I start my analysis of the 23 accelerators that I interviewed by examining their founders’ core philosophy on coaching startups and helping them scale and grow, the variety in the scope and focus of accelerators’ programs, their business model, and the way they collaborate with external partners in Silicon Valley. Some accelerators, as we will see, have a general scope, whereas others focus on specific technologies or niche markets. Some accelerators accept large numbers of startups, whereas others prefer to be small. This difference in focus and size corresponds with differences in accelerator coaching programs. It also relates to two distinct accelerator business models: profit versus non-profit objectives.

To help us in analyzing the data in this study, I make a distinction between two types of accelerators. The first consists of general/low-touch accelerators that are quite large, cover a wide range of technologies, and offer cohort-based programs. The other type comprises specialized/high-touch accelerators that operate in distinct markets and coach a limited number of startup teams but on a very intensive basis. It must be emphasized that “low-touch” is meant in a relative sense – i.e., compared to the intensive, personalized, and longer coaching period of high-touch accelerators. This distinction is similar to the four accelerator types mentioned by CBIA (2016). The CBIA study developed an accelerator matrix with two axes – focus and resources – which results in four accelerator types: intense/general; intense/focused; light/general; light/focused. The general vs. focused dimension refers to the nature of the accelerator’s technology domain, whereas the intense vs. light dimension addresses the magnitude of the accelerator’s support resources.

But first we must look at what separates an incubator from an accelerator. I posed this question to my sample of accelerator executives.

Incubators versus accelerators

In the first chapter I outlined a number of criteria that conceptually differentiate accelerators from incubators: entry, duration, funding, program intensity, teams, culture, and cohorts. It was emphasized that these differences are gradual, and that in practice incubators and accelerators
show considerable overlap (Bay Area Council Economic Institute 2016). In fact, one may even argue that accelerators are advanced, next-phase incubators. The two growth models are ideal types – theoretical constructions – that cannot be observed in their purest form. Reality, as I will show, demonstrates less robustness and more heterogeneity. Several accelerator executives accentuate this variance in growth model functions and options, though elementary differences are clearly recognized. A majority of executives point out that incubators focus on very early-stage business ideas, whereas the primary goal of accelerators is to grow new ventures that already have a product, a business model, and even some traction. As Prem Talreja, vice president of marketing at The Fabric, explains: “Incubators offer limited but essential support: a little amount of money, office space, and infrastructure. It’s like a hotel. (...) Accelerators help you succeed by putting in management support, by giving you access to customers, by creating events where customers come in, and get yourself exposed to the marketplace. (...) They have a venture arm.” Harm TenHoff, founder and CEO of BayLink (Santa Clara), reiterates this point: “The term incubator is much older than the term accelerator. An incubator is about very early-stage companies or propositions: sometimes there even is no company yet, but just an idea. An accelerator is about companies that have a product, a beginning of a market, but want to accelerate and expand their market.” This is further corroborated by Cindy Klein-Marmer, associate director of the Babson College Butler Venture Accelerator Program: “I think in essence you tend to incubate ideas when they are earlier stage and accelerate something that is already up and running.” Naomi Kokubo, co-founder and COO of Founders Space, agrees: “An incubator helps teams to redefine their business idea into a real product; an accelerator helps startups to grow their business and bring it to the next step. (...) But a lot of people don’t strictly go by this definition.”

Quite a number of respondents believe that incubators are first and foremost real-estate-based startup facilitators, whereas accelerators go much further in their support services. Prashant Shah, managing director of TiE LaunchPad, explains: “The primary motivation of incubators early on was to rent or lease office space by the desk, by the cubical. They may offer value-added services, such as access to mentors, investors, and customers. But those are all value-added above and beyond the fact that they are getting rent. Accelerators are not necessarily real estate based. They often provide office space for free for their program participants. Most of them are making money by equity or by a mandatory fee.”

Most executives use the terms ‘incubator’ and ‘accelerator’ rather loosely. As Brian Hoffman, vice president of revenue and director of legal affairs of
StartX, points out: “The two words have kind of lost meaning. Originally, an incubator is more ideation trying to find fit. An accelerator is a little further down the pipeline: companies already have a business idea, they are looking to scale the idea.” Sean Randolph, Silicon Valley expert and senior director of the Bay Area Council Economic Institute, adds that both terms are often used interchangeably and lack clear descriptions. Sean defines incubators as: “The place for very early-stage companies, typically providing some kind of space or facilities, and maybe some mentoring. Accelerators are more often a notch or two more advanced in terms of a resident company’s stage development. There may be some kind of direct investment, in return for equity. The level of service may also be more advanced, with more specific advice and support on market development for the company’s products, and possibly introductions to investors.” Matt Walters, former CEO of the Runway incubator, feels that incubators and accelerators “overlap quite a bit”. He notes that: “One of the core differences is that accelerators usually have set a defined period of time in which they are running programs. Three months is more or less the standard. The other thing is we [Runway] are not providing any investment for the companies who are with us, while an accelerator usually comes with an investment.”

Accelerators are closer to commercialization and to bringing a startup’s product to market. But accelerator mentor and Silicon Valley expert Susan Lucas-Conwell believes that “the lines have really blurred. (…) I would say that the only distinction to be made is that you don’t generally have incubators with no office space.” Gary Coover, head of global operations at Samsung NEXT, has his own take on the subject: “Truthfully, I think that the distinction between the two has been so convoluted, not just here in the Valley but in all ecosystems, that the issue no longer matters. You can call us an incubator, you can call us a seed fund, you can call us an accelerator, it doesn’t really matter. What matters is the value we provide to startups beyond investment dollars.”

Core philosophy and focus

What differentiates Silicon Valley accelerators in terms of their mission and target technology? There is a clear distinction between profit and not-for-profit accelerators. The primary goal of the first group is to grow startup companies for investment purposes, and taking equity in promising new ventures is a dominant acquisition strategy. The second group of accelerators are primarily mission-driven and typically focus on creating
societal value. The profit-driven larger accelerators are generally based on a high-volume/low-touch business model, while mission-driven accelerators tend to be smaller. It has to be added, however, that the reverse logic does not apply: quite a number of smaller accelerators are profit-driven as well, particularly those that focus on specific technologies. Consequently, the general/low-touch and specialized/high-touch dichotomy does not coincide with this distinction between profit and non-profit business models.

Let's first examine the larger, general/low-touch commercial accelerators. Plug and Play is a large accelerator, based in Sunnyvale. It houses about 400 startups and offers three-month business development programs. Plug and Play is a general accelerator but focuses on several ‘verticals’ (i.e. targeting a specific industry, trade or customer type) such as financial technology, retail, health & wellness, new materials, mobility, food, insurance, the Internet of things, supply chain & logistics, sustainability, and travel and hospitality. Saeed Amidi, Plug and Play’s founder and CEO, had a clear vision when he started his accelerator: “It is an investment vehicle. I get a chance to meet all these startups and I may have a chance to invest there. The next Google, the next PayPal, the next big thing. Our primary goal is to invest in promising startups. I would say that is 90% of our focus.” Saeed truly believes in the power and impact of technology: “I feel that innovation and disruption are going to radically change the industrial world, the corporate world, banking, insurance, automobile industry, the retail industry, etc.”

500 Startups, another large commercial accelerator, strives for fast startup growth through its four-month seed programs. Partner Elizabeth Yin explains: “We’re trying to scale venture capital. This is something that I don’t think anybody has done before. A traditional VC might invest in maybe ten companies a year and the firm is relatively small. We’re investing in hundreds of startups around the globe on all six continents, and we have over a hundred people who work here at 500 Startups. Our focus is growth acceleration of startups in a slightly later seed stage. We’re teaching them about how to optimize their customer acquisition and how to raise funds.” 500 Startups is a general accelerator as well, taking on startups in areas ranging from consumer commerce to food technology, from cloud services to education, from financial technology to the Internet of things/drones/hardware.

The Alchemist Accelerator (San Francisco) is centered on growing startups that earn their revenues from enterprises rather than consumers – both business to business (B2B) and business to consumer (B2B2C). COO and partner Danielle D’Agostaro explains: “We built Alchemist around accelerating the sales process and the fundraising process because that’s
what it’s going to take in order to get an enterprise company to scale.” The Alchemist is deliberately sector-agnostic. As Danielle clarifies: “Because we are so broad in enterprise, we get startups that are building technologies in all realms, including space, quantum computers, rockets, human genome. Along with the software and the hardware and drones and computer vision, the possibilities are really endless, and we find that actually really exciting because we get a wide breadth of founders that come through here.”

Naomi Kokubo of Founders Space (San Francisco) needs just a few words to summarize her accelerator’s unique selling point: “The international scope and the strong educational focus.” She continues: “A lot of accelerators wait for startups to come to Silicon Valley because the Valley is a magnet, people come from everywhere. We have a different philosophy, we partner with governments, universities, tech centers and other organizations in China, Korea, Taiwan, Europe, and they like to send their startups over here.”

TiE LaunchPad, a general B2B accelerator based in Sunnyvale, is linked to TiE, which is a well-known mentoring and networking organization in Silicon Valley. In its earlier years, the primary focus of TiE was on empowering Southeast Asian immigrants to help them launch businesses of their own. Prashant Shah elucidates: “To support people from India, Bangladesh, Pakistan to help them become better entrepreneurs, to become accepted Silicon Valley entrepreneurs. It started as a mentorship driven kind of organization, non-profit, and the model just exploded.” Given the great number of Asian entrepreneurs and companies in the Valley, it definitely appears that TiE’s mission has succeeded. As Prashant proudly concludes: “It has been a phenomenal success.” Now, membership in TiE’s accelerator program is more open, and it no longer focuses exclusively on Southeast Asian founders. TiE LaunchPad started in 2014 as an accelerator within TiE as a way to formalize funding, mentoring, and workshops in a format that today’s entrepreneurs are familiar with. I asked Prashant what the secret of LaunchPad’s accelerator formula is: “We provide this deep mentorship, deep access into the entire ecosystem, deep access to all of these executives in our organization and have them help us help these companies. The cornerstone of our philosophy is that entrepreneurship is a great way of actually creating wealth.”

HAX is a San Francisco hardware accelerator. Cyril Ebersweiler, the founder and managing director of HAX, has an interesting perspective. He does not applaud the Silicon Valley mantra on failure – on the contrary: “For me, an accelerator is the exact opposite. Nine out of ten startups should succeed. Why would you build something that just doesn't get you to market? At HAX, the goal is to get a hundred percent of the products go to market
and we have 200 startups. We have reduced the part of shipping failure to close to nothing. We are well on our way to revolutionizing venture capital.”

HAX is focused on the consumer hardware space, but also B2B and robotics.

BootUP (Menlo Park) developed an almost holistic vision on what a good accelerator should be. As co-founder and partner Marco Ten Vaanholt explains: “We started BootUP to create a micro-ecosystem around entrepreneurialism. We believe that entrepreneurialism transcends race, religion, color of skin, and is the only way to avoid wars and to create prosperity. Our intent is to create a repeatable ecosystem that we can apply not only in Silicon Valley but also abroad. The idea is to elevate entrepreneurialism as a whole and that’s why we started it.” BootUP is a commercial venture, but its mission goes deeper than that. As Marco points out: “All of the partners in BootUP have done favorably well, they are well off, and we feel it is time to give back; that is one of the basic drivers. Our time to give back is really about trying to elevate our learning and help startups and scale-ups to go to the next stage.” BootUP attracts startups from various sectors but tends to focus on new energy software, new generation aerospace big data, medical technology, and next-generation communications. As will be shown in the next chapter, BootUP creates its micro-ecosystem through a variety of services which are all about “reducing the risk of failure and improving the success rates of startups. That’s the core philosophy at BootUP.”

Samsung NEXT Start – which was previously called the Samsung Accelerator – invests in seed-stage startups and entrepreneurs-in-residence. It offers co-located spaces with funding, expertise, mentoring, and access to a growing alumni community. It is most similar to a corporate accelerator but has multiple models available to support founders and startups in achieving the perfect product-market fit. NEXT Start has offices in San Francisco, New York, and Tel Aviv. It is looking for software startups that develop innovative technologies in the field of augmented reality/virtual reality, the Internet of things, mobility (connected car, drones), data and analytics, machine learning and artificial intelligence, mobile health, payments, and smart cities. And NEXT Start is all about scaling and driving entrepreneurial excellence. As Gary Coover emphasizes: “We really focus on recruiting experienced founders and bringing them the best resources Samsung has to offer. We bring them unparalleled access to the ecosystem and the assets that help them scale and help them achieve their goals.” In many cases, this is measured by helping a seed-stage startup get into a series A and beyond. Gary adds: “We also have an in-residence program where we will internally incubate startups either acquired by a Samsung business unit or spun out.”
What about the core philosophy of the two university-linked accelerators, StartX and the Babson College Accelerator? StartX (Palo Alto) began as an initiative of Stanford students and recent alumni to create a central place on Stanford campus where starting entrepreneurs could get quick and trusted advice with respect to all sorts of new business challenges – where people in the Stanford ecosystem – students, faculty, alumni – could turn to in trying to scale their business, find product-market fit, raise money. A place where they could go for help,” as Brian Hoffman puts it. Brian explains that StartX is all about pooling people and matchmaking between Stanford startup entrepreneurs and Stanford experts and mentors. “Our philosophy is to collect the best people from the Stanford ecosystem and bring them in, identify who is very good at what, and match them with our startup founder teams.”

The Babson College accelerator focuses on supporting students and alumni to build, launch, and grow their business. It is based on a long tradition, as Babson is one of the best U.S. colleges teaching entrepreneurship and has been so for many years. Says Cindy Klein-Marmer: “Most students come to Babson because of an interest in entrepreneurship. A lot of students start a small business. Our main goal is to help them scale. Our program is on traction, on sales and marketing, on spirit and passion.” The Babson accelerator targets both technology and industry indifferent startups can be both high-tech and low-tech.

The smaller, for-profit specialized accelerators have a different investment logic. They focus on coaching a (very) limited number of promising startups and bringing them to market. Usually the focus is on domain-specific technologies, and mentor programs tend to be very intense and hands on. They generally do not work with cohorts or batches. The Hive, the Palo Alto-based co-creation studio, is a good example. T.M. Ravi, The Hive’s co-founder and managing director, frames mainstream general large-scale accelerators as follows: “They tend to be high-volume, they have classes of large numbers of startups, they tend to put in small amounts of money in these companies, they give them space, they give them tools, teach them entrepreneurship, and they are out in a few months. They are best suited for budding entrepreneurs in the consumer space.” Ravi had a different concept for his accelerator: “The Hive is a venture studio which is low-volume; we do four to five startups a year. We’re high-touch, we are very, very actively operationally involved with our companies. The Hive works with these companies to bring them to the next stage, not just by giving them money, but helping them fine-tune their business idea, helping put the team together, building early customers and partners, and getting them
to the next round of financing, which is typically a series A round.” The Hive’s startups focus on specific technologies that are for the most part AI, context computing, autonomous agents, ambient intelligence, blockchain, enterprise, IoT, security, and financial services.

The Fabric (Mountain View), is another example of a specialized/high-touch accelerator approach. Its particular interest is in infrastructure and networking technologies. According to Prem Talreja: “We’re not creating the next Airbnb, we’re not creating the next Facebook, we are helping create companies that will transform the data center infrastructure. (…) We help six or seven companies flourish under our thinking; that’s really what The Fabric is about. We don’t just fund companies, we collaborate with entrepreneurs to co-create them.”

Tandem, a smaller, for-profit accelerator, located in Burlingame, was founded by a couple of successful former entrepreneurs who get satisfaction out of coaching and investing in startups. Managing partner Sunil Bhargava recounts the story of how Tandem started. “I’d done a couple of startups, I just sold my last company and I was kind of wondering what to do. I didn’t really want to found another startup, because of family reasons, my kids were still young. So, initially I thought I’ll take a year or two off and just be an angel investor and advisor. I tried that for three or four months and I found that it wasn’t very gratifying. I think when you don't have enough time or money in a startup, you tend to treat it as a part-time job and you are not really understanding the early chaotic stages of a new venture. I wanted to be more deeply involved in startups but I didn’t want to be a founder.” Tandem focuses on mobile applications. Sunil puts Tandem’s strength down to the following: “We basically work with our companies and we enjoy that process. We help them with the most important thing: getting traction. Each Tandem partner becomes a champion of the startups we coach. We mutually inject each other with our enthusiasm.”

These three smaller, for-profit accelerators have in common that they focus on specific technological domains (artificial intelligence, mobile, cloud infrastructure), whereas the core philosophy of the next four smaller accelerators I will discuss focuses on particular target groups and problem areas. I refer to these two groups of low-volume/high-touch accelerators as domain-specific accelerators and niche accelerators, respectively.

Women’s Startup Lab (Menlo Park) is a niche accelerator with a very outspoken mission: to empower female founders and to create strong startups that make a difference in the world. As founder and CEO Ari Horie states: “Our bigger goal is to make the world a better place with women leaders influencing through technology advancement. We need
female leaders to shape the world. There is so much need for women to be part of technology growth and opportunities, to make a positive impact by driving a scalable, ethical, and sustainable business world. Not having women participating is like reaching our business potential only halfway." Women's Startup Lab has an interesting philosophy: “We focus on the entire founder's growth and collaborative mindset, what we call 'hitology'. It's about the founder, the founder's performance, and the startup's growth through community and collaboration. Our program is very person-centered.” She defines hitology – derived from the Japanese concept of 'hito' (meaning 'human') – as people supporting and holding each other accountable for extraordinary results. Women's Startup Lab is not only about accelerating the startup's core business but also about transforming the startup's founder herself.

Powerhouse is an Oakland-based niche accelerator that aims to grow solar energy startups and help them to go to market. Co-founder and CEO Emily Kirsch has a clear Silicon-Valley-style vision for Powerhouse: “Our philosophy is that solar will become the most abundant and affordable resource in the world in our lifetime. Our mission is to make solar the go-to energy source for everyone in the world.” Big thinking, that's for sure. Powerhouse is mission-driven “but for-profit,” as Emily adds.

Imagine H2O, San Francisco, another niche accelerator, is mission-driven too but non-profit. Its objective is to turn water challenges into opportunities and to offer promising water entrepreneurs and startups a path to market and an opportunity to scale their businesses. Its USP is that it operates as a virtual network accelerator with online remote mentoring as well as some physical interaction. Tom Ferguson, vice president of programming, explains to me that “network is everything in the water industry, and we have the networks. We have a solid understanding of the vagaries of the industry itself, we know the stakeholders and they know us.”

Cleantech Open is a non-profit niche accelerator focused on growing early-stage startup companies that offer solutions to environmental and energy problems. Its ambitious mission, as executive director Ian Foraker puts it is: “To find, fund, and foster the most promising cleantech startups on the planet.” Cleantech Open operates globally; in the U.S. it works with a mentor and support force of over 2,000 volunteers who implement the coaching program. Ian defines its unique selling point as follows: “We have a very clear focus: clean technology. We have a community that we have built over ten years, a lot of great people are in our network. We have a very robust network, connected with leading organizations, and leading social professions.”
Accelerator platforms are slightly different from accelerators in that they are platforms that help startups to grow by offering co-working space and a community of practice and peers. In this study, I interviewed people at five accelerator platforms: Runway, GSVlabs, Prospect Silicon Valley, Hacker Dojo, and RocketSpace.

Runway is a co-working space and accelerator for high-growth startups that is housed in the San Francisco Twitter building. Its primary goal and philosophy according to former managing director Matt Walters is as follows: “We want to create a community of startups, we want them to collaborate, we want to engage with them. When it’s done authentically it creates great results.” Starting a new business is natural to this generation of young people, Matt observes: “Especially here in Silicon Valley it’s almost peer pressure, like ‘if you are not starting a company, what is wrong with you?’”.

GSVlabs is a co-working space based in Redwood City. CEO Marlon Evans explains its unique selling point as follows: “Our niche is focusing on seed to series A companies. The majority of our companies can stay here for 12 months, they can stay for 18 months. It’s not cyclical. And we have real focus on subject matter expertise across our verticals. We look at mobile, big data, education technology, sustainability, and entertainment.”

Prospect Silicon Valley, San Jose, describes itself as a non-profit demonstration center and innovation hub specialized in promoting the adoption of practical solutions to mobility, transportation, energy, and the built environment. Founder and former CEO Doug Davenport describes what differentiates Prospect Silicon Valley from other accelerators: “Our unique approach is in assisting startups that are trying to solve a practical problem to link with the stakeholders in that very problem area, both in the public sector and corporate agencies.” This stakeholder approach is interesting because it creates a distinct focus. As Doug explains: “We are focused on markets where the customer is a cloud of various interests, relationships, roles that are being played by various stakeholders. We navigate out startups through this stakeholder system and partner network so they can give them their first real demonstration which can possibly give them their first customer.”

Hacker Dojo did not start as the co-working space it is has become; it was much more loosely and informally “organized”. As executive director Jun Wong clarifies: “It was really just a place where like-minded people, mostly software developers working at various companies in Silicon Valley met together after work. Over time, makers, hardware enthusiasts, and startups discovered they could hack the system and use us as the most affordable
co-working space in the Valley.” In 2016, Hacker Dojo moved to its present location in Santa Clara where it rents a 16,600 square-foot community center and hacker space. It is non-profit and wants to stays that way: “Silicon Valley becomes more and more expensive to live. The ability to incubate things becomes quite expensive and so Hacker Dojo does provide one of the only places where you can have workspace at a really affordable price. We want to be as affordable as possible to the public.” Jun’s point of view is quite uncommon in an area where money rules and where the cost of living is one of the highest in the world.

RocketSpace is a large and well-known co-working campus in San Francisco. Duncan Logan, the founder and CEO, articulates what makes RocketSpace special: “I think the difference at RocketSpace is that everyone here is so deadly serious about building a billion-dollar company. We want to create a really brilliant environment for entrepreneurs to succeed. We’re kind of co-working on steroids.” Duncan developed a ‘disruptive’ philosophy on letting startups into RocketSpace: “It was one of the first co-working spaces that had a selection process. And the harder we selected, so the more exclusive we became, the more people wanted to be here.”

The analysis above clearly shows the main differences between accelerators in how they define their core philosophy, their focus, and their unique selling points. A main taxonomic difference is whether accelerators are technology-agnostic – i.e., not focused on a particular technological domain – or concentrate on tracing high potentials in specific technological domains. But even the larger, more general accelerators use some segmentation format, for example by introducing verticals. The smaller accelerators typically focus on particular markets corresponding to specific technological or societal problems. These smaller, domain-specific accelerators and niche accelerators are the ones in which executive team members significantly invest in hands-on coaching of admitted startups, personally working with them to bring them to the next level.

### Business model

Accelerators differ in their business purpose, the venture achievements they seek, their scaling philosophy, and their investment goals. Most accelerators are for-profit, but some are non-profit, mission-driven organizations. But they all share the determination to scale and grow startups and bring them to an advanced stage. In this section, I examine the various business models Silicon Valley accelerators are based on, particularly regarding their
investment strategy, equity policy, and startup numbers, in order to provide insight into the way these accelerators operate from a business point of view. How much do they invest in the startups they admit? Do they take equity, and if so, how much? Are they backed by a venture fund? What are the business metrics they look for? The statistics that will be mentioned are from the executive interviews and from the accelerators’ websites.

500 Startups is one of the largest general accelerators in Silicon Valley and is based in Mountain View and San Francisco. It has invested in over 1,800 startups and more than 3,000 founders from over 60 countries. It manages over $250 million in assets. How much does 500 Startups invest in its companies? Partner Elizabeth Yin: “Technically, we invest $150,000 in each accelerated company but we do hold back $37,500 dollars for fees – to pay for the office, to pay for the coaches, to pay for mentorship, etc.” Startup 500 offers the $150,000 gross investment for 6% equity.

Plug and Play's business model is also based on high volume. It is probably the world’s largest accelerator with over 20 locations worldwide. Plug and Play has accelerated more than 2,000 startups since 2006, from pre-product to series A. Investments range from $25,000 to $500,000; equity varies but is typically about 5%. It claims that its startup companies combined have raised over $5 billion in additional funding. Plug and Play is all about return on investment, about picking winners at an early stage. CEO Saeed Amidi: “Last year I invested in 160 companies. Our business model is to invest in startups like Dropbox when it was only two people, Lending Club when it was two people.” Both post-unicorn startups became tremendously successful companies. These are the kinds of investment darlings that Plug and Play is looking for.

The Alchemist Accelerator is dedicated to enterprise startups and seeds about 40-50 new ventures per year. It is backed by investors such as Cisco, Draper Fisher Jurvetson, Foundation Capital, Khosla Ventures, Siemens, and Salesforce.com. Since late 2014, 30 of its companies have raised on average $2 million, and 12 of its companies have been acquired. Danielle D’Agostaro explains the Alchemist’s investment policy: “We give about $60K to our startups from which they pay a tuition of around $24K. So they are left with about $36K and we take around 5% equity, but that is negotiable. It’s really not meant as an investment vehicle, we just want to make sure we are taking each other seriously. The investors’ fund does not pay out our organization fee, so this way Alchemist is able to sustain itself.” Danielle emphasizes that the Alchemist backers are not primarily involved for ROI. “They are not looking to get their money back, they are looking at it from a strategic point of view. What
are the new technologies that are going to help keep them special in the future? Through our accelerator they have an opportunity to tap into those companies.”

Founders Space invests in seed and early-stage ventures and has partners in over twenty countries with a strong presence in Asia. It offers an online incubator program as well as live classes in its accelerator program. The business model is based on tuition fees and on equity. Naomi Kokubo: “Equity ranges between 0.5% and 5%; it depends on the startup team. We don't guarantee investment but we do ask every startup who joins our program to give us participation rights for future investment rounds.” Corporate programs, Naomi adds, are based on individual contracts.

TiE LaunchPad is a smaller accelerator for enterprise startups that takes five to eight companies per batch. It is backed by a TiE charter member VC fund of about $5 million. LaunchPad provides a $50,000 investment in convertible notes and charges a 4% equity fee. Accepted startups are asked to allow TiE charter members to invest up to 10% of the next funding round. Dedicated startup team mentors receive 0.25% of the equity fee. Prashant Shah of TiE LaunchPad, finds that this formula works well. “The fact that we have a fund gives us a fiduciary responsibility. We have to try to return money for our investors as well, so we have to be careful about where we invest. We want to invest in good founders, good companies. We know it is going to take a while before they get to some kind of exit and we are up for that challenge. We know it takes time.”

Hardware accelerator HAX in San Francisco focuses on finalizing startup prototypes; teams need to relocate to HAX's office in Shenzhen, China for about four months. Shenzhen is called the ‘Silicon Valley of Hardware’ or even the ‘World Capital of Hardware’. HAX does not charge fees but offers seed capital: $25,000 for 6% equity, $100,000 for 9% equity (6% common stock, a credit-linked note (CLN) which converts to 3% equity at the next financing round in exchange for participation), and up to $200,000 extra in matching funds. HAX is backed by SOSV, an investment company that has funded over 500 startups (150 per year) with seed, venture, and growth-stage funding. SOSV has $250 million in assets under management. Cyril Ebersweiler, partner at SOSV and managing director of HAX, clarifies the business model: “We call ourselves ‘the accelerator VC’. We will exit when our startup companies exit, that is the only agenda here. That is the only thing that is going on.” Running an accelerator is like running a startup, according to Cyril: “Accelerators are extremely time consuming, resource consuming, exhausting. What people don’t understand is that people running accelerators are entrepreneurs. It is a startup.” Recently, SOSV founded
two new accelerators: Food HAX in New York City and the synthetic biology accelerator IndieBio in San Francisco.

BootUP is a miniature ecosystem aiming to grow startups. It rents co-working office space, provides mentorship, invests in high-potential startups, and gives access to high-caliber network facilities. It has invested in over 120 startups that have raised over $400 million and have an overall valuation of $4 billion. The office space business model is straightforward: rent. As Marco ten Vaanholt states: “Space is just a box. We look at the business idea and if it’s complementary to any of the other startups in our building. But there’s just rent to be paid.” BootUP’s investment policy is based on revenue sharing or equity. It depends on the team and the company. “Smart entrepreneurs don’t like to give up equity but are willing to give revenue share. That’s the starting of a relationship. We often work on master-based revenue share if we can get a deal from them. That’s how we get a portion of the pie.” BootUP does a lot of matchmaking between corporates and startups. “And only then we take equity.” Marco’s investment math is simple: selectivity. “I would rather have 25 startups of which 15 or 20 do well, than 100 of which five do well. That’s really the difference between a standard accelerator or incubator and what we try to do here at BootUP.” How much equity do Marco and his partners take? “It depends on the stage of the company. If it’s an earlier stage company we take between five and ten percent. If it’s a later-stage company it can be between two and five percent. It depends on what the value of the company is as well as how much work we are going to do as a team.”

Samsung NEXT Start, the corporate accelerator, focuses on experienced entrepreneurs and offers two models: a seed funding model and an in-residence model. In the first model, startup teams are provided with stage-specific resources and expertise “to go from seed to series A and beyond”. The second model is a program “where we internally incubate companies that when successful are either acquired by Samsung or spun out” (Gary Coover). The seed funding model offers funding of between $100,000 and $1 million, co-location for three-plus months, and a host of other resources like access to alumni and mentor networks. The in-residence program has a longer runway due to the involvement of Samsung – anywhere from three to 18 months.

Now let’s take a look at the business models of the two university and college-linked accelerators. StartX, the Stanford-University-affiliated accelerator, is all about activating the notorious Stanford ecosystem in order to allow new ventures and innovative business ideas to grow faster. As executive Brian Hoffman says: “StartX is about bringing the best Stanford
people together and making them more successful faster. We don’t take equity, we are structured as a non-profit, because the very best people we want in our community are not going to join an accelerator where they have to give up a sizeable amount of their company for a small seed check.” StartX has 12,600 square feet of office space, 2,000 of which is lab space, which it rents to startup companies. Brian also emphasizes that the real value of StartX is the Stanford community network. “That’s what people are coming for, not for office space.” StartX gets its money from corporate sponsorships (such as Microsoft, Panasonic, Johnson & Johnson, Ford), who want early and preferential access to talent and technology. These partnerships are based on the corporate understanding that “to stay competitive, they need access to early-stage innovations.” The larger tiered corporate partnerships may involve contributions of between $100,000 and $200,000 a year. StartX, Stanford University, and Stanford Health Care have a joint investment fund (SSF) since 2013, which has invested over $100 million in 200+ StartX companies, available only to Stanford-affiliated founders.

The Babson College venture accelerator program centers on students and Babson alumni. According to Cindy Klein-Marmer: “We support them in many ways. We pay for their housing, on-campus housing if they select to live on campus. We provide them with meals throughout the program summer period. We provide them with workshops or what we call ‘lunch and learning sessions’.” The accelerator program works with limited overhead. “We run very lean: just two staffers that run it on a daily basis, and we have one or two interns. Faculty is paid in an equivalent of course exemptions. So it will count as part of their class, and not separate from the program. Moreover, it gives them exposure to the corporate world.” Cindy underlines the two-way process of faculty involvement: it gives them access to early-stage entrepreneurship, and they can use these practical examples in their teaching. When asked whether Babson offers funding to its student ventures, Cindy responds: “We do have a seed funding opportunity. We give money through which I like to think of as a ‘prototyping fund’. It’s smaller dollars, anywhere from a few hundred dollars to a few thousand dollars. Our cap right now is five thousand dollars. We are not an ATM machine, but if you are awarded it, you are not expected to have to pay it back.”

The Hive is a smaller, high-touch, for-profit, domain-specific venture studio that takes in about five startups a year but on a very intensive coaching basis. The Hive provides smart money and cash investments. As T.M. Ravi clarifies: “We typically invest between $2 million to $3 million in our startups. That’s significant money for such an early-stage company. But we work with our companies, help them fine-tune the business idea, help
them put their team together, and develop the product. We do so for 12 to 15 months. We get joined at the hip with our startup founders.” The Hive’s investment goals go hand in hand with its high-touch involvement with its startups. “We are very hands-on with the company till it gets to the next round of finance, which is usually a series A round and they would generally raise anywhere from $10 million to $20 million.” And what happens after this round? “Much like the other VCs, we will be a part of the company’s board, provide high-level guidance, insight, and introductions but not day-to-day operation.” Does The Hive take equity? If the company is based on a business idea developed by The Hive, then The Hive becomes a co-founder. If the company is already founded, then The Hive receives equity for its investment. As T.M. Ravi spells out: “This equity is at a very early stage where the risk of failure is high. We come in at a high-risk stage and with the hands-on guidance of our team, as well as the capital we provide, we’re putting them on the path to success.”

The Fabric is a similar co-creation new venture accelerator. It works with only one or two startup companies at any time. The Fabric actively works with the founder entrepreneurs to refine their idea and then provides seeds financing of $1 million to $1.5 million per company. The investment goal is to prepare the startups for high-quality series A funding by providing them with a viable business model, a prototype, market validation, and by developing the team. The Fabric is backed by an investment fund of roughly $10 million, and investors own equity in The Fabric. It is clearly a for-profit model, as Prem Talreja emphasizes: “We are doing it for the return on investment, we are doing it for the responsibility we have toward our shareholders.” But The Fabric team members, all seasoned entrepreneurs, are also personally motivated to create successes, as is clear from the way Prem frames his motivation: “What is exciting for me is that I’m still able to give back. I’m still relevant to the industry that created me, the industry that has given me so much. After all, this is Silicon Valley.”

Tandem is another smaller, for-profit, domain-specific accelerator that seeds hardware and software mobile startups. It is now a $100 million investment fund that puts in an initial investment of $200,000 to $2 million and substantial follow-on investing. Tandem is a co-creation studio accelerator that does two types of investments. Sunil Bhargava explains: “We do traditional seed investments, like an investor. We put in less time. But a proportion of our deals during the early phase of a new fund is where we use our studio, where we are actively involved with growing startup companies over a 6-12 month period. Help them to build their company and help them getting traction. We call this active or early seed.” I ask Sunil
whether Tandem takes equity: “Sure. We take equity for the money we put in. In the six-month active seed deals, we take up to 10% common equity. We do not take common equity in the later-stage seed deals.” Tandem has scaled up its acceleration program since it started in 2007: it has moved from doing 10 startups a year to 20 startups over two years, to 80 startups over four years.

What about the business economics of the four niche accelerators that are part of my sample? Powerhouse and Women’s Startup Lab are two smaller, specialized, high-touch accelerators, about solar energy and empowering women entrepreneurs, respectively. What do their business models look like? Powerhouse offers $10,000 cash investments to startup companies in its six-month accelerator program as well as free office space, non-dilutive grant opportunities, and the right to invest up to $50,000 in exchange for a convertible note and warrant. Powerhouse takes up to 5% equity in its startups. Emily Kirsch underlines that her for-profit business model has a clear purpose: “We think that by having a business model that is dependent on success or failure of our companies, we will have better rates of success with our startups. We don’t continue to survive unless our companies do well.” Powerhouse also has an incubator which is based on a monthly recurring revenue model, and it does sponsored events. The $10,000 initial cash investment is “just to show some skin in the game. To give them a jump start into their fundraising process. Our role is to help them raise capital for the next seed round.”

Women’s Startup Lab is a founder development niche accelerator based in Menlo Park. The program’s fee is $10,000, but as founder Ari Horie self-consciously adds: “It’s $85,000 worth of content.” If Women’s Startup Lab invests in startups, it takes about 6% equity. Ari emphasizes that her revenue model differs radically from standard VC business models: “We care about the education part of our program, we are founder-centric, we offer a holistic approach, we do founder development.” The educational program at Women’s Startup Lab for startup founders as well as its sponsorships and corporate entrepreneur programs generate enough revenue to sustain its operation.

Imagine H₂O and Cleantech Open, located in San Francisco and Redwood City respectively, are two non-profit, mission-driven, niche accelerators that focus on strengthening startups marketing practical solutions to environmental problems. Tom Ferguson explains Imagine H₂O’s funding model, which is definitely not about taking equity in startup companies. Its business model is based on remote support through its virtual accelerator. “We keep our overheads low. It allows us not to be the kind of accelerator
that says: ‘We take five percent of your business for $20K’. To me that is an uncomfortable proposition, especially if you require them to relocate for a certain amount of time.” Tom continues: “If you were to really be serious about looking through the lens of the startups, something like $175,000 is a different thing. You can hire two excellent people with options for one year that get you further down the road. That, I think, is worth giving up that portion of your company.” Director Nimesh Modak explains that Imagine H₂O is entirely grant supported (Wells Fargo is the head sponsor) and is also involved in some consultancy work. This allows the accelerator program itself to be free of costs for admitted participants, apart from a modest nominal application fee. Startups compete for a yearly total of $25,000 prize money for the best water problem solution idea. But as Tom says: “The real value of our program is in our network.”

Cleantech Open is a volunteer organization providing support to startups that address sustainability issues. “Because of that”, Ian Foraker points out, “we have a very low price point. We don’t take equity, we just have an application fee of $150, and when companies are accepted into the program, it’s a participation fee of $1,200. And that’s all. We’re able to deliver value without a huge overhead. Over 90% of our operations as an organization is pro bono.” Cleantech’s startup awards are funded by its corporate sponsors, and they organize showcasing events. Neither Cleantech Open nor Imagine H₂O offer in-house office space to their participating startup companies.

Harm TenHoff, CEO of BayLink, is very critical about the practice of taking equity in startups. He argues that: “Taking 5% or 8% equity for $50,000 to $100,000 is a lot of money for startups to give away. There is a downside to it. If you have been in an accelerator and don’t get funded, you’re sort of blacklisted. Nobody wants to touch you anymore. No serial or seasoned entrepreneur will go into such an accelerator because they don’t want to give up that amount of equity.”

Finally, I have a look at the business models that Silicon Valley platform accelerators work with that get their revenue from renting co-working space, from creating dynamic and entrepreneurial environments for startups to thrive and grow. GSVlabs is a large 72,000 square-foot campus in Redwood City that houses 170 startups and whose companies have raised over $250 million. It is backed by the GSV Financial Group, a merchant bank. Marlon Evans explains that companies pay a monthly fee per desk: “It’s all included: your IT, your printing, your coffee, your mentorship, your events, your workshops.” GSVlabs also gets revenues from sponsored events, corporate partnerships, accelerating programs for international clients.
Until recently, Matt Walters ran the 30,000-square-foot co-working space and startup hub Runway in downtown San Francisco. Runway is home to about 85 startups and 200 startup team founders. Matt explains that its main revenue is rent, “But the other thing we do is consulting for major corporations. They look for technology advice, for startups to partner with – in FinTech [financial technology], for instance. And we have corporate sponsorships and partnerships.”

Hacker Dojo has a membership-based revenue model. It offers co-working space and maker space in its 16,000-square-foot non-profit community center and hackerlab. Its startup philosophy, as director Jun Wong tells me, is “to really offer inexpensive incubation time. We try to run at a low budget as possible so that we can still be as affordable as possible to those who need it.” Hacker does not use the accelerator business model of investment and equity. “Once you start to offer such services, you have to rank your companies, right? We don’t want that. We avoid ranking the people that are here. We want this to be a safe haven. Hacker Dojo provides a very unbiased and a very open space where people can work.” Besides membership fees, Hacker receives donations from both individuals and organizations, and from high-tech corporates.

Prospect SV is an innovation hub and 23,000-square-foot demonstration center in San Jose with a focus on transportation, energy, and the physical environment. Prospect is a non-profit organization. Doug Davenport: “There are non-profit business accelerators that will take ownership stakes in their companies. We don’t do that.” Prospect’s business philosophy is to focus on public sector problems in the built environment by aligning multiple stakeholders regarding practical commercial solutions. “Equity is not part of our income model because we want to be able to work with the public sector as an impartial solutions-oriented group. That reputation is very important to us.” Prospect SV’s funding mainly comes from corporate sponsors, a modest monthly fee from its startup clients, and from non-diluted government grants. It has helped 25+ startup clients with demonstration and scaling projects, and these startups have raised over $145 million in capital investment, attracted $50 million in community financing, and are collaborating with 50 city partners.

RocketSpace, to conclude the description and analysis of the accelerator business models, is a large co-working space and accelerator in San Francisco’s financial district. It has hosted over 800 startups since 2011 and houses 200 startups on campus. Its business metrics include 16 unicorn alumni companies, 1.5 startups per week that secure funding, and an average total of $18 million in funds raised by its startup members. RocketSpace’s
revenues come from rent paid by startups, corporates from around the world, consultancy projects, and industry acceleration programs. “We probably have four or five executive teams from corporations here every week,” says Duncan Logan. Some of RocketSpace’s alumni have been extremely successful, including Uber, Spotify, and Supercell, which are now worth billions. When I ask Duncan whether he regrets that his co-working space and accelerator has a no-equity policy, his response is prescient: “Maybe analysts who look at RocketSpace in twenty years’ time will conclude: ‘If only they took equity, they’d be the best performing investment fund in the world.’ But the truth is, if we took equity, we wouldn’t attract the very best companies here in Silicon Valley – because, you know, the very best don’t need to give equity.”

As is clear from the above, Silicon Valley accelerators differ significantly in business model and revenue policy. The investment policy of general/low-touch, for-profit accelerators is to find early-stage startup diamonds. Their ‘spray and pray’ business strategy is all about spotting scalable startups with massive market potential, based on the belief that the few winners will make up for the many losses. For these reasons, they favor software startups. The smaller specialized/high-touch, for-profit accelerators have an investment policy in which accelerator executives work hands-on with just a few, carefully selected startup teams. Getting traction is the main focus, and teams are mentored by executives who are experienced entrepreneurs.

For-profit accelerators are typically backed by investment funds, often institutional investors. By contrast, non-profit accelerators’ business models are usually based on (combinations of) participation fees, corporate donations, foundation grants, or consultancy projects. Rent, obviously, is a main source of revenue for co-working spaces. But all business models are inspired by finding ways to connect startup teams, mentors, stakeholders, and investors in order to successfully market new ventures.

**External cooperation**

There is growing interest within the academic literature and the literature on applied innovation in understanding how cooperation facilitates innovation or, more precisely, the way successful innovation trajectories are strengthened by effective business cooperation models (Bauwen 2013; Koster 2016; Barringer & Harrison 2000; Fjeldstad et al. 2012; Gal et al. 2014). As I outlined above, cooperation is a structural feature of the Silicon Valley
innovation and startup ecosystem and has been so for many decades. It is an intrinsic characteristic of the Valley’s entrepreneurial mindset.

How important is collaborating with external partners in the Valley’s ecosystem for accelerator executives? When I ask The Hive’s CEO T.M. Ravi whether cooperation is a high priority on his accelerators’ network agenda, his reply is unequivocal: “Absolutely. We do three types of collaborations. One is with venture capitalists, because they are long-term capital partners for our companies. The second is with universities: faculty members at Stanford, Berkeley, Carnegie Melon, MIT. We explore to see if we can create companies out of their research. We bring in their summer students. And the third is with corporations. They are great as go-to-market partners and they have deep domain expertise.”

Networking is elementary. Danielle D’Agostaro of Alchemist expounds: “We do a lot of external outreach. We talk at meetings with potential startups, have relations with international schools. We have created a very diverse network of people around the world, which makes our brand pretty strong. Our founder and managing director is a Stanford University business professor.” Alchemist also has partnerships with service providers in cloud hosting and legal banking, and even arranges gym memberships for its participants.

Investors are indispensable partners for accelerators. Saeed Amidi of Plug and Play underlines this: “We review over 1,000 startups per industry and we choose 50 of them to pitch to us and to our partners. In our FinTech vertical, for example, we have 16 out of the top 20 banks in the world as our partner. We have the two biggest Japanese banks, we have Deutsche Bank, we have Santander, we have BNP Paribas, we have Credit Suisse. And we love universities. We have 50 great universities we work with, such as Stanford, MIT, Carnegie Mellon.” Plug and Play also actively collaborates with universities: “We are very close to their engineering schools and business schools. We participate in their business plan competitions and their labs. A lot of innovation happens in university labs. And that’s where we come in. We come in to seed fund their startups and to bring them additional funding and additional growth. Our main objective is to find great technology and great entrepreneurs. I would say at least 50% of our investments are first-time entrepreneurs straight out of the university.” Plug and Play, moreover, has a very engaged international corporate program in which it partners with over 180 major corporations.

StartX in Palo Alto closely works with Stanford University and its faculty members, an obvious partnership given that StartX spun out of the Stanford Student Enterprise lab. Recently the relationship between
StartX and Stanford has become more formalized. StartX’s Brian Hoffman elucidates: “Now we have two contracts: one with the university and one with Stanford Hospital. They contribute an annual grant to us for our operations; two-thirds from the university, one-third from the hospital. They also operate an investment vehicle with us and have board seats. So in some way we ourselves are a startup, with Stanford and the hospital as the series A investors and with the Stanford community as mentors and advisors.”

Domain knowledge is important in the accelerator partnership models and external networks. Cleantech Open works with numerous individual energy and environmental experts, mostly as volunteers. But they also have more structural collaborations. Ian Foraker: “We work with climate change groups at Berkeley. We have a partnership with the United Nations. We are active in eight regions in the U.S. and in many countries across the globe. We have a close relationship with the U.S. Department of Energy and with the State of California through its California Clean Energy Fund. Moreover, we partner with MassCEC and NYSERDA in the Northeast and the Colorado Cleantech Industries Association. And we are involved in organizing the Cleantech Open Global Ideas Competition, taking place as part of the Global Entrepreneurship Week.”

Prospect Silicon Valley, the non-profit urban-tech innovation hub, works with several corporates including Cisco, Ford, Microsoft, Hyundai, Hitachi, Bank of America, and Wells Fargo. Doug Davenport remarks: “I find they all share a fascination with the future of the market. They like the idea that we are bringing people together. They like that they get to see things that are way beyond what their current offerings can provide. I found that some of them are very easy to convince because they see the value immediately, they see how this is aligned, see how they can take advantage of what we have.” Sponsors get various things in return, according to Doug. “Our standard offer of corporate underwriting includes logo inclusions and other ways of recognition. We do preferential things like blog posts and publications. We do events that sponsors get to speak at. We connect them with other cities and we do engagement side work.” Prospect also works with San Jose State University and won a grant with the Berkeley transportation sustainability center for advanced transportation technology. In addition, it makes part of its space available for its students to work on innovation projects.

GSVlabs partners with Google. CEO Marlon Evans describes it as: “A great partnership. They are bringing in all their mentors and executives to work with our startups.” GSVlabs also partners with law firms and HR companies to assist their new businesses, “But what we don’t want is that the companies are just selling into our community, so we structure where they
come in. They will provide a seminar on hiring your first fifteen employees, or something like that. We invite our community to participate and the company might then host office hours for companies to go into a little bit more.” GSVlabs sees the value of strategic partnerships with universities. Marlon: “My ultimate goal is to have a couple of universities that are based here in the Valley that are sending us students and be interns for our startups. These students could be a main resource who in turn get a firsthand experience of what it is like to work in a startup.”

The Fabric focuses on corporates rather than on universities. Prem Talreja explains: “For us, the university is Cisco, VMware, HP, and other leaders because that’s where the people are that value the problems and challenges we are working on. And for acquisition and partnership as well. These leaders like us because they might acquire one of our startups; they like to keep an eye on what we are doing.”

What about a corporate accelerator such as Samsung NEXT? Do they work with outside partners? Gary Coover: “Sure, but nothing that we have formalized. We have quite a few relationships with other accelerators, investors, and universities that we will sometimes co-host events with and share pipeline. The broader Samsung NEXT organization also provides investment, partnership and acquisition opportunities for the startup community, which helps generate strong relationships with the VC community.”

The Silicon Valley support system is widely used by my sample of accelerators, for example with respect to legal and HR facilitators. Imagine H₂O is a good example. Tom Ferguson notes that: “We have a fantastic legal partner who has supported the last two cohort intakes. It’s all about relationships, also with their other clients. That’s a really interesting secondary network effect.” Emily Kirsch of Powerhouse shares this view: “The legal side is essential. We built a relationship with DLA Piper, one of the most famous law firms in the world. They have been absolutely incredible. They did a ton of work with our first cohort on a pro bono basis and were willing to take the early risk lawyers are not known for.” Being connected to the venture community is fundamental as well: individual angel investors, small and large venture funds, and family businesses are important in this respect. Having solid external networks in the energy field is crucial for Powerhouse in regards of its technology focus. As Emily states: “Those partnerships are indispensable. We first and foremost have relationships with the solar incumbents as we call them – even so, many of them are less than 15 years old. SolarCity [a Silicon-Valley-based full-service solar provider] is one of our main partners and so are the thousands of small solar installers across the country. That’s who our startups are serving.”
Runway partners with Fenwick & West, which Matt Walters describes as: “One of the biggest law firms in Silicon Valley. They meet with our startups teams, e.g. with respect to IP issues. We are partnering with IBM, with AT&T, and with stakeholders in the EdTech field. We are talking to the CITRUS Invention Lab of Berkeley and we work with the University of San Francisco. But universities is one of the areas I think we could do a better job. It’s a great talent pool.” Samsung NEXT aims to provide its startups with options for resources. Gary Coover highlights a few of these options: “Amazon Web Services has an agreement with us to provide all of our teams with $100,000 free credits for the first year. We negotiate deals like that and provide preferred vendors and resources for them to access. The biggest value added is probably the recruiter we have on staff who is helping the startup teams hire engineers. One of the top problems for every startup is identifying and attracting great technical talent.”

Lawyers play a valued role in the Silicon Valley world of accelerators. As Tandem’s founder Sunil Bhargava expounds: “Lawyers are generally very good here in the Valley. We have a handful of those lawyers who we recommend to our startups, and they can choose whoever they want. We also have a number of lawyers that they can consult if they just need a one-on-one. Finding a good lawyer is not a problem.” Founders Space also brings in lawyers regularly, as Naomi Kokubo explains: “We have lots of lawyers come; they give mentorship sessions on different issues such as IP, International Corporate Transaction, licensing issues, cap tables, etc. They don’t charge any fees immediately but the startup teams may become future clients. Lawyers are also willing to forego payment until startups are funded.” This is another example of the deferred fee system that is part of the Silicon Valley startup support structure helping new ventures in their early stage of development when revenues are minimal. This is also a stage in which startups are most in need of professional legal counsel and business advice. The deferred payment practice generally works fine and is seen as a smart solution to an otherwise difficult financial issue.

There is general agreement among the accelerator executives I interviewed about the strength and value of the support structure of Silicon Valley’s ecosystem. Cooperation is and has been an elementary feature of this ecosystem for a long time. Linkages are informal but its goal and execution are highly institutionalized. Cooperation is an intrinsic part of Silicon Valley as a networking society and its culture of collaborating and sharing.
Conclusion

In this chapter, I analyzed the differences between accelerators in terms of their startup growth paradigm and domain focus, business model, and cooperation strategy. The distinction between general/low-touch accelerators and specialized/high-touch accelerators turned out to be instrumental. The first type of accelerator is based on investment metrics that bring in several batches of startups per year in their permanent search for startups that combine rapid scalability and potentially large markets. Investing in such high potentials is the main investment strategy of these accelerators. Their ROI is founded on future traction and market penetration. The second type of accelerator does not take a cohort approach but helps to grow a limited number of startups in targeted technological or social domains and does so in a very intensive way. They are domain-specific or niche players. Their de-risking strategy is based on day-to-day coaching by highly experienced serial entrepreneurs. A successful exit is what they opt for.

The analysis also revealed that the distinction between incubators and accelerators is instrumental rather than conceptual. This conclusion was confirmed in a recent study by the California Business Incubation Alliance: “The proliferation of [incubator and accelerator] programs has blurred the traditional lines between these two types of support for entrepreneurs.” (2016: 7).

Most Silicon Valley accelerators are for-profit businesses. Their goal is to invest in promising startups with scalability potential in return for equity or other forms of financial participation. These might be larger general or smaller specialized accelerators. Corporate accelerators may have seed investment funds, but their main purpose is to stay on par with major technological innovations that keep them competitive. Accelerators help corporates to track innovative startups. As Aiaz Kazi, who heads Google’s Platform Ecosystem, points out: “I always say that startups are the lifeblood of innovation. Let them bubble up from the ground, give them a structure, give them a way that allows them to come through, and they will imagine and build solutions on your platform that you simply can’t.” But there is also another incentive, as Aiaz explains: “Some of these startups will grow and become big customers of tomorrow. You can bring startups into the mix to add on to your product, and that’s a win for both.”

Commercial co-working spaces are based on a rent business model but also provide access to their network of investors. The mission-driven, non-profit accelerators want their startups to grow because of their potential solutions to pressing social issues such as fighting climate change and water
problems or promoting the adoption of clean technology innovations. Their revenues come from foundation grants, corporate sponsorships, government support, and consultancy. These accelerators may not themselves invest in their startup companies, but they often do have structured relationships with investors.

Have accelerators achieved success in launching viable startups? Accelerators like to brag about the funds raised by their startup alumni in later investment stages, which may easily run into the hundreds of millions and sometimes even billions of dollars. Their websites proudly present these funding figures. But the performance math is a bit more complicated than these statistics suggest. It is unclear whether there is a causal relationship between accelerator program participation and startup success. Startup performance is a complex phenomenon and depends on many factors, of which accelerator participation is only one (Hathaway 2016b; Van Weele 2016; Hallen et al. 2014). It is extremely difficult to disentangle success factors (CBIA 2016). As Sean Randolph, senior director of the Bay Area Council Economic Institute, states: “It is not necessarily the case that if a startup company gets venture investment, this is because they were in an accelerator. There may be a connection, but it shouldn't be assumed.” Silicon Valley accelerator expert Susan Lucas-Conwell emphasizes that received funding is a meager indicator of startup performance success: “Raising money doesn’t mean you are a successful business, it just means you have a longer runway.”

Accelerators are embedded in the Silicon Valley network of support agencies, though the degree of cooperation varies. Some networks are institutionalized, while others are more loosely organized. Linking the outside world of investors, corporates, and technology stakeholders to the inside world of highly talented startups is a quality that all accelerators share, independent of their domain area, technology focus, or business model. It takes two to dance the Silicon Valley startup tango: investors looking for talent and talent looking for investors.