulating a range of support mechanisms for early-stage entrepreneurs, including incubators, angel investor networks, training programs and more recently, accelerator programs.

Accelerators, which emerged in 2005 with the launch of Y-Combinator, have some distinct characteristics:

- ▶ They tend to be limited in duration;
- ▶ They work with cohorts of early-stage entrepreneurs; and
- ▶ They aim to facilitate connections with potential investors.

Despite the emergence of hundreds of accelerator programs around the world, we know little about their effectiveness or how differences across programs influence venture performance. To address this gap, Social Enterprise @ Goizueta at Emory University and the Aspen Network of Development Entrepreneurs (ANDE) launched the Global Accelerator Learning Initiative (GALI) in collaboration with a consortium of public and private funders. GALI builds on the Entrepreneurship Database Program at Emory University, which works with accelerator programs around the world to collect and analyze data describing the entrepreneurs that they attract and support.

Village Capital – a seed-stage accelerator that runs programs for entrepreneurs in impact-oriented sectors – was the first to work with the Entrepreneurship Database Program, starting in 2013. Application and follow-up data have now been collected from fifteen different Village Capital programs. These data provide a unique opportunity to examine the performance of ventures accelerated by these different Village Capital programs compared to those that applied but were not selected.



The Early Impacts of Acceleration: Honing in on Program Performance Contrasts

This report examines the effects of Village Capital accelerators on three measures of entrepreneurial performance:

- ▶ Revenues;
- ▶ Full-time employment; and
- ▶ Investment.

We started by comparing performance changes of the ventures that participated in these fifteen programs to the change in performance of ventures that applied but were rejected:

FIFTEEN VILLAGE CAPITAL PROGRAMS

◀ table 01 ▶

	REJECTED ENTREPRENEURS AVERAGE	PARTICIPATING ENTREPRENEURS AVERAGE	STATISTICALLY SIGNIFICANT DIFFERENCE?*
1-Year Revenue Growth	\$7,934	\$11,329	No
1-Year Employee Growth	0.95 employees	1.36 employees	No
1-Year Investment Growth	\$6,274	\$54,236	Yes
Equity	\$2,570	\$24,588	Yes
Debt	\$2,357	\$16,410	Yes
Philanthropy	\$1,347	\$13,238	Yes
Sample Size	427	138	N/A

* At the $p < 0.05$ level

On average and across the board, participating and rejected entrepreneurs improved performance in the year after applying to a program. However, the growth figures for participating entrepreneurs are consistently higher than those of the rejected entrepreneurs. Most importantly, while the average rejected entrepreneur increased new investment by \$6,274, the average participating entrepreneur grew investment by \$54,236.

While these comparisons suggest that participating entrepreneurs tend to outperform rejected entrepreneurs, our goal is to dig deeper and learn from differences across the fifteen programs. Thus, we identified the “highest-performing” and “lowest-performing” Village Capital programs based on the three metrics:

HIGHEST-PERFORMING PROGRAMS

◀ table 02 ▶

PROGRAM	APPLICATION YEAR	COUNTRY TYPE*	TECH-FOCUSED	1-YEAR REVENUE GROWTH DIFFERENCE	1-YEAR EMPLOYEE GROWTH DIFFERENCE	1-YEAR INVESTMENT GROWTH DIFFERENCE
Agriculture & Cleantech: Louisville	2013	Developed	Some what	\$73,882	1.09	\$84,528
FinTech Mexico	2014	Developing	Yes	\$108,777	1.42	\$21,398
Energy: Boulder & Houston (US)	2014	Developed	No	\$18,109	0.81	\$141,888
EdTech: DC & Chicago (US)	2014	Developed	Yes	\$114,667	3.28	\$97,478

LOWEST-PERFORMING PROGRAMS

◀ table 03 ▶

PROGRAM	APPLICATION YEAR	COUNTRY TYPE*	TECH-FOCUSED	1-YEAR REVENUE GROWTH DIFFERENCE	1-YEAR EMPLOYEE GROWTH DIFFERENCE	1-YEAR INVESTMENT GROWTH DIFFERENCE
Impact: Nairobi	2013	Developing	No	\$21,812	-0.46	\$10,941
Health IT: Houston & Salt Lake City (US)	2014	Developed	Yes	-\$343,658	-2.88	\$55,689
Kenya: Innovations for Agriculture	2014	Developing	Yes	-\$169,249	0.30	\$23,128
Last Mile: Ahmedabad	2014	Developing	No	-\$4,700	-2.27	\$21,626

* Based on the World Bank's country classification. Countries designated as High-Income (with per capita GNI > \$12,736) are classified as “Developed”, with all others classified as “Developing”.

To better understand these program performance contrasts, we assembled a panel of Village Capital program experts and asked them to brainstorm all of the possible reasons for the differences. We consolidated their 133 reasons into a concise typology and then focused on seven predictions that were raised most often by the program experts:

1. Partner quality improves program performance.
2. Time spent on program-related activities lowers program performance.
3. Quality of the applicant pool improves program performance.
4. More advanced ventures benefit more from acceleration.
5. Networking among cohort members improves program performance.
6. Emphasis on financial acumen improves program performance.
7. Mentor quality improves program performance.

Using a combination of quantitative and qualitative research strategies, we dug deeper into each of these predictions, relying on our detailed entrepreneur application data, additional surveys of accelerator program managers, and structured interviews with key program stakeholders.





Key Findings



Partner quality improves program performance ✓ SUPPORTED

Partner organizations were rated much higher in the high-performing programs. Relative to those that worked on the low-performing programs, these organizations were described as “engaged”; “putting entrepreneurs first”; and “contributing to program content.”

We asked three senior Village Capital leaders – each with broad experience across the fifteen programs – to “give a quick and simple grade to each partner”; with a grade of 1 indicating below average partner performance; 2 indicating average or expected partner performance; and 3 indicating above-average partner performance. These ratings were based on a “holistic assessment of the quality of contributions to program effectiveness.” Partner grades, which were averaged across the three Village Capital leaders, were much higher for the ten partners that worked on high-performing programs; an average grade of 2.52, compared to just 1.76 for the nine partners who worked on the low-performing programs.



Time spent on program-related activities lowers program performance ✓ SUPPORTED

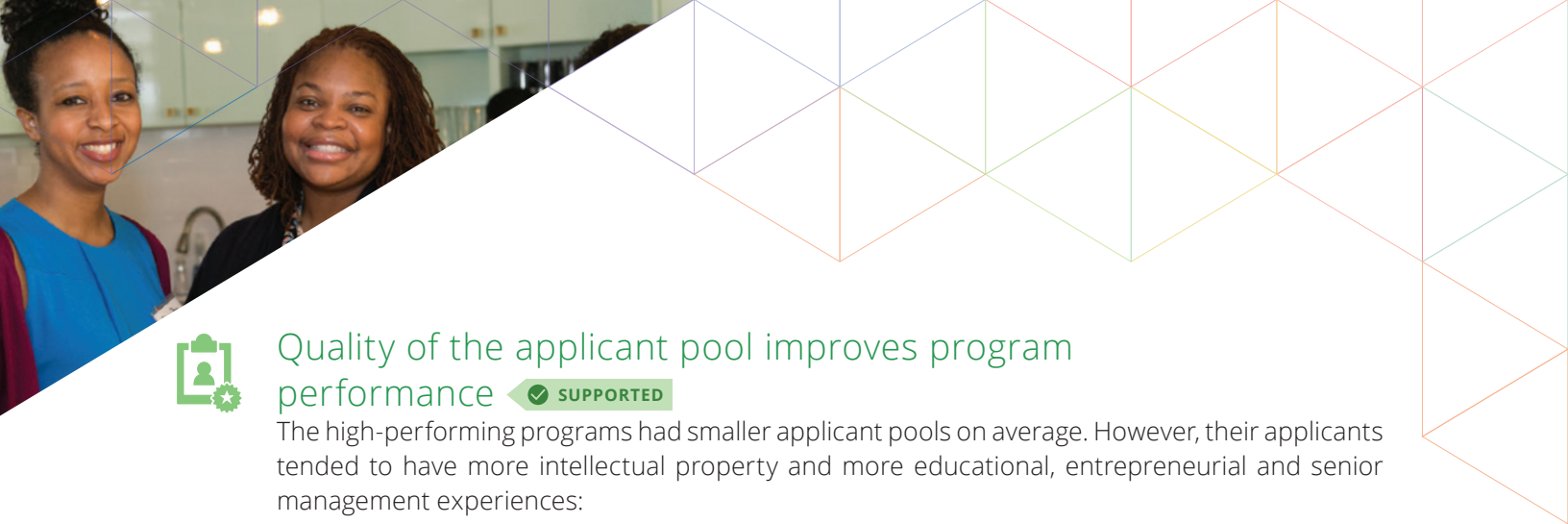
Rather than spending as much time as possible delivering program content, high-performing programs tended to set aside more time for entrepreneurs to work on their own.

We asked program managers to “give us a rough idea of how a typical entrepreneur allocated his/her time”, allowing us to tell how much time was spent working on site versus remotely, and how much time was spent working with other entrepreneurs, with mentors, or on their own. According to program managers, the percentage of time spent working with other entrepreneurs and/or mentors (versus working on their own) was 53% for the high-performing programs and 83% for low-performing programs.



More advanced ventures benefit more from acceleration ✗ NOT SUPPORTED

Program selectors for the high-performing programs placed more emphasis on the quality or promise of the underlying idea than on the venture itself. This led them to select ventures that were younger on average (1.73 years), compared to ventures in low-performing programs (2.47 years).



Quality of the applicant pool improves program performance

✔ SUPPORTED

The high-performing programs had smaller applicant pools on average. However, their applicants tended to have more intellectual property and more educational, entrepreneurial and senior management experiences:

APPLICANT POOL CHARACTERISTICS

◀ table 04 ▶

	AVERAGE FOR HIGH- PERFORMING PROGRAMS	AVERAGE FOR LOW- PERFORMING PROGRAMS	STATISTICALLY SIGNIFICANT DIFFERENCE? *
Total number of applicants	75.6	98.5	—
Percentage with patents	27.5%	21.9%	Yes
Percentage with copyrights	20.5%	14.0%	Yes
Percentage with trademarks	39.7%	27.0%	Yes
Percentage of teams with college degrees	56.2%	39.0%	Yes
Percentage of teams with prior For-Profit founding experience	68.9%	57.1%	Yes
Percentage of teams with prior Nonprofit founding experience	25.8%	27.0%	No
Percentage of teams with CEO / ED experience	46.0%	31.4%	Yes

* At the $p < 0.05$ level



Networking among cohort members improves program performance

➡ LIMITED SUPPORT

Descriptions of cohort dynamics were mainly positive in both high and low-performing programs. While the differences were modest, participants in high-performing programs described the cohorts as being more partnership-oriented and as having more peer-to-peer involvement. Participants in low-performing programs did not describe a lack of peer-to-peer involvement in their cohorts but emphasized individual qualities, such as creativity and innovation.



Emphasis on financial acumen improves program performance

✕ NOT SUPPORTED

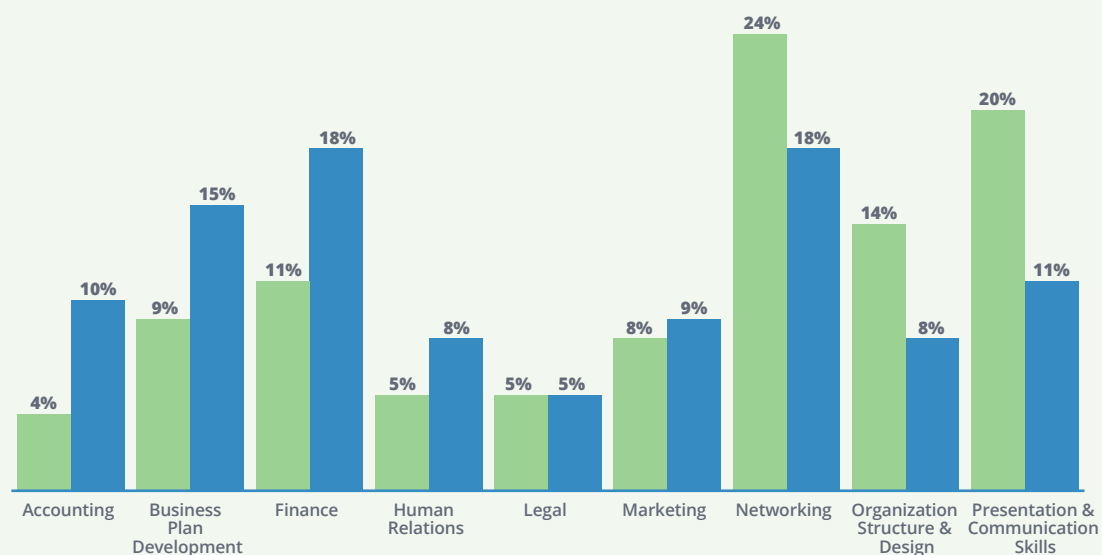
The high-performing programs spent less time working on finance, accounting, and formal business plan development and more time on presentation and communication skills, networking, and organization structure and design.

PERCENT OF EMPHASIS PLACED ON DIFFERENT PROGRAM TOPICS

◀ figure 01 ▶

■ High-Performing Program Average

■ Low-Performing Program Average



Mentor quality improves program performance

✱ MIXED SUPPORT

High-performing programs connected entrepreneurs with a larger number of mentors. However, this did not translate into more time spent with mentors overall. While all programs tended to use similar individuals as mentors, there is some evidence that program alumni are not very effective mentors and that including potential customers as mentors is a good idea.



Implications for Village Capital

(Response by Ross Baird)

These findings provide several insights for individuals looking to develop more effective accelerator programs:

- ▶ Accelerators have better results with ventures that have some initial revenues, but need to “speed up” investment;
- ▶ We need program partners who will roll up their sleeves;
- ▶ For the applicant pool, focus on quality not quantity;
- ▶ ‘Less is more’ when it comes to program content;
- ▶ Programs need to focus more on building entrepreneurial networks, and less on delivering content;
- ▶ While understanding financials is clearly necessary for investment readiness, we should not be building more content or classes around finance and accounting; and
- ▶ If you’re an entrepreneur, don’t take accelerators at their word when they say “we provide mentorship”—ask who those mentors are and what they will be doing.





Invitation to Join GALI

This is the first report among many that will use our expanding dataset to examine specific cause-effect relationships that lie behind effective accelerator program decision-making.

In this spirit, we invite interested accelerators to consider joining the Entrepreneurship Database Program to begin developing a more comprehensive understanding of acceleration practices and impacts. Although our accelerator partners are asked to devote time and energy to this project, they also gain from participation by getting:

- ▶ Deeper insights from reports about applicant pools, selection biases and impacts on revenue, employment and investment growth based on all entrepreneurs who apply to your program. These reports are valuable for programs that want to demonstrate impacts to program funders and supporters; and
- ▶ Visibility from the broader GALI network, which provides benefits for those looking to develop more visible platforms for participating entrepreneurs.

We invite you to indicate your interest by answering a few questions at:
<http://goo.gl/forms/pHTYHLVeHq>.



GALI works in association with the Global Entrepreneurship Research Network; a working coalition of institutions funding research as a tool in realizing the full potential of entrepreneurship to create inclusive prosperity on a global scale.



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