



Understanding a new generation incubation model: The accelerator



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ARTICLE INFO

Article history:

Received 30 April 2014

Received in revised form

17 July 2015

Accepted 9 September 2015

Available online 10 October 2015

Keywords:

Incubation models

Accelerators

Activity system perspective

Design

ABSTRACT

Prior research hints at the accelerator as a new generation incubation model. Accelerators have become an umbrella term for any program providing a service structure of mentorship, networking opportunities and access to funding. The challenge, however, is to understand their distinctive characteristics and profiles geared towards reinforcing business start-ups. How do accelerators operate as a new generation incubation model and how do they differ from existing incubation mechanisms? This inductive study investigates 13 accelerators across Europe and adopts a design lens to identify the accelerator model's key design parameters. We identify five key building blocks and distinguish between three different types of accelerators, taking the primary design theme of the accelerator into account. We contribute to the incubation literature by extending recognition of the heterogeneity of incubation models, by delineating the accelerator as a distinctive incubation model and by introducing the design lens as a useful theoretical framework to investigate incubation models and their evolution.

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1. Introduction

Over the past decades a wide variety of incubation mechanisms have been introduced by policy makers, private investors, corporates, universities, research institutes etc. to support and accelerate the creation of successful entrepreneurial companies. Whilst extant literature on incubation mechanisms agrees on their contribution to the nurturing of new ventures in general, it also points to the need to take the heterogeneity of different incubation models into account (Barbero et al., 2014). Incubation models have evolved (Bruneel et al., 2012) and continue to evolve into new generation incubation models. It is therefore important to gain insights into the specific features of evolving incubation models to assess their working and performance (Mian, 1997) and their impact on incubated ventures (Barbero et al., 2012).

A new generation incubation model, introduced in Europe in the last five years, is that of the seed accelerator program. “Accelerators” are organizations that aim to accelerate successful venture creation by providing specific incubation services, focussed on education and mentoring, during an intensive program of limited duration (Cohen and Hochberg, 2014; Miller and Bound, 2011). Accelerators emerged mid-2000 as a response to the shortcomings of previous generation incubation models, which are primarily focused on providing office space and in-house business

support services (Bruneel et al., 2012). The first accelerator, Y Combinator, was established in 2005 in Cambridge, Massachusetts, and has been a source of inspiration for many accelerators to follow. In 2009, the Difference Engine kick-started the European accelerator sector and in 2013, Seed-DB, a platform which analyses accelerators and their companies worldwide, reported over 213 accelerators worldwide, which have supported approximately 3,800 new ventures.

Yet, despite these success examples and the rapid proliferation of accelerators across different regions, empirical and theoretical knowledge about the distinct characteristics and drivers of this new generation incubation model is scant (Birdsall et al., 2013). Furthermore, insights from the extant incubation literature only partly help us to understand the working of accelerators. Research on incubation models has provided in-depth insights into the differences in the organization, activities, services and objectives of incubator types (Aernoudt, 2004). However, we cannot simply assume these differences hold for accelerators, which seem to extend existing approaches to a very distinctive type of incubator. In addition, the business incubation literature lacks a theoretical lens to analyse and explain the heterogeneity among different incubation models, with the majority of published studies being largely descriptive in nature (Bruneel et al., 2012; Hackett and Dilts, 2004).

Against this backdrop, we set out to explore 13 accelerators in Europe in order to answer the following research question: “How do accelerators operate as a new generation incubation model?” Specifically, we introduce the design perspective developed by Zott and Amit (2010) in their study about business models as a

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useful theoretical lens to look at the phenomenon and identify an accelerator's primary design parameters. This enables understanding of how accelerators differ from previous generation incubation models and how they particularly create value for their ventures. By doing so, we aim to contribute to the existing incubation literature in two ways. First, by delineating accelerators as a new generation incubation model. By identifying accelerators' key design parameters, we conceptualize both the dimensions of their heterogeneity and their distinctiveness in relation to other incubation models. Second, by introducing a design lens as an appropriate theoretical framework for investigating new incubation models, so enabling the consistent monitoring of incubation model evolution.

2. Theoretical background

2.1. Incubation models

An incubation model is broadly defined as the way in which an incubation entity provides support to start-ups to improve the probability of survival of the portfolio companies and accelerate their development. It is the model used by the organization or mechanism to deliver incubation services to start-up companies and create and capture value from them (Amit and Zott, 2001; George and Bock, 2011). Incubation models have evolved since the establishment of the first incubators, science parks, innovation centres and the like. Academic research has followed this evolution by providing a variety of studies focusing on different incubation model characteristics, classifications and typologies, and their evolution over time.

2.1.1. Incubation model characteristics, classifications and typologies

The main body of research on incubation has devoted considerable attention to describing different incubation mechanisms and models (Barbero et al., 2014). The literature on academic entrepreneurship for example, focuses on how universities nurture spin-offs into successful start-ups via internal approaches such as technology transfer offices, science parks and incubation infrastructures (Clarysse et al., 2005; Van Looy et al., 2003). The literature on corporate entrepreneurship illustrates how large companies, similar to universities, rely on quasi-internal activities and develop in-house incubation facilities to assist new start-ups as a means to source new ideas (Becker and Gassmann, 2006; Grimaldi and Grandi, 2005; Hill and Birkinshaw, 2014). In the public sector, business incubators are recognized as a popular instrument to foster entrepreneurship and regional economic development (Smilor & Gill, 1986) and in the private sector incubation through rent-seeking has grown into a separate industry, with the involvement of investors as a way to improve the deal flow of their portfolio (Miller and Bound, 2011). The latter is perceived as a high-risk investment model for the support of high-potential new ventures, originating from the venture capital and corporate industry.

As incubation mechanisms have matured and multiplied, different incubation models have emerged, resulting in a plethora of definitions and typologies, based on a variety of distinguishing characteristics. The most fundamental categorization concerns the distinction between non-profit and for-profit incubation models (Aernoudt, 2004; Grimaldi and Grandi, 2005). Beyond this basic dichotomy, research provided different classifications primarily depending on strategic objectives, service offerings and competitive focus, the latter distinguishing between industry sector, type of start-up, phase of intervention and geographical reach (Van der Straeten and Matthyssens, 2012). Barbero et al. (2014) converge on four broad models: (1) business innovation centres, with a

focus on regional economic development, (2) university incubators to facilitate technology commercialisation, (3) research incubators embedded in research institutes to valorise research output, and (4) stand-alone incubators, focussed on selecting and supporting high-potential ventures.

Previous research also identified a range of basic incubation model components (Bergek and Norrman, 2008; Hackett and Dilts, 2004). Despite the differences and overlaps between incubation models, an incubation model's main components include at least four of the five following services: (1) access to physical resources, (2) office support services, (3) access to capital, (4) process support, and (5) networking services (Carayannis and von Zedtwitz, 2005), with a primary focus on overcoming the participating venture's liability of newness, and hence improve its survival rate (Dettwiler et al., 2006; Schwartz, 2013).

2.1.2. Incubation model evolution

A more recent stream of studies adopts a dynamic view on incubation research, by focusing on the evolution of incubation models over time (Grimaldi and Grandi, 2005). These studies advance the existence of a generational sequence of incubation models, led by changing needs of participating ventures. They argue that each generation of incubation models adapts its value proposition to the evolving needs of participating ventures (Bruneel et al., 2012).

The first generation of incubation models, introduced in the early nineties, primarily focused on providing physical and financial resource support (for example office space and small financial injections) to early-stage high potential ventures (Phan et al., 2005). Throughout the nineties, new incubation models emerged, which gradually moved away from a mere focus on offering basic office space and financial support, towards a broad range of more intangible high value added services. This second generation of incubation models included, amongst other things, services such as aid in evaluating different market opportunities, access to knowledge intensive services, product development support, access to knowledge, expertise and networks of entrepreneurs and provision of entrepreneurial finance (Clarysse and Bruneel, 2007; Soetanto and Jack, 2013). More recently, we can identify a further shift, hinting at a new generation of incubation models, which focuses on knowledge intensive business services, moving away almost entirely from the primary services for which the incubation models were founded (i.e. rental services).

2.1.3. The accelerator: a new generation incubation model?

The accelerator model is an exemplar of the recent shift towards a focus on intangible, knowledge intensive, support services in incubation services. An accelerator is an organization, which aims to accelerate new venture creation by providing education and mentoring to cohorts of ventures during a limited time (Cohen and Hochberg, 2014). Although the accelerator model includes intangible services, such as mentoring and networking, it has a number of other specific features that sets it apart from existing incubation models (Isabelle, 2013). First, they are not primarily designed to provide physical resources or office support services over a long period of time. Second, they typically offer pre-seed investment, usually in exchange for equity. Third, they are less focused on venture capitalists as a next step of finance, but are more closely connected to business angels and small-scale individual investors. One of the reasons for this difference is that their focus is on early-stage tech start-ups for which the costs of experimentation have dropped significantly in the last decade, rather than capital-intensive start-ups, such as technology-oriented spin-offs from universities. Fourth, the accelerator model places emphasis on business development and aims to develop start-ups into investment ready businesses by offering intensive

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