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Corporate accelerators: Building bridges between corporations and startups

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Abstract Today's startups are a major source of innovation, as they employ emerging technologies to invent products and reinvent business models. Corporations that embrace an open innovation strategy increasingly look to startups as a source of external innovation. Corporate accelerators offer a potent approach to nurturing innovations from entrepreneurial ventures. However, the vast differences between corporations and startups make collaboration a challenge. Corporate accelerators need to be designed effectively to add value for startups and create innovation benefits for the company. Based on information obtained during interviews with managers and participants of corporate accelerators (n=40), managers receive a framework and strategies for designing corporate accelerators. To leverage startups' innovation and to make corporate accelerators an effective part of a firm's overall innovation strategy, managers need to systematically and thoughtfully consider the design dimensions of proposition, process, people, and place.

1. Expanding open innovation to startup collaborations

The knowledge necessary to generate innovations increasingly resides outside the modern corporation's boundaries (Chesbrough, 2003a; von Hippel, 2005). Entrepreneurial startups may be a valuable source of such knowledge (Dushnitsky & Lenox, 2005). Today, startups are driving major innovations that are replacing incumbent technologies and existing business models. By adapting open innovation—the paradigm that assumes firms should use external and internal ideas and internal and external paths to market (Chesbrough, 2003b)—established businesses are building structured programs to harness entrepreneurial power (Horn, 2014; Mocker, 2015).

As interfaces between corporations and startups, corporate accelerators provide a unique platform for long-term growth and corporate renewal. They are a promising way for established companies to explore new ideas for their corporate innovation efforts. Consider Orange Fab, the corporate accelerator of the telecommunications company, Orange. The three-month accelerator program offers

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startups access to distribution opportunities, funding, office space, and a trip to its global headquarters to meet executives. Orange Fab helped startups raise a total of $19 million and resulted in five deals and pilots with Orange. The corporate accelerator trend extends well beyond high technology and has gained traction across the globe and across industries, from healthcare (Bayer) to insurance (Allianz) to entertainment (Disney) to consumer packaged goods (Coca-Cola). Effective corporate accelerators combine the best of two worlds: the scale and scope of large, established corporations and the entrepreneurial spirit of small startup firms.

To take advantage of the possibilities that corporate accelerators represent, it is necessary to go beyond seeing them as a new and shiny innovation initiative. Indeed, to unlock their potential, managers need a deeper understanding of how to design corporate accelerators that add value to the startups and which generate innovation for the corporation.

Given the recent emergence of corporate accelerators, there is little theoretical development that directly informs their design. Most organizations are still experimenting with different ways of setting up and managing their accelerator initiatives. By studying leading corporate accelerators and interviewing managers/participating startups, the author of this article herein offers a framework for understanding the design dimensions of and identifies common patterns for designing effective corporate accelerators.

2. The potential of corporate accelerators

Corporate accelerators are company-supported programs of limited duration that support cohorts of startups during the new venture process via mentoring, education, and company-specific resources. They generally share the following characteristics:[1]

- An open application process;
- A focus on small teams and not individual founders;
- Time-limited support comprising company interactions and mentoring; and
- Cohorts of startups rather than individual companies.

Corporate accelerators are distinct from other forms of corporate-startup engagement. Table 1 lists engagement methods and distinguishing characteristics of corporate accelerators.

Corporate accelerators have their roots in business incubators. For instance, in the late 1990s, Ford established an incubator to speed the process of creating and developing Internet businesses to find new ways of leveraging Ford's assets. Networked incubators were supposed to deliver superior value to startups and investors by surpassing existing organizational structures to launch a greater number of ventures more quickly. However, with the bust of the dot-com bubble, the promise did not materialize (Hansen, Chesbrough, Nohria, & Sull, 2000) and the business incubator model went dormant for half a decade. Today's corporate accelerators are distinct from the business incubators of the 1950s and the startup factories of the late 1990s (Cohen, 2013; Trotter, 2013). In 2005, Y Combinator was the first accelerator to provide a small amount of seed investment money in exchange for a minor equity stake in startups participating in a three-month program with networking and advice from experienced entrepreneurs. Five years later, Citrix was among the first firms to adapt the accelerator model to foster corporate innovation and partner with startups. Traditional accelerators, like Techstars, also added corporate partnerships to their programs.

The promise of corporate accelerators lies in bridging the gap between corporations and startups. Large corporations and startups are decidedly different organizations. One has what the other lacks. Consider that startups are innovative, growth-oriented businesses in search of a repeatable, scalable business model (Blank & Dorf, 2012). They are a great source of innovative ideas, talented and passionate founders, and new technology, and they operate using nimble processes (Anthony, 2012). Nonetheless, their liability of newness (Stinchcombe, 1965) makes execution difficult, and increasing ease and decreasing costs of launching a startup puts competitive pressure on successful ventures. By contrast, corporations are best designed to execute a repeatable, scalable business model. The processes that firms have optimized for execution might interfere with the search activities required to discover innovation outside the core business, leading to missed opportunities (Chesbrough, 2014; Wolcott & Lippitz, 2007). The complementary nature of startups and corporations suggests that both can benefit from collaborating; in doing so, startups receive help to improve execution and corporations receive support to search for innovation. Setting up a formalized corporate accelerator can make collaborations more efficient and cost-effective, and might result in a range of corporate-startup collaborations:

[1] Similar to Miller and Bound (2011).