FUNDAÇÃO GETULIO VARGAS
ESCOLA DE ADMINISTRAÇÃO DE EMPRESAS DE SÃO PAULO

ANTOINE JACQUES MARIE MOREAU

"ÇA MARCHE!", A PROFILE OF EARLY-STAGE BUSINESS ACCELERATORS IN FRANCE

SÃO PAULO
2017

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Thesis presented to Escola de Administração de Empresas de São Paulo of Fundação Getulio Vargas, as a requirement to obtain the title of Master in International Management (MPGI).

Knowledge Field: Gestão e Competitividade Em Empresas Globais

Adviser: Prof. Dr. Gilberto Sarfati

SÃO PAULO
2017

Moreau, Antoine Jacques Marie.
"Ça marche!", a profile of early-stage business accelerators in France / Antoine Jacques Marie Moreau. - 2017.
59 f.

Orientador: Gilberto Sarfati
Dissertação (MPGI) - Escola de Administração de Empresas de São Paulo.

1. Planejamento estratégico. 2. Empreendedorismo - França. 3. Desenvolvimento organizacional. 4. Empresas - Crescimento - França. I. Sarfati, Gilberto. II. Dissertação (MPGI) - Escola de Administração de Empresas de São Paulo. III. Título.

CDU 65.011.8(44)

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Approval Date 11/30/2017

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ACKNOWLEDGMENTS

I would like to express my sincere gratitude to my thesis advisor Prof. Dr. Gilberto Sarfati for his support and precious insights during the time of writing of my thesis.

I would like to thank Prof. Luis Henrique Pereira for his continued support and precious orientation in the early stage of the preparation of my thesis, and the guidelines provided through the Applied Research Methodology Course.

I am particularly grateful to all the respondents to my survey for their time, their precious help and availability during the analysis of the survey. I would like to thank Eliott Gourvil of Numa for his time during follow-up interviews and his precious insights on the French acceleration ecosystem.

Finally, I would like to thank Fabien Huché-Deniset from Clovis and HEC Paris for challenging my assumptions and providing me with his insights on the startup and operator side of my work.

ABSTRACT

Early-stage company acceleration, while a relatively new phenomenon, is more and more popular among startup founders and are becoming a key element of the global entrepreneurship ecosystem. Those fixed-term, competitive and highly networked programs offer a wide array of resources, services and connections to participant companies. However, the business acceleration phenomenon remains scarcely studied considering the newness of the phenomenon and the availability of usable data, especially at national level. This study proposes an exploratory study of early-stage company acceleration in France and asks the question of what are the characteristics and differences of the French acceleration ecosystem in comparison with other ecosystems. The study is built upon a survey distributed among French accelerators in the country. The study shows strong evidence of a specific logic of company acceleration in France marked by a higher relative importance of accelerators in the ecosystem, contrasting with a lack of maturity of accelerators. This translates into a higher relative number of accelerators, a lower share of for-profit accelerators, strong variance in the portfolio of resources and services, including lower levels of investment end equity ownership by accelerators in the country.

Keywords

Strategic planning. Entrepreneurship. Organizational development. Early-stage companies. Business acceleration. Entrepreneurship support. France.

RESUMO

A aceleração de empresas novas, enquanto um fenômeno bastante recente, surge cada vez mais como ume opção atraente para os fundadores de startups e está se tornando um elemento-chave do ecossistema global de empreendedorismo. Esses programas de prazo fixo, competitivos e bem ligados com outros atores da economia oferecem uma ampla gama de recursos, serviços e conexões para empresas participantes. No entanto, o fenômeno da aceleração de startups continua sendo pouco estudado considerando a novidade do fenômeno e a disponibilidade reduzida de dados, especialmente ao nível nacional. Este trabalho propõe um estudo exploratório da aceleração de empresas novas na França e interroga quais são as características e diferenças do ecossistema de aceleração francês em comparação com outros ecossistemas no mundo. O estudo é baseado em uma pesquisa distribuída entre aceleradores franceses no país. O estudo mostra evidências de uma lógica específica de aceleração de empresas novas na França, marcada por uma maior importância relativa dos aceleradores no ecossistema, contrastando com a falta de maturidade dos aceleradores. Isso se traduz em um maior número de aceleradores, uma menor participação de aceleradores com fins lucrativos, uma forte variação na gama de recursos e serviços oferecidos, incluindo níveis mais baixos de investimento e de participação dos aceleradores no capital das empresas aceleradas.

Palavras-chaves

Planejamento estratégico. Empreendedorismo. Desenvolvimento organizacional. Empresas novas. Aceleração de negócios. Suporte ao empreendedorismo. Franca.

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ARR – Annual Recurring Revenue

IPO – Initial Public Offering

SaaS – Software-as-a-Service

YC – Y Combinator

Introduction

Out of the 169 “unicorns” (the term designating private companies worth more than $1 billion) in June 2016 only 9 went through an accelerator (CBInsights, 2016). This represents only 5% of the famous Unicorn Club. Moreover, from those 9 companies only 2 were part of the portfolio of the 200 accelerators existing at the time in the United States. Twilio attended 500 Startups and, 8 other companies, including Dropbox and Airbnb, participated in YCombinator. On the other hand, Airbnb was the 4th most valuable private company worldwide at the time, Dropbox was the fastest SaaS (Software as a Service) company to reach $1 billion in ARR (Annual Recurring Revenue) when it achieved that milestone, and Twilio was the most valuable SaaS IPO in 2016. If those three companies achieved extraordinary results, they remain a small share of the largest tech companies, putting the effectiveness of accelerators into question.

The advent of the internet age has sparked a new wave of entrepreneurship around the world. The positive implications of entrepreneurship on economics and growth (Baumol & Strom, 2007) has led entrepreneurs, small and large corporates, universities and public institutions to create or support various forms of entrepreneurship support networks. Their effectiveness on startup survival is notable, in the example of incubators for instance (Aerts, Matthyssens, & Vandenbempt, 2007). The sole pursuit of financial returns by holding shares of early-stage companies and liquidating them on the public or secondaries market participated in this trend, by trying to identify and bring competitive advantage to the most promising startups while taking a portion of equity at the earliest stage of financing: a typical trait of accelerators. Among those support networks, they are the most recent, and the success of leading accelerators like YCombinator or Techstars set off a movement of accelerators trying to replicate their success, and accelerators are now a key element of the global startup ecosystem.

YCombinator is widely considered to be the first startup accelerator (Fornell et al., 2012). Created in 2005, “YC”, as it’s commonly known among the startup community, has supported nearly 1,500 companies and the combined valuation of startups accelerated by YCombinator is expected to surpass the astronomic amount of $100 billion (Altman, 2017).

In the areas of entrepreneurship and of early-stage startup development, the topic of the effectiveness of entrepreneurship support networks is often debated (Desai, 2016; Relan, 2012).

As startup ecosystems have matured worldwide, a wide variety of support networks have emerged to help early-stage companies be created, find ideas, build products, find clients and ultimately grow and succeed in the local and global marketplace. Such support networks include incubators, accelerators, specialized coworking spaces, startup competitions and startup studios, for instance. Considering the variety of actors, and the varying quality of the different incubators, accelerators and other kind of support networks, their effectiveness has often been questioned, with accelerators not being an exception. There is a high variance observed in their success (Hallen, Bingham, & Cohen, 2014).

Among those support networks, accelerators are the most recent, and the less studied (Cohen & Hochberg, 2014), especially at the local level. At the same time, they seem to offer the most structured and result-oriented programs for companies willing to accelerate their development. This study adopts the definition of accelerator from Cohen and Hochberg (2014), who define an accelerator as "a fixed-term, cohort-based program, including mentorship and educational components, that culminates in a public pitch event or demo-day". This study will focus on France, a dynamic yet incomplete startup ecosystem.

CBInsights data shows that when building projections for the full year over the first semester of 2017 funding data to French startups, dollars raised are expected to nearly double to $4.1 billion, up from $2.1 billion in 2016 (CBInsights, 2017). The dynamism of the French startup ecosystem has led to the establishment of the "French Tech" brand, synonym of innovation, dynamism and a certain way of building companies *à la française*. While Paris is now home to Station F, the largest incubator worldwide, the recent launch of an antenna of the world-renown Techstars accelerator in Paris shows that the French ecosystem is attracting foreign stakeholders. However, accelerators have been running in France for longer than that, and have developed specific methods and best practices. While France is widely considered as successful and dynamic ecosystem with strong national innovation and national startup champions (Rowinski, 2017), those companies have proven to be much weaker in the global marketplace in comparison with the United States. The startup scene might wonder whether accelerators could be the key towards such a success in France, and what specificities these accelerators have in comparison with others around the world.

Given that little is known about French accelerators, this is an exploratory research in which I enquire what is the profile of French accelerators. I surveyed accelerators in the country,

evaluating their structure, support, objectives and their success in helping early-stage companies grow.

Building up on the current literature, the analysis is performed based on the answers of 15 accelerators in France. The results of the analysis show several differences in the models adopted by French business accelerators in comparison with their global counterparts. France is a particularly dynamic acceleration ecosystem with a relatively higher number of accelerators. Accelerators in France have gathered important momentum and are developing quickly: "ça marche!" ("it works!"), as a Frenchman would say. As a drawback, accelerators in France are constrained by limited scales and resources. This results in limited investment in accelerated ventures, high variance in terms of the size of the portfolio of services offered to tenants, and a polarization of investment and services within a few leading programs. The past lack of specialization on specific industries is now is disappearing with France catching up on establishing sector specific accelerators. This shows that the French acceleration ecosystem still lacks maturity and will probably evolve as it grows with a consolidated number of leading programs and several vertically focused accelerators on specific niches.

Literature review

The existing literature on acceleration remains scarce. After researching on several databases (EBSCO, Emerald Insights, Jstor, Science Direct, Wiley), no study has researched the specific logics of early-stage acceleration in France. This is specific to France, as there is research focused on acceleration at the national level in other countries aside from the United States such as Canada (Caley & Kula, 2013).

Moreover, the study of acceleration as a phenomenon remains recent and limited (Cohen & Hochberg, 2014). Academic literature has, in general, studied the acceleration phenomenon indifferently from incubation (Mian, Lamine, & Fayolle, 2016). Specific literature related to acceleration remains therefore scarce.

To establish the theoretical foundations of my research, I start by studying the reasons that justify the need for entrepreneurial support networks. Then, I review the preceding entrepreneurial support networks formed by incubators, before studying the specifics of the new accelerator

model. I then discuss the similarities and differences between incubators and accelerators. As quantitative research remains particularly scarce, I review research pertaining to quantitative methods applied to business incubation and acceleration, before concluding with a review of studies of French entrepreneurial support structures.

Venture development and support networks

Growing a new venture is extremely complicated, while the economic benefits of these companies succeeding make them a high-potential investment with valuable direct and indirect consequences on the surrounding economy.

These companies have low survival rates and face major challenges to reach sustainability, beginning with "severe market failures". One of those is the complicated access to financing. Banks and financial institutions in general are too risk-averse and not properly educated to carefully select high potential new ventures and provide financing at reasonable cost, leading to a lack of credit available to those small firms. Without outside support, it is demonstrated that entrepreneurs coming from well-off backgrounds are more inclined to start businesses (Colombo & Delmastro, 2002).

A second rationale for supporting early-stage venture development is the fact that entrepreneurship has positive effects on economic growth and innovation. They take part in the Schumpeterian movement of creative destruction. Because they build businesses to take advantage of opportunities they bring to market new product and services that generate direct economic activity within and outside of the company (Baumol & Strom, 2007). In macroeconomics terms, the contribution of the entrepreneur is to economic growth is dependent on a few factors, which generate economic development when they are united. The primary factor is the entrepreneur's judgement in deciding which opportunities to pursue, what resources to mobilize and the broader demand for novelty. Support networks, by adding a layer of selection to the process, therefore give tools and support to the most visionary entrepreneurs, leading to a higher economic output (Casson & Wadeson, 2008).

New ventures require support for internal reasons (challenges of building a new venture, restricted access to markets and financing) as well as external factors (positive impact of entrepreneurship on innovation and economic growth).

Before the accelerator: building the incubator model.

Before the model of acceleration was born, one of the first modern type of organized business support structures for early stage businesses was the incubator model, and it is considered that the first of those was built by Joe Mancuso in 1959, in Batavia, NY in the United States (Peters, 2017). The Mancusos, one of the most influent families of the city, bought a decommissioned old factory that made unemployment rates soar when it closed. To fill the space, they decided to host a variety of small business owners in the new Batavia Industrial Center. As incentives, they offered flexible renting conditions, shared resources as well as advice from one of the most successful family of entrepreneurs in the region.

Since 1959, incubators have grown and the model has evolved considerably. The first wave of incubator development until the 1980's led to 11 active business incubators in the United States, offering basic services such as office space and shared resources. The second wave until the 2000's saw the number of incubators rise to 600 in the United States, with incubators offering more advanced services including "counseling, skills enhancement and networking". In 2016, it is estimated there were 1,250 incubators in the United States (Mian et al., 2016).

Existing literature has built frameworks and models to understand how those business incubators are built and function (Bergek & Norrman, 2008), defining incubators as "organizations that supply joint location, services, business support and networks to early stage ventures", and distinguishing incubators from science parks or technology parks which are aimed at developing companies at a later stage. They build a model made of three components, "selection", "business support" and "mediation".

Selection refers to the process of sourcing, evaluating and judging early-stage companies to select the companies with the most potential. By this selection alone, the incubator operates a choice that might accelerate the failure of non-selected early-stage companies. The selection process might insist on the idea at the origin of the venture or rather on the person building the venture, while incubators might host a reduced number of carefully selected ventures, or open its selection to a wider range of companies while preparing itself to eliminate the least mature projects along the way.

Once selected, the incubator provides "business support" including general advice on the entrepreneurial process, help on specific issues such as business development, planning, leadership or operations. This support varies with many factors including how intensive the

program is, the way the information and training is delivered to the incubatees, and the degree of professionalism, and expertise of the incubator.

Finally, by building network affections, the incubator plays a role of "mediation" by putting in touch incubatees with relevant stakeholders of the entrepreneurial ecosystem, as well as key stakeholder of the broader economic world. Moreover, the network effects of putting together past and present ventures incubated in the incubator is a key aspect of the services they offer.

The evolution of the service portfolio is debated in the entrepreneurial literature (Bruneel, Ratinho, Clarysse, & Groen, 2012). While the study suggests that there is "no significant differences across generations in terms of their service portfolio", mainly consisting of offices, shared resources, business support and coaching and mentoring. Similarly, the selection and exit criteria haven't evolved significantly. However, the study notes that it is only recently that incubated companies have been able to use the services at their disposal at their full potential: companies are able to enter incubator earlier, and graduate quicker than their predecessors.

This brings us to the question of the effectiveness and usefulness of incubators. At the national level (in Italy for instance), it is possible to draw positive correlations between technology incubation and company success (Colombo & Delmastro, 2002). The study, examining the growth of 45 Italian new technology-based firms going through incubators, controlled with a sample of off-incubator companies, finds that incubators manage to attract more highly-qualified entrepreneurs, generates higher growth-rates, higher level of innovation and better access to public financing mechanisms.

However, the study notes that "that input and output measures of innovative activity are only marginally different between on- and off-incubator firms". A study on a cluster of incubated businesses in the region of Valencia in Spain, shows that "incubators are, on their own, insufficient to exert an influence on business survival likelihood" (Mas-Verdu, Ribeiro-Soriano, & Roig-Tierno, 2015). Other factors such as company size, level of exportation, level of technology or industry sectors must be mobilized to reach significant statistical significance. A major danger of incubator program is that "it's quite easy for incubation to turn into life support" (Phan, Mian, & Lamine, 2016). The majority of incubators don't have time constraints, and this leads to ventures surviving thanks to low-cost office space and access to shared resources, conditions they wouldn't be able to find otherwise. Moreover, the incentive of incubators is not

necessarily to see their tenants grow, since at a certain point this would mean living the incubator, and therefore losing a source of revenue. In this distorted market, startups manage to survive and benefit from resources that shouldn't be allocated to them, at the expense of other ventures.

This is underlined in other studies, showing that "what incubators provide to entrepreneurs, however, might not be consistent with what the nascent firms actually need" (Cohen, 2013). The article finds that the environment of the incubator might allow firms to survive, whereas in normal market conditions they wouldn't have. This leads to misallocation of resources that could have been used to support more promising projects, leading to a higher economic output. Incubators can also prevent companies from really understanding actual market conditions, and there force incubated companies can "be missing out on important feedback that could enable them to adapt". Finally, the financial model established in the majority of incubation models where the tenants pay a recurrent fee to the incubator increases the "codependence" between incubators and incubated companies, leading to misalignment of incentives.

While the effectiveness of incubators is widely debated, several limitations such as low insensitivity and absence of time constraints. Those limitations have contributed to the creation of a new model of new venture support structures: the accelerator.

The accelerator phenomenon

YCombinator, created in 2005, was the first business accelerator. The model has been running for a little more than a decade, and remains in its infancy, with no study specifically dedicated to their evolution and in general, the literature available relating specifically to accelerators (as opposed to incubators) remains scarce. However, the literature has studied several aspects of the new accelerator model, including reasons for its birth, studies on defining the acceleration model, configuration studies on the features of accelerators, and studies evaluating their effectiveness.

In addition to the reasons evoked above, academic literature finds two main reasons for the birth of accelerators: the accelerator can be seen as an evolution of incubators, or as a completely separate type of business support structure. For some, the accelerator is an evolution of previously existing incubators, overcoming some of their limitations such as the "life support" effect or the low intensity of support (Pauwels, Clarysse, Wright, & Van Hove, 2016).

Accelerators are to be understand as separate from incubators that may help solve the problems of accelerators. Among those, the “life support traps” is solved by limited duration of the programs and stricter graduation policies, while the lack of alignment between incubators and their participants is reduced thanks to the equity stakes taken by accelerators in their tenants. At the opposite of incubators, accelerators “shorten the journey or startups, resulting in either quicker growth or quicker failure”. Another reason for the emergence of accelerators is more cyclical, and linked to the reduced amount of venture capital finance available after the burst of the Internet bubble of the early 2000’s (Radojevich-Kelley & Hoffman, 2012). With limited financing available, a new breed of venture support structures appeared, including accelerators.

Several attempts have been made at properly defining accelerators. Cohen and Hochberg define an accelerator as a "fixed-term, cohort-based program, including mentorship and educational components, that culminates in a public pitch event or demo-day” (Cohen & Hochberg, 2014). This study also finds a set of main characteristics for acceleration programs such as duration, batch size, sector focus (generalist, vertical focus), community focus (women, minorities), university affiliated, corporate affiliated such as Microsoft Ventures) and stage focus. In terms of role, the study argues that accelerators “help ventures define and build their initial products, identify promising customer segments, and secure resources, including capital and employees”. Occasionally, they can also provide their tenants with small amounts of seed capital, working spaces as well as networking, educational and mentorship opportunities. On the topic of effectiveness and the measurement of outcomes, the study notes it is a hard topic to evaluate at the time of the research, considering the lack of comprehensive data sources and the fact that accelerators are still a new phenomenon.

Later studies have built on and improved this model to build a more comprehensive study of design elements and constructs of accelerator programs (Pauwels et al., 2016). This complete framework includes a list of services offered during the program, different types of focus, selection process, funding structure and alumni relations. Among the “program package”, the study notes six major elements that accelerators can offer their tenants. First, mentoring consists of carefully selected entrepreneurs and industry experts that work with companies all along the program in various areas including strategy, business model and business development. A second aspects includes all trainings and courses offered to accelerator participants, who can learn on various subjects such as “finance, marketing, management” but also “PR, legal aspects”. Those

take the form of classes or workshops. Then, accelerators and their management teams offer regular advising sessions all along the program to assess progress and assist participants in growing their venture. The final demo day is also a key advantage of accelerator programs, when participating ventures can get the full attention of a panel of experts, potential hires, angels investors as well as venture capital funds. Accelerators also offer office space and cohort retreats to offer a better working environment and encourage peer-networking. Finally, accelerators often invest in their portfolio companies, in exchange for equity. A second aspect of accelerator design relates to the focus of accelerators. They can build their services targeting specific industries or geographical areas, while benefiting from the best practices of their network. Accelerators can also be designed with different selection processes from participant sourcing, to application process as well as screening criteria. Funding structure can also differ, with accelerators being funded by private investors (and sometimes the management team itself), corporate partners, public funding as well as additional sources of revenue such as event, content and additional co-working space revenue streams. A last element of accelerator design relates to alumni relations. The majority of accelerators already build strong ties between the participants of each cohort, and aim at keeping a strong network between participants after graduation. This takes the form of alumni event or mentoring sessions by alumni.

Other studies have segmented accelerator support in two main areas (Hallen et al., 2014). Firstly, “formal education” helps founder learn expertise in functional domains different from their own and therefore have a more complete grasp on the challenges their business might face. By learning about other cases, they develop a database of examples and analogies that might help them avoid mistakes or find solutions. This happens both on the functional level where founders can learn from functional domains of expertise different than their own, as well as on the reference level, when founders learn from previous experiences. Secondly, accelerators offer their tenants “network development” opportunities allowing them to meet potential mentors, learn directly form founders, and build relationships with investors and clients. This is done through meetings with potential clients and investors, work with mentors, strong cohort spirit and intense networking sessions.

Research has also tried to draw a set of success factors of business accelerators (Clarysse & Yusubova, 2014), by looking at three main themes: the “selection process and criteria” (mainly focusing on venture team and diversity), the “business support services” (including education,

mentorship, coaching, workshops, evaluation, financial and legal support as well as office space) and the “network” of the accelerator (matching startups with potential investors and clients).

Looking at the economics of company creation, studies have shown that accelerators provide value for the companies they support, on several levels (Wu, 2011). They prepare companies that want to achieve high growth levels, while incubators don’t necessarily look for high growth companies.

Accelerators support their companies in several ways. A first aspect is by reducing the cost of human capital. By sharing the cost of recruitment and benefiting from the brand of the accelerator, participants can hire for less and substitute to their often extremely limited power of attraction, limited achievements or track record an umbrella brand. By providing training directly to founders and early employees, accelerators make it less necessary to hire new employees as well. Accelerators also help limiting search costs while building relationships with mentors, investors and clients. With their strong brand, accelerators can more easily bring in ex-entrepreneurs and industry expert, that can be immediately accesses by participating companies. Accelerators also act as a signal for company success, especially when the accelerator has built a track record of successfully selecting the applicants with the most potential, and helping companies graduate with strong fundamentals, making them an attractive choice for investors and acting as a “sticker of approval”, as explained by singling theories.

Finally, accelerators can provide funding, both directly and indirectly, at lower cost of capital to their participants. Investment levels vary greatly, but by benefiting from an immediate investment at the time of entering the accelerator, participants access to financial resources that wouldn’t have been readily available otherwise. As mentioned before accelerator provide access to finances (reducing the cost of searching for capital) while signaling positively for the potential of the companies they support (leading to higher valuation and thus lower cost of capital for entrepreneurs).

A very specific advantage brought by accelerators relate to the strong brand of the most successful programs (Kim & Wagman, 2012). The end of acceleration programs often concludes with a Demo Day where participants demonstrate their product to investors and venture capital firms: accelerators therefore “provide a validation benefit to successful graduates”.

While growing quickly, research on accelerators remains relatively scarce. However, there is now a widely accepted definition of an accelerator as a "fixed-term, cohort-based program,

including mentorship and educational components, that culminates in a public pitch event or demo-day" (Cohen & Hochberg, 2014), and various configuration studies have set apart a framework of accelerator design and characteristics.

Incubation and acceleration

Accelerators have been understood as a new generation of incubators (Pauwels et al., 2016). However, it is not yet clear if the differences between incubators and accelerators are significant enough to study the phenomenon apart from the broader incubation phenomenon. As discusses above, research has been able to study the accelerator phenomenon as a new kind of support networks, and there are several major differences with the incubation model.

With the emergence of accelerators as a specific type of support networks of their own right, the literature also includes research showing the differences between incubators and accelerators (Cohen, 2013). The study uses the definition of the National Business Incubation Association for an incubator, defined as structures that "shelter vulnerable nascent businesses, allowing them to become stronger before becoming independent". Incubators differ from accelerators in four different ways. Cohen finds that accelerator programs are limited in duration, lasting three month on average, whereas companies participating in incubators then to graduate after one to five years in the incubator. This reduces the previously mentioned life support effect of incubator, and while "participating in an accelerator program may not necessarily keep the venture (or the venture idea) alive; instead, it may speed up the cycle of the venture— leading to quicker growth or quicker failure".

A second key element is the cohort structures of accelerators, tenants enter the accelerator program in groups, put together for a short duration, building strong network effects between the participants of the program. A third differentiating element is the business model. While incubators are often publicly backed and don't take an equity stake in their tenants, preferring a subscription fee, accelerators often take equity stakes in their portfolio companies, sometimes with a cash investment on top of the business support offered during the program. This is key in aligning the support structures and the ventures they help, thanks to the value of the equity stake in the new ventures, which can be source of large financial gain in case of venture success. Selection is a fourth key differentiating elements, with the selection being operated at specific times of the year generating considerable press coverage and acute marketing efforts by

accelerators to promote their programs. This lead to a stronger brand for top startup accelerators, which goes over national frontiers, with leading programs such as YCombinator, 500 Startups and Techstars attracting ventures globally. Finally, because of those 4 aspects, it is found that tenants of incubator programs "rarely take full advantage of available advice" and business support. It is offered on a less frequent basis and often at an additional fee.

On the entrepreneur's side, the rationale for joining an accelerator or an incubator are different (Isabelle, 2013), along five aspects. The first relates to the degree of advancement of the new venture. While incubators bring more value to very early-stage projects, accelerators are a best fit to quickly grow a venture with more existing assets and fundamentals. Whether it is for incubators or accelerators, their mission and objectives vary greatly from growing companies (sometimes in specific industries, to generating financial returns, improving social welfare, empowering minorities or bringing dynamism to local ecosystems. Depending on the entrepreneur's need and if he decided to have his venture accelerator or incubated, those differences should be assessed and taken into account in the decision. A third aspect concerns selection and graduation policies, with accelerators often having more precise and selective guidelines whether for acceptance and graduation, requiring a more intense commitment during the duration of the program in comparison with incubators. The services offered might also be a differentiating aspect between incubators and accelerators, as well as within each of those categories, with varying level of services offered, with different business models. Finally, the network of partners varies greatly between accelerators and incubators and should be assessed when selecting one of those programs.

Finally, the accelerator model doesn't solve all the flaws of incubators. Among those, codependence is not completely removed. With accelerators holding equity stakes in the ventures they back, they are better off retaining negative signals rather than disclosing them (Kim & Wagman, 2012).

Incubator and accelerator effectiveness

Quantitative analysis on the performance of accelerated companies remains scarce. One mode of evaluation has been to study accelerated companies post-graduation to evaluate the time between their graduation and their next round of funding as well as web traffic, taken as a proxy for company growth (Hallen et al., 2014). In this study, ventures that took part in an accelerator

program are matched with a similar company that hasn't been part of an accelerator, with both companies having raised at least one round of funding, guaranteeing that the two companies have a certain level of success. The study found that, taking into account all 13 accelerators surveyed in the study, there was no significant evidence that participating in an accelerator allowed participants to raise venture capital funding earlier than non-participants. However, when restricting to only Y Combinator and Techstars, participating in one of those accelerators significantly increases the chance of raising funds early. This supports the hypothesis that not all accelerators are as effective than the original Y Combinator. Another interesting aspect of the study is that the previous background of founders participating in Y Combinator or Techstars did not significantly influence the outcome of their accelerated ventures, showing that "accelerators appear to provide benefits distinct from these other forms of formal education and prior experience".

Another mode of quantitative analysis has been to study directly 900 accelerated companies in 13 accelerators, compared against 900 non-accelerated companies, there is evidence that "that through both self-selection and accelerator feedback effects, accelerator companies raise less money, close down earlier and more often, raise less money conditional on closing, and appear to be more efficient investments compared to non-accelerator companies" (Yu, 2016). Accelerators also accelerate failure, and at the opposite of the life support effect of incubators, accelerators make the least promising ventures shut down earlier. Moreover, studying these companies compared with other ventures rejected from accelerators, shows that accelerators "resolve uncertainty around company quality" and thus allow to de-risk those early-stage businesses sooner. The main accelerator characteristics used in Yu's analysis are age, program, duration, cohort size, average investment and network size (alumni and mentors). The characteristics used as proxy of company success are funding dates and amounts as well as operational status.

Also, studies have tried to evaluate the impact of support networks on the overall ecosystem at the local level through the proxy of venture capital investment. Hochberg and Fehder (2014) suggest that "accelerators have regional impact on the entrepreneurial ecosystem" by showing a positive correlation between the existence of accelerators and the seed and early stage entrepreneurial financing activity in Metropolitan Statistical Areas in the United States. Moreover, the study finds that "this activity appears to not be restricted to accelerated startups

alone, but spills over to non-accelerated companies as well, as attracting VCs to accelerator activities (mentorship, demo day) may increases the exposure of non-accelerator companies in area to investors".

The literature includes interesting research on what success metrics could be to evaluation business incubation projects (Voisey, Gornall, Jones, & Thomas, 2006). A first set of metrics relates to "hard measures" for both the incubator (number of clients, number of graduates, rate of target attainment, years of continued operation and evolution of metrics) as well as the incubatee (with data on sales, profitability, growths or client count). A second set of "soft measures" can be used to assess qualitative aspects of the incubator and the incubatee. For the former, these metrics relate to overall professionalism, business abilities, confidence, networking ability, market and customer knowledge and command of public relations and publicity levers. For the in incubator, these measures can include improvement and enlargement of the knowledge based, continued and growing support of exterior stakeholders, recognition of the brand and capabilities of the accelerator, as well as overall growth of the staff in terms of experience and skills.

Several studies have also studied incubator performance by segmenting the incubation landscapes in several types of structure. Segmenting incubators between basic research, university, economic development and private incubators has shown various performance levels (Barbero, Casillas, Ramos, & Guitar, 2012). Studying incubators in Spain, the study finds four different types of incubator-type structures: basic research incubators (working on themes close to fundamental research), university incubators (which provide specific type of support related to the assets of the university), economic development incubator (that are funded publicly and aim at bringing growth to local ecosystems) and private incubators (that aim at profit from venture management). The research shows that while private and basic research incubators display "outstanding performance", university incubators only perform "satisfactorily", with development incubators demonstrating sub-standard returns, compared to their objective.

In France, the performance of incubators has been studied using various metrics, among them the origin of invested capital, number of projects incubated, headcount of incubated companies (M'Chirgui, 2012). Building on ten years of incubator operations in France, the study finds that business incubators "evolve without much difficulty and are well embedded in the regional innovation system". Those incubators have been at the source of new and innovative

early-stage companies, but their model and structure was still lacking in terms of organization, services offered and overall processes.

The French entrepreneurial ecosystem

The French ecosystem provides a vibrant and dynamic environment for startups, and France is one of the leading entrepreneurial ecosystems in Europe together with the United Kingdom and Germany (CBInsights, 2017). However, recent acquisitions of emblematic French tech companies by foreign acquirers has generated a questioning on the weaknesses of the French startup scene (Nemo, 2016). Fast growing companies like Captain Train (acquired by the English company Trainline) or Withings (acquired by Nokia, the telecom giant) seemed to show that French companies couldn't grow past a certain point by themselves. These two cases also show the difficulty for the French scene to build a strong ecosystem for later stage companies.

France benefits from a wide range of assets that are favorable to the ecosystem (Bloch, 2016). In terms of finance, there is now a strong marketplace with various sources of funding including French, European and American VC funds, a strong network of angel investors, as well as various support networks made of incubators and accelerators. Recent years have also sparked a change of mindset for French potential entrepreneurs. While the French education system with very high standards and low tolerance for failure was not preparing students for entrepreneurial ventures, entrepreneurship is now more and more promoted in universities as well as business and engineering schools. However, France can still benefit from the very high level of knowledge of its graduates, especially in "technology, biotech and medical spaces" with high level of the workforce employed in research and development activities. Finally, public institutions have built strong support networks and favorable regulation including low taxes, tax incentives as well as public investment funds, grants, and networks.

With these assets, France has built areas of worldwide expertise including AI & Data, Internet of Things, BioTech and MedTech, as well as web products. Several studies have looked at evaluation the logics of business incubation in France (La French Tech, 2017).

However, apart from reports, research on entrepreneurship in France remains extremely scarce (Fayolle, 2011). It is well known that the word "entrepreneur" is originally French, but surprisingly "entrepreneurship as an economic and social phenomenon does not seem to be, at least from an international view point, a popular topic among French-speaking scholars". Studies

have shown that entrepreneurship research has a distinctive “French Touch” (Lasch & Yami, 2008). In France, entrepreneurship research is mainly qualitative and conceptual, with a large share of the research focusing on the “entrepreneurial process”.

Within the relatively scarce quantitative research on the French entrepreneurial ecosystem, there is one study focusing on support networks, and more specifically incubators. While the incubator movement started at the end of the 1950’s in the United States, the first public backed accelerator in France was launched in 1999 (M'Chirgui, 2012). However, after ten years of incubation, using data from a national study on incubators realized by a French public institution, it appears that “the functional structures of business incubators in France are likely to evolve without much difficulty and are well-embedded in the regional innovation system”, and incubators are found to enhance the creation of new ventures, especially technology and science-based companies. If results are positive, it is to be noted that in terms of job creation, the impact of incubation is relatively low. However, the French incubation ecosystem is also found to have several limitations around lack of selection and insufficient selection criteria, deficient training courses offered to tenants, limited networking, graduation policies, lack of access to banks’ financial products or venture capital investment.

The case of France is especially interesting. While it’s a dynamic ecosystem, it certainly hCas weaknesses. The country boasts strong assets to develop nascent ventures, but might lack resources to help larger companies grow. On the research side, my quantitative positioning is certainly interesting considering the qualitative tradition of French entrepreneurial research.

As the literature review shows, the incubation model is largely covered by academic literature after more than 50 years of incubator operation. The growth and evolution of incubators certainly says a lot as regards the future of accelerators, but the latter must be understood as a new phenomenon and not only as an evolution of the incubator model. The differences between the two models are indeed consequent, and the logics of studying incubators and accelerators are not the same.

The literature specifically studying accelerators remain scarce. If a common definition is widely accepted and the configuration and design of accelerators is now understood, quantitative data on accelerator design and accelerator results remains extremely scarce. Quantitative research on accelerators is therefore an open field for future research, and I choose to study accelerators with quantitative methods, taking the configuration prism to bring new knowledge to the state of

the literature. I restrict this study to France who has had a particularly strong network of support networks for early stage company, and whose research has been mainly focused on the qualitative aspect of entrepreneurship in general. Also, French research on incubators and accelerators is nearly non-existent, making it an attractive research field for the study.

Methodology

Type of methodology

This study is an exploratory study of French accelerators. I investigate the profile of French accelerators through a direct inquiry among accelerator directors and program managers. I will be using descriptive methods to describe the data and characteristics of a sample of accelerator programs that accepted to participate in my research. The objective of the survey will be to learn about the choices in terms of design and characteristics of accelerators in France. Specifically, I want to know what are the objectives, resources and organization of accelerator programs in France, and how they compare with accelerators worldwide when data is available to perform a comparison.

Firstly, I collected publicly available data to perform of compilation of currently running French accelerators, as well as major data points: type of structure (for-profit, not-for-profit, corporate-sponsored, etc.), location, duration, associated cash investment and the equity requested by the accelerator in exchange for the resources and services provided during the program. There is indeed no database of accelerators programs in France, and this list has been compiled by my own research. This first step leads to the identification of 29 currently running startup accelerators in France.

Secondly, I decided to perform a survey to gather at the source this is information. In this cast, it is the best method of data collection for the study. Indeed, there are very little sources of publicly available data regarding accelerators making it necessary to gather that data directly with the managers of accelerator programs. The survey was sent to relevant contacts in all 29 accelerators, with the objective of building an exhaustive dataset. Accelerator managers have an incentive to respond, making it easier to gather data for the study. The absence of data relating to the specific logics of early-stage company acceleration in France has made it easier to gather data

from accelerators, and the response to the study has been mainly positive, considering the value of the research to them.

Research setting.

To build the list of accelerators, I used several publicly accessible databases of programs running in France, including the French Tech database as well as CrunchBase. I also monitored the press coverage to include in the survey the most recent accelerators. This led me to compile a list of 29 accelerators in operations or about to launch. To complete this list, I gathered publicly available data for each of these accelerators on their website and studying the press kits put at the disposition of the general public. Fundamental data points that have been identified and that are reported for all accelerators below (when publicly available) are structure (private for-profit, private not-for-profit, corporate backed or public backed), duration of a cohort in the program, equity requested by the accelerator to attend and receive the associated investment (when it exists), and the amount of that investment.

Table 1 - List of working accelerators in France (Sep 2017)

Accelerator	**Structure**	**City**	**Duration in mo.**	**Equity**	**Investment**
1kreation by 1kubator	Private for-profit	Lyon	10	10%	25 000
33 Entrepreneurs	Private for-profit	Bordeaux	Varying	With invest	Possible
50 Partners	Private for-profit	Paris	Varying	7%	Varying
7 lieues by Petit Poucet	Private for-profit	Paris	Varying	With invest	Varying
Academie Hemera	Private for-profit	Bordeaux	Varying	With invest	Varying
Accelerateur Allianz	Corporate backed	Nice	5	No	No
FinTech Boost by Atelier BNP	Corporate backed	Paris	4	With invest	Possible
Axeleo Scale	Private for-profit	Paris	Varying	Varying	Varying
BoostInLyon	Private not for-profit	Lyon	4	No	No
FFWD Normandie	Public backed	Caen	12	Varying	Varying
HAX	Private for-profit	Paris + abroad	4	10%	100 000
Hub Startup by Hub BPI	Public backed	Paris	Varying	No	No
Idenergie Startup Hero	Public backed	Laval	4	No	No
IMT Starter	Private for-profit	Paris	12	No	No
Le Connected Camp	Private for-profit	Toulouse	9	No	No

Numa Sprint	Private for-profit	Paris	3	3,5	No
OrangeFab	Corporate backed	Paris	4	With invest	Varying
Ouest Startups	Public backed	Brest	4	No	No
Plug and Play BNP Paribas	Corporate backed	Paris	3	No	No
Plug and Play Lafa-yette	Corporate backed	Paris	3	No	No
Scale Euratech	Private for-profit	Lille	9	No	No
Schoolab Starter	Private for-profit	Paris	6	No	No
Silicon B	Corporate backed	Saint Malo	4	No	No
Start'inPost	Corporate backed	Paris	Varying	Varying	Varying
Startup Maker	Private for-profit	Grenoble	18	Varying	Varying
Techstars Paris	Private for-profit	Paris	3	6	20 000
UR Link	Corporate backed	Paris	4	With invest	50 000
Usine IO	Private for-profit	Paris	4	No	No
Vente Privee Impulse	Corporate backed	Paris	6	No	No

Source: own data

The survey was distributed to accelerator program managers in France through the months of September and October of 2017, by direct email. Recipients include accelerator managing directors, partners and program managers.

Data collection strategies

The survey took the form of a web-based questionnaire administered online through Google Forms, which offers deep customization options, easy export to Google Docs for the analysis, and is entirely free. The validity and reliability of this tool is not to question as it has been used in a variety of studies.

For the accelerators who did not respond, I collected data from publicly available sources to perform the analysis. Overall, the survey gives a fair view of the overall ecosystem.

The survey focuses on several main themes identified as relevant for my study in the literature review. Those are accelerator structure, partnerships, program structure, finance, admission process, tools and resources provided to portfolio companies, and finally measurement of outcomes.

Content of the survey

Using the information gathered through my review of the existing literature regarding the structure of accelerators, the survey has been built on 10 main parts.

The first part covers general information on the accelerator, its date of creation, location, and the position of the respondent. The second part gathers data pertaining to the accelerator itself including its structure, history, staff, finances, sponsors and affiliations. The third part is optional for accelerators affiliated to one or several universities or college institutions, private corporations or government institutions, and covers the relationship of accelerators with these organizations including services and resources provided. The fourth part covers the characteristics of the program including its structure and overall organization, resources, services, organization of staff, events, network and alumni relationship. The fifth part is optional for accelerators that provide mentorship activities and covers the characteristics of mentors and the organization and rhythm of mentorship sessions. The sixth part covers the financing offered to participants including type of funding offered, equity stake requested and size of that stake. The seventh part covers the strategic focus of the accelerator and is followed by a part dedicated to the sourcing, selection (including application process and application criteria) and graduation policies. The tenth and last part of the survey is dedicated to collecting historic metrics on accelerators and their participants, as well as knowing more on their reporting habits.

Data analysis procedures

For each question, the data is summarized and presented using a variety of indicators. When it is relevant, the information is also presented in the form of a graphic or chart. The data collected in the survey being fairly standard, data analysis procedures are basic. After the information is collected, I matched the data with existing global accelerator studies to understand the differences between French accelerators and other programs worldwide.

Verification

I benchmarked survey recipients among a set of easy to identify variables such as years of existence, structure and program characteristics to determine an eventual response bias in case non-respondents have similar characteristics regarding these metrics, in comparison with respondents. There is no significant bias to record.

Results

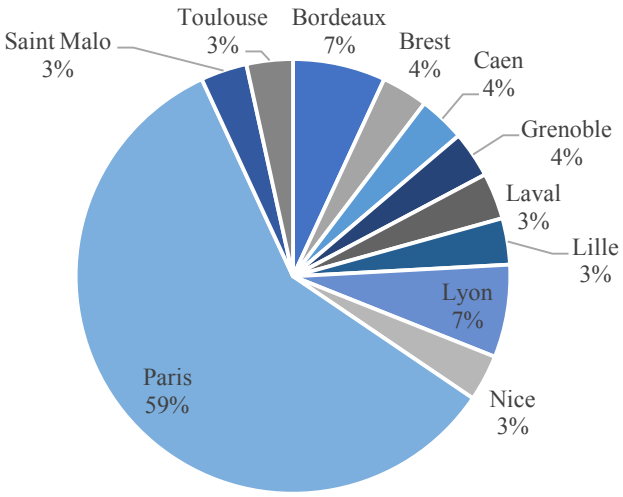
The accelerator phenomenon remains relatively recent in France. Some of the earliest accelerators in the country have closed or switched models. L'Accelerateur for instance, created in 2012, evolved towards a different model. Several other accelerators have simply stopped hosting new cohorts. Apart from Le Petit Poucet, launched in 2003 that later evolved towards the accelerator model, all accelerators were launched in 2011 and after, with at least one new accelerator each year.

Considering the list of 29 accelerators compiled for this report, France has a high number of accelerators compared to other countries. The United States, for example had 170 accelerators running in 2016 (Hathaway, 2016). In comparison to the American population of 323 million inhabitants (World Bank, 2016), the United States offers 1 accelerator per 1.9 million inhabitants, while France, with a population of 67 million inhabitants and 29 accelerators offers 1 accelerator per 2.7 million inhabitants. On a per habitant basis, these figures are relatively similar. However, entrepreneurial activity is not the same in France and in the US, and the accelerator landscape is different when compared with proxy of entrepreneurial activity. By comparing the number of accelerators with the number of venture capital dollars raised nationally, the figure changes dramatically. With 1.5 billion dollars invested in France in 2016 according to CB Insights data (La French Tech, 2017), France invests 51 million dollars per working accelerator. In comparison, with 58 billion dollars invested in the United States in 2016 according to CB Insights data (PwC & CBInsights, 2017), the United States sees 341 million dollars invested in startups per accelerator. Comparing with the number of deals in both countries obtained from those same sources, with 4,520 deals in the United States in 2016, there was 26.6 deals per accelerator, versus only 12.7 per accelerator in France (for 368 deals in total). These figures show that France, while being a very dynamic acceleration ecosystem, might also have too many accelerators in comparison with the overall entrepreneurial activity in the country, leading to lack of scale and resources and lower quality of acceleration. In 2014, the Investment Public Bank raised a 200 million euros fund dedicated to investments in accelerators, fostering a new wave of better funded accelerators.

Looking at publicly available data on all 29 accelerators, in terms of location, as expected, Paris concentrates most of the accelerator programs with 59% of accelerators located there. With

2 accelerators each, Lyon and Bordeaux are both second, with the rest of accelerators being spread out in various cities in France. It's interesting to note that 3 of those are located in the Bretagne-Pays de la Loire region (Mid-Western France), with important participation of local stakeholders in the 3 programs. While Silicon B in Saint Malo is backed by Groupe Beaumanoir, the largest employer based in the city, Ouest Startups and Idenergie are backed by regional and local government authorities interested in developing entrepreneurial activity in the region.

Figure 1 - Distribution of accelerators by city



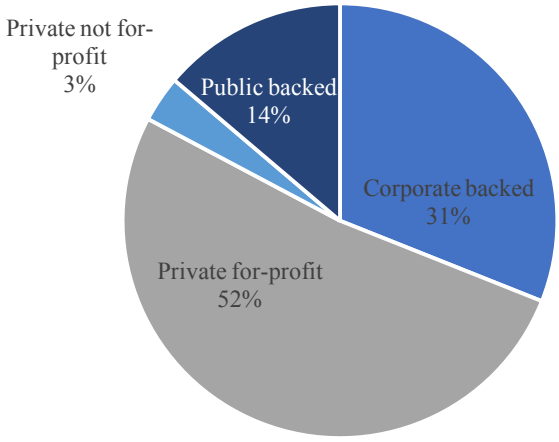
Source: Survey's data

In terms of structure, looking at publicly available data on all 29 accelerators, more than half (52%) of accelerators are private for-profit accelerators. While there are no university-backed accelerator (as is the case in the United States for instance), there is a high proportion of corporate backed institutions (31%) backed by large companies in several industries such as finance (e.g. the two BNP-backed accelerators as well as the Allianz accelerator), retail and e-commerce (Beaumanoir, Lafayette, Vente-Privee), telecommunications (Orange), real estate (Unibail Rodamco) as well as the public postal service company La Poste, which is also an important banking and telecommunication service provider. An interesting trend as regards corporate-backed accelerator is the outsourcing of the acceleration process. Two of the most recent corporate backed accelerators, Plug and Play Lafayette and Plug and Play BNP have been built with the

franchise Plug and Play, and built by members of those organizations. The 2017 launch of Techstars has also seen many corporates join the program at sponsor. The launch of Station F, the largest incubation and acceleration space in the world, has also seen the launch of several accelerators partnering with Station F to build their programs. It seems that corporates are relying more and more on external partners to build those programs.

At the exception of the Hub Startup accelerator, backed by the French public investment bank, the remaining accelerators are all dedicated to fostering local entrepreneurship outside of Paris, taking the form of not-for-profit accelerators (BoostInLyon) or publicly backed accelerators, all concentrated in the Western part of France, in Normandie (FFWD Normandie), Brittany (Ouest Startups) and Pays de la Loire (Idenergie). Ouest Startups is a striking example of local accelerator federating several types of key stakeholders including universities (University de Bretagne Orientale), business schools (Brest Business School), government agencies (CCI Metropolitaine Bretagne Ouest), local government agencies (technopoles of Lannion, Brest and Quimper) as well as several corporate partners (Credit Mutuel Area, AppNexus, KPMG, etc.).

Figure 2 - Distribution of accelerators by type of structure



Source: Survey's data

In comparison with other accelerator ecosystems, the French ecosystem is less oriented towards for-profit accelerators: with 60% of accelerators in the United States declaring themselves for-profit and 66% in Europe (Brunet, Grof, & Izquierdo, 2017). Among other factors, this

difference can be attributed to a large share of accelerators being government-backed, especially at the local level, and aimed at fostering the development of local startup ecosystems. However, nearly all surveyed newer entrants to the French acceleration ecosystem are for-profit accelerators such as Techstars, and the French accelerator ecosystem might normalize in the near future.

While all accelerators programs are of limited duration (as opposed to incubators), it is interesting to note that 7 accelerators have programs with varying durations, where the graduation policies depend on reaching certain thresholds or fulfilling specific objectives. Otherwise, the median duration of accelerator programs in France is 4 months. This is roughly in line with the duration of 14 weeks (or 3.5 months) of accelerators in Europe (Ohr, 2016). In terms of investment and equity ownership, the majority of French accelerators don't have a predetermined percentage of equity or investment amount for all of their portfolio companies. Nearly half (48%) of accelerators don't take equity stakes in their portfolio companies. A select few make their tenants pay for their services or have built revenue sharing models to generate revenue. For the other programs, equity stakes can be automatic as is the case for 5 programs, with predetermined amounts. These programs include the leading accelerators in France such as Numa, Techstars or 50 Partners, following the model of the leading accelerator programs worldwide. Otherwise, the size of the equity stake taken by accelerators varies depending on the associated cash investment.

Characteristics of participating accelerators.

After reaching out to 29 accelerators, 15 or 52% of them answered my survey. Those accelerators have been operating for an average of 4.6 years, and have run an average of 10.2 cohorts. Notably, 2 of the accelerators surveyed don't run with cohorts but support accelerated ventures for a limited period of time until reaching a certain set of objectives. The median duration of those programs is 4 months. For accelerators running cohorts, the average number of companies per cohort is 10. Accelerators run an average of 2 cohorts per year. All accelerators at the exception of Techstars and Vente Privee Impulse have completed at least one cohort of accelerated companies.

In terms of staff, all accelerators but one (93%) employ full time paid-staff. 33% of accelerators employ part-time paid staff and 20% employ unpaid volunteers. On top of this staff, 53% of accelerators have a Board of Advisors. The median number of people employed by each accelerator while a cohort is running is 7. There is a high variety in terms of the ratio of the number

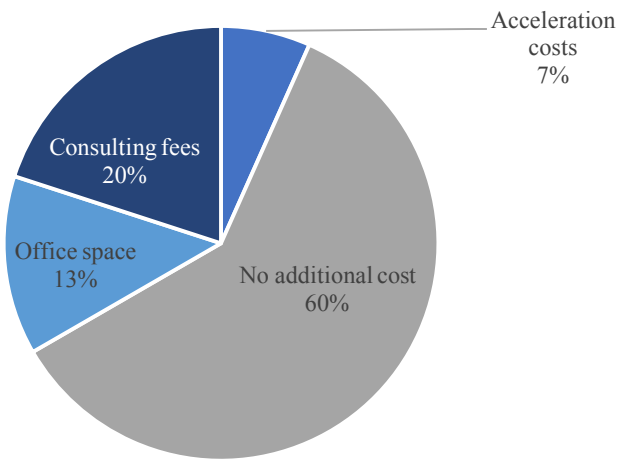
of people employed over the number of companies accelerated - this show differences in resources available for different accelerators.

In terms of structure, in the subset of accelerators that participated in the research, 60% of accelerators are private for-profit, 20% private not for profit and 20% corporate-backed. Those figures are relatively consistent with the general breakdown of accelerators in France.

Only a third of surveyed accelerators have built partnerships with universities, private corporations or government agencies. While only one has built partnerships with a university, three have built partnerships with several private corporations. Those are mainly large corporations. 80% of accelerators with partnerships have also partnerships with government agencies, a characteristic of the French economy. Those partners have several functions, including providing mentors at no-cost (40%) or discounted cost (20%), general sponsorship (40%), funding (60%) or help in sourcing companies (20%).

For startups, most of accelerators don't incur any cost with 60% of accelerators not requesting money from their tenants. Startups must pay for the program in only one accelerator, but 33% of accelerators make startups pay for part of the services they offer, be it consulting fees (20% of accelerators) or office space (13% of accelerators).

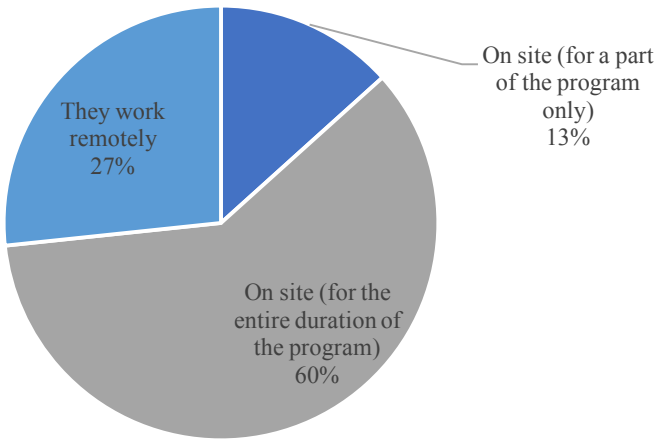
Figure 3 - Fees incurring to accelerated companies



Source: Survey's data

Most of accelerators, because of the intensity of the program, require that their tenants work on site. This is the case for 60% of accelerator programs. 27% of programs are entirely remote, with only punctual on-site sessions, and 13% are part on-site and part remote.

Figure 4 - Work location of accelerated companies

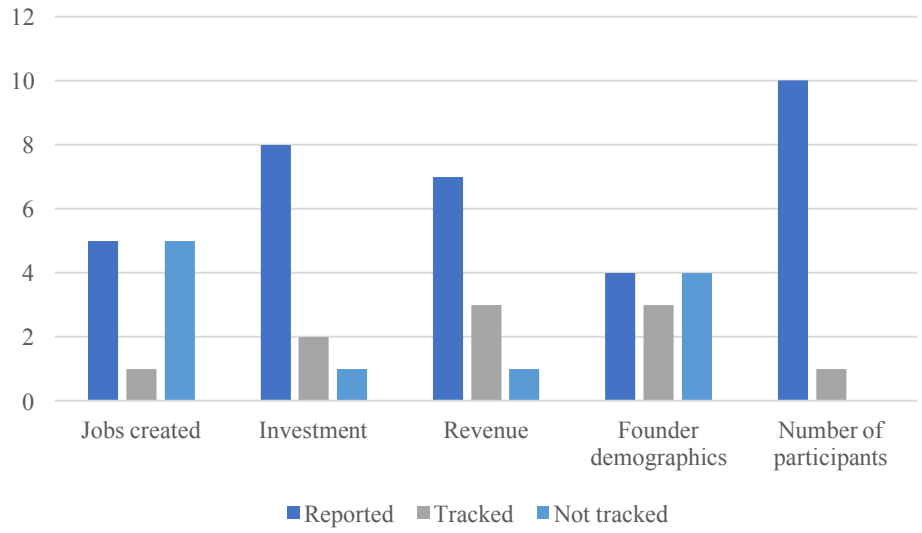


Source: Survey's data

In terms of metrics and reporting, 73% of accelerators provide monitoring or reporting of their performance and of the performance of accelerated companies to key stakeholders. For accelerators providing reporting, this reporting is compiled at least once a quarter for 73% of accelerators, while it happens once a year for the remaining 27% of accelerators.

This reporting varies greatly depending on accelerators: while 91% report the number of participants and 9% track that figure for internal purposes, jobs created are reported for only 45% of accelerators and tracked internally for 9%. Investment raised is tracked or reported for 91% of accelerators, and so is revenue. Founder demographics is tracked by 64% of accelerators. This data is however not released to the general public at the exception of one accelerator, and for applicants' visibility on accelerator effectiveness can be a problem.

Figure 5 - Tracking of metrics by accelerators



Source: Survey's data

Program package

Mentoring

All accelerators but one provide mentoring services. Mentors have different origins, most of them are entrepreneurs both from and outside of the program (86%), industry professionals (64%) or coaches and consultants (50%). Those meetings are optional for only one accelerator, otherwise those happen every week for 57% of programs, or twice a month for 36% of them.

Those meetings can take different forms. 1-on-1 meetings happen for 93% of accelerator programs. In programs offering mentoring, 1-on-1 sessions happen from once a month for 7% of accelerators, to 2-3 for 29% of accelerators, 4-5 times per month for 21% of accelerators, and more than 5 times per month for 36% of accelerators. Those sessions can also take the form of open office hours of mentors when startups can freely come and meet mentors. Those sessions happen for 79% of accelerators. The frequency varies greatly from once a month for one accelerator, 2-3 for another one, 4-5 for 22% of accelerators, and more than five for 43% of accelerators. Accelerators also organize mentors' workshops for 64% of those which provide mentoring. Those happen anywhere between once a month (7% of accelerators), 2-3 times per month (7% of accelerators), 4-5 times per month (29% of accelerators) or more than 5 times per month (21% of accelerators).

64% of accelerators which provide mentoring have onboarding and training session for mentors, while only 14% of accelerators compensate mentors, whether through shares in the accelerated companies or the accelerator itself or cash.

Services and resources

In terms of services provided by accelerators, preparation to pitching is one of the main characteristics of accelerator programs in France. This is expected considering what accelerators are. Administrative services and financial consulting (preparation of financial documents) both come second with 60% of accelerators offering these services. Then come legal and hiring services, both provided by 53% of participating accelerators. 47% of accelerators provide accounting support, and 27% provide intellectual property support. For this last type of service, this is mainly for hardware accelerators. Those provide a wide range of services for startups building hardware products, that also include prototyping, parts sourcing, supply chain and distribution support, as well as help in securing patents. There is a wide variety in the level of support offered by accelerators to their tenants: among the seven different types of services mentioned in the survey, accelerators offer between one to six of those services.

Accelerators also provide shared resources with employees with specific skills and dedicated to helping tenant companies with several tasks. 80% of accelerators have employees dedicated to helping companies develop their business, 73% of accelerators have employees dedicated to marketing or design and UX services, and 67% have developers that can help tenants build their software applications.

In terms of resources provided to tenants, 80% of surveyed accelerators provide office space, 40% provide housing, 67% provide discounts on software products or free access to online resources and software products, 33% provide discounts on hardware equipment while 13% don’t offer specific resources to their tenants.

In terms of connections, accelerators have built networks to support their portfolio companies to introduce them to key stakeholders for various reasons: all accelerators offer connections to potential clients as well as potential investors, while 87% of accelerators introduce their tenants to potential long-term advisors (not including mentors for the duration of the program).

Events

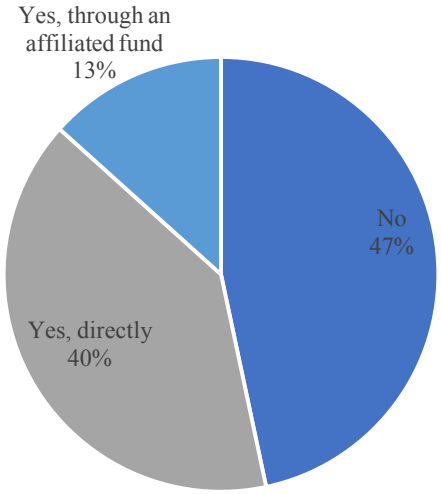
Among surveyed accelerators, 60% offer a demo day where investors, mentors, advisors, journalists and sometimes the general public can discover through a short pitch the activities and progress of portfolio companies. Those events attract an average of 250 people.

Accelerators also offer different types of events: 87% organize networking sessions, and 67% organize conferences with mentors and educational workshops.

Investment

While 40% of accelerators invest directly in their tenants, 13% invest through affiliated funds. The remaining 47% of accelerators don't provide investment. Investments amount vary greatly as well, for investors providing automatic investment, it is comprised between 20,000 and 25,000 dollars.

Figure 6 - Investment provided by accelerators to accelerated companies

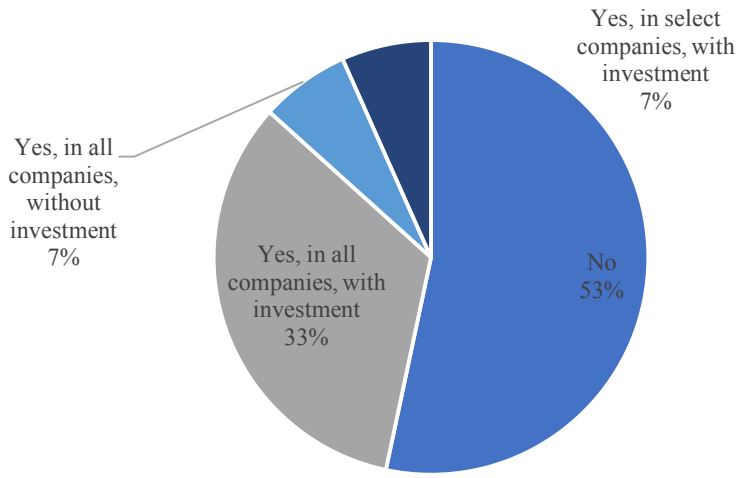


Source: Survey´s data

These figures are significantly lower than investment provided by accelerators in the United States and Canada, where 64% of accelerators provide investment (Brunet, Grof, & Izquierdo, 2017). This might be attributed to lower resources of accelerators, higher risk aversion, and this might lead to less effectiveness of accelerators in France.

There is also varying levels of equity ownership between accelerators. While 53% of accelerators don't take equity in the companies they accelerate, one accelerator takes equity in a select number of tenants, depending on their decision to invest, while 40% of accelerators take equity in the companies they accelerate. Among those, only one accelerator doesn't provide funding. For all other accelerators, the equity stake is linked to their investment. The average equity stake is 8.9% when it is linked to an investment.

Figure 7 - Equity owned by accelerators in accelerated companies



Source: Survey's data

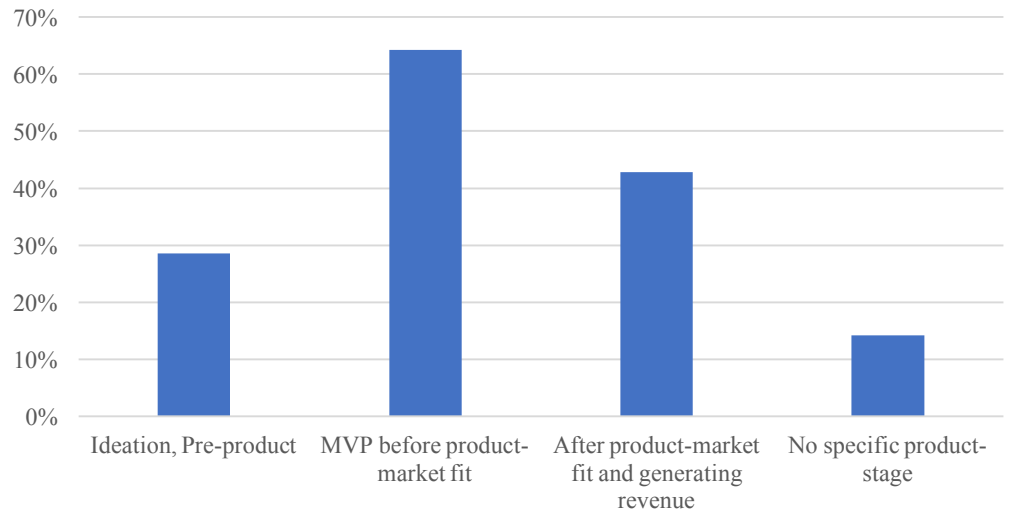
This is also significantly lower than figures in the United States and Canada, where only 34% of accelerators don't take equity stake in their tenants (Brunet, Grof, & Izquierdo, 2017). This might considerably reduce the alignment between accelerated companies and accelerators, while showing that accelerators haven't reached high enough levels of attractiveness, preventing them to gather equity in their tenants if they want to stay attractive in the French marketplace. This might pose a problem for the future sustainability of those accelerators. With no returns coming out from previous investments, accelerators will have to look for alternative sources of revenue in the forms of sponsoring, partnerships, events or startup revenue.

Strategic focus

In terms of industries, 40% of surveyed accelerators are industries agnostic. Among the industry focuses mentioned by respondents, three stand out: Hardware products (3 accelerators), Retail (3 accelerators), Financial or Insurance Technology (2 accelerators). Considering the challenges in building businesses in these verticals (supply chain and distribution for hardware products and retails, regulation for Finance and insurance), accelerators have developed in those verticals to help new entrants overcome barriers to entry. This is consistent with data at the United States and Canada where 38% of accelerators are industries agnostic (Brunet, Grof, & Izquierdo, 2017). However, it is interesting to note that a large share of industry-specific accelerators is very recent, with less than a year of operations, and the accelerators that have been in place for a longer duration tend to be more general accelerators.

In terms of stage, 86% of surveyed accelerators have a specific product-fit, with the remaining 14% declaring they have no specific product-stage preferences. Most accelerators work with companies that have built a product and are ready to test it out in the market (64% of accelerators). 29% of accelerators also feel comfortable accelerating companies at the pre-product stage, while 43% of accelerators also accept companies with early commercial traction.

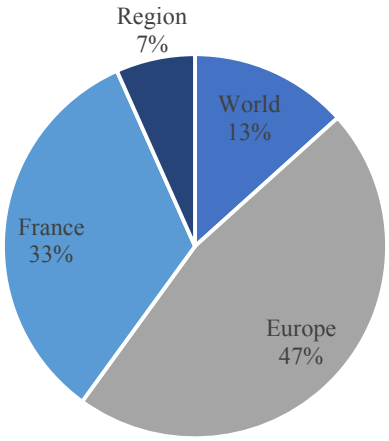
Figure 8 - Preferred product stage for acceleration by accelerators



Source: Survey's data

In terms of geographies, models differ greatly. While only one accelerator in the survey focuses its efforts on a regional ecosystem, 60% of accelerators attract companies from outsides the borders of France, 33% of accelerators focus on French companies. On average, 50% of applications come from outside of the accelerator city, with high standard deviation (33%) showing that there is a wide variety of models in place.

Figure 9 - Geographical focus of accelerators



Source: Survey's data

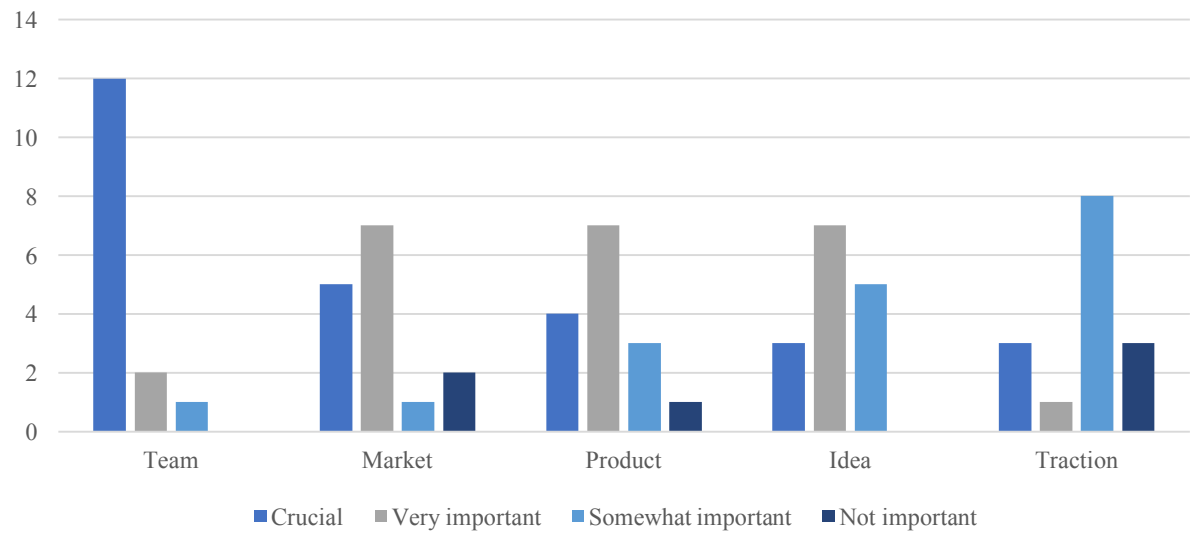
Selection process

The sourcing process involves different methods. Among those mentioned by respondents are social media presence, partnerships (angel groups, seed and venture funds, newspapers, alumni associations, student clubs, entrepreneurship clubs), content marketing, media promotion, participation to events as well as one-by-one scouting. 80% of accelerators scout potential applicants on a one-by-one basis once they have identified good fits for their programs.

In terms of selection, all accelerators surveyed have an application process. The most important criteria for selecting applicants is the team, with 80% of respondents judging it a crucial factor in the evaluation, with an additional 13% judging it very important. Market is the second most important factor with 80% of accelerators judging its size and the state of the competition crucial or very important to accept applicants, before the product with 73% of applicants judging it crucial or very important. The idea is judged crucial or very important by 67% of accelerators,

while early-traction is regarded as a somewhat important criterion, with only 27% of accelerators considering it crucial or very important. 20% of accelerators consider it not important, and trust their ability to bring those companies to early-traction during the duration of the program. 80% of accelerators note they wouldn't admit two startups competing together.

Figure 10 - Importance of factors in selecting applicants



Source: Survey's data

For 86% of accelerators, the admission process is composed of two or more rounds, using a variety of mediums. 80% of accelerators use written documents and forms, 67% on-site interviews, 47% remote interviews, and 20% video recorded by the applicant.

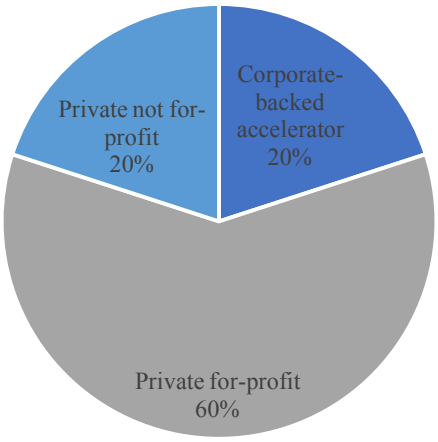
A variety of stakeholders can be part of the selection process. All accelerators involve their staff in the process, 67% of accelerators ask their mentors to be part of admission committees, 47% of accelerators make their corporate, government or education partners to be part of decision, and 20% of accelerators also involve the finances of the accelerator in the decision.

In terms of metrics, accelerators receive varying numbers of application each year, averaging 454 applications per year, with a high standard variation of 457. There is indeed a wide dispersion depending on accelerators' reach and strength. The acceptance rates range from 1 to 50% of applicants, with a median acceptance rate of 5%. Once selected, an average of 91% of companies choose to integrate the accelerator program they were selected for.

Funding structure

In terms of structure, in the subset of accelerators that participated in the research, 60% of accelerators are private for-profit, 20% private not for profit and 20% corporate-backed.

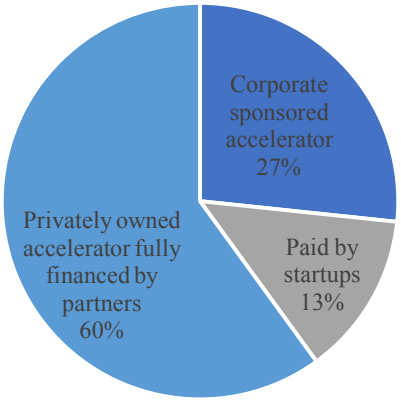
Figure 11 - Structure of surveyed accelerators



Source: Survey's data

As regards finance, most of accelerators (60%) are privately owned and fully financed by their owners and partners. 27% are sponsored and financed by corporates, while 2 of them finance the program by contributions of the startups they support. It is notable that one accelerator in the study has built a revenue-sharing model where portfolio startups are due to reverse 1-2% of future revenue to the accelerator.

Figure 12 - Financing of accelerator programs



Source: Survey's data

Alternative revenue sources include making attendees pay for the demo day, making startups pay for the cost of the program or for specific services during the program like consulting or office space, or building revenue sharing models as mentioned above. Lately, open innovation models have proven to have a strong monetization with various startups building startups-corporates partnerships or building intrapreneurial acceleration programs for large corporates.

Funding might prove to be a significant hurdle for startups in the accelerator. While several newer accelerators have built a large arsenal of alternative short-term revenue sources on top of long-term revenue expected from financial returns of accelerated companies, other accelerators still rely on weak revenue channels or public backing.

Alumni relations

Accelerators have also overwhelmingly built alumni networks to help their tenants gather experience and investment from previous accelerated companies, 87% of accelerators have some sort of running alumni network, one plans to build one, and one doesn't have one.

Post-program support involves various aspects. Previous accelerated companies can in some cases still use the facilities of the accelerator, attend events, etc.

Conclusion

This study researches the logics of early-stage acceleration in France. Through a survey of business accelerators in the country, the study explores the dominant model in the French acceleration ecosystem and provides descriptive statistics on the characteristics of accelerators programs in the country. The survey covers 15 accelerators that accepted to be part of the study, over a total of 29 accelerators currently running in France, and that were all contacted for the study.

Consistently with other acceleration ecosystems worldwide, French accelerators provide strong mentoring to participating companies, organize training and offer services and resources to their tenants. They have built selective application processes, in line with what is practiced in leading accelerators worldwide. In those ways, the French ecosystem is relatively similar to other accelerator ecosystems worldwide. There are otherwise several ways in which the French acceleration ecosystem differs.

In France, it is notable that there is a relatively high number of accelerators in comparison to entrepreneurial activity. The study takes the example of the United States, showing a higher number of accelerators per fundraising round or per dollar raised by companies in the country, which we take as proxies of entrepreneurial activity. This is a sign of lack of maturity of the French startup ecosystem (where more support networks are needed to have companies succeed) as well as modernity, as accelerators are an inherent part of the French ecosystem. While this is a positive sign as it shows the dynamism of the French ecosystem, it might also impede the development of those accelerators by spreading resources in the ecosystem among a higher number of accelerators, and slowing down the growth of those accelerators. It is notable that a limited numbers of leading accelerators concentrate the largest portfolio of services and investment checks.

The survey also shows a lower level of for-profit accelerator in comparison with other ecosystems in the United States or Europe. This is attributed to a high share of accelerators aimed at providing support to local startup ecosystems or backed by large corporates aiming at fostering innovation in their perimeter, instead of accelerators built to achieve financial gains. It is a possibility that with the growth of the ecosystem and the entrants of new accelerators like Techstars, the trend will go towards a higher number of for-profit accelerators in France. In terms

of strategic focus, the rate of specialization of accelerators in France has only recently caught up to global standards, with numerous recent accelerators being focused on specific verticals where they can bring a more powerful network of experts and mentors and specific know-how for their tenants.

The study also shows lower levels of investment in accelerated companies with 53% of accelerators providing some sort of investment, in comparison with 64% in the United States and Canada (Brunet, Grof, & Izquierdo, 2017). This is a sign of the lower level of resources available to French accelerators, and might impede the success of accelerated ventures. Level of equity owned by French accelerators are also significantly lower. This can also be problematic, as equity ownership is a key factor aligning accelerators and accelerated companies in the traditional acceleration model, as well as a key source of revenue for accelerators. This can be attributed to the maturity of the French markets: younger accelerators are not yet strong enough in the market to request high level of equity from applicants to remain competitive in the market. It's notable that the leading accelerator programs such as NUMA, 50 Partners or Techstars systematically take equity in accelerated ventures. It is notable that equity is a key differentiator in attracting ventures to accelerators programs, and while the strongest accelerators systematically take equity in accelerated ventures, other accelerators have tried to innovate with different models to generate financial returns, while gaining in attractiveness by being an *"equity zero"* program.

In general, I find that French acceleration is working with new accelerators coming into the ecosystem every year, a nucleus of highly successful accelerators leading the pack, and a wide range of quality services, resources and networks mobilized by accelerators in France. The arrival of Techstars, the other pioneer of accelerators programs with YCombinator in France, show how attractive the ecosystem is. However, the ecosystem still lacks maturity. It is still supported by numerous public initiatives, a large share of accelerators remains underfunded and provide an uncomplete portfolio of resources and services to their portfolio companies. The ecosystem will probably evolve as it grows with a consolidated number of leading generalist programs and several vertically focused accelerators on specific niches.

The main limitation of the study is the limited completeness of the data set. With only slightly more than half of accelerators participating in the study, the survey and analysis could have gained more insights and solidity with a higher level of respondents.

This study opens several ways for research to continue exploring this subject including completing the data used for the analysis, researching the impact of these specifics logics of French acceleration on the success of French accelerated companies, as well as extending this research to more geographies.

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Appendix

Appendix 1: Content of the survey

General information

- Name of the organization
- Date of creation
- Location
- Respondent information (name, position and email).

Accelerator information

- What is the structure of your organization? (private for-profit, private not for-profit, government agency, higher education academic institution, corporate-backed accelerator)
- Have you run at least one cohort of companies through your accelerator?
- How many cohorts have completed your accelerator program?
- How many cohorts do you run or plan to run annually?
- Does your organization have any of the following? (Full-time paid staff, part-time paid staff, board of advisors, volunteers, none of the above).
- How many people do you employ when a cohort is running?
- How is your program financed? (Privately owned accelerator fully financed by partners, privately owned accelerator with partial government support, Government operated accelerator, Non-profit accelerator (Community-sponsored), Corporate sponsored accelerator, Corporate sponsored accelerator, other)
- Is your organization affiliated or do you partner with private, government or academic institutions?

Partnerships (only for respondents answering yes to the previous question)

- Is your organization affiliated with any of the following? (No, Yes one, Yes multiple for each of the following: university or college institution, private corporation, government institution)

- Tell us about the academic institution(s), private corporations) and/or government institution your organization is affiliated with. (Name of the institutions).
- How is your organization connected with these institutions? (They provide space at no-cost, they provide space at discounted cost, they provide mentors at no cost, they provide mentors at discounted cost, they are the sole founder of the program, they are one of many sponsors of the program).
- Which of the following does the academic/private institution help fund? (Dedicated building or real-estate, Office or desk space for the program, program or operational funding, startup funding whether grants, loans or equity)

Program information

- What is the average number of companies accepted in each cohort?
- How many months in the program?
- Do you host a Demo Day or some culmination event for your program?
- On average, how many individuals attend your culminating event, if you host one?
- Are there any additional costs to companies that have been accepted into your program? (No additional cost, housing, office space, shared services (legal, administrative…), other).
- Where do companies work while they are participating in your program? (On site for the entire duration of the program, on site for a part of the program only, they work remotely, other).
- Which of the following resources does your organization provide? (Office space, housing, hardware products at discounted prices, software products at discounted prices, other)
- Which of the following services does your organization provide? (Administrative services, Accounting services, Legal services, Intellectual property management services, hiring services, Preparation to pitching, Preparation of financial documents, Other)
- Does your organization have employees providing these services for the duration of the program? (Design and UX services, tech development services, marketing services, business development services, other)

- Do you organize these kinds of events? (conferences with mentors, networking sessions, educational workshops).
- Does your organization provide connections to these stakeholders? (potential clients, potential investors, potential advisors, not including accelerator mentoring).
- Do you have a structured alumni network? (Yes, mainly in the form of alumni events, Yes mainly in the form of a web alumni platform, No)
- Does your program currently offer mentorship services to your member companies? (Yes, No)

Mentorship activities (only for people who answered yes at the previous question).

- Who are the mentors in your program? (Industry professional, Entrepreneurs, Previous participants, Coaches or consultants, Other)
- How often are member companies encouraged to meet with mentors? (Every week, twice a month, once a month, meetings are optional, other)
- How many times a month do the following mentorship activities occur? (None, 1, 2-3, 4-5, 5+ per month for each of the following: 1:1 meetings, mentor office hours, mentor-led workshops or speaking events).
- Do you have a formal mentor orientation and on-boarding process? (Yes, No)
- Are your mentors incentivized or compensated (Yes, No)?
- If you answered yes to the previous question, how are your mentors incentivized or compensated?

Financing

- Do you provide funding to the participants? (Yes directly, Yes through an affiliated fund, No)
- If you answered yes to the previous question, how much funding do you provide?
- Do you take an equity stake in your participants? (Yes, in all companies, Yes in select companies, No)
- If you answered yes to the previous question, how much equity do you take?

Accelerator participants

- Select up to 3 industry segments your organization and participants are most aligned with. (List of industries)

- What stage do your organization and participants most align with (No specific stage, ideation pre-product, MVP before product-market fit, after product-makers fit and generating revenue).
- Application and graduation
- How do you market your accelerators to potential applicants?
- Do you actively source companies on a one-by-one basis to join the program?
- Do you have partners to find applicants for your program? (No, Newspapers and other types of publications, Higher education institutions, Government institutions, Angel groups, seed and venture capital funds, Events)
- Does your organization have an application process for accepting companies or entrepreneurs into your program?

Application criteria

- How important are those factors in evaluating applicants? (not important, somewhat important, very important, crucial for each of the following: Team (size, experience, diversity, etc.), Market (size, competition, etc.), Idea (potential, disruptiveness, etc.), Product (technology, level of development, quality), Early traction
- Please give us more details on the factors influencing your decision.
- Would you admit two companies competing with themselves? (Yes, No)
- How many steps does the application process include?
- What medium do you use for the application process? (Written documents, video recorded by the applicant, remote interview, on-site interview, other).
- Who is involved in the selection process? (Internal staff, mentors, finances, corporate/government/education partners, the general product through an online vote for example)
- How many applications does your organization receive annually on average?
- How many applications does your organization accept annually on average?
- About what percentage of applications are from companies located outside your city?
- On average, what percentage of accepted companies decide to join the program?

Graduation criteria

- Do you have formal graduation policies or criteria? (Yes, and companies must leave if they are not progressing, No and all accepted companies automatically graduate from the program).
- Are cohort companies allowed to stay at your facility after program completion (e.g., Demo Day)? (Yes, No)
- How many companies have successfully graduated from your programs since your program started?
- How many companies successfully graduated from your program in the past 12 months?
- How many companies failed before graduating since your program started?
- How many companies failed before graduating in the past 12 months?
- How many graduated companies are still in business today?
- Do you provide periodic performance or impact reports to key stakeholders or investors? (Yes, No)

Impact metrics (only for applicants that answered yes at the previous question)

- What is the frequency of the reports you publish? (At least once a quarter, At least once a year, Every few years, Other)
- To whom is your report available? (To your internal staff, to the participants of your program, to the mentors involved in the program, to the corporate/academic/government partners, to your financial backers, to the general public).
- Which of the following metrics do you track and/or report? (Number of jobs creates, amount of investment capital raised by companies, Amount of revenue generated by companies, Founder demographics, Number of companies participating in your programs).
- If you track or report on other metrics, please let us know
- Since your program started, how much equity capital has been raised by all companies, current and graduated, that have participated in your program (excluding capital and grant funds managed by your program)? If you do not collect this information, or do not have it, please put $0 in the answers below.

- In the last 12 months, how much equity capital has been raised by all companies, current and graduated, that have participated in your program (excluding capital and grant funds managed by your program)? If you do not collect this information, or do not have it, please put $0 in the answers below.
- Since the beginning of your program, how many companies have you served?
- Since your program began, approximately how many people have been employed by companies in your program?