



A Rocket or a Runway?

Examining Venture Growth
during and after Acceleration



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Images courtesy of Uncharted (cover, p. 2).

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About the Programs behind this Report



GLOBAL ACCELERATOR LEARNING INITIATIVE

The Global Accelerator Learning Initiative (GALI) is a collaboration between the Aspen Network of Development Entrepreneurs (ANDE) and Emory University designed to explore key questions about enterprise acceleration. GALI builds on the Entrepreneurship Database Program at Emory University, which worked with accelerator programs around the world between 2013 – 2020 to collect data describing the entrepreneurs that they attract and support. GALI data and research can be accessed at www.galidata.org.



ASPEN NETWORK OF DEVELOPMENT ENTREPRENEURS

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that propel entrepreneurship in developing economies. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs create jobs, stimulate long-term economic growth, and produce environmental and social benefits.

As the leading global voice of the SGB sector, ANDE believes that SGBs are a powerful, yet underleveraged tool in addressing social and environmental challenges. Since 2009, we have grown into a trusted network of nearly 300 collaborative members that operate in nearly every developing economy. ANDE grows the body of knowledge, mobilizes resources, and connects the institutions that support the small business entrepreneurs who build inclusive prosperity in the developing world. ANDE is part of the Aspen Institute, a global nonprofit organization committed to realizing a free, just, and equitable society. Learn more at www.andeglobal.org.



THE ROBERTO C. GOIZUETA BUSINESS & SOCIETY INSTITUTE

An action-oriented research center within Emory University's Goizueta Business School, The Roberto C. Goizueta Business & Society Institute reimagines the role of business in building vibrant communities and a healthy planet by asking important but uncomfortable questions about business as usual. The Institute generates research insights that it employs in its teaching and programmatic work on topics ranging from climate change and energy systems; inequalities in organizations, markets, and communities; and purpose-driven entrepreneurs and organizations. Learn more at <http://emory.biz/society>.

Executive Summary

This report examines the performance of early-stage ventures applying to accelerator programs using various growth metrics before, during, and after acceleration.

Based on a unique sample of 2,599 ventures applying to 212 accelerator programs, we compare the trajectories of those that ultimately did and did not participate in these programs to learn more about changes in revenue and financing over time.

We also compare outcomes across programs and synthesize insights from interviews with high-performing entrepreneurs and accelerator program managers to understand how acceleration can drive longer-term venture development.

THIS ANALYSIS REVEALS THAT:

- ▶ **ACCELERATED VENTURES CONTINUE TO GROW IN MEASURABLE WAYS PAST THEIR ACCELERATION PERIOD.** On average, accelerated ventures outperform non-accelerated ventures in terms of both revenue growth and financing, and these differences increase over time.
- ▶ **ACCELERATED VENTURES EXHIBIT STEADIER GROWTH THAN NON-ACCELERATED VENTURES.** While performance during the year of acceleration positively correlates with the subsequent year's performance for all ventures, the association is stronger among accelerated ventures.
- ▶ **MOST ACCELERATED VENTURES EXPERIENCE MODEST GROWTH, WITH THE MAJORITY OF GROWTH ACCOUNTED FOR BY VENTURES THAT ARE IN THE TOP 25% OF PERFORMERS.** The median venture participating in an accelerator program does not experience rapid growth; instead, a small minority of ventures "capture" most of the benefits of acceleration.
- ▶ **EVEN WITHIN THE GROUP OF TOP PERFORMERS, ACCELERATED VENTURES OUTPERFORM NON-ACCELERATED VENTURES.** Among the 25% of ventures with the greatest growth, accelerated ventures are over-represented and exhibit faster performance than non-accelerated ventures.
- ▶ **TOP-PERFORMING VENTURES HAVE MORE FINANCIAL RESOURCES AT THE TIME OF APPLICATION THAN OTHER VENTURES.** The benefits of acceleration are not spread evenly among ventures, with those having more financial resources at the outset showing greater growth.
- ▶ **HIGH-PERFORMING ENTREPRENEURS POINT TO CERTAIN ASPECTS OF THE ACCELERATION EXPERIENCE AS BEING PARTICULARLY IMPORTANT FOR DRIVING GROWTH.** In particular, peer networking, strategic introductions, support in business model development and pivoting, and signaling effects are perceived to play an important role in propelling ventures forward.

- ▶ **ENTREPRENEURS ALSO INDICATED WAYS IN WHICH ACCELERATORS FALL SHORT.** Other high-performing entrepreneurs did not attribute any of their successes to the acceleration experience, citing a poor match of program offerings with their needs, an over-emphasis on investment over business fundamentals, a lack of meaningful connections with investors, and a lack of cohort cohesion.
- ▶ **ACCELERATOR PROGRAM MANAGERS EMPHASIZE THAT VENTURE GROWTH PATHS DIFFER SIGNIFICANTLY.** When asked when and how accelerated ventures should be growing financially, accelerator program managers emphasized how the timing and type of growth differs significantly based on the venture's stage and sector.



Introduction

Around the world, policymakers have been turning to entrepreneurship as a key contributor to local economic development and job creation. But early-stage ventures need considerable support to grow beyond the idea or start-up phases.

Incubators have been around for over 50 years, helping meet the basic needs of early-stage ventures through shared services and workspaces. However, over the past 15 years, a new model of startup support has emerged to help ventures not only survive but also scale quickly in both commercial viability and positive social/environmental impact. These programs – called accelerators – are defined by their fixed-term, cohort-based support that is delivered through training and mentorship and which emphasizes and facilitates connections with investors.¹

Given the growth orientation of accelerators, program outcomes are often measured by the level of financial resources made available to ventures, including both earned revenues and investment capital. Initial research by the Global Accelerator Learning Initiative (GALI) suggests that acceleration does indeed “work” – accelerated startups increase their revenues and financing more than those that were rejected from the program.² Academic research has provided evidence that these effects are not simply due to accelerators selecting the most promising ventures. There is an observable and additional impact of the acceleration process on funding secured by participating ventures.³ Additionally, participation in different accelerators leads to differences in venture performance, providing further evidence that when implemented effectively, acceleration services can have a significant effect on venture growth.⁴

So far, these studies have only examined the immediate effects of acceleration (i.e., changes that take place in the year in which the accelerator program is run). These analyses tell us about the immediate effects that programs have as they are being offered and shortly thereafter. However, we do not yet know whether (or how) accelerators influence participants in the years after the program is over. It is not yet known whether impacts observed in the year of the program are maintained in the ensuing years or if some participants only show the effects of acceleration later on. Persistent commercial benefits might come from carry-over effects of what took place during the program: immediate business insights might turn into profitable pivots in a business model, mentors might continue to offer advice and seed new market connections, or investor connections cultivated during pitch nights might turn into growth capital at a later date. Post-program impacts might also come from structured alumni programming.

This report describes GALI’s first examination of accelerator impacts beyond the year in which programs are run. Using a large sample of ventures for which we have performance data on the year of acceleration and the following year, our analyses provide a first look at how both accelerated and non-accelerated ventures are faring over this longer time period.

¹ Cohen, S. and Hochberg, Y. Accelerating startups: The seed accelerator phenomenon. 2014.

² See GALI data insights at www.galidata.org/insights.

³ Roberts, P. et al. Are we accelerating equity investment into impact-oriented ventures? *World Development*. 2019.

⁴ Chan, C.S. et al. Do differences among accelerators explain differences in the performance of member ventures? Evidence from 117 accelerators in 22 countries. *Strategic Entrepreneurship Journal*. 2020.

About the Data

Between 2013 and 2020, the Entrepreneurship Database Program at Emory University partnered with more than 360 acceleration programs to collect detailed data from more than 23,000 entrepreneurs that had completed their respective application surveys.⁵

All entrepreneurs were then sent follow-up surveys on an annual basis to capture year-over-year changes in venture performance. Together, these surveys provide a snapshot of each venture's performance at three points in time: at application, during the year of acceleration, and during the first year post-acceleration (Table 1). In all cases, follow-up surveys were sent to every entrepreneur who applied to one of the participating accelerator programs, including those who were not accepted into the accelerator to which they applied.

SURVEY TIMING AND PERIODS COVERED

◀ Table 1 ▶

Survey Name	Time Period Covered by Survey
Application	Calendar year <i>prior</i> to application to an accelerator
Year 1	Calendar year <i>during</i> acceleration
Year 2	Calendar year <i>after</i> accelerator completed

The sample analyzed in this report isolates 2,599 ventures for which we have Application, Year 1, and Year 2 data. Within this sample, 829 ventures participated in the accelerator to which they applied, and 1,770 were rejected or did not participate for another reason.⁶ Table 2 shows the regional breakdown of ventures in the sample. The majority have their main operations in Sub-Saharan Africa, the United States & Canada, or Latin America & the Caribbean. Most commonly, these ventures work in the agriculture, education, and health sectors, with a smaller number working in the financial services, environment, energy, and information and communication technology (ICT) sectors.

⁵ These 300+ programs were run by approximately 130 unique organizations. To see a full list of participating organizations, visit www.galidata.org/entrepreneurs/partners.

⁶ It is important to note that the number of responses to follow-up surveys declines over time (Application data: N=13,578; Year 1 follow-up data: N=6,135; Year 2 follow-up data: N=2,599). To understand whether those ventures that chose to respond to follow-up surveys are systematically different in some way from those that did not respond, we compared performance at application for ventures that did and did not submit Year 1 data, and performance in Year 1 for ventures that did and did not submit Year 2 data. While, in general, respondents did report higher prior-year financials than non-respondents, these differences were minimal and not statistically significant.

VENTURES IN SAMPLE BY REGION◀ *Table 2* ▶

Region of Operations	Number of Ventures
Sub-Saharan Africa	921
United States & Canada	704
Latin America & Caribbean	615
South Asia	253
Europe & Central Asia	48
East Asia & Pacific	46
Middle East & North Africa	12
Total	2,599

Methodology

While accelerators take a variety of approaches to supporting early-stage ventures, one consistent growth metric is the amount of financial resources available to ventures.

Some ventures seek to grow their financial resources with revenue increases, while others seek a boost of outside capital from investors seeking returns and from philanthropic investors. To capture all types of financial resources, we focus on a variable called “Total Funds”, which is the sum of all financial resources flowing into a venture in a given calendar year. This includes earned revenue as well as any new equity financing (cash from an outside entity in exchange for part ownership in the company), debt (newly borrowed funds), and philanthropic capital (grants or donations).

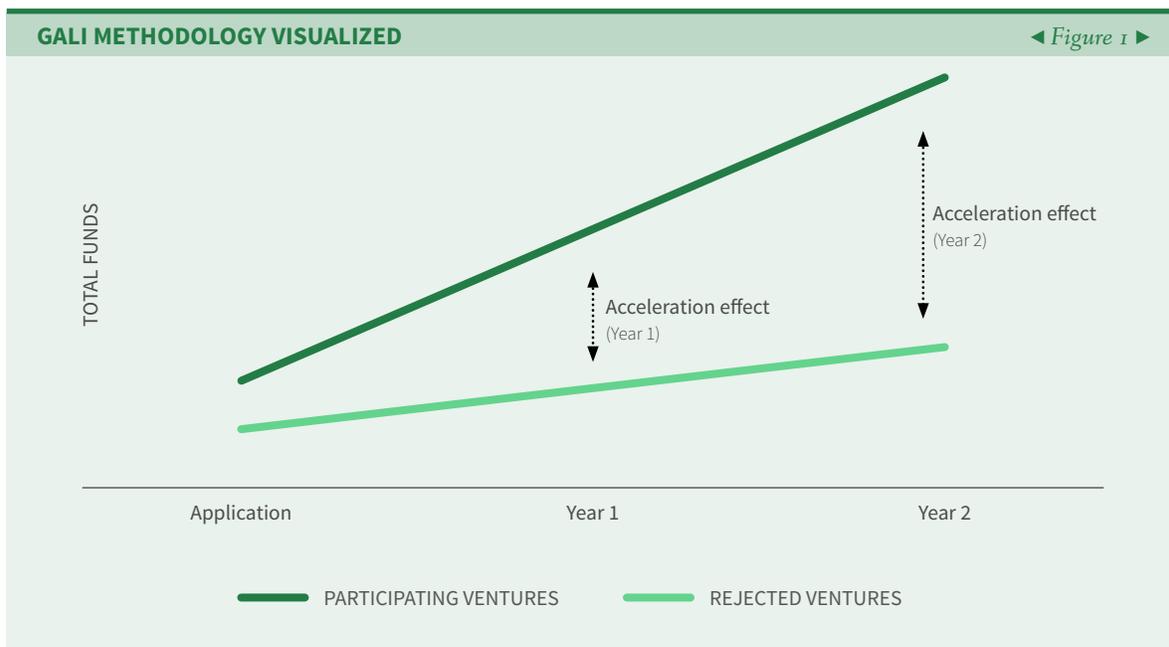
We use the Total Funds variable to compare a venture’s available financial resources at Application (pre-acceleration), Year 1 (during acceleration), and Year 2 (post-acceleration). We also calculate two additional variables: Total Funds_(Total) sums the financial resources obtained during Year 1 and Year 2 combined, and Total Funds_(Net) captures the total funds obtained above and beyond what would be expected if a venture simply repeated its application numbers over the next two years. For example, if a venture reported \$100,000 of combined revenue and new financing in the year prior to acceleration and then repeated this performance in the next two years, Total Funds_(Net) would equal zero. A positive Total Funds_(Net) number would be one indicator of new venture growth. These variables are defined in detail in Table 3.

EXPLAINING THE “TOTAL FUNDS” VARIABLE

◀ Table 3 ▶

Variable	Calculation	Time Period Covered
Total Funds (Application)	Revenues + Equity + Debt + Philanthropy	Calendar year prior to application
Total Funds (Year 1)	Revenues + Equity + Debt + Philanthropy	Calendar year in which accelerator program ran
Total Funds (Year 2)	Revenues + Equity + Debt + Philanthropy	Calendar year after accelerator program ran
Total Funds (Total)	Total Funds (Year 1) + Total Funds (Year 2)	N/A
Total Funds (Net)	Total Funds (Total) – 2*Total Funds(Application)	N/A

The Entrepreneurship Database Program sent follow-up surveys to all entrepreneurs from whom they received application data. This allows us to compare the growth trajectories of accelerated ventures to those that sought after this support but did not receive it. The differentials can serve as a rough indicator of accelerator impact. Rejected ventures are not a “control group” in the traditional sense, as accelerators do not make their selections randomly but rather aim to select the most promising entrepreneurs. However, because all ventures – regardless of prior perceptions of potential – continue to evolve, having this comparison group allows us to more accurately (and conservatively) estimate the role that acceleration plays in early-stage venture growth. Figure 1 displays this methodology using a hypothetical comparison of accelerated versus non-accelerated venture growth.



Total Funds Secured by Participating and Rejected Ventures

We begin by calculating the Total Funds variable at three discrete points in time – at application, in Year 1 (the year of acceleration), in Year 2 (the year post-acceleration), and then total over the two years.

When splitting the sample into ventures that were accepted (and participated) in the accelerator to which they applied versus those that were rejected, we see that the participating ventures had more Total Funds at the time of application and then experienced greater increases in Year 1 and Year 2. After two years, accelerated ventures experienced average inflows of more than \$470,000, nearly double the roughly US \$250,000 increase experienced by rejected ventures.⁷ All of these differences are statistically significant.⁸

TOTAL FUNDS BY YEAR FOR PARTICIPATING VERSUS REJECTED VENTURES (AVERAGES)

◀ Table 4 ▶

	N	Total Funds (Application)	Total Funds (Year 1)	Total Funds (Year 2)	Total Funds (Total)
Participated	829	\$138,099	\$188,879	\$290,451	\$479,330
Rejected	1,770	\$86,670	\$111,025	\$139,475	\$250,501
Participated - Rejected		\$51,428	\$77,853	\$150,976	\$228,829
Significant at p<.05		✓	✓	✓	✓

But where are these new funds coming from? Next, we consider the individual components that make up the Total Funds variable, including earned revenues, new outside equity, new debt, and new philanthropic capital. When broken down this way, Figure 2 shows that participating ventures outperformed rejected ventures in every category of funding, and in most cases, this advantage was larger in Year 2 than in Year 1. Figure 2 also shows that while acceleration researchers tend to focus on equity investment, earned revenues are clearly the largest contributor to the new financial resources available to accelerated ventures.

⁷ This may be in part because accelerated ventures were older on average when applying (4.1 years vs. 3.1 years, respectively).
⁸ All financial statistics are reported in US Dollars.

THE COMPONENTS OF TOTAL FUNDS IN YEAR 1 AND YEAR 2 (AVERAGES)

◀ Figure 2 ▶



Based on these figures, accelerated ventures outperform rejected ventures in both the year of acceleration and the first year post-acceleration. This is the first available evidence of a carry-over effect of participating in an accelerator. Next, we examine the extent to which funding flows in one year are correlated to those observed in the next year and whether the extent of carryover differs by program participation. Table 5 displays correlations between Total Funds in each year, showing that financial standing at application is positively correlated with that in Year 1 and Year 2. Likewise, Total Funds in Year 1 is correlated with those earned in Year 2. In other words, a venture’s funding performance in one year is a decent indicator of its performance in the next year. These year-over-year correlations are evident among both accelerated and rejected ventures but are clearly stronger among participants. This is an indication that accelerators help ventures build on prior success, making their development more predictable and “orderly”.

CORRELATIONS BETWEEN TOTAL FUNDS AT APPLICATION, YEAR 1, AND YEAR 2

(1 = perfectly correlated, 0 = not correlated at all)

◀ Table 5 ▶

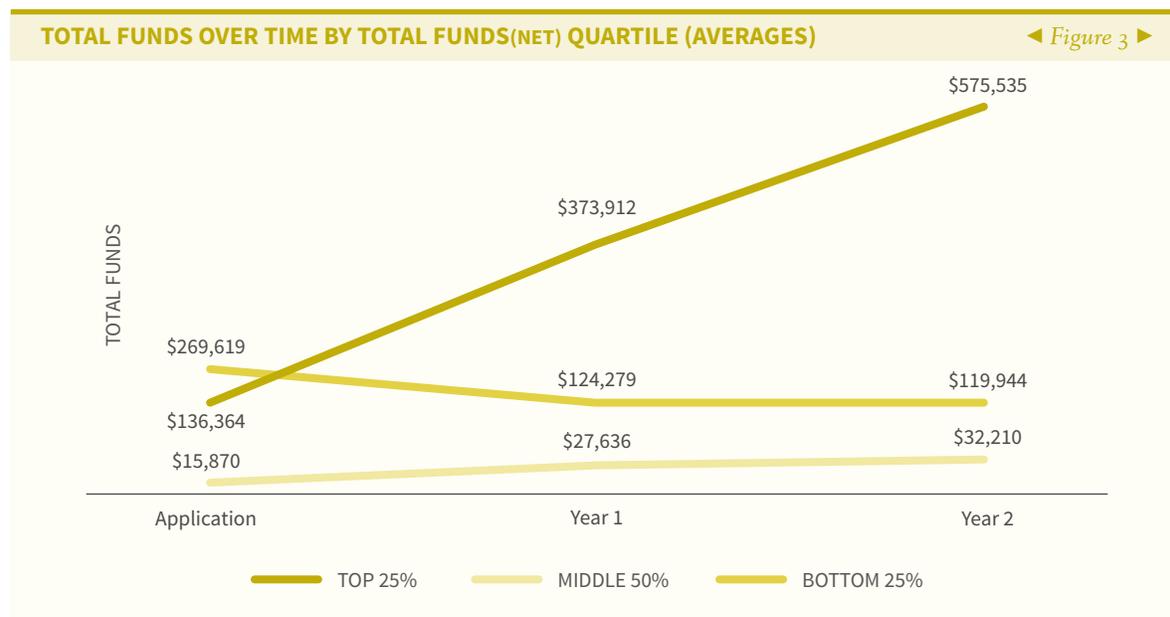
PARTICIPATING VENTURES			
	Total Funds (Application)	Total Funds (Year 1)	Total Funds (Year 2)
Total Funds (Application)	1.00		
Total Funds (Year 1)	0.69	1.00	
Total Funds (Year 2)	0.43	0.62	1.00
REJECTED VENTURES			
	Total Funds (Application)	Total Funds (Year 1)	Total Funds (Year 2)
Total Funds (Application)	1.00		
Total Funds (Year 1)	0.36	1.00	
Total Funds (Year 2)	0.30	0.42	1.00

Identifying Pathways to Success by Isolating High Performers

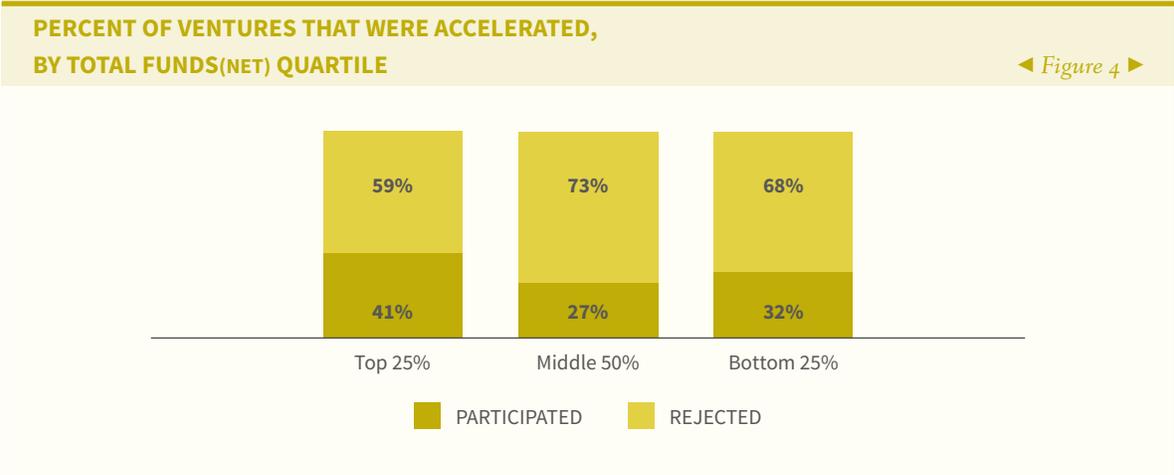
While analyzing the averages of performance variables helps us understand broad trends, this approach does not speak to the distribution of performance outcomes across ventures.

This is critical because most entrepreneurial outcome distributions are highly skewed, with most of the “action” taking place at the upper ends of those distributions. Oftentimes in accelerator programs, the most promising entrepreneurs are given the chance to develop faster, while those whose early potential is not supported by logic or observation are encouraged to pause, pivot, or exit. Considering this, it is important to see how the effects of participation play out among the ventures that end up doing very well versus those that do not take off. To visualize these different effects, we calculate the top 25%, middle 50%, and bottom 25% in terms of the Total Funds(Net) variable, using the whole sample of ventures (including those that were accepted into accelerators and those that were rejected). Figure 3 visualizes Total Funds(Net) based on these groupings.

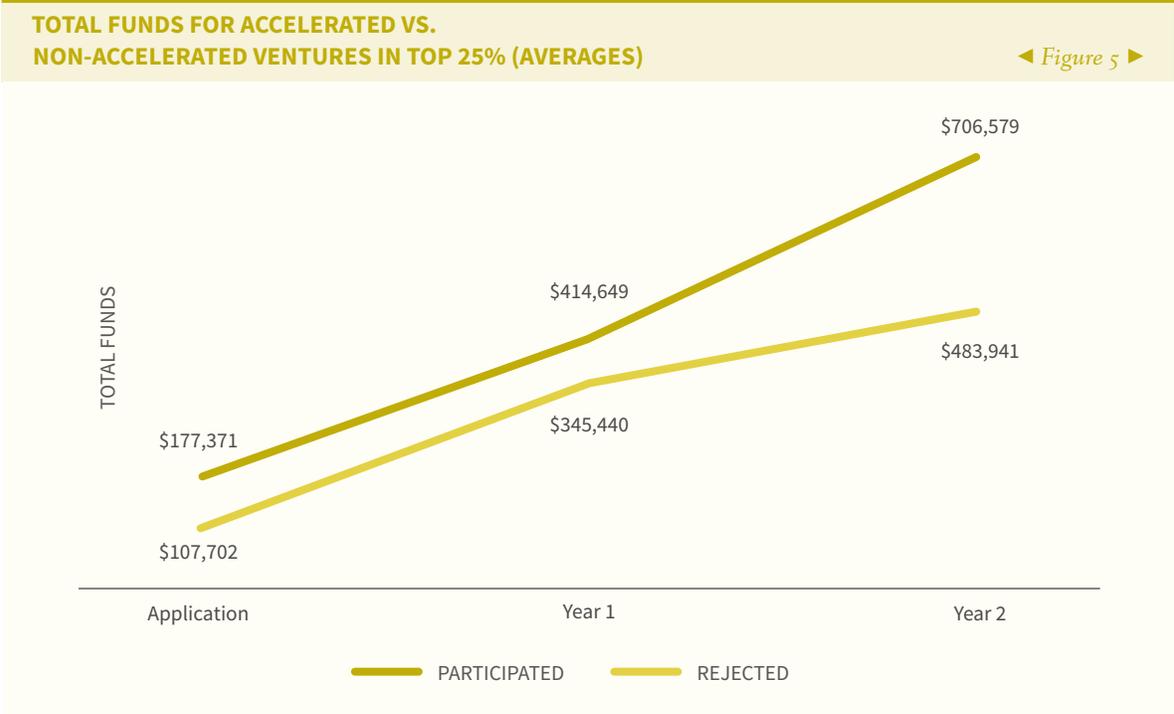
As a reminder, Total Funds(Net) captures the financial resources (revenue plus investment) secured by a venture above and beyond what would have happened if they simply repeated their pre-application outcomes over the next two years. In other words, Total Funds(Net) captures unexpected growth or decline in funds in the year of acceleration (Year 1) and the first year post acceleration (Year 2). Given how the groupings are determined, the trajectories visualized in Figure 3 are not necessarily surprising. However, ventures with the highest average growth were not those with the fewest financial resources to begin with. In addition, these high-growth ventures expanded their available funds by roughly four times more than that of the other groups over the two years.



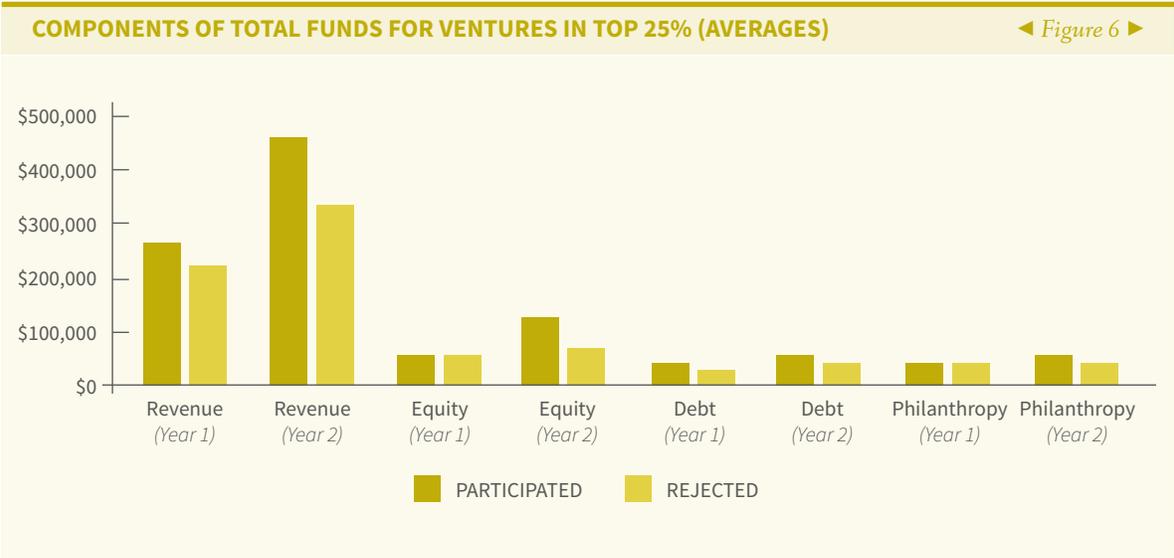
An important question is to what extent the Top 25% ventures are differentially likely to be in the accelerated group. Looking at the proportion of each group that was accepted into a program, it is evident that the Top 25% ventures were more likely to have been accelerated compared to the rest of the sample (Figure 4). While one cannot draw causal inferences based on this information, it is a positive sign for accelerators that ventures who receive support are over-represented among the highest performing ventures.



We further consider the role played by acceleration in high-performing venture growth by breaking down the average growth for the Top 25% by those that were accelerated versus non-accelerated (Figure 5). Interestingly, accelerated ventures had higher average Total Funds each year. Notably, the non-accelerated ventures lost some momentum in Year 2 compared to the accelerated ventures that, on average, maintained their momentum. The fact that accelerated ventures outperformed non-accelerated ventures even among those with strong financial growth profiles is further evidence of the longer-term value of acceleration.



It is also important to understand which financial components play the strongest roles in this Top 25% group advantage. Figure 6 shows that among the Top 25% ventures, participating ventures exceeded their rejected counterparts in all components, but mostly in revenue and equity, which were the main contributing factors to their overall better performance.



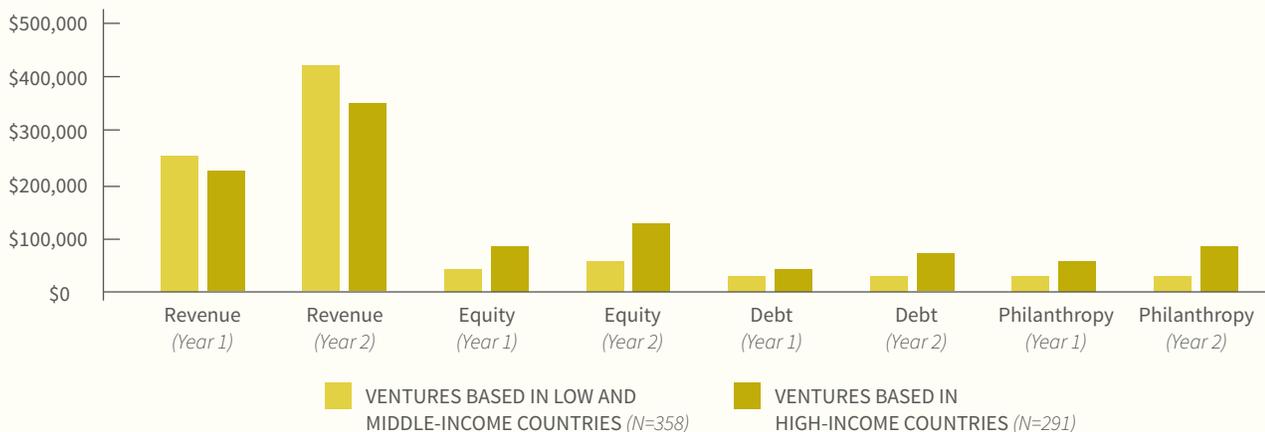
Box 1: Acceleration in developing economies

Because the ventures in our sample are from all around the world, it is important to understand how the results for high performers differ in developing economies (categorized as low and middle-income countries based on World Bank groupings).

In the current sample, developing economy ventures are primarily from Sub-Saharan Africa, Latin America, and South Asia. These ventures are under-represented among the Top 25% ventures - they make up 70% of the entire sample but only 55% of the top quartile. The components that make up their Total Funds numbers also differ slightly. While they exceed the earned revenues of high-income country ventures in both years, they do not show the same traction on any type of investment (Figure 7).

COMPONENTS OF TOTAL FUNDS FOR VENTURES IN TOP 25% (AVERAGES)

◀ Figure 7 ▶



This investment discrepancy is not surprising. Based on a survey of 164 accelerators in 2017, GALI found that programs based in developing economies last longer but offer less direct investment.⁹ Additionally, according to findings in various entrepreneurial ecosystem snapshots conducted by ANDE globally, access to early-stage investment is consistently listed as a top challenge for entrepreneurs in developing economies.¹⁰ According to interviews with entrepreneurs based in emerging markets, having investors involved in an investment-focused accelerator program is a defining factor in terms of its perceived value. Programs that do not engage or involve serious investors are often considered a waste of time. These strong opinions about the value of encouraging investment were more evident among interviewees in developing economies compared to those based in the United States.

However, these sentiments (and the literature more broadly) do not seem to recognize the value that programs in developing economies offer when it comes to stimulating earned revenue. In settings where investment capital is at a premium, this kind of added value – while under-appreciated – is clearly important.

⁹ Global Accelerator Survey 2016. Global Accelerator Learning Initiative.
¹⁰ ANDE Entrepreneurial Ecosystem Snapshots. Aspen Network of Development Entrepreneurs.

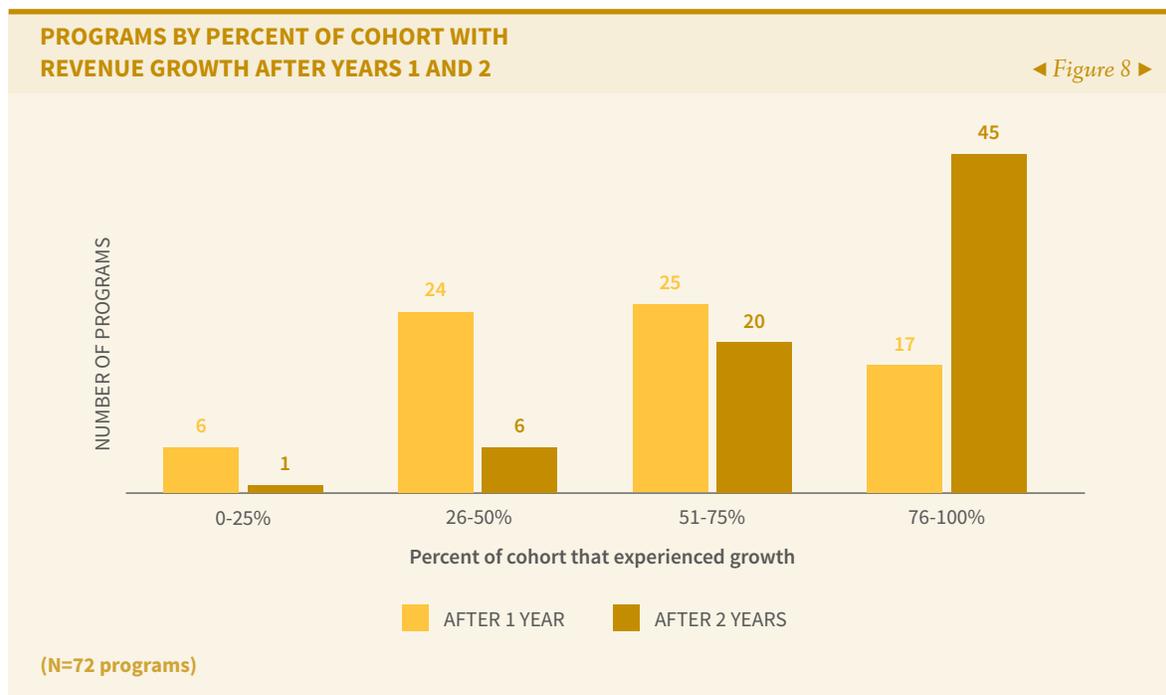
Program-level Differences

Until this point, this report has examined patterns at the venture level. In this section, we explore differences among programs by making each cohort of ventures the unit of analysis.

We analyze GALI data – including program level surveys - from programs in the sample to understand the distribution of outcomes across programs. We also conducted interviews with accelerator program managers to understand when and how they expect their support efforts to translate into observable impacts and how they calibrate their own success.

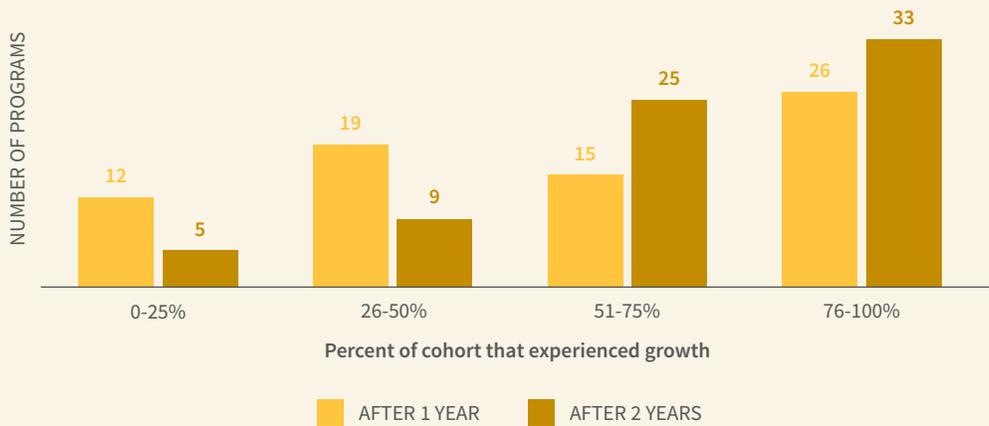
Figures 8 and 9 bucket programs according to the proportion of their cohort that experienced revenue or investment growth over the course of the first year (the year of acceleration) and by the second year (the year post-acceleration). While programs saw a considerable portion of their cohort ventures experiencing revenue and investment growth in Year 1, this proportion jumps considerably by Year 2.

In interviews with program managers, there was widespread acknowledgment that it is not realistic to expect all participating ventures to attract increasing levels of funding given the risky and unpredictable nature of early-stage entrepreneurship. Some managers expect to see just 10%-20% of their ventures experience rapid growth or hit their own fundraising targets. Others acknowledged the importance of not trying to push all participants towards immediate growth. As one manager put it, “We would rather see ventures fail or pivot than push through an idea that isn’t good.” Nevertheless, most program managers generally hope to see growth among a large share of their ventures. This is in line with GALI data, which show that by the second year, the vast majority of programs see over half of their cohorts experiencing at least some growth.



PROGRAMS BY PERCENT OF COHORT WITH INVESTMENT GROWTH AFTER YEARS 1 AND 2

◀ Figure 9 ▶



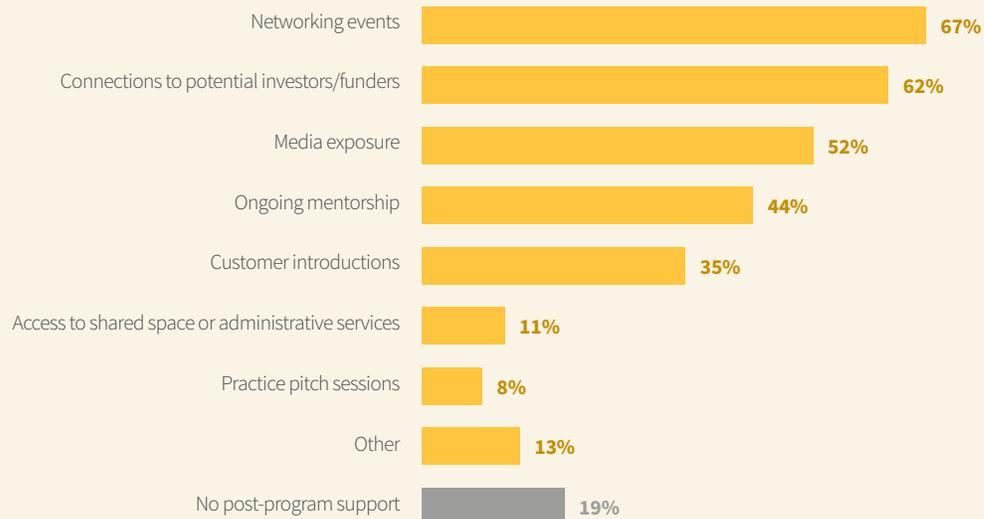
(N=72 programs)

In the second year, programs see a larger share of their ventures experiencing financial growth. This improvement is reflected in the expectations expressed by program managers during interviews. They often do not expect participants to grow or access financing immediately after participating in their program. In many cases, entrepreneurs need to tighten up their business plans or improve operations before seeking funding. This assumes that outside investment is actually an attractive option. Several program managers noted that oftentimes their role is in helping entrepreneurs learn when they do not need investment. Other times, especially in the cases of hardware companies, entrepreneurs need more startup capital upfront to finish building out a product they can then sell.

Given the importance of longer-term outcomes for participating ventures, it is useful to examine the continued support provided after acceleration programs end. Effective alumni programming can be one of the factors driving growth in the second year and beyond. In the sample of programs in this report, 80% offer some form of support to program graduates, most commonly in the form of networking events, connections to potential investors, media exposure, and/or ongoing mentorship (Figure 10).

TYPE OF POST-PROGRAM SUPPORT OFFERED BY ACCELERATORS

◀ Figure 10 ▶



Source: GALI program manager survey (N=63 programs)

Interviews with program managers revealed a range of ways in which this support is structured. Oftentimes this support is open-ended and informal, while in other cases, programs are building out more formalized alumni support structures that offer specific ongoing growth support. One manager highlighted their program’s competitive model in which only three accelerated ventures are selected to receive continued support post-program: “[We select] 3 out of 10, and we are very selective about who we allow to join this. We learned that we cannot hold more than 12 companies at a time.” This program also includes an ongoing fee for participation in the post-program support network, which the manager stressed has been useful in making sure the participants truly value the service and “ask for what they need, not what they think would be nice.”

Drivers of Accelerator Value

While outcomes vary across ventures and programs, our analysis reveals that accelerated ventures are systematically outperforming their non-accelerated counterparts.

To add context to these quantitative observations, we interviewed fourteen entrepreneurs who participated in programs and whose ventures were among the Top 25% in the sample to get their perceptions of whether and how, looking back, participation in an accelerator program influenced their positive development over those two years.

Overall, entrepreneurs' impressions were mixed. Some entrepreneurs believe that participation in an accelerator was critical for their earlier business growth, while others were underwhelmed with their experiences. These latter entrepreneurs believe that acceleration improved their performance very little or not at all. This section summarizes the common themes found in these positive and negative perspectives on accelerator effectiveness.

POSITIVE FACTORS:

When interviewed high-performing entrepreneurs reflected on the benefits of acceleration, they mentioned the following specific factors:

- + CONNECTIONS TO PEER ENTREPRENEURS:**

The accelerator model is built around a cohort of peer entrepreneurs, which many entrepreneurs credit as an important driver of value. For those who were new to entrepreneurship or new to a particular industry, the accelerator provided time for intentional and regular interactions with other entrepreneurs, who were selected because of their high potential. One first-time founder described the reassurances that this new community offered: “We were very isolated in Detroit and hadn’t had much exposure to the sector. The program helped us connect to other entrepreneurs, learn their processes and share ours. I learned what a runway was.” Programs that are intentionally designed to foster peer-to-peer learning were often praised for this benefit.
- + ADJUSTING BUSINESS MODELS AND GROWTH PLANS:**

Entrepreneurs seeking support from an accelerator are often at critical inflection points in their business’s development. Some are looking to enter a new market, secure additional growth capital, or gain strategic partnerships. Accelerator programming (plus peer interactions) were often credited with helping entrepreneurs learn whether they were on the right path. One entrepreneur stated that “the program really helped us focus on who we are and, more importantly, who we are not ... this helped to accelerate us more than anything else ... we were able to take that break and interact with other businesses and other professionals.” This entrepreneur went on to say that “the more people we talked with and data points we gathered, the more we realized who we are and what we’re looking for.” Another entrepreneur noted that “we wanted to focus on moving into retail,

and after the experience of digging into the financials and after the accelerator made brick and mortar connections for us, we realized that traditional retail wasn't a good fit for our business. There was more potential through e-commerce." This benefit was particularly helpful when determining whether and when to pursue growth capital. Many of these successful entrepreneurs realized through acceleration that venture capital was not a good fit for their business and that they were better suited for other types of financing that might allow them to grow at a more appropriate pace. As one entrepreneur put it, "it is OK to just be a profitable business."



REFINING INVESTMENT PITCHES:

These high-performing entrepreneurs also highlighted the importance of learning how to communicate their business's value and potential to external stakeholders. This was often noted as a valuable lesson for entrepreneurs who were newer to the business world or those who were seeking to expand by gaining new strategic partners and investors. Being forced to practice pitching a business provides lessons in its own right – further underscoring the value of peer-to-peer interactions. One entrepreneur transitioning from a non-profit to a for-profit model noted that "the biggest benefit was being able to pitch to sponsors in a way that made business sense, rather than pitching our earlier 'here's a good cause' version."



STRATEGIC INTRODUCTIONS:

In many cases, accelerators played a key role in helping entrepreneurs gain access to strategic partnerships, customers, and investors. One entrepreneur who already had steady revenue growth noted how they revived a dormant relationship with a strategic partner during a pitch competition: "We knew [this investor] at a general level, but our relationship had gone dormant. Then we reconnected at a networking event near the end of the program. This meeting led to a funding round soon after the program ended. They sat in on a session we were leading and were impressed with our business and our pitch."



SIGNALING TO POTENTIAL PARTNERS AND INVESTORS:

Although not a specific programming element, the simple fact that a venture participates in a well-known accelerator can serve as an important signal of quality. As one entrepreneur noted, "being associated with a program with a large corporate partner brought credibility to our business." This signal can be more powerful when combined with the strategic introductions noted above. As one entrepreneur put it, "when our accelerator vouched for us, we got a meeting with the decision-makers. When the program calls on our behalf, they answer, and we have a meeting."

NEGATIVE FACTORS:

At the same time, these high-performing (i.e., Top 25%) entrepreneurs pointed out some problems with their prior accelerator experiences:

— POOR MATCHING BETWEEN ENTREPRENEUR NEEDS AND ACCELERATOR PROGRAMMING:

Generally, interviewed entrepreneurs fell into two categories: those who were experts in their technical area but needed guidance on how to grow their business, and those already on a solid growth path who needed specific advisory support and introductions to strategic partners. Those with less business experience derived the most value from structured curriculum-based programs where they could develop their business acumen and learn foundational business skills. However, the more experienced founders thought that curriculum-based programs were too generic and distracted from their day-to-day operations (and from their pre-program momentum). As one entrepreneur in this latter category put it, “they are very hit or miss in our experience... the program is incredibly structured, and for a startup that wants to move quickly, the program can be burdensome.”

— OVER-EMPHASIS ON INVESTMENT:

While external investment is often required and a positive signal that a business is succeeding, some entrepreneurs noted that programs over-emphasized investment to the detriment of other avenues to financial growth. In some cases, entrepreneurs felt that accelerators were looking for a “billion-dollar business” that their investors could readily exit from. As such, they placed less emphasis on creating sustainable, long-lasting, and profitable businesses. This concern was bolstered in the above analysis which showed how important revenue growth was for the high-performing ventures. One entrepreneur shared that “there is an over-focus on connecting with investors, which detracts from the core of our business which is revenue accumulation. We spent too much time tailoring our pitches and not enough time focusing on our customers. The reality is that sales solve everything. Once we had solid growth, we were able to knock out a fundraise in just three months.”

— FOCUS ON INVESTMENT READINESS WITHOUT MEANINGFUL CONNECTIONS TO INVESTORS:

One entrepreneur who attended multiple accelerator programs noted why one was superior to the others: “It had a pot of money available, and you could put a proposal in at the end of the program. But the other accelerators just had a pitch night at the end. We went in expecting there to be ‘Shark Tank’ investors, but 90% of people were there just out of interest. I don’t know anybody who walked away with investment from those events.”

— LACK OF COHORT COHESION:

Several entrepreneurs stated that their program would have been more beneficial had the entrepreneurs been at a similar stage and in a similar industry. As one entrepreneur noted: “There’s no way to take a group of people and move them from A-Z when they all have various levels of understanding unless you get them to a common playing field.” Another shared that the program “had too much range in stage of cohort members [and should] focus on narrowing and then creating content that works for the whole cohort.”



Conclusion

This report provides new evidence that accelerators do, in the aggregate, provide value and that this value persists beyond the year of acceleration.

As with previous GALI analyses looking at shorter-term gains to acceleration, this report reinforces the finding that most of this value tends to be captured by a relatively small proportion of participating ventures that are successful relative not only to other accelerated ventures but also to the subset of top-performing non-accelerated ventures. Interviews with these top-performing entrepreneurs shed light on some of the program design elements that they perceive to drive or detract from accelerator value, providing a basis for future research to more thoroughly examine how acceleration programs can most effectively implement these design elements.

We encourage researchers to use the GALI data for further analysis on questions regarding early-stage entrepreneurship and acceleration. The data can be accessed at www.galidata.org/data-request.

APPENDIX A:

Programs in Sample

Organization	Programs	Ventures
Village Capital	40	572
USADF	5	263
Points of Light	11	200
TechnoServe	8	130
GrowthAfrica	4	102
Unreasonable East Africa	2	87
Yunus Social Business	5	83
New Ventures Group	4	81
Uncharted	2	81
Villgro	3	73
Echoing Green	1	53
Wenovation Hub	2	53
MassChallenge	3	51
Spark* International	9	48
Propeller	2	40
Impact Hub Geneva	1	39
Pomona Impact	7	39
GriffinWorx	9	32
Startup Chile	1	31
REDF	2	29
Green Momentum	2	27
Accelerating Appalachia	1	23
Unreasonable Institute Mexico	2	23
StartupLab.MX	5	22
LEAP Africa	1	21
Others	80	396
Total	212	2,599

*Others includes 18 organizations that each had samples of 20 or fewer ventures.

APPENDIX B:

Interview Participants

ENTREPRENEURS

Name	Venture
Beth Baker	<i>Centric Learning Systems</i>
Bill Spruill	<i>Global Data Consortium</i>
Gavin Armstrong	<i>Lucky Iron Fish</i>
James Bernstein	<i>Eniware, LLC</i>
Jeff Zhou	<i>Fig Loans</i>
Kerry Rockquemore	<i>Faculty Development & Diversity</i>
Lastiana Utami	<i>ALIET GREEN</i>
Max Farrell	<i>WorkHound</i>
Michael Pelzer	<i>Adelante Shoe Co.</i>
Michael Simpson	<i>PAIRIN</i>
Michelle Glauser	<i>Techtonica</i>
Neil du Preez	<i>Mellowcabs</i>
Osmar Bambini	<i>Sintecsys</i>
Stacey Epperson	<i>Next Step Network</i>

ACCELERATOR REPRESENTATIVES

Name	Organization
Camila Lecaros	<i>MassChallenge Mexico</i>
Deb Tillett	<i>ETC Baltimore</i>
Graciela Suárez	<i>New Ventures Group</i>
Hedda Ngan	<i>YGAP</i>
Heera Jayachandran	<i>Villgro</i>
Jeannie Valkevich	<i>Acumen</i>
Johnni Kjelsgaard	<i>Growth Africa</i>
Julio Martínez	<i>Pomona Impact</i>
Michele Rivard	<i>USADF</i>
Osarume Akenzua	<i>LEAP Africa</i>
Petr Skvaril	<i>Impact Hub</i>
Saaleha Bey	<i>REDF</i>
Sabina Malecón	<i>Unreasonable Mexico</i>
Sarah Stamatiou Nichols	<i>Impact Hub</i>
Silvia García Téllez	<i>Technoserve</i>



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