

Title: Effectiveness of the Bethnal Green Ventures accelerator programme

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Abstract

Business incubators have been broadly utilised in the UK and the USA to support startups since the 1960s. Since 2005, the trend changed towards a promising new approach called an accelerator which is still a relatively new phenomenon despite its popularity.

This study explores the effectiveness of the programme of the Bethnal Green Ventures (BGV) accelerator based in London, England, its positives and negatives and suggests recommendations for improvement.

Results showed that there are a great number of benefits and the programme should be considered effective since the positives were much more than the negatives.

Brief summary of the aims, content and results

The mostly descriptive data on startup accelerators makes them interesting for research notably because of the main literature gap identified here related to measuring their effectiveness.

Thus, this research aims to evaluate the effectiveness of BGV's programme, identify its positives, negatives and give recommendations for improvement.

To achieve this, the research examines BGV's network (alumni, mentors, partners, investors and startup founders from the cohort) and its programme elements (team updates, office hours, founder confidential, workshops, pitch practices and demo day).

The results showed that BGV's network is very beneficial mainly because of the advice and expertise given and also the feedback, information exchange and peer support in the cohort. Although discipline and pressure are considered beneficial at many accelerators, both lacked at BGV which companies claimed to have obstructed meeting targets. Although very useful, the diverse backgrounds among partners and peers respectively led to confusion on which partner to ask for advice and harder bonding with peers from the cohort. The usefulness of the alumni network was undermined mostly because of suboptimal communication channels rather than reluctance to help.

The main negative identified was the lack of early stage investors in BGV's network. It consisted of later stage investors mostly useful for advice and know-how rather than directly providing follow-up investment. Interestingly, the lack of early stage investors is a problem which was external and valid for the whole impact investment environment rather than internal for BGV only. Insufficient funding during the programme was another downside which proved very stressful for participants who had quit their jobs in order to partake.

Methodology and data/empirics used

In order to carry out the research, an interpretivist stance was taken which ensures flexibility and helps build theories and identify patterns for utilising an inductive approach.

To ensure internal validity a reflexive stance was embraced allowing the researcher to be critically reflective on her influence on the research process. Regarding external validity, generalisations were not aimed in this study but emphasis was rather put on the depth of analysis of the case under study.

Two samples were chosen to provide all relevant perspectives on the subject of this study: one consisted of eight startups from the January to April 2015 cohort and another consisted of two BGV partners.

The data collected was qualitative data through the use of semi-structured interviews which were judged to be the best way to collect the non-numerical primary data. In total, ten semi-structured one-to-one interviews in person were conducted with the sample groups.

The main focus of this research was answering the questions “how” or “why” and its contemporary orientation for which the researcher’s control over behavioural events was not needed, made the use of a case study the most appropriate strategy aiming to maximise the quality of the findings. In order to avoid generalisation problems, this dissertation was based on numerous individual cases on the same topic.

Conclusion

BGV’s network was very advantageous to the startups and literature on accelerators’ benefits was very helpful in understanding why. The valuable resources offered by BGV being beneficial proved the Resource Based View which sees firms as collections of resources and capabilities building distinctive competitive advantages and competencies.

Academic literature was greatly useful in clarifying the reasons for the main issue identified at BGV, namely their network including mostly later rather than early stage investors. Thus, this study’s findings agree with the literature on the apparent shortage of early stage investors, especially for social impact ventures, being the main negative of such programmes. Both this study and the literature acknowledged the insufficient funding during the programme to be another negative. There was a literature gap regarding the usefulness of programme elements but this study successfully assessed their effectiveness.

Although no agreed framework for measuring success exists which is another literature gap, the most frequently used, e.g. follow-up investment, exits and investor returns, are appropriate at the later stages of companies’ development making them irrelevant to BGV which focuses on early stage startups.

Given the qualitative approach used, it is hard to quantify this dissertation’s results but it seems that the BGV programme was effective since more positives than negatives were found, also compared against alternatives to accelerators suggested by the literature. Also, the most significant negative is external rather than internal to

BGV and applies to the whole social impact investment environment as strongly supported by the literature.

Implications for accelerators, startups and policymakers

The evaluation metrics used here showed that measuring accelerators' effectiveness can be successful even at the early stages of companies' development. Such evaluation can help accelerators improve their programmes by focusing exclusively on the most useful elements. The findings of this research have implications not only for accelerators which could improve their programmes but also for participating startups since their performance would also improve. Policymakers that create too generic metrics for measuring success have to start accounting for the specifics of accelerators and their programmes in order to create more useful metrics.

Possible future research developments

A further area of research could be evaluating accelerators' performance by measuring the frequency and size of follow-up investments and the number of acquisitions.

Since accelerator business models vary it would be interesting to study the effectiveness of each model in more detail.

Although accelerators are highly advantageous to startups, follow-up empirical research must be done to better understand their impact on entrepreneurship.