Does Acceleration Work?

Five years of evidence from the Global Accelerator Learning Initiative

MAY 2021

GALI

Global Accelerator Learning Initiative

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.**

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The GALI research cited in this report would not have been possible without the participation of dozens of accelerator programs that partnered with the Entrepreneurship Database Program to contribute data on early-stage entrepreneurs around the world. We are additionally grateful to the thousands of entrepreneurs who responded to our surveys and made this research possible.

The views expressed in this publication reflect the opinion of the authors and are entirely the authors' own. They do not necessarily reflect the opinions of the funding organizations acknowledged above.

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About this report

For the past five years, GALI has been collecting data on accelerators around the world and the entrepreneurs who seek their support, with a particular focus on accelerators operating in developing economies. By analyzing these data and interviewing dozens of individuals about their experiences with acceleration, the project has been able to release over 30 publications on topics including accelerator effectiveness, the role of gender in startup founder performance, acceleration across different regions, accelerator funding sources, and more. This report serves as a synthesis of the most salient findings from this research, with actionable insights for accelerator program managers, entrepreneurs, funders, investors, and other stakeholders who support and engage accelerators around the world.

About the GALI data

Entrepreneur data

Between 2013 – 2020, Emory University partnered with more than 360 acceleration programs to collect detailed data from more than 23,000 entrepreneurs who applied to their programs. Whether they were accepted and participated in the program to which they applied or not, these entrepreneurs were resurveyed annually to gather follow-up data. This dataset, containing detailed information on early-stage ventures from over 150 countries, has been anonymized and aggregated and is available for download at www.galidata.org/data-request.

Accelerator data

Between June 2020 and March 2021, ANDE conducted an online search to identify and characterize accelerator programs worldwide. Potential accelerators were identified through online searches as well as through secondary sources, including Crunchbase, F6S, Global Accelerator Network, Nesta, and Seed-DB. We then confirmed that each organization met GALI's definition of an accelerator and reviewed their websites to pull descriptive information about their programming. The data and corresponding data visualizations can be accessed through an online directory at www.galidata.org/accelerators.

The accelerator model and landscape

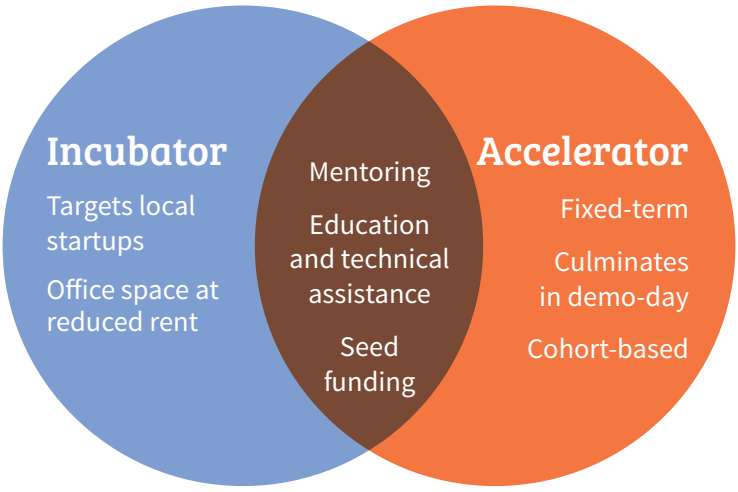
Takeaways:

- The accelerator model emerged in 2005 in the United States and has since spread worldwide.
- Accelerators are unique from other entrepreneur support programs in their cohort-based, time-limited, and investment-focused support.
- The term "acceleration" has become an umbrella term for a variety of programs that serve different goals and stakeholders.

The concept of acceleration emerged in the United States in the early 2000s with now well-renowned tech accelerators Y Combinator and Techstars proving that a model of identifying high-potential innovative tech startups, providing them with 3-6 months of intense mentorship and training, and taking equity in exchange for seed funding can be a profitable and efficient support model. Highly successful enterprises, such as Airbnb and Dropbox, emerged from these programs, exciting venture capital investors and generating interest from policymakers and donors interested in new approaches to fostering innovation and private sector development.

Soon after the emergence of accelerators, researchers began defining and characterizing this model of entrepreneur support, drawing mostly from observations of initial programs that ran in the United States and Europe. These studies point to several defining characteristics – accelerators are highly selective, intensive programs that provide mentorship and training, with the specific aim of connecting early-stage companies with investment.[1] As opposed to incubators, which provide a protected space for startups by offering subsidized services and office space, the accelerator model is time-limited (typically 3-6 months) and supports entrepreneurs in cohorts or "batches" to provide training efficiently, emphasize peer learning, and create a high-pressure competitive environment.[2] Instead of prolonging business survival, acceleration is meant to speed up the process of figuring out which ventures are capable of scale and which should shut down.

Figure 1: Characteristics of Accelerators versus Incubators

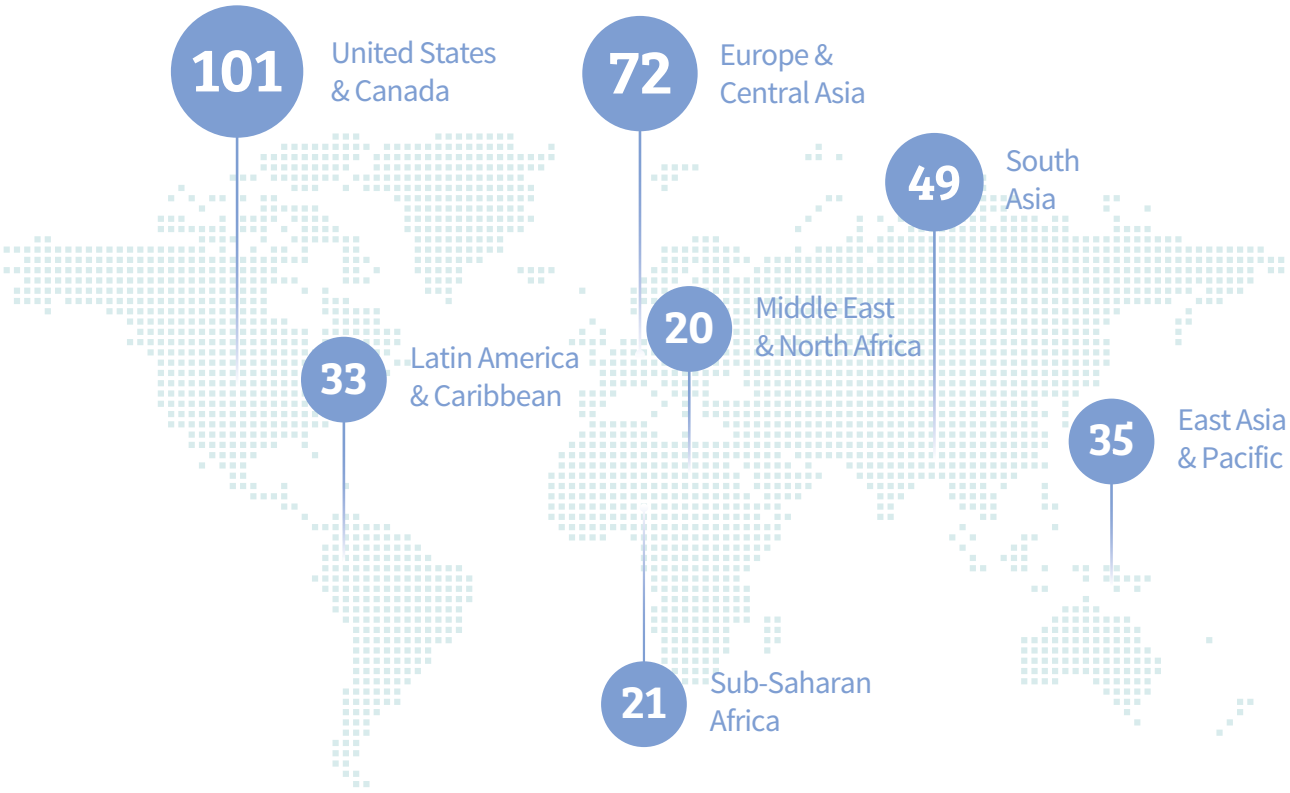


Source: Dempwolf, C. and Auer, J. Innovation Accelerators: Defining Characteristics Among Startup Assistance Organizations. 2014.

1 Cohen, S. and Hochberg, Y. Accelerating Startups: The Seed Accelerator Phenomenon. 2014.
2 Miller, P. and Bound, K. The Startup Factories: The rise of accelerator programmes to support new technology ventures. 2011.

The international development community quickly picked up on these success stories and considered ways the accelerator model could be used as a blueprint to spur innovation and small business growth in developing economies. Governments, aid agencies, and foundations began seeding accelerators in emerging entrepreneurial hubs like Kenya, Mexico City, and Mumbai.[3] In a matter of only ten years, acceleration became a popular model for startup support all around the world (Figure 2).

Figure 2: Accelerators Active by Region[4]



Source: GALI Accelerator Data (N=280)

With a wide range of stakeholders taking an interest in acceleration, the model was quickly adapted to meet different needs. A study by Nesta bucketed accelerators into three archetypes based on their funding source: the "investor-led" (driven by return-seeking venture capitalists and angel investors), the "matchmaker" (set up by corporates seeking to source innovative solutions for their customer base), and the "ecosystem-focused" (supported largely by government and donors seeking to strengthen and expand local entrepreneurial activity and resources).[5]

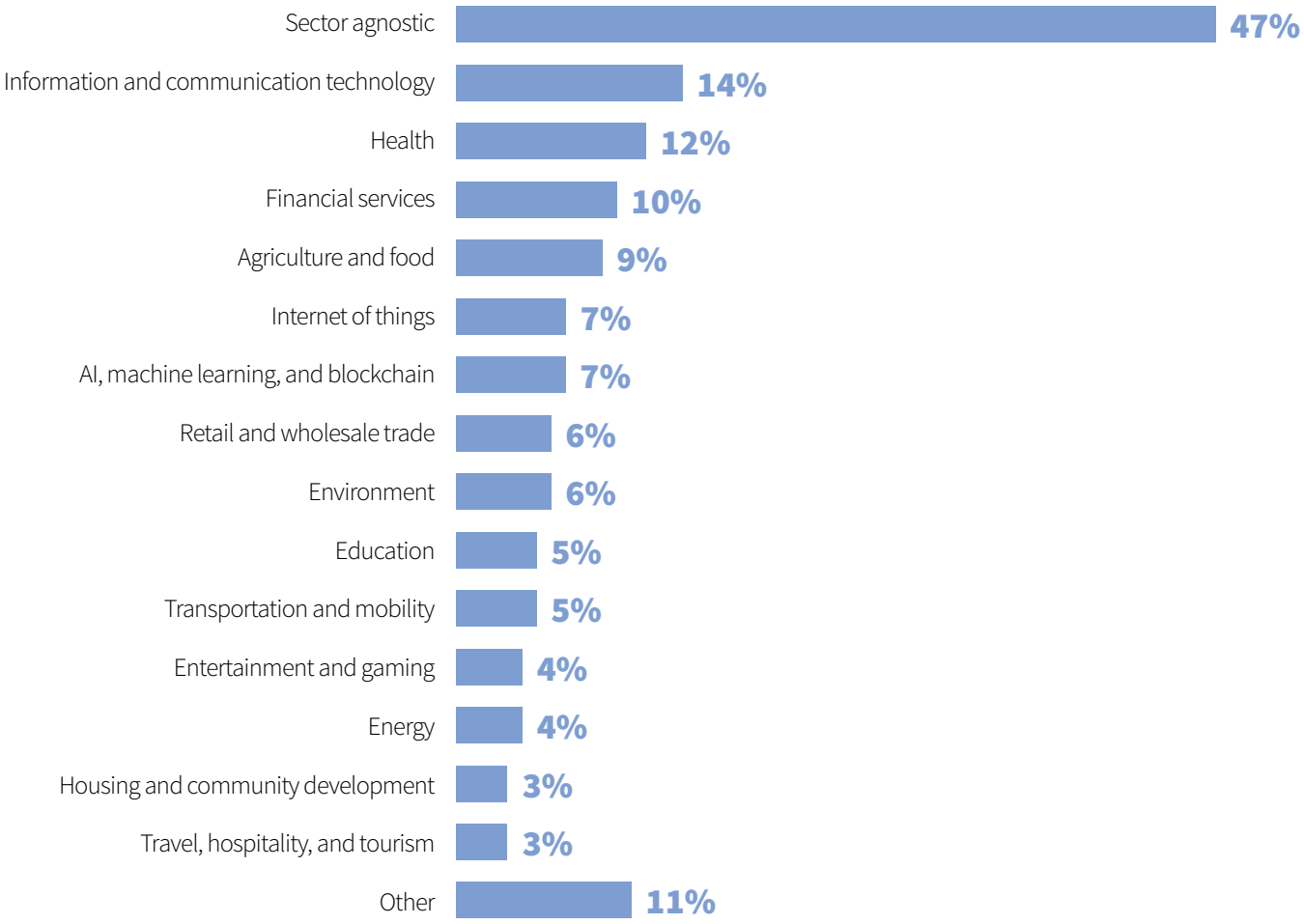
In addition, accelerators have emerged beyond the tech industry, seeking to identify and support entrepreneurs solving social and environmental challenges through innovative products and improved ways of delivering services. Roughly half of the accelerators identified by GALI support social impact-focused ventures working in a particular sector, most commonly information and communication technology (ICT), health, and financial services (Figure 3).

3 Examples of donor programs funding accelerators include USAID's Partnering to Accelerate Entrepreneurship Initiative (started in 2013); the U.S. State Department's GIST initiative (started in 2011); the World Bank's InfoDev program; and the G-20 SME Finance Challenge (run in 2010).

4 We acknowledge this dataset is likely missing many accelerators, largely due to inconsistencies in publicly available information as well as language barriers. This figure is simply meant to reflect the global nature of the accelerator phenomenon.

5 Clarysse, B. et al. A Look Inside Accelerators: Building Businesses. 2015.

Figure 3: Sector Focus of Accelerators



Source: GALI Accelerator Data (N=280)

Over the past fifteen years, the definition of "acceleration" has loosened, and it has become an umbrella term for short-term, cohort-based startup support in a range of sectors and with a variety of aims. As the presence and focus of these programs have expanded, so has the demand for evidence of their effectiveness and clarity on best practices. The Global Accelerator Learning Initiative (GALI) was created to answer these questions. The rest of this report summarizes evidence that has emerged from GALI research over the past five years and provides actionable insights for specific stakeholder groups.

Does acceleration work?

Takeaways:

- On average, ventures that participate in accelerators increase revenues, number of employees, and outside investment by greater margins than those that applied but were rejected.
- These benefits come from a combination of accelerators' ability to select high-potential ventures, provide a market signal of the quality of these ventures, and provide programming that helps the ventures grow.
- Accelerator impact varies considerably program to program.

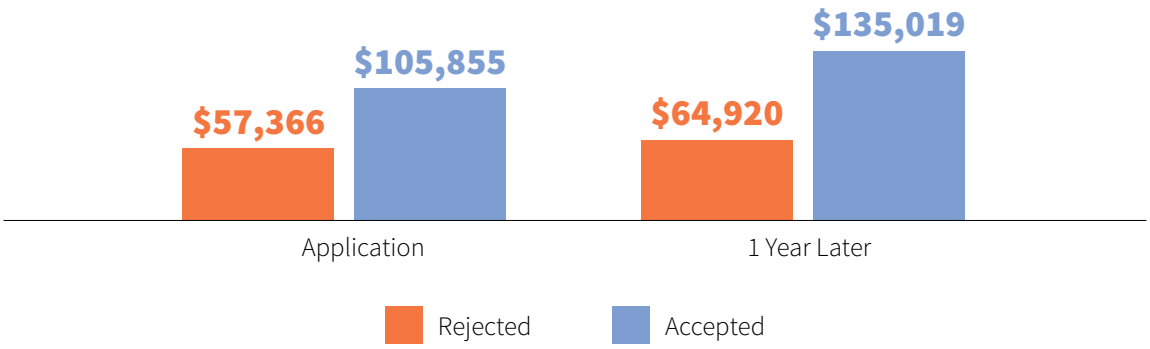
Success stories of accelerated businesses are not hard to come by, but an important question remains for funders and policymakers: do accelerators actually play a key role in venture success, or would high-potential entrepreneurs have achieved scale without this support? GALI addresses this question through a unique dataset containing ventures that participate in accelerators and those that applied but were not accepted into a program. These non-accelerated ventures, while not a "control group" in the traditional sense, allow for a comparison of outcomes for ventures that were accelerated with ventures that have a relatively similar profile but did not receive acceleration services, improving upon simple before/after comparisons for accelerated ventures or comparisons to averages across all small enterprises.

Between 2013 and 2020, Emory University worked with over 300 accelerator programs (run by more than 100 unique organizations) to collect standardized performance data from roughly 23,000 ventures around the world, with a particular focus on low- and middle-income countries.[6] The data were collected at the time entrepreneurs applied to an accelerator program and then annually thereafter through follow-up surveys sent to all entrepreneurs, whether or not they were accepted into the program to which they applied.

To assess accelerator impact, we focus on three venture performance indicators commonly measured by accelerators, including annual revenue, number of employees, and new investment. Figures 4-6 show how ventures performed year-by-year based on whether they attended an accelerator, using data from entrepreneurs that provided data at application and one year later. Accelerated ventures entered programs with more revenue, employees, and investment on average and continued to grow at a faster pace than their rejected counterparts.

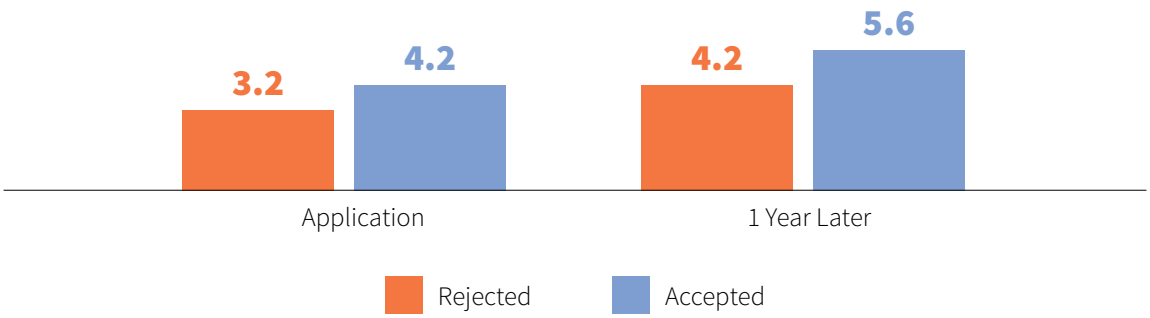
6 The GALI entrepreneur dataset primarily consists of ventures operating Latin America & the Caribbean (32%), Sub-Saharan Africa (25%), United States & Canada (23%), and South Asia (11%).

Figure 4: Average Annual Revenues for Accepted versus Rejected Ventures



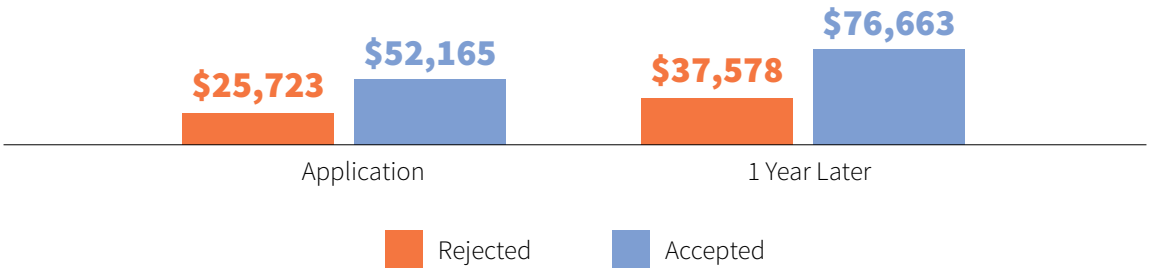
Source: GALI Entrepreneur Data (N=8,658)

Figure 5: Average Full-time Employees for Accepted versus Rejected Ventures



Source: GALI Entrepreneur Data (N=8,658)

Figure 6: Average New Investment for Accepted versus Rejected Ventures



Source: GALI Entrepreneur Data (N=8,658)

These figures indicate that accelerated ventures outpace non-accelerated ventures in revenue and investment growth – a result which persists (and strengthens) in subsequent years after acceleration takes place.[7] The next logical question is what role accelerator participation plays in this growth advantage, given that accelerators aim to select the most promising entrepreneurs into their programs, and therefore those who are accelerated likely have some systematically different characteristics than those who are not accelerated. To answer this, we examine two questions: how effective are accelerators at ***selecting*** the most high-potential entrepreneurs, and how effective is the ***programming*** at accelerating the growth process?

7 Davidson, et al. A Rocket or a Runway? Examing Venture Growth during and after Acceleration. 2021.

Selection versus programming effects

Accelerators allocate significant time and resources toward selecting the most promising entrepreneurs in order to maximize the benefits of their services. In fact, the highly competitive nature of accelerators is one of their defining factors – on average, programs in the GALI dataset select fewer than 13% of applicants per cohort. Selection committees carefully evaluate and balance the importance of the founding team's characteristics, the potential of the business idea, and the traction the business has made thus far.[8] And we know that accelerators are not always successful at predicting which entrepreneurs will succeed: for many individual accelerator programs, accepted ventures do not end up outperforming rejected ventures.[9]

Not only is selection difficult, but it is also a crucial part of an accelerator program's success. A study of an accelerator in Colombia found that the program had a positive impact on growth for the ventures with the highest potential going into the accelerator, but that entrepreneurs with less promising enterprises were not able to transform into high-growth companies through participation in the program.[10] In this case, it is clear that only when high-potential entrepreneurs are accurately selected can acceleration have its full intended impact; in other words, acceleration services can only be effective when matched with the right kind of entrepreneur.

In addition, the process of identifying talent and predicting which business models have the potential for scale is a service to the entrepreneurial ecosystem. Investors and donors use these signals to identify entrepreneurs that will make good use of their funds. For example, a study of regional venture capital activity in the United States found that the presence of accelerators increases early-stage investment activity, not just for accelerated ventures but as an overflow to other enterprises in the region.[11]

Based on this information, it is clear that selection is a key element of successful acceleration practices and is in and of itself a service to the entrepreneurial ecosystem. However, if identifying potential is the only role accelerators play, then the time and money spent on training and networking events are unnecessary. So how can we differentiate between the role of selection and the additional benefits provided by accelerator programming?

A few studies have been able to differentiate between selection and programming effects. An academic study exploited the fact that the GALI data are collected at the same time each year whilst participating programs are run throughout the year to differentiate between the short-term impact of selection and participation in the programs. This analysis found that the selection effect alone did not account for the full benefit to participating ventures in terms of equity investment. [12] Similarly, a study triangulating qualitative and quantitative analyses on accelerators found consistent evidence that ventures experience positive effects that cannot be attributed to selection.[13]

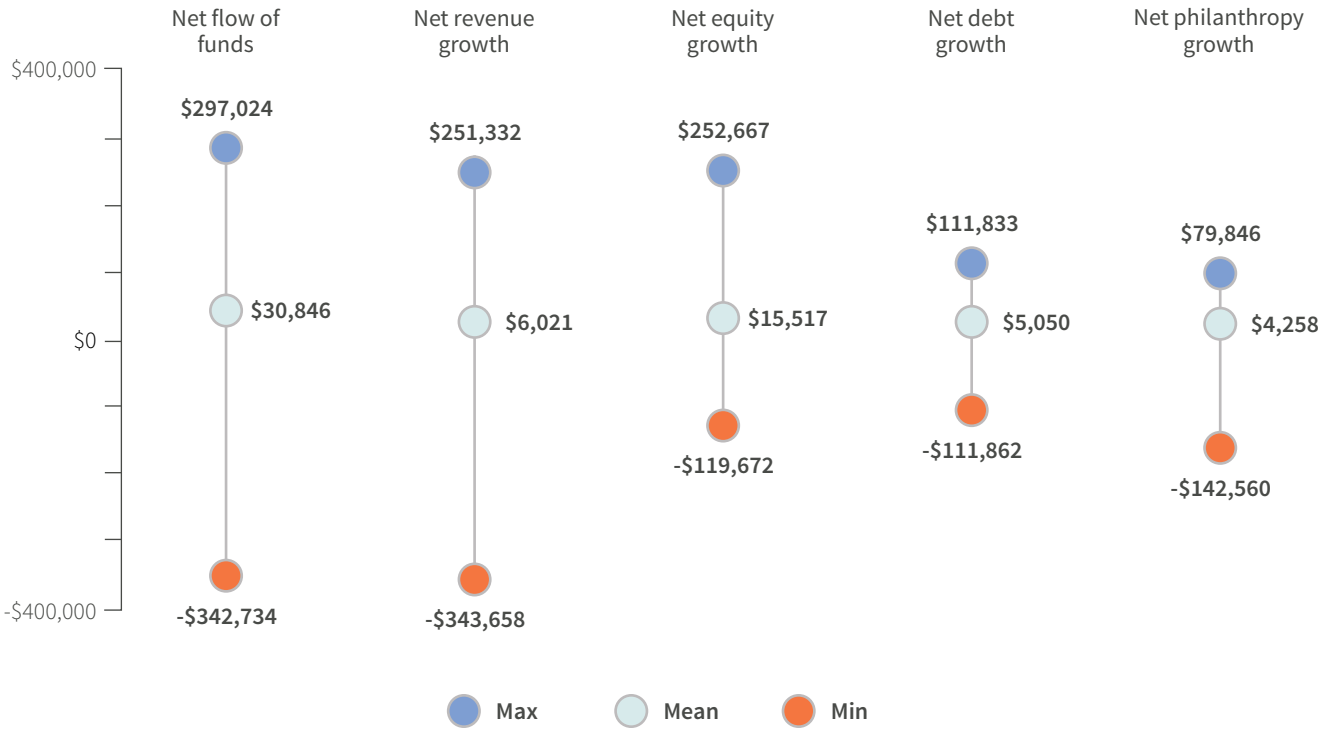
8 Roberts, P. and Lall, S. Observing Acceleration: Uncovering the Effects of Accelerators on Impact-Oriented Entrepreneurs. *Palgrave Macmillan*. 2019.
9 Roberts, P. et al. What's Working in Startup Acceleration: Insights from Fifteen Village Capital Programs. 2016.
10 Gonzalez-Uribe, J. and Reyes, S. Identifying and boosting "Gazelles": Evidence from business accelerators. *Journal of Financial Economics*. 2021.
11 Fehder, D. and Hochberg, Y. Accelerators and the Regional Supply of Venture Capital Investment. 2014.
12 Lall, S., Chen, L. and Roberts, P. Are we accelerating equity investment into impact-oriented ventures? *World Development*. 2020.
13 Hallen, B. et al. Do Accelerators Accelerate? The Role of Indirect Learning in New Venture Development. 2016.

Program performance variability

As discussed previously, the accelerator model is an umbrella term for programs with vastly different durations, working in different sectors, and using different programmatic strategies to impact their participating ventures. And because of this, even when we see that acceleration works "on average," it is important to note that there are significant program-to-program differences.

GALI calculated the "net flow of funds" (revenue and investment growth of accelerated ventures minus that of non-accelerated ventures) as a measure of program performance. Figure 7 shows the range of program outcomes across 52 programs in the GALI dataset. While the average performance was greater than zero, there were also programs performing very poorly in the sample, with rejected ventures outperforming those that were accelerated. A 2019 paper using GALI data found similar differences among program outcomes and that distinct differences in program characteristics, including specialization and location, can consistently explain differences in the performance of accelerated ventures.[14]

Figure 7: Net Flow of Funds Across 52 Programs
(Net = average growth of accelerated minus non-accelerated ventures, averaged by program)



Source: Roberts, P. et al. Accelerating the Flow of Funds into Early-stage Ventures. 2018.

In summary, acceleration does appear to play a role in both identifying promising entrepreneurs and helping them increase revenues and secure investments, but these average effects mask many differences between ventures and programs. In other words, on average, acceleration works but with significant variability depending on both the characteristics of the program and the venture. These topics are explored in the next section.

14 Chan, C.S.R., 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.

Where, how, and for whom does acceleration work?

Takeaways:

- The investment benefits of acceleration are concentrated among ventures in high-income countries, whereas ventures in low- and middle-income countries see more benefit in terms of revenue growth.
- There is no one specific "recipe" for acceleration services that make a successful program, but evidence points to the importance of tailored support, peer learning, and localization of service models.
- Not all entrepreneurs benefit from acceleration in the same way. All-men founding teams raise more investment than all-women teams, and expatriate entrepreneurs in developing economies are more likely to access grant financing than local founders.

While there is substantial evidence that, on average, accelerators provide benefits to participating ventures, this "accelerator advantage" is not experienced by all, or even most, entrepreneurs. Given that accelerators target early-stage, growth-oriented ventures, it should come as no surprise that some ventures take off while others fizzle out. Much of the growth observed on average across ventures in the GALI dataset is concentrated among a small group of high-performing enterprises: in fact, only 10% of ventures in the GALI dataset account for over 95% of the total equity investment reported. This section explores which ventures and programs tend to be successful – and which types of entrepreneurs are being left behind.

Where does acceleration work?

While much acceleration research has focused on programs in traditional start-up hubs in the United States, the GALI dataset is particularly robust in its representation of accelerator programs operating in low- and middle-income countries.[15] This allows for a comparative perspective on the extent to which the accelerator model has translated high-profile success stories in Silicon Valley to more nascent entrepreneurial ecosystems across Latin America, Africa, and South and Southeast Asia.

Early-stage investment is often significantly constrained in these developing regions, and GALI data show that participation in local accelerators does not significantly alleviate this constraint for entrepreneurs.[16] In fact, essentially all of the net benefits of investment for ventures participating in programs in the GALI dataset went to teams in high-income countries.[17] This finding highlights the fact that accelerators are only one part of the entrepreneurial ecosystem, and to achieve their full potential in terms of connecting entrepreneurs with capital, a pool of early-stage capital must be ready and willing to make investments in program graduates. It is notable that for sub-Saharan Africa, for example, several of the most high-profile start-up investment success stories went through powerhouse Silicon Valley accelerators such as Y Combinator[18], and have a corporate presence as well as investors based in the U.S. and Europe.[19] A comparative deep dive on the development of the entrepreneurial ecosystems in Bangalore and Nairobi by Endeavor further highlights the extent to which accelerators - particularly those not deeply connected with the existing local business community - are not sufficient for creating the conditions for a

15 Sixty-eight percent of ventures in the GALI dataset work in developing economies. Based on the World Bank Country and Lending Groups, 27% are based in upper-middle-income, 24% in lower-middle-income, and 17% in low-income countries.
16 Roberts, P. et al. Accelerating Startups in Emerging Markets: Insights from 57 Programs. 2017.
17 Lall, S., Chen, L. and Roberts, P. Are we accelerating equity investment into impact-oriented ventures? *World Development*. 2020
18 See, for example, Nigerian payment processor Flutterwave, recently valued at over $1 billion, which is a graduate of Y Combinator.
19 The most prominent example being Jumia, which is largely domiciled outside of Africa.

strong start-up sector: despite the many business support programs available for ventures in Nairobi, the ability of ventures to access capital and grow quickly is much higher in Bangalore, where the entrepreneurial ecosystem is characterized by bottom-up development and high connectivity among successful entrepreneurs.[20]

Despite difficulties in connecting ventures to financing, the GALI data show other benefits to acceleration even in low- and middle-income countries where other parts of the ecosystem remain lacking. Participants in these accelerator programs show significant revenue growth relative to non-participants.[21] This suggests that even in locations where accelerators may not be able to spur the kind of Silicon Valley-like growth that relies on sufficient available venture capital, they can play an important role in helping ventures grow organically.

While the global GALI data show these broad trends, deeper dives into several regions illustrate the creative ways in which accelerators are successfully addressing financing constraints in local ecosystems. In Indonesia, for example, Kinara guarantees seed investments to a subset of participating ventures within each cohort, providing not only much-needed capital but also a track record of investment and due diligence that can be leveraged when seeking more funding down the road.[22] Invest2Innovate, an accelerator in Pakistan, is raising its own fund that uses alternative deal structures, such as revenue-based financing, which better match local ventures' needs.[23] These examples underscore the variability of approaches accelerators must take in order to localize their approach to helping entrepreneurs overcome challenges and navigate economic barriers to scale.

How does acceleration work?

While accelerators share similar traits, each program develops its own blend of services. Accelerator program managers face several design choices, such as balancing individually tailored versus standardized training, placing more or less emphasis and structure on mentorship, facilitating or not facilitating transparency and networking among participants, deciding how to connect ventures to investors, and many more.

However, the overarching conclusion from examining the program model differences among accelerators in the dataset is that there is no one clear "recipe" for design choices that promotes, or hinders, success. There are no strong correlations in the GALI data between the presence or absence of any particular element of the program model and the ultimate success of participating ventures. While it would be helpful to be able to say with confidence that offering a specific mix of services will make an accelerator effective, the reality is much more complex.

Other business support research shows that beyond whether a service is offered, there is significant nuance in terms of how a service is offered, which can lead to different results. For example, a study of a mentorship program in Kenya found that local mentors drove a 20 percent increase in business profits during the mentorship period,[24] while a study in Uganda found that international mentors did not have a short-term impact on profits but did make it more likely that businesses would pivot their strategy.[25]

Deeper dives into accelerators participating in GALI as well as other business training literature can provide guidance on some of the ways that programs can design models to increase the likelihood of success. A GALI examination of 15 different accelerator programs all run by the same organization (thus minimizing the effect of different management capability levels) found that peer networking, high-quality mentors, and less time spent in classroom settings were all associated with success.[26] The importance of peer networking aligns with other accelerator research that has found that programs promoting transparent collaboration among participants tend to be more effective than those that de-emphasize transparency and collaboration.[27] The importance of minimizing time in the classroom, and instead focusing on more tailored problem-solving, is reflected in general business support research that has found

20 R. Morris, L. Torok. Fostering Productive Entrepreneurship Communities. 2015.
21 Roberts, P. et al. Accelerating Startups in Emerging Markets: Insights from 57 Programs. 2017.
22 Davidson, A and Guttentag, M. Acceleration in Asia-Pacific: Early Impacts on Participating Ventures. 2020.
23 Ibid.
24 Brooks, W. et al. Mentors or Teachers? Microenterprise Training in Kenya. *Applied Economics*. 2018.
25 Anderson, S. et al. Pathways to Profits: The Impact of Marketing vs. Finance Skills on Business Performance. *Management Science*. 2018.
26 Roberts, P. et al. What's Working in Startup Acceleration: Insights from Fifteen Village Capital Programs. 2016.
27 Cohen, S. et al. The Role of Accelerator Designs in Mitigating Bounded Rationality in New Ventures. *Administrative Science Quarterly*. 2018.

standardized training programs to be largely ineffective, while more customized consulting support to be more effective.[28] However, other research points to the ways in which some standard training in accelerators can help program participants all get to the same level of acumen across a range of skills.[29]

One likely reason that it is difficult to find strong across-the-board associations between program model elements and effectiveness is that accelerators target different types of entrepreneurs. The same program may result in completely different outcomes for entrepreneurs at different stages or in different sectors. This highlights the importance of selecting entrepreneurs whose needs match program offerings. A GALI examination of ventures participating in multiple acceleration programs in Mexico found that these ventures, on the whole, benefitted from both experiences, suggesting that in many cases, accelerators are successfully providing different services appropriate for different growth stages.[30] A GALI analysis on accelerators in Asia underscores the ways in which the selection of ventures most likely to benefit from acceleration services is crucial but difficult to capture through measurement. GALI data in this region show that ventures with a financial track record were not more likely to be accepted into a program. Interviews with the managers of these programs indicated that they instead look deeply at less quantifiable characteristics, such as the extent to which a venture fits a particular market niche for which the accelerator's services are well-suited.[31]

For whom does acceleration work?

Given the highly skewed distribution of outcomes for ventures participating in accelerators, with disproportionate benefits accruing to a small number of teams, it is also critical to examine the characteristics of the entrepreneurs who tend to benefit.

An analysis of gender differences[32] among teams in the GALI dataset shows a clear pattern of all-women teams benefitting significantly less from acceleration services than all-men teams.[33] While some of these differences can be explained by systematically different founder backgrounds, business stages, and business sectors, a gap in accessing equity financing still remains for all-women teams after accounting for these differences. This suggests that investor bias plays a role in driving this gap. A study from Village Capital takes this one step further and identifies accelerators as exacerbators of this gap, as their services are allowing all-men teams to more than double the amount of equity they raise post-acceleration relative to all-women teams.[34] Essentially, women are not getting the equity-raising benefit that men get through acceleration.

While the GALI dataset does not include information on investors and thus has no direct measure of investor bias, other research using both experimental and observational data on investors has found strong evidence that investor biases lead to systematic under-funding of women entrepreneurs.[35,36] Unfortunately, there are no accelerator program design elements that seem to consistently mitigate the gender gap for ventures in the GALI dataset. ANDE is currently partnering with researchers to examine potential drivers of the gap, such as differences in confidence levels and target-setting, as well as testing investment decision-making processes that might reduce bias. There are also donor and development finance institution (DFI) programs that are explicitly testing models to incentivize and facilitate greater investment flows to women entrepreneurs, including ANDE's own Advancing Women's Empowerment Fund and the IFC's ScaleX initiatives.

This gap in outcomes is in addition to an even more basic gap in representation, with only 13% of teams participating

28 McKenzie, D. and Woodruff, C. Training Entrepreneurs. 2020.
29 Cohen, S. et al. The Role of Accelerator Designs in Mitigating Bounded Rationality in New Ventures. *Administrative Science Quarterly*. 2018.
30 Global Accelerator Learning Initiative. Acceleration in Mexico: Examining Why Entrepreneurs Attend Multiple Programs. 2020.
31 Davidson, A. and Guttentag, M. Acceleration in Asia-Pacific: Early Impacts on Participating Ventures. 2020.
32 We acknowledge that not all entrepreneurs conform to binary gender identities. In GALI research on gender, binary terms are used as derived from the survey, which asks entrepreneurs to identify as "male" or "female." Entrepreneurs are also welcome not to disclose this information if they so choose.
33 Davidson, A. and Hume, V. Accelerating Women-led Startups. 2020.
34 Village Capital, International Finance Corporation. Venture Capital and the Gender Financing Gap: The Role of Accelerators. 2020.
35 Assenova, V. and Mollick, E. This is Not a Game: Massive Simulation Experiments on Entrepreneurial Gender Bias. 2019.
36 Guzman, J. and Kacperczyk, A. Gender gap in entrepreneurship. *Research Policy*. 2019.

in accelerators made up of all women, whereas just over half are made up of all men.[37] GALI has found evidence that greater gender diversity among the selection committee (i.e., those responsible for selecting ventures for the accelerator) is associated with greater representation of all-women teams in the program.

In addition to gender differences, the GALI data provide important evidence on divergent outcomes for expatriate and local founders. In low- and middle-income countries, many accelerator programs are supported by donor or public funding, focusing on social enterprises that blend philanthropic and commercial support. GALI data on these social enterprises participating in accelerators reveal that expatriate entrepreneurs are able to secure more grant funding than local founders, even after accounting for differences in educational backgrounds and prior entrepreneurial experience.[38] This indicates the potential – presumably unintentional – role of accelerators in driving capital towards expatriates at the expense of local entrepreneurs and the importance of accelerator program managers being aware of how their services may exacerbate this dynamic.

37 Ibid.

38 Lall, S. et al. The Expat Gap: Are Local Born Entrepreneurs in Developing Countries at a Disadvantage When Seeking Grant Funding? *Public Administration Review*. 2019.

Implications and recommendations

The findings outlined in this report have implications that accelerators, entrepreneurs, donors, and investors – particularly those in developing economies – should consider in their work.

Insights for accelerators

- **It is important to adjust the elements and content of your programming to match the local ecosystem – the Silicon Valley blueprint will not work everywhere.** For example, in an ecosystem with little early-stage venture capital, traditional demo days are unlikely to lead to funding for ventures, and alternative approaches to investment facilitation need to be considered.
- **Funding for your program will be difficult, and some support from donors or government will likely be at least part of the mix.** Funding through returns on equity taken from participating ventures, a model that has worked in the U.S., is being tried elsewhere (for example, by Flat6Labs in Egypt) but has yet to prove its ability to provide enough capital to keep programs in business.
- **While your training curriculum is important, it is just as essential to consider how you are facilitating networking and mentorship among program participants.** This is important not only in terms of designing your activities but also in selecting a cohort that can benefit from transparent and collaborative peer interactions.
- **Consider how your processes may contribute to biases, in particular against women and local founders.** You can check out guides and reports on incorporating gender equity into program design from Impact Hub and Frontier Incubators.
- **Clearly define your value-add and what you hope to accomplish.** The distribution of outcomes among your ventures will likely be very skewed and concentrated among a relatively small group, and so trying to do and be everything for everyone is unlikely to work.

Insights for entrepreneurs

- **Consider exactly what you hope to get out of an accelerator program before applying,** and then select programs that match your stage and needs.
- **Look at the types of ventures and entrepreneurs that have participated in the program,** and make sure these are the types of peers you would want to connect with, engage with, and learn from.
- **Consider attending multiple programs** if these programs are clearly designed to solve different problems at different stages of your venture's lifecycle.
- **Keep in mind that the growth benefits of accelerator programs tend to be gained by a relatively small number of participants** and set your expectations accordingly – though the ability to help you fail faster may also be a benefit.
- **If you are in a location with limited early-stage funding, participation in an accelerator alone is unlikely to fully alleviate this constraint,** and it is important to consider whether the program provides funding directly or how it connects ventures to investors.

Insights for donors and policymakers

- **Accelerators are, on the whole, effective ways to support high-growth ventures – but financially sustaining an accelerator in a nascent ecosystem is difficult,** and so donor or government support may be necessary. This support is particularly useful when it is flexible and avoids imposing additional constraints and burdens on the accelerators, which can make it more difficult to be reactive to entrepreneurs' needs.
- **Accelerators on their own cannot solve the many constraints in nascent entrepreneurial ecosystems.** While accelerators can be an effective way to spur growth among the highest-potential ventures, they are not replacements for broader business support programming and policies intended to provide across-the-board benefits to small and medium-sized enterprises.
- **Do not assume that acceleration will benefit all types of entrepreneurs equally.** If you are interested in supporting underrepresented entrepreneurs, probe into how the acceleration model is being developed to address the specific needs of these groups.
- **There is no one-size-fits-all "recipe" for an effective accelerator program,** and it is more important to consider how the elements of the program match the needs of the targeted entrepreneurs and the realities of the local ecosystem.

Insights for investors

- **If you are engaging with accelerators – for example, by attending a demo day – be clear upfront about the profile of the entrepreneur you are realistically likely to invest in.** For entrepreneurs in nascent ecosystems in particular, it can be frustrating to spend time engaging with investors that are not looking to develop their short-term pipeline.
- **Engage more closely with accelerators to understand their value and their ventures.** Many accelerators are developing significantly more in-depth investment readiness programming, providing an opportunity to identify a more robust pipeline through close partnerships.
- **Consider alternative investment approaches that might carry more risk but also more impact.** For example, Village Capital has had considerable success with a fund that guarantees investment in two ventures out of every accelerator cohort based on a peer scoring system.[39] Raising this fund required investors willing to take the risk of experimenting with a radically different form of investment selection, but this has resulted in returns to investors and a more diverse group of supported ventures.

39 Schleifer, T. A new and intriguing idea to increase investment in women-led startups. *Vox, Recode*. 2019.

The future of accelerator research

Since GALI launched in 2015, the evidence base on acceleration has expanded significantly. Yet despite the evidence that GALI and other research initiatives have gathered in the past decade, there are still many unanswered questions, especially as the accelerator model continues to evolve. Over the next three years, GALI plans to prioritize the following research questions to continue to inform accelerators, funders, and other stakeholders on how they can best support growth-oriented entrepreneurs:

- **How does the funding source for accelerators strengthen or hinder its impact on entrepreneurs?** In particular, what role can donors and corporates play in effectively supporting accelerators, and what funding models would allow accelerators to become self-sustaining even in nascent entrepreneurial ecosystems?
- **How do impact-oriented accelerators affect the social and environmental impact of participating ventures?** The majority of accelerators in the GALI dataset self-identify as having a social impact objective. To-date, GALI has only examined the extent to which participation in these accelerator programs affects venture growth on business metrics. This leaves the unanswered question of how and to what extent participation affects ventures' social or environmental impact; for example, do ventures adjust their model towards growth at the expense of impact, or vice versa?
- **At what stage of entrepreneurial ecosystem development can accelerators provide the greatest impact on ecosystem-level change?** It is clear that accelerators play an important role in ecosystems, but also that their presence alone does not alleviate constraints to entrepreneurs. Additional research on how accelerators can be part of ecosystem development at different stages would provide guidance for policymakers and donors looking to support this development.
- **How can accelerator programs be designed to best serve overlooked and under-represented entrepreneurs?** The GALI data suggest significant gaps in support for women entrepreneurs as well as local entrepreneurs in developing economies. Additional research could dive deeper into how the different elements of accelerator design (including selection, as well as programming and network development) can be adjusted to better support these and other often-overlooked groups.

We encourage researchers to address these questions using the GALI data and other methodological approaches. The GALI dataset is available for download at www.galidata.org/data-request.

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