

Business acceleration schemes for start-ups

Focus on internationalisation

A Policy Brief from the Policy Learning Platform
on SME Competitiveness



**Interreg
Europe**



European Union | European Regional Development Fund

Introduction

Business acceleration programmes, which aim at fostering fast growth of start-ups through access to funding and highly specialised services, have expanded globally over the last ten years.

In Europe, policy makers have recognised the potential of acceleration schemes and have started to adopt and adapt them to their own policy objectives. In many cases publicly backed acceleration schemes have been implemented, with the aim to both foster growth and internationalisation of promising start-ups.

This policy brief highlights the major benefits from accelerators compared to traditional incubators and aims at showing, through three examples on local, national and European policy-making level, how accelerators can contribute to increase internationalisation of start-ups.

Business accelerators and acceleration programs

The concept of business accelerators and acceleration programmes was introduced in the article [“Moving from business incubators to accelerators”](#). Private initiatives aiming at increasing the efficiency of early-stage funding schemes provided the impulse for the emergence and expansion of accelerators, as shown with a few examples in the following table:

Potential benefits from accelerators compared to traditional incubators	
Entrepreneurs	<p>Access to intensive and highly specialised coaching, delivered within short periods of time, and the networks of the mentors and coaches.</p> <p>Access to “smart money”, i.e. potential investors – business angels, early stage funds and VCs – with relevant technology and business knowledge, providing immediate feedback.</p> <p>Faster growth by getting the opportunity to focus on the core business idea.</p>
Investors	<p>Access to a quantitatively and qualitatively better pipeline of ventures to invest in.</p> <p>Timely insight and understanding on emerging and fast growing technologies and markets.</p> <p>Saving transactional costs for early stage due diligence, which is performed to some extent collectively within the acceleration programme, developing the investment readiness of candidates.</p>
Promoters, including policy makers	<p>More start-ups supported through bundling of support delivery to “batches” of start-ups.</p>

	<p>React faster to changes in the overall economic context by adapting the support content and delivery through suitable partners.</p> <p>Saving costs on the provision and management of office and laboratory space.</p> <p>Higher quality of support through delivery of specialised coaching.</p> <p>Incentives through equity in start-ups.</p> <p>Faster return on investment.</p>
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Business accelerators clearly have a different approach – and target group! – than traditional incubators. Although it was primarily designed for the needs of entrepreneurs and private investors, the concept of accelerators has been rapidly adopted and adapted in Europe by publicly sponsored incubators. They fit the needs of start-ups with high growth potential as well as those of policy makers looking for efficient support mechanisms for entrepreneurs able to provide significant economic development perspectives in emerging and fast moving sectors.

Why and how accelerators can contribute to increase internationalisation of start-ups

Fostering internationalisation of start-ups is not what business accelerators were first developed for. However, looking at it from a European perspective, acceleration programmes and internationalisation of start-ups are quite often closely linked. The rationale for this is that **fast-growing start-ups need to address simultaneously and very early on, the issues of growth and internationalisation:**

- The domestic markets of most European countries are too limited to provide technology- and knowledge-based businesses with sufficient opportunities for significant and fast growth, both from a business and from an investor's perspective;
- Many technology markets are already international / global by nature and require businesses to be able to act internationally / globally. This remains a challenge for many of them (see the policy brief [Role of regional networks and clusters as an instrument for internationalisation of SMEs](#).) and requires dedicated support.

As a consequence, a number of acceleration programmes, often initiated by or closely linked to business incubators, do actually focus on this specific aspect as a privileged growth path for start-ups.

The aim of this policy brief is not to provide a comprehensive overview of business acceleration models – this might be a topic for a future policy brief – but to focus on a few models with a high dedication to internationalisation and a strong policy backing, for instance in terms of public money involved. Three examples of implementing acceleration programmes on different policy levels will be described:

- European: the *Knowledge and Innovation Communities*;
- National: the *German Accelerator*;

- Local: the *build it – Accelerator of Things* (Tartu, Estonia).

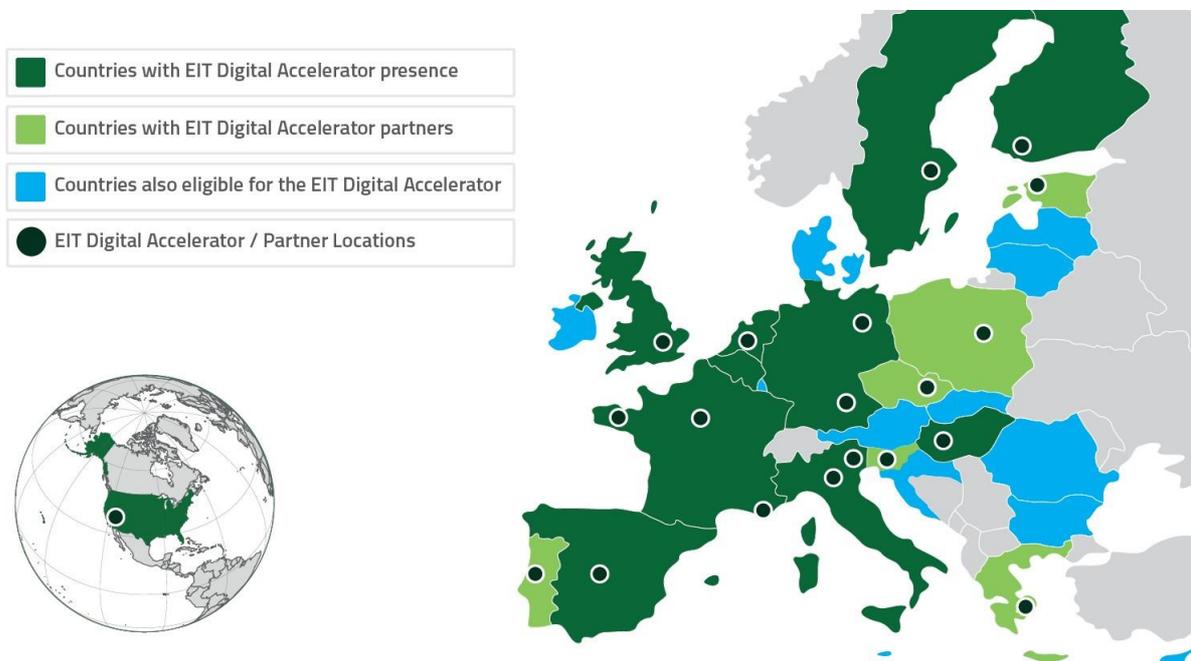
Knowledge and Innovation Communities – a European approach

The vision of the European Institute of Innovation and Technology (EIT), an independent European Union body, is to become the leading European initiative that empowers innovators and entrepreneurs to develop world-class solutions to societal challenges and create growth and skilled jobs.

The main instrument implemented by the EIT are so-called [Knowledge and Innovation Communities \(KICs\)](#), which are especially expected to contribute to the development of entrepreneurs and support the starting of new companies in their respective thematic areas. The KICs are public-private partnerships with significant industrial participation and are currently co-funded by the Horizon 2020 programme of the European Union.

The first three KICs - EIT Climate KIC, EIT Digital and EIT InnoEnergy – have rolled-out business acceleration programmes in order to foster the development of innovative start-ups. Their programmes, though they may have different settings, are all offering a typical range of accelerations services, including coaching, business planning and investment readiness for a duration of about 12 to 24 months. This is quite longer than typical acceleration programmes but takes into account that teams enter the programmes at very early stages.

What is specific to the KIC accelerators is their European dimension. The following picture shows the geographical outreach of the *EIT Digital Accelerator*, which is located in more than half of the European Union's Member States.



(Source EIT Digital)

National, regional and local policy makers might make use of the opportunities provided by the KICs' accelerators for their own territories:

- For the ICT sector for example, the map above shows that many European regions have the opportunity to collaborate directly with a KIC partner located in their home country and start interacting with a KIC accelerator in order to leverage their own activities aiming at fostering the European and international development of start-ups.
- Other KICs have been initiated in the areas of health, food and raw materials, thus covering a wide range of industrial sectors.
- The EIT has set up an EIT [Regional Innovation Scheme](#) (RIS,), which enables regions to enter a strategic partnership with a KIC and thus provide entrepreneurship with the opportunity to benefit from the KIC's support offers.

German Accelerator, a focused “on-site” approach

The [German Accelerator](#) is a private initiative supported financially by the German Federal Ministry of Economics and Technology (BMWi), private sponsors, partners and donors, which explicitly supports German start-ups to “enter the USA market and scale their business globally”.

The offer for start-ups consists mainly in providing office space in the USA (Boston, New York, San Francisco, and Silicon Valley) as well as dedicated mentoring and trainings and support with knowledge of the local

market. They claim that all programme services, including mentoring and office space, are free to participating companies while companies, are responsible for associated costs, such as travel and accommodations. The programme lasts for three months and an additional nine months for selected companies.

German Accelerator Tech addresses mostly businesses from the ICT (soft- and hardware) sector but also clean tech, fashion, etc. *German Accelerator Life Sciences* focuses on medical products and technologies.

Since the beginning of its operation in 2011, about 100 (out of which three in Life Sciences) companies have graduated from *German Accelerator* and about 36 (out of which six in Life Sciences) are currently following the programme. Several alumni were able to raise significant amounts of money and actually develop their business in the USA.

Contrarily to most accelerators, *the German Accelerator offers its services for free*; this fits an intuitively classic **economic development policy** approach, using business acceleration as a tool to support international growth of German companies, and thereby contributing to the development of the German economy.

The approach builds on the **large base of promising start-ups** available within the large and highly developed country that is Germany and focuses on the efficient roll-out of services. It clearly targets the USA market as the best entry point towards global scale operations for the start-ups enrolled from the programme.

The *German Accelerator* approach seems difficult to replicate on regional level with a comparable amount of resources, but it might provide interesting learnings on how to



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Photos from [Pexels](#)

implement a coordinated and focused approach to internationalisation for start-ups, but also more generally SMEs with international growth prospects.

A public-private approach to “think global, act local”

The Estonian [*build it – Accelerator of things*](#) is a public/ private initiative, supported by Estonian and European funds, including from its hometown Tartu. It provides a typical range of business acceleration services and is worth noting for its unconventional approach:

- Whereas publicly-backed accelerators usually focus on national companies aiming at getting global, *build it* looks proactively at **global teams** who are **setting up global businesses** (not limited to Europe) from **scratch**. The only requirement is they set-up a legal structure and stay in Estonia for the duration of the programme. After completing the programme they are free to leave Estonia and set-up their business anywhere in the world.
- **Partners, investors and mentors are also truly international.** There are currently over 90 mentors from 15 different countries involved in delivering the acceleration programme. Several of them have also invested in the *build it* fund. No specific connection to Estonia is requested.

Their website states that start-ups are offered free co-working space in the city centre of Tartu, with access to different prototyping tools. *Build it* takes 3% in advisory shares for participation in the programme and teams receive a 3.000 EUR investment to cover their living expenses during the programme.

Since the beginning of its operation in 2013, *build it* has hosted over 40 teams, mostly in the hardware and creative industries. A new batch with eight teams just started in April 2017. Some days ago *build it* had its first successful exit.

So, what’s in it for Tartu City and the Estonian government?

The answer to this question is manifold:

- **Financial:** being partners in the fund, local and national authorities expect to benefit from its success. On a more down-to-earth note, they are benefitting directly from the activities and expenses generated by the hosted teams during their stay.
- **Location marketing:** while investing relatively small amounts of money, Tartu City and Estonia are positioning themselves on the global map as a hot spot for technology business location and promoting the city and country in general. They especially make international investors aware of new opportunities in the country, which go way beyond the scope of the accelerator itself.
- **Technology and knowledge transfer:** while staying in Estonia during the acceleration programme, the teams collaborate with local research and higher education institutions. This increases the odds that, once they have successfully followed the programme, the start-ups will maintain collaboration with those institutions, possibly locate part of their business – especially research and development – in Estonia and generate highly qualified jobs in the country or global job opportunities for Estonian people.
- **Spill-over effects:** the knowledge and lessons learned from the activities in the accelerator are also expected to generate an increased appetite for entrepreneurship

and internationalisation for Estonian people and Estonian-based start-ups.

The *build it* initiative shows that international business acceleration is not reserved to a few top-notch locations or larger organisations. Unconventional approaches, also on policy-making level, can generate interesting and unsuspected opportunities for different regions.

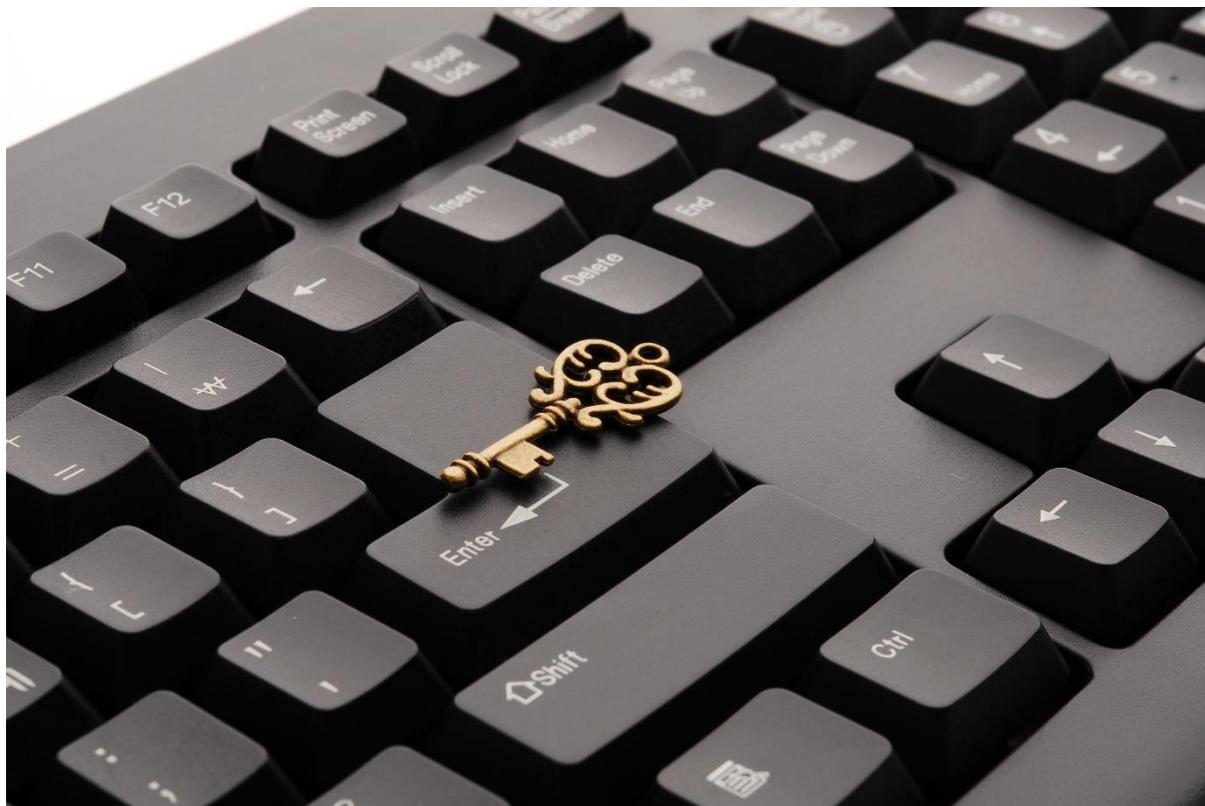


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Conclusion

As mentioned in a previous policy brief on the [role of regional networks and clusters as an instrument for the internationalisation of SMEs](#), there are currently eight Interreg Europe projects addressing the challenges of the internationalisation of SMEs (see also the [policy brief on the role of regional networks and clusters as an instrument for internationalisation of SMEs](#)) from different policy aspects.

One project is specifically dealing with the development and improvement of public acceleration schemes:

Title	Approach	Lead Partner
FFWD EUROPE Fast Forward Europe	FFWD EUROPE brings together partners aiming at improving regional policy support with respect to the access to capital for SMEs. Some of the partners have already acceleration schemes in place, which have shown to be efficient but are in need of improved policy support.	Normandy Development Agency, France

The three initiatives described in this policy brief show that new types of initiatives – the business accelerators - are developing, which aim at accelerating significantly the international growth of start-ups. Regional policy makers might see an opportunity to investigate further the potential benefits of acceleration schemes for their own policy making while integrating different approaches:

- Building on high-level specific knowledge provided by knowledgeable experts, which implies that it might not be available within the region. Schemes need to accommodate with the necessity to involve external, possibly global, resources;
- Bringing together different levels of the regional approach to internationalisation, addressing at the same time inward and outward investments as well as territorial marketing;
- Joining forces on a higher level to address specific thematic or geographic markets;
- Focussing the resources on a limited number of businesses with significant potential.

Sources of further information

- [Startup Europe's Accelerator Assembly](#), the network for startup accelerator programmes in Europe, online community
- European Startup Monitor, report initiated by German Startups Association: November 2016
- What Startup Accelerators Really Do by Ian Hathaway, Article in the Harvard Business Review: March 2016
- Startup accelerators in Europe – a complete overview, a research by EU-Startups, February 2016
- The Startup Factories: The rise of accelerator programmes to support new technology ventures by Paul Miller and Kirsten Bound, Discussion paper: June 2011
- European Commission, [Entrepreneurship 2020 Action Plan](#)

Image credit: Photo by dylan nolte on [Unsplash](#)

#accelerator #AccelerationProgramme #start-up #internationalisation
#coaching #SMEs #PolicyLearning #InterregEurope #Regions

Interreg Europe Policy Learning Platform on SME Competitiveness

Thematic manager: Philippe Delearde

p.delearde@policylearning.eu

Thematic expert: Luc Schmerber

l.schmerber@policylearning.eu

www.interregeurope.eu

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