ACCELERATION IN EUROPE

Key Challenges & Recommendations for growing the European Startup ecosystem via accelerators.

Edite Cruz | November 2016

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Based in Lisbon, **Beta-i** is an innovation hub with the mission to improve entrepreneurship through 3 main acting principles: create and boost a network for entrepreneurship, accelerate startups with global ambition and facilitate their access to investment, space, services and products that support startup growth.

**Beta-i** was considered the biggest startup & entrepreneurship promoter in Europe by the European Enterprise Promotion Awards in June 2014 and highlighted as the key Lisbon accelerator by Wired Magazine in 2016.

It’s hub hosts an average of 40 startups at different developmental stages and is a meeting point for national and international ecosystem players from investors to corporates, entrepreneurs and startups themselves among many others. **Beta-i** presently runs a series of accelerators per year starting with Lisbon Challenge and including a number of corporate accelerators. Alongside with regular smaller events organized for the community, **Beta-i** organizes for the Lisbon Investment Summit and the The Tourism Day conference.

The **European Accelerator Network** (EAN) is a network of accelerators that aims to strengthen acceleration in Europe by bringing accelerators together in an open, collaborative network to exchange best practices and explore opportunities.

In order to do so, the network organizes annually the **European Accelerator Summit**, a 2-days event where accelerators discuss status, challenges and the future of acceleration while sharing best practices, lessons learned and establishing new forms of collaboration. Through the year, the EAN keeps collaboration active between accelerators through Staff Exchange, a programme whereby accelerators exchange staff amongst themselves to learn hands on from each other.

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The **ATALANTA** project was designed with the objective to drive innovation, facilitate technology transfer and support entrepreneurship on a transnational European level.

The plan was to achieve these goals both by supporting the creation of more successful ICT startups in Europe and by supporting accelerators – a new breed of organizations focused on accelerating the growth of startups.

The project was developed under a grant from the European Commission by a consortium of the following partners: Beta-i, H-Farm, Numa, Tetuan Valley, E-Unlimed and Balkan Unlimited. The project lasted for 3 years and ended in August 2016.

www.f6s.com/atalanta
Foreword

Acceleration is a fairly recent but significantly powerful part in the startup ecosystem. Looking at Lisbon, the ecosystem from where we started Beta-i and which I know better than any other, the effects of an accelerator with an international mindset are visible. Our ecosystem evolved from a 2010 desert state with only a few small events, to a fast growing one, well connected with other hubs of entrepreneurship around the world. We have been able to attract foreign startups, VCs and even become the place of choice for the Web Summit, a major event in the tech/startup scene. Whereas this is the making of several players in the ecosystem, acceleration was a key ingredient.

The value of acceleration is not only in equipping founders and startups with contacts, network and methodologies that allow them to grow their businesses in a speedier way. In the ecosystems where I see accelerators, I see them often acting as connectors between transnational entrepreneurship and tech hubs; I see them acting as the connectors between the established corporate world and the world of new disruptive business models and technologies; I see accelerators igniting a new way of thinking and doing things whereby people are empowered to explore rather than execute. This is a major change not just for our economy but for our society as a whole.

For the last three years we have been creating a Knowledge area inside Beta-i focusing on policy and regulatory issues, creating and contributing to reports and whitepapers that help NGOs, public and private agencies, governments, corporate, and the European Commission to understand acceleration, startups, the startup ecosystem in general and how to foster its growth for a new economy in Europe. We believe that policymakers need to make way for accelerators and for the startup ecosystems in Europe to sprout. Whereas startups have for a little while been under the radar of policymakers, accelerators are a powerful gateway to the European startup ecosystem and a key player that also needs to be considered by policymakers.

Nowadays the acceleration business has spread its wings to other fields like events, corporates, innovation and investment. The European Accelerator Network, which we launched a few years ago with other accelerators, help us keep on top of these changes, learning from other accelerators. For us at Beta-i it is obvious that the way forward is to bring the “startup way” of working into other areas. We are working more and more with corporates helping them innovate in ways they didn’t imagine possible and we are looking to work more in the education space.

Acceleration is powerful and acceleration is expanding. I believe this document proposes key suggestions that will help us leverage acceleration in Europe for a stronger economy of startups.
Executive summary

Acceleration programmes are at the center of thriving startup ecosystems. These programmes and the organizations behind them are helping entrepreneurs launch and grow their businesses and in order to do so they act as the glue of the ecosystems - accelerators are where entrepreneurs, investors, public entities, academia and all other relevant players come together. In this position, accelerators have the potential to do ever more for the European startup ecosystem and therefore these organizations can make a significant contribution for the competitiveness of Europe’s economy. Hence the question: what should be done at European level to support acceleration?

This document looks into this question, presents keys areas for intervention and proposes top actions to both leverage the role of accelerators and support the growth of the European Startup ecosystem via accelerators. The following areas of intervention are proposed:

1. Transnational collaboration: in a fragmented Europe and in a business that is as global as the one of startups & acceleration, transnational collaboration is central for fostering acceleration. Actions in this area should look to build global networks for accelerators & startups and help strengthening Europe’s position as an international hub for startups worldwide. There is mutual advantage in sharing good practices.

2. Accelerating the unwanted: the business model for acceleration is a fragile one. Whereas the number of accelerators keeps on growing, the organizations behind those programmes often favor certain industries or regions. The European startup ecosystem is not homogeneously present across industries or regions. Accelerators should be incentivized to level those differences and exploit least attractive markets with public sector intervening only where there are gaps in private funding.

3. Understanding acceleration: investment in research on acceleration is urgent. A fairly new sector, in fast expansion and with strong social/economy impact, should be clearly understood. Among other questions, these should be answered: how do accelerators work, what makes a successful model, how to measure value and how to replicate successes?

4. Accelerating policy making: for the growth of the European economy of startups, the voice of these organizations needs to be heard. Accelerators have the knowledge, network and motivation to support the design of startup friendly policies and as such should be involved in the policy process.

5. Corporate/startup collaboration: accelerators play a key role in bringing corporates and startups together. Establishing bridges between these two worlds is essential not just for the growth of Europe’s startup economy but also for innovation and increased competitiveness in long established industries. Investment needs to be made in this area and accelerators, able to talk both languages, are well equipped to take action but could use support in reaching out within the corporate world.

6. Accelerating education: the education sector should be one of the main stages for startup acceleration. Much technology is developed at academia and stays in the “research closet” never seeing the daylight in the form of services or products. Accelerators can work together with universities on specific challenges such as this one and overall, supporting the embedding of a culture of entrepreneurship across the education sector via other measures. A redesign of Erasmus for Young Entrepreneurs is proposed as a tool for exploring this area.

We hope this document, together with the Accelerate Now! 2016 report, will provide the grounds for fruitful discussion and effective action to foster startup acceleration in Europe.
Transnational collaboration

Transnational collaboration is essential for the continued development of the European startup ecosystem. Between member states, it is relevant for accomplishing two key objectives: 1) fostering the development of more and stronger startup hubs all over Europe, 2) removing barriers for startups to scale in Europe. In addition, startup ecosystems and acceleration are a fairly new phenomena - with no runbooks and guidelines on “how-to”, the best way to identify and disseminate best practices is by fostering collaboration where members can learn from each other.

Outside Europe, collaboration with highly developed ecosystems, such as Silicon Valley, creates the opportunity for acquiring know-how, inspiration and contacts. These skills and resources can be “imported” to strengthen ecosystems in Europe. Finally, transnational collaboration with upcoming ecosystems such as India, can be part of a strategy to create new markets for European startups. On the other hand, it can also be used as a way to attract startups and entrepreneurs from these countries to settle in Europe to incorporate and extend the ecosystem.

Actions:
• Support networks and other initiatives such as the European Accelerator Network which brings together, on an annual basis, accelerators to discuss challenges, trends and fosters collaboration between acceleration programmes via staff exchanges.
• Foster collaboration between acceleration programmes focused on supporting internationalization of startups within Europe.
• Identify the strongest ecosystem builders (typically accelerators) and incentivize their collaboration with less developed ecosystems to build new, stronger hubs in Europe.
• Consider the creation of European Startup Community Managers and Innovation Centers per member state.

These entities, which should be lead by people already with strong ties with the local community, would bridge the gap between what is happening on the ground, at each member state, and what is happening across Europe and at the Commission.
• Support initiatives for european accelerators to learn and collaborate with top tier accelerators and ecosystems in the world, such as USA and Israel (via roadshows, staff exchanges, mentor exchanges or other formats).
• Define collaboration agreements and initiatives with upcoming ecosystems outside of Europe with the objective to attract startups to Europe and facilitate market entrance for european startups.
• Attract quality mentors: promote european mentors to go abroad and outside ones to come in - learn from each other. Elevate the quality of our mentors by getting them to train abroad at more mature ecosystems.

Challenges addressed: build a global network; learn best practices; attract quality mentors; attract quality startups; support scaling up; foster growth of Europe as an international hub for startups.

More collaboration between programmes in Europe to surpass local differences that block/slow launch of startups in other countries

Paul Miller, Bethnal Green

ACCELERATION in EUROPE | 08
Accelerating the unwanted

Despite having come a long way, acceleration is still struggling to become a sustainable business. Sustainable business models are mostly possible in already well developed ecosystems. There is a wide range of unexplored (and really, unwanted) areas for acceleration. Pre-acceleration, or acceleration at idea stage, is essential to foster creation of more entrepreneurs and startups but it is uninteresting for corporates and private investments as risk is higher. Western Europe is home to several strong startup ecosystems and eastern Europe is struggling to build their own. Certain verticals, and in particular the public sector, are slower to work with startups and accelerators. These examples illustrate some of the bottlenecks that need to be mapped and understood, and for which strategies need to be put into place to resolve them.

In addition, acceleration is also an education process through which entrepreneurs and teams are equipped with new tools for creativity and agile development of ideas. Lean startup and design thinking methodologies in particular empower people to think differently than in the usual processes traditionally taught.

These tools can and are being applied outside of the digital/tech arena. Some accelerators are already starting to work with a few corporates and other organizations to support internal cultural changes through the use of those methodologies geared towards creating more innovative cultures.

**Actions:** Foster acceleration where it does not exist:
- Pre-acceleration / idea stage acceleration.
- Acceleration at government: eg. launch a corporate / startup accelerator to address european/regional challenges.
- Identify less “accelerated” industries/regions and support execution of acceleration programmes for those sectors/regions mixing “the ones who have done it successfully” with “the ones who want to learn it”.

**Note:** in this process it is important that public involvement does not compete with private initiatives or artificially inflates growth of the ecosystem.

**Challenges addressed:** innovate “the startup way” in traditional sectors; permeate the economy with lean & design thinking methodologies to motivate a shift in mindset; increase number of startups & entrepreneurs.
Understanding acceleration

Acceleration is poorly understood. Despite its growing popularity, it is still a concept familiar only to a small number of people and organizations. While some are saying that accelerators are the new business school others claim that accelerators select rather than actually create good startups.

Meantime acceleration today is very different than acceleration five years ago. There are different types of acceleration programmes targeting different startups at different stages.

Whereas acceleration programmes were run by accelerators, today there are new players running these programmes, ranging from corporates to governments and universities. With an increasing offer of accelerators, how can startups understand which are better suited for them?

Which criteria should governments use to support acceleration in their regions and how to best do it? These are just a few examples of questions that need to be explored so that Europe can understand how accelerators create value and how to leverage them.

**Action:** incentivize research on accelerators and the startup ecosystem. Track acceleration, study quality of accelerators starting with some of the following points:

- Map where accelerators are (this will also help public policymakers in recognising gaps).
- Investigate what makes a good accelerator.
- Study the effects of accelerators on the local ecosystem.
- Study how to build startup ecosystems.
- Identify best practices for running different types of acceleration programmes (eg: verticals, corporate accelerators, accelerators at universities, etc)
- Investigate how startups could identify the best accelerator for themselves.

**Challenges addressed:** build credibility; financial sustainability of the business model; measure value delivered; optimize internal processes; inform policy making.

**Accelerators have expanded at a much faster rate than our knowledge about them.**

**Whilst evidence is emerging that many do indeed have a positive impact on startups, there is also evidence that a few may be positively harmful.**

**More research is needed to understand better which activities lead to what outcomes for certain kinds of firm.**

Chris Haley, Nesta

**There are a lot of acceleration programmes and most of them are generic.**

**There is a lot of noise: are startups really getting value of these programmes? Programmes do try.**

Marc Nager, Techstars
Accelerating policy making

Startups are key for the future of the European economy. It is not just the jobs they might create or new products or services that might put Europe in a leading position for certain markets.

With startups comes a very particular mindset: 1) startups have a different way of doing things: lean, iterative, by prototyping and customer centric; 2) startups have a very particular ambition: to innovate and to scale fast - this in Europe implies going international very early on. The combination of these ambitions with that different way of doing things can greatly change our society if it spreads beyond the startup ecosystem to other areas of entrepreneurship, of our economy and society. This change would mean empowered people, creative thinking, speedier and leaner innovation, customer centric not just in business but in other segments such as education and healthcare.

In order to unlock the possibility for all of the above to happen, startups & entrepreneurs need to be heard and participate in policy making. It is well known that this is an underrepresented group in the policy making process (due in part to the limited capacity of startups to engage with policymakers: for startups, everything has a significant opportunity cost). There are clear examples on how the needs and challenges of these organizations have not been understood by policymakers (eg. new VAT regulations in Europe in 2015). It is also this group that can strongly underline the case for the Single Digital Market and in that way help unlocking its potential of €430 Billion for the European GDP.

Some startup associations are bridging the gap between startups and policy makers. However, in order to represent the startups ecosystem to the fullest, other key players in the startup ecosystem should join these advocacy efforts and have great potential to contribute: one of them are accelerators, which are crucial to voice the concerns of startups and other ecosystem players.

Startups have to follow rules that haven’t been made for startups. As strategic partner and mentor to a huge number of startups, accelerators are in a position to understand which policy-challenges startups face and how these affect their growth and success.

Policy makers should work together with accelerators and associations to understand startups and help make the EU’s Digital Single Market a success.

Lenard Koschwitz, Allied for Startups.

Action: Develop the policy role that accelerators could have as mediators, bringing the voice of startups and other ecosystem players into the policy making process. Increase the role of accelerator networks such as EAN in advocacy groups and associations.

Challenges addressed: foster the growth of the ecosystem; implement startup-friendly policies.
Corporate/Startup collaboration

Corporates are a key element for a thriving startup ecosystem. Accelerators in more mature ecosystems work closely with corporates in different formats that vary from sponsorship of events to commissioned acceleration programmes. In these ecosystems, where corporates are already aware of the value of working with startups, accelerators act as the connectors of these two worlds. These collaborations are key for the sustainability of the acceleration business model and for startups in those ecosystems to scale.

Whereas corporates are worldwide waking up to the potential of these collaborations, it is only a few still who are involved with startups and moreover who know how to rip the benefits of working with startups. Accelerators play a key role in bringing these traditional and disruptive sides of our economy together.

Action:
- Support programmes to bring “the startup way” to intrapreneurs in corporates via accelerators.
- Promote exposure of corporates and SMEs to the startup world via accelerators (eg. supporting participation of acceleration programmes and startups in established industry events, fairs, etc)
- Invest in understanding and promoting case studies on corporate/startup collaboration: which are the success stories of corporate/startup collaboration and how did they do it.
- Launch the 1st big client initiative: in the likes of what Coca-Cola Bridge aims to do, this programme would support startups getting their first big client. Corporates working in Europe can either be that first big client or bridge startups with a number of first big clients. This is key for startups to scale and it is often hard to do for each accelerator in their local ecosystem - it would be better accomplished at an european level. Accelerators can be the intermediaries between a pool of corporates interested in working with startups in this way and the startups themselves.
- Consider additional incentives for corporate-startup collaboration (e.g. tax relief for corporate venturing)
- Encourage corporates to make it easier for startups to work with them. This may include single points of access; simplified contracts; dedicated startup-liaison teams.

Most corporates have little time to dedicate to startups but they have real problems that they want to see solved. When we bring them a framework to help solve these problems through outside startup innovation focused and get their challenges addressed in 1/10 of the time, it is a win-win - both startup and corporate benefit. The challenge is in getting corporates and institutions to open up to try these different approaches.

Ricardo Marvão, Beta-i
Accelerating education

Education is key for creating a Europe of startups. The current education paradigm is designed for creating executors rather than explorers. One basic function that acceleration programmes serve is to teach startup teams to observe, analyse, explore, iterate, pivot - this is essentially how a young child interacts with the world which goes to show that the current education system essentially eliminates out these basic qualities which are central for entrepreneurship.

This role that accelerators currently need to fulfill could and should be addressed, and even avoided, with changes in the education system. This would allow accelerators to focus on the specifics of business creation and growth whereas today they need to partially undo mindsets imprinted through the schooling years.

Many universities have implemented entrepreneurship courses and have incubators. A rare few are looking into running acceleration programmes. Whereas universities understand the need to educate for entrepreneurship, implementing effective programmes requires a vision and resources that is hard to come across in the traditional academic world. It is also important to understand that an entrepreneurial mindset should be embedded across all education and not specifically in entrepreneurship programmes.

**Action:** Incentivize acceleration at universities through collaboration with acceleration programmes:

- Redesign Erasmus for Young Entrepreneurs into an acceleration like program and include a student track to make it easy for students to do internships at early stage startups (for instance via acceleration programmes) and for students to create their own companies.
- Incentivize the creation of acceleration programmes at universities in partnerships with non-academic partners. A departing point could be the implementation of acceleration programmes to generate businesses out of the technologies and patents developed at universities.
- Reinforce education on methodologies such as design thinking, lean canvas/business model canvas which can be used across all disciplines in project work.

**Challenges addressed:** educate for entrepreneurship; foster the growth of entrepreneurship in Europe.
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