



# **INSPIRING SUSTAINABLE INNOVATION**

## **Accelerators and crowdfunding**

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## Aim of the webinar



### **To inspire innovation practice in the primary sector**

- raising awareness of sustainable innovation trends
- sharing insights and points of view

**Duration:** 1 hour

## Sustainable innovation, that is...

“able to be used without being completely used up or destroyed”

“involving methods that do not completely use up or destroy natural resources”

“able to last or continue for a long time”

(Oxford dictionary)



## Sustainable innovation

A couple of operational definitions:

“Innovation is **significant positive change**”

“Innovation is **using something new, or something known, but in a different way**, different time or a different place”

*e.g. process innovation enables new products / services or enhanced cost/performance attributes in existing products/ services*

# Definitions

## Startup support models

### INCUBATOR

usually physical space attached to a knowledge centre (e.g. university) to help commercialise its own spinouts and foster business ideas from its network (mentorship network, informal event programmes, consulting services, investor exposure and public funding links) in exchange for a monthly rental fee

### ACCELERATOR

usually involves:

- \_ application process open to all
- \_ provision of pre-seed investment in exchange for a minority stake in the startup
- \_ time-limited support (events and intensive mentoring)
- \_ batches of startups beginning the programme at the same time

## crowdfunding

open call, essentially through the Internet, for the provision of financial resources either in form of donations (without rewards) or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes

crowdfunding exploits the capabilities of social networks and other new features of Web 2.0, especially the function of "viral networking and marketing", which enables the mobilisation of a large number of users in specific Web communities within a relatively short period of time

# ACCELERATORS - Case study:

## GrowthAccelerator

<http://www.growthaccelerator.com/>

Partnership between private sector business growth experts (e.g. Oxford Innovation) and backed by Government

Support focuses on one of three areas:

- Access to Finance
- Business Development
- Growth through Innovation

+

— Leadership and Management training (access of up to £2,000 match funding for every senior manager)

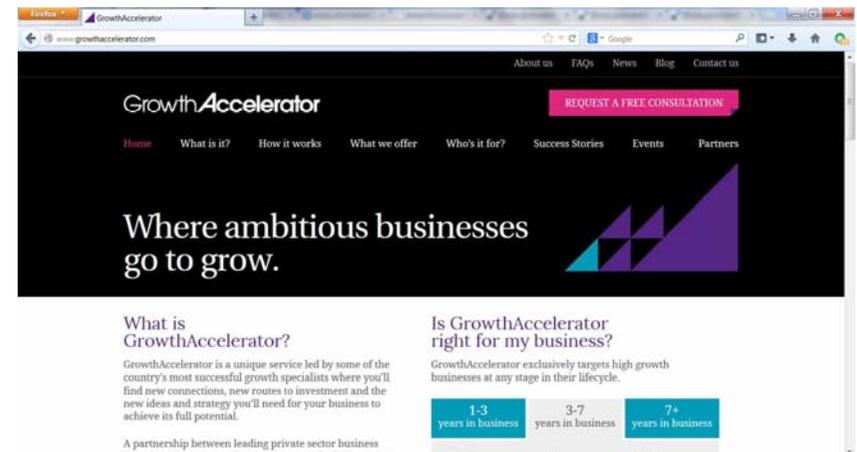
— one-to-one coaching sessions with Growth Coach + masterclasses or workshops in the area of support

### Duration

variable but typically around 3 to 9 months  
GrowthAccelerator community

### Costs

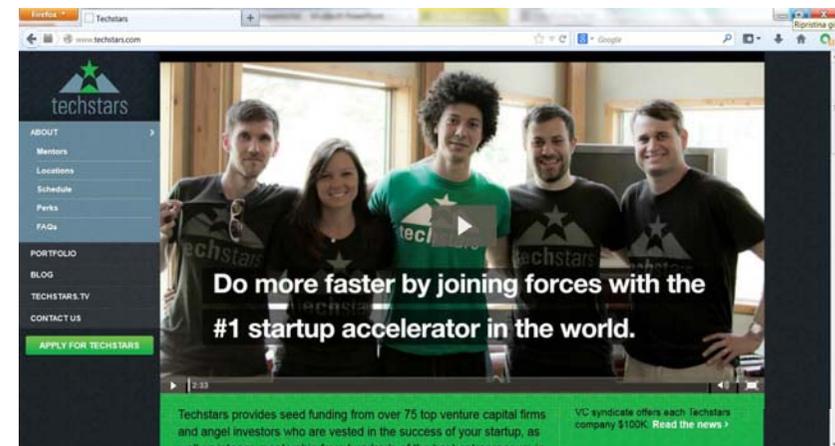
one-off fixed fee from £600 to £ 3000  
+ VAT 700 £ (based on 20% of the nominal value of the service, at £3,500)  
Government co-investing and contribution



# ACCELERATORS - The “Ivy League of accelerators”



- Since **2005**
- Economic sector: technology
- **location: Silicon Valley**
- “guru” model, exclusive approach
- 2 cycles a year (January - March and June – August)
- ‘Dinners’: teams present progress made during the previous week to each other and to an eminent person from the startup world



- Since **2007**
- Economic sector: technology
- **Location: USA** (Austin, Boston, Boulder, Chicago, New York, Seattle) + **London**
- “Open source” model
- Focus on **mentoring**
- Global Accelerator Network

# ACCELERATORS - The “Ivy League of accelerators”



	Ycombinator <a href="http://ycombinator.com/">http://ycombinator.com/</a>	Techstars <a href="http://www.techstars.com/">http://www.techstars.com/</a>
	<ul style="list-style-type: none"> <li>• pioneer in the accelerator-model of start-up funding</li> <li>• founded by Internet entrepreneur and commentator, Paul Graham</li> <li>• typical age range: 20-30 years old</li> <li>• <b>“guru” model, exclusive approach</b></li> <li>• <b>about 52 companies</b> per batch funded twice a year</li> <li>• just a room devoted to recruitment interviews and office hours offered</li> <li>• ‘Dinners’ (weekly co-working sessions)</li> <li>• Events: Angel day and Demo day</li> <li>• Alumni network</li> <li>• \$14-20k + an \$80k note</li> </ul>	<ul style="list-style-type: none"> <li>• founded by a group of successful entrepreneurs and investors</li> <li>• <b>mentorship-driven and open model application</b></li> <li>• <b>about ten companies</b> per batch funded</li> <li>• startup gets \$18,000 in seed investment and is offered an additional, optional \$100,000 convertible debt note by a group of prominent VCs</li> <li>• required: startup primarily based on site during the programme</li> <li>• working and meeting spaces provided if needed</li> <li>• applications of teams: recommended</li> <li>• typical age range: 25-40 years old</li> <li>• Demo day</li> </ul>
Duration	three-months (2 sessions each year)	12 weeks
	#1 in rankings of top accelerators Us and Forbes in 2012	#2 in rankings of top accelerators US and Forbes in 2012

## ACCELERATORS - Focus: the **start-up accelerator** model



According to Nesta (The Start-up Factories, 2011), the accelerator programme model comprises five distinctive features:

1. **application process that is open to all, yet highly competitive** web-based application processes through which anybody can apply, usually from anywhere in the world
2. **provision of pre-seed investment, usually in exchange for equity**
3. **focus on small teams** (generally about 4 people) not individual founders
4. **time-limited support** comprising programmed events (e.g. demo day) and intensive mentoring, usually between three and six months
5. **cohorts or 'classes' of start-ups rather than individual companies** to enable peer support that start-up teams provide each other

**Generally speaking, accelerators are slightly more formal than incubators, because they normally have regular cohorts of start-ups and a time-scheduled programme,** while incubators (except the virtual ones) operate as coworking spaces with some mentorship and classes



## ACCELERATORS - Key findings

<b>Location and localization</b>	<p>Europe: higher investments on each start-up and longer programmes comparing to USA</p> <p>Developing countries: focus on services for mobile phones (e.g. AppLab - Grameen Foundation)</p> <p>Offer of virtual incubators</p>
<b>Networking</b>	<p>Accelerator programmes bring together different stakeholders and catalyse networks: the collision of a variety of skills is useful to start and grow new companies</p>
<b>Mentoring</b>	<p>Coaching and mentoring are considered means of supporting entrepreneurship, but little evidence is available on which kinds of mentoring have the greatest impact on company performance</p>
<b>Leading organizations</b>	<p>Initiatives of big companies (e.g. Telefonica), also in partnership with public bodies (e.g. Cisco BIG initiative)</p> <p>University business schools (e.g. Carnegie Mellon Entrepreneurship Program, Harvard business school): learning and real life experience that accelerators provide compared to traditional business schools “inspire” HE curricula</p>
<b>Economics and finance</b>	<p>If accelerators continue to grow and start producing thousands of small companies, they could help to create a bubble and consequently a crash in confidence in the sector.</p> <p>Apart from traditional performance indicators (e.g. job creation, talent attraction, stimulation of private investment and business survival), it would be crucial to identify the best indicators of performance and long term impact.</p>

# The accelerator and incubator ecosystem in Europe



**Independent research** (Telefonica, 2013), **part of a pledge to the Startup Europe Initiative of the European Commission**

<http://ec.europa.eu/digital-agenda/en/startup-europe>

Selected Countries: France, Germany, Italy, the Netherlands, Spain, Sweden and the United Kingdom, Czech Republic, Slovakia, Ireland

not only accelerators, but also incubators, company builders as well as academic and scientific hubs (science/technological hubs, universities and business schools) that have business incubation facilities

## **General trend within the business acceleration and incubation sector towards greater specialisation**

e.g. sector (financial technology, e-health, gaming...), startup business model (such as software-as-a-service business models), value proposition (accelerators focused on providing the first large brand customer for advertising, creative and media startups)



## NUMBERS

Between 2007 and 2013, the number of European accelerators and incubators has risen nearly **400%**  
Europe and the United States have a comparable number of startup programmes per capita

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## LOCATION

In the United Kingdom and France, most accelerators and incubators are concentrated around the national capital while in other countries (i.e. Spain and Sweden), the business startup programmes tend to be spread more evenly throughout the territory

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## FUNDING GAP

- Europe should strengthen its early stage startup programmes to secure a strong seed-funding base in fragile ecosystems such as Spain and Italy (series A rounds)
  - In hotspots like Berlin, London and Paris with plenty of seed funding alternatives, policymakers should capitalise better on the healthy seed-stage dynamism and make sure sufficient capital is available to allocate to later rounds (series B rounds)
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## LACK OF INTERNATIONALISATION

**Only 15%** of accelerators and incubators have an international (i.e. European) footprint  
**Only 20%** of startups have headquarters outside of their country of origin

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## INFORMATION GAP

**Information or benchmarks of the different startup programmes not easily available: Europe does not have an association that conglomerates all available information**

Best practice: in Sweden most incubators are publicly funded and do not take equity in companies. One of the prerequisites for giving money to incubators in Sweden is to receive data in return. All publicly funded incubators are required, on a bi-annual basis, to submit a detailed account of all the activity happening in its startups

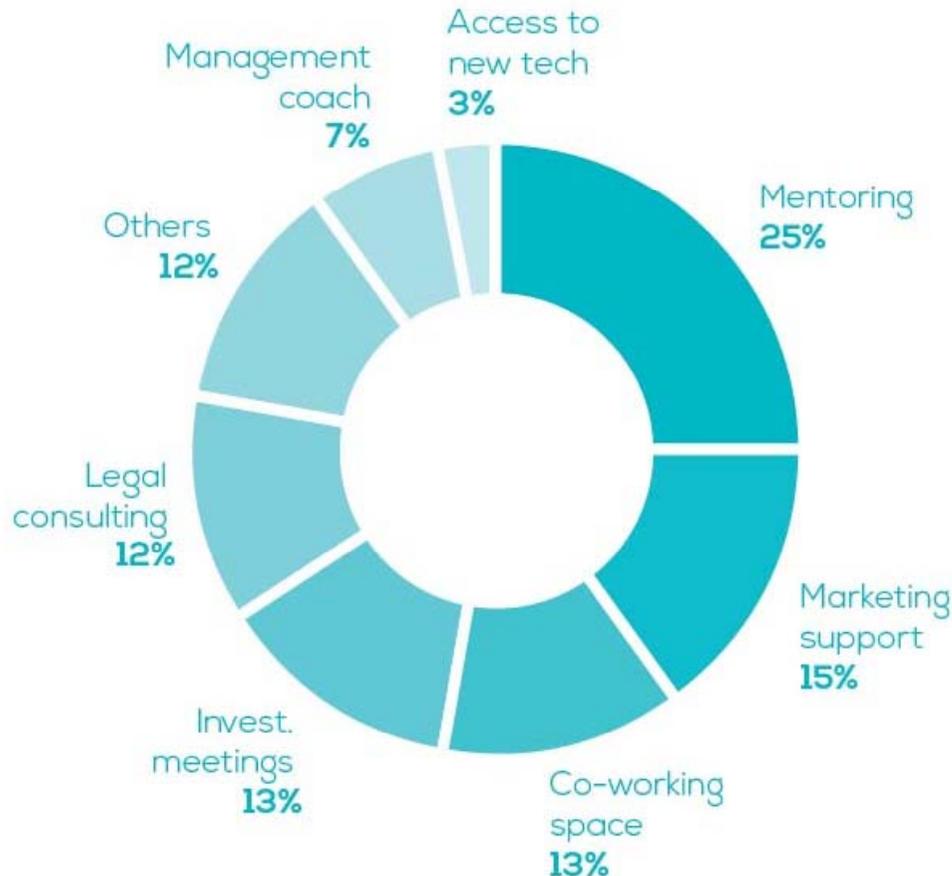
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# The accelerator and incubator ecosystem in Europe



Chart 7 Ranking of startup needs

Question: 'Aside from money, what is the single most important necessity for a startup?'



**Mentoring, marketing expertise, contact with investors and legal advice...**

are the kind of issues any startup will have to deal with at any moment of its life cycle

are among the topics any business school will include in their syllabus

are the services generally provided by any accelerator or incubator

# The accelerator and incubator ecosystem in Europe



**Table 3** Top 10 European business schools by alphabetical order

Business School	Venture Lab / Accelerator	Investor Network	Seed fund
ESADE	✓	✓	✗
HEC	✓	✓	✗
IE	✓	✓	✗
IESE	✓	✓	✓
IMD	✗	✓	✗
INSEAD	✓	✓	✗
LBS	✓	✓	✓
Mannheim Business School	✓	✓	✗
University of Cambridge: Judge	✓	✓	✗
University of Oxford: Said	✓	✓	✓

Source: Telefónica Global Affairs and New Ventures Computed from FT Global MBA, The Economist and Business Week rankings, 2013

**Almost all of the European top 10 business schools have some kind of startup programme (a venture lab, incubator or accelerator)**

In addition, they usually have official and listed investors' networks, contributing to knowledge accumulation and transfer and early-stage funding.

*In the Financial Times Top 50 Global MBA Ranking for 2013, 32% were European institutions. Only the US held a higher percentage (48%)*

# CROWDFUNDING - Case study: Credibles

<https://credibles.org/>

A new investment model at the intersection of the Slow Food and Slow Money movements (New York Times)

**Service for crowd-funding small, sustainable food-related businesses in USA**

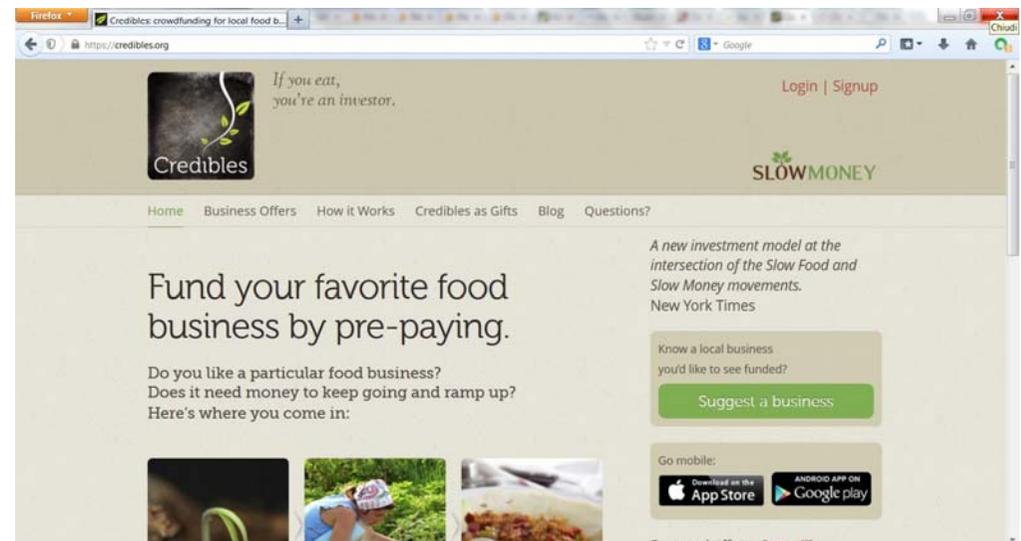
— offered by Slow Money and powered by social venture Clearbon

— sign up with email address or through Facebook

— currently in limited beta

— payment with Paypal

— among services offered: promotion platform for prepaid crowdfunding, tracking of credits between businesses and supporters



# Crowdfunding models



Model	Form of contribution	Form of return	Motivation of funder
<b>Donation Crowdfunding</b>	Donation	Intangible benefits	Intrinsic and social motivation
<b>Reward Crowdfunding</b>	Donation/Pre-purchase	Rewards but also intangible benefits	Combination of intrinsic and social motivation and desire of reward
<b>Crowdfunded lending</b>	Loan	Repayment of loan with interest. Some socially motivated lending is interest free	Combination of intrinsic Social and financial motivation
<b>Equity Crowdfunding</b>	Investment	Return on investment in time if the business does well. Rewards also offered sometimes.	Combination of intrinsic, social and financial motivation

Source: "The venture crowd"

# Crowdfunding: **benefits for startups**

## **1. reduction in marketing and sales costs**

For example, when Accel Partners invested \$35 million in 99designs, Patrick Llewellyn, the company's CEO was quoted as saying: "More than 90% of 99designs' customers come through word of mouth (Lacy, 2011)

## **2. increased public awareness about the firm's existence and higher volume of interactions**

A start-up that makes an open call to a crowd becomes better known in the online community. The part of the crowd that responds to the call and completes the tasks becomes aware of what the firm does and why it does it

## **3. deeper insights about customers and channel partners in different geographies**

## **4. leveraging expensive resources (i.e., the time of the individuals who participate in the crowd) with a relatively small initial investment**

For example, the two co-founders of Threadless (a small fashion company) invested \$1,000 of their own money to launch and grow their start-up, and now, the crowd invests its time in creating and submitting 1000 new designs to the website each week

## **5. attracting large partners and customers**

When crowdsourcing attracts a significant number of users, large, well-established vendors, partners, and customers become interested in the start-up. For example, Apple is selling iPhone cases with Threadless designs



## Follow-up

### Webinar recording and discussion forum

<http://network.app4inno.eu/webinar-link#all>

### Webinar slides

<http://network.app4inno.eu/knowledge-sharing>

### Full report on Innovative services for SMEs and companies

[http://network.app4inno.eu/documents/10180/42928/WP3+act+1+def\\_METID\\_innovative+services.pdf](http://network.app4inno.eu/documents/10180/42928/WP3+act+1+def_METID_innovative+services.pdf)

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