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**EARLY ACCELERATION: TRAINING MODULE ON STARTUP ECOSYSTEMS AND ACCELERATORS**



The name Silicon Valley first introduced in 1971.

The word startup introduced in 1976

“Startup boom” took place in late 1990’s (the Dot.com boom)

The startup landscape is now global

Many countries now rival US as international startup hubs

Still different dynamics and access to resources exists among various ecosystems



Startups contribute with

- ✓ employment & employability
- ✓ spreading of entrepreneurial spirit
- ✓ change in the ways we do things in our lives
- ✓ cheaper R&D
- ✓ diffusion of innovation mentality
- ✓ democratization of technology

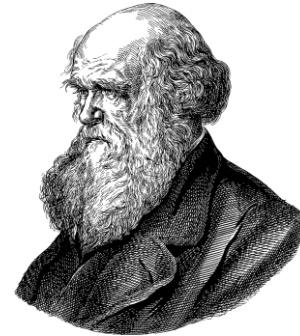
Y-Combinator in 2005 introduces “**equity financing**” mode and the Acceleration Method

**200 programs** (out of thousands out there) dominate the startup accelerators sector

**\$90 Bn** have been invested in startups until today via accelerators

**60%** of acceleration programs participate use the equity model





## Startup Acceleration

*A "Darwinian" process of selecting the most viable startups/projects, which get an support in verifying the market need, optimizing proprietary and intellectual property, and creating business planning, with financial forecasts and related estimates... An all in a fraction of the usual time to do so.*



Requirements for an **acceleration program admission** are designed around the following:

- ✓ Team Completion
- ✓ Team Location
- ✓ Incorporation
- ✓ Tech Sector
- ✓ Readiness of prototype/business plan
- ✓ Innovation / Disruption degree

# VERY COST PARAMMETERS FOR BOTH GIVERS AND RECIEVERS

- ✓ The cost of implementing an acceleration program depends on its **benefits**
- ✓ Certain acceleration programs **may charge fees**.
- ✓ Equity-based accelerators look for an **exit** from in their startups



# ACCELERATION PROGRAM CATEGORIES

## Investor-Led Accelerators

supported by investors - funds (shareholders / stakeholders), Techstars, Startupbootcamp, ProSiebenSat.1 Accelerator, Axel Springer, Plug & Play, Accelerator, etc.

## Matchmakers

Focus on "matching" the needs the host company with accelerated startups. Fintech Innovation, lab, Microsoft, Ventures Accelerator etc.

## Ecosystem Accelerators

Are tools for the development of the innovation ecosystem. Climate – KIC, Le Camping, Bethnal Green Ventures, Scientipole, Croissance etc.

NOTE: Hybrid accelerators combine in their model two of the above categories.

Specific sub-types of acceleration programs can be classified as University Led, Vertical, Open Innovation etc.

<http://nesta.org.uk/>



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# ACCELERATION PROGRAM CATEGORIES 2

Classification of Acceleration Programs based on Startup Stage and Specialization Degree

	Idea Stage	Early Stage	Growth Stage
Funding probability	No	Yes	Yes
Vertical	Rare	Yes	Yes
Sector Agnostic Program	Yes	Yes	Yes



## Main Acceleration Benefits (other than funding)

- ✓ Improvement of founders' **entrepreneurial capacity**
- ✓ **Reduction** of different transaction **costs**
- ✓ Helping business ideas **fail early**, inexpensively other wise **proceed faster**
- ✓ Leverage **network** externalities

## EARLY RESOURCE PLANNING:

Entrepreneurs do not know what types of resources they need, how to formulate their needs, and who to trust.

If such a weakness is not recognized early and founders are not guided, it can lead to **wasting valuable resources** and their **time**

## NOT UNDERSTANDING INVESTORS STANDARDS

- lack of understanding among startup founders of the role of early-stage investors is a commonly found problem.
- failure in receiving advice.
- unrealistic company valuations
- inability to efficiently plan use of funds

## NOT COMMUNICATING WELL WITH INVESTORS

- reluctance of startup to share information.
- ideas don't get funded
- harder mentoring or due diligence process
- reduced likelihood to proceed to any next step.
- most of the acceleration programs do not sign NDA's
- up to the startup founders to take it or leave it

## MENTORING INFLATION

- Participating in too many programs results to “mentoring inflation”.
- Advancing the mentoring process can be critical for a startup’s evolution.
- Advanced startups can benefit more by participating in vertical

## **COSMETIC MENTORS**

“Cosmetic advisors” and “traveling mentors” may affect the success of an acceleration program.

Acceleration organizers need to boost the image vs availability on behalf of the showcased mentors.

Ineffective mentor/mentee ratio, leads to unmet expectations on behalf of the startups.

## SPORADIC VS NON-SPORADIC GUIDANCE

Typically, startup teams need more than sporadic guidance from a program. It is critical:

- ✓ how much time different mentors spend.
- ✓ level of preparation to proceed in any the next step
- ✓ do not “jump” steps



## SUPPORTERS' COMMITMENT

Important to examine to true commitments to a program with local support organizations and program sponsors

Acceleration program organizer should filter the actual ability, as well as culture of any supporter.

Establishing clear rules of engagement from committed executives, number of hours for mentoring, communication method, reporting and equity stake (if applicable) is critical

## INVESTORS' COMMITMENT

Clarify the true commitment of Local Venture Capital Funds (VC Funds). Sometimes is less than expected.

Deal proactively with founders funding expectations for getting an investment from a participating VC.

Exceptions of clear VC engagement are acceleration programs that are organized or co-organized with VC-Funds that commit a certain amount of capital to the program.

## TALENT SOURCING

Sourcing talent is a major need for a startup and the acceleration program itself.

Accelerated start-ups may fill their needs for human capital with talent and services from the program’s community.

Outsourcing part of the solution creation can be useful “trick of the trade”

Non-Disclosure Agreements and Intellectual Property Right Agreements can be employed between the founders and the outsourcing party.

## MENTORING LIMITATIONS

The mentor's capacity to help is also limited by default.

It is imperative for the mentor to be able to recognize the time constraints related to his/her availability, the project's timeline as well as the necessary know-how that is required for each step of the way

## PUBLICITY

Pre-mature publicity can be tricky or even become undesirable condition to a startup's progress.

Glorified startups could be exposed before they reach a certain level of concept certainty.

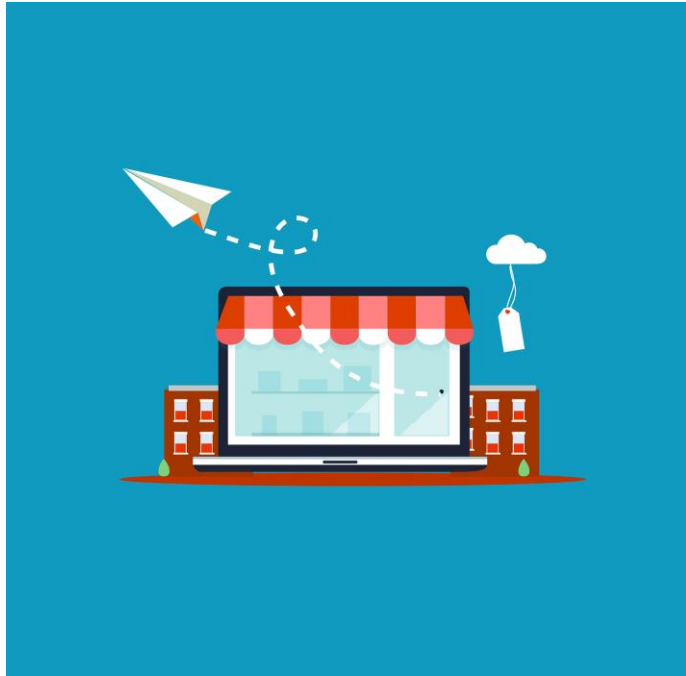
Publicized success is destructing to founders who may lose their focus

Concepts change multiple times. Inaccurate information footprints can dilute efforts and impact the future.

Exposure of information before a patent application process is complete, may result to loss of patent rights.



Parallel training and incubation of mentors along with the startups, can catalyze the acceleration process but also the dissemination of knowledge thus achieving a broader and lasting benefit to the ecosystem



Ecosystem maturity can help in deciding the degree of specialization for designing acceleration programs.



The development of working relationships with Business Angels, Angel Groups, Angel Funds, or very early mini-VC Funds is important as they are more likely to invest in a “good case” coming out of an acceleration program



# PROGRAM AND ECOSYSTEM GROWTH



Publicity is important but need to be dealt with the right amount of information supply and timing to make that work for the benefit of the acceleration program.



Implementation of mini-events provides exposure and knowledge, while supporting the creation of a micro-community.

Indicative topics:

- Presentations from more advanced startups or companies
- Intellectual Property and its protection mechanisms.
- Growth Hacking
- The Raise of Funding process
- Startup Governance
- Technology Issues with Prototyping, Alpha/Beta Testing, etc

The most important benefit from participating in an acceleration product is the **fast market and concept validation** that in turn leads to increased resource efficiency



Avoidance of any **emotional, conceptual** and **non-viable monetary investment** on bad ideas

Increasing the possibility for **entrepreneurial funding**



Impact accelerators support start-ups that are expected to create not only economic outcomes but also positive social and/or some type of environmental impact.

Indicative areas of impact accelerators are:

- Environment and Climate Change
- Energy and mobility
- Circular Economy
- Replacement of Animal Products

Impact accelerators differ from “commercial accelerators”, who focus mainly on exit/profit making, in the following elements:

- **less importance** on pricing and affordability
- product feasibility category is **less strict** criterion
- relatively **lower importance** to competitive advantage
- **team size more important** due to the variety of skillsets required to effectively cover a sustainability-based project.

Startups Accelerators provide **capital** of around **20-50k euros** for an **equity** between **5-10%**.

Certain programs require **residency** which costs around **15-30k euros**

**Other perks** that accompany a program can increase the total value per up go to **150k euros**.

A typical acceleration funnel may admit about **10-20% of its applicants**. Top programs admit less than **4%**.

**Almost 50%** of startup accelerators were **sector agnostic**

**\$38.000** per was the **average size /deal**, down from \$45.000 in 2017.



VC backed accelerators, **may offer larger amounts** of funding and follow-on funding from the same institution.

Relatively **low valuations** is a price to pay for early funding that may ultimately lead to faster commercialization

A startup in VC backed programs might have to surrender a 20% of their share for a total funding of +/-150k euros in two consecutive rounds. Of course, exceptions apply



- ✓ Startups need to decrypt a program's "secrets" to decide on the "match". Interviews with alumni companies asking their founders directly can be very useful
- ✓ Accelerators need to be very careful with the "bar setting" for the program they wish to run.

The orientation and fine-tuning of the acceleration formula is subject to the following:

- Maturity of the local ecosystem
- Geographic reach of the program
- Focus or Degree of sector specialization
- Funding offered
- Impact pursued
- Availability of resources to operate
- Time constraints
- The cost of the program and sometimes the profit from it.

... and above all the **main goal of the program.**

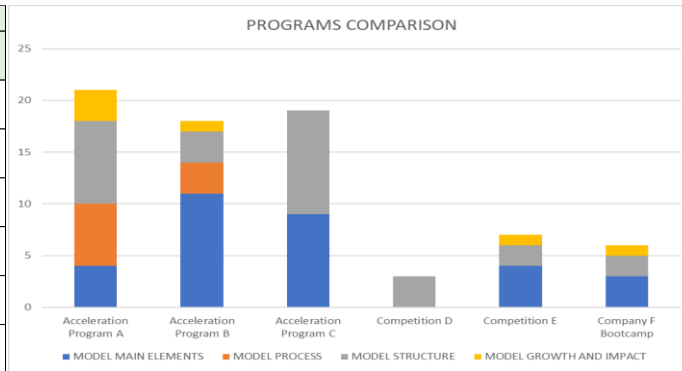
# ACCELERATION LANDSCAPE ANALYSIS

A competition analysis, is critical to understand the gap in the market of acceleration programs and competitions and relate it to startup needs.

MAX ADVANTAGE 3 - MIN 0	MAIN ELEMENTS					PROCESS			STRUCTURE			GROWTH AND IMPACT			
	ADMISSIONS	FUNDING OFFERED	SECTOR AGNOSTIC	VERTICAL	EQUITY	ONE STEP ACCELERATION PRCESS	TWO STEP ACCELERATION PROCESS	INTERIM CUT OF STARTUPS	MENTORING	SEMINARS	MINI EVENTS	DEMO-DAY	CORPORATE SUPPORT	CORPORATE POC HELP	IMPACT FOCUS
Acceleration Program A	1	0	3	0	0	0	3	3	3	2	3	3	1	2	1
Acceleration Program B	3	2	0	3	3	3	0	0	1	0	2	1	3	3	2
Acceleration Program C	2	2	3	0	2	0	0	3	2	3	2	0	0	1	3
Competition D	0	0	0	0	0	0	0	0	2	1	0	0	0	0	1
Competition E	1	0	0	3	0	0	0	0	2	0	0	1	0	0	1
Company F Bootcamp	3	0	0	0	0	0	0	0	2	0	0	1	3	2	3

# ACCELERATION LANDSCAPE ANALYSIS

	MODEL			
	MAIN ELEMENTS	PROCESS	STRUCTURE	GROWTH AND IMPACT
Acceleration Program A	4	6	8	3
Acceleration Program B	11	3	3	1
Acceleration Program C	9	0	10	0
Competition D	0	0	3	0
Competition E	4	0	2	1
Company F Bootcamp	3	0	2	1



Initial mapping/plan before an acceleration program implementation is critical as to identify its main constraints.

- Who the acceleration program targets?
- What is the main promise to participating startups?
- What services will the program offer?
- What is the program's duration?
- Who will be the program implementors?
- Who will be the program's partners?

Aside startup funding, different costs speculated depending on the country or countries a program is implemented, range between \$2k (eg. MIT VMS) and \$50k ( eg. TechStars) per participating startup.

# ACCELERATION PROGRAM BUDGET

## INVESTING ACCELERATOR

Program Design	item cost	# of items	repetition	total cost
Analysis	1.000,00 €	1	1	1.000,00 €
Plan	4.000,00 €	1	1	4.000,00 €
identity / material / Content	2.000,00 €	1	1	2.000,00 €
<b>TOTAL</b>				<b>7.000,00 €</b>

Startup Recruitment	item cost	# of items	repetition	total cost
Website	1.000,00 €	1	1	1.000,00 €
Email campaign	100,00 €	1	2	200,00 €
On-line ads	300,00 €	1	2	600,00 €
Event show casing	1.000,00 €	1	1	1.000,00 €
Evaluation of applications	20,00 €	300	1	6.000,00 €
Publicity	- €	2	2	- €
Interviews	50,00 €	20	1	1.000,00 €
<b>TOTAL</b>				<b>9.800,00 €</b>

Acceleration	item cost	# of items	repetition	total cost
In-house Coaches/mentors	15.000,00 €	5	1	75.000,00 €
Guest Mentors expenses	300,00 €	10	1	3.000,00 €
Administrative personnel	4.000,00 €	2	1	8.000,00 €
Facility	3.000,00 €	1	1	3.000,00 €
Mini Events	1.000,00 €	2	1	2.000,00 €
Collaborating Platform	20,00 €	20	3	1.200,00 €
Unpredictable	1.000,00 €	1	1	1.000,00 €
<b>TOTAL</b>				<b>93.200,00 €</b>

Ecosystem impact	item cost	# of items	repetition	total cost
Alumni relations	1.000,00 €	1	1	1.000,00 €
Mentors training	300,00 €	10	1	3.000,00 €
<b>TOTAL</b>				<b>4.000,00 €</b>

**TOTAL RUNNING COSTS 114.000,00 €**

Investing	item cost	# of items	repetition	total cost
Legal and due diligence	8.000,00 €	5	1	40.000,00 €
Investment Cost	20.000,00 €	5	1	100.000,00 €
<b>TOTAL</b>				<b>140.000,00 €</b>

**TOTAL PROGRAM COST 254.000,00 €**

## NON-INVESTING ACCELERATOR

Program Design	item cost	# of items	repetition	total cost
Analysis	1.000,00 €	1	1	1.000,00 €
Plan	4.000,00 €	1	1	4.000,00 €
identity / material / Content	2.000,00 €	1	1	2.000,00 €
<b>TOTAL</b>				<b>7.000,00 €</b>

Startup Recruitment	item cost	# of items	repetition	total cost
Website	1.000,00 €	1	1	1.000,00 €
Email campaign	100,00 €	1	2	200,00 €
On-line ads	300,00 €	1	2	600,00 €
Event show casing	1.000,00 €	1	1	1.000,00 €
Evaluation of applications	20,00 €	80	1	1.600,00 €
Publicity	- €	2	2	- €
Interviews	50,00 €	20	1	1.000,00 €
<b>TOTAL</b>				<b>5.400,00 €</b>

Acceleration	item cost	# of items	repetition	total cost
In-house Coaches/mentors	5.000,00 €	3	1	15.000,00 €
Guest Mentors expenses	200,00 €	5	1	1.000,00 €
Administrative personnel	3.000,00 €	1	1	3.000,00 €
Facility	3.000,00 €	1	1	3.000,00 €
Mini Events	1.000,00 €	2	1	2.000,00 €
Collaborating Platform	20,00 €	15	3	900,00 €
Unpredictable	1.000,00 €	1	1	1.000,00 €
<b>TOTAL</b>				<b>25.900,00 €</b>

Ecosystem impact	item cost	# of items	repetition	total cost
Alumni relations	1.000,00 €	1	1	1.000,00 €
Mentors training	300,00 €	10	1	3.000,00 €
<b>TOTAL</b>				<b>4.000,00 €</b>

**TOTAL RUNNING COSTS 42.300,00 €**



# ACCELERATION PROGRAM BUDGET

## PORTFOLIO

	Y1	Y2	Y3	Y4	SEED	SERIES A	SERIES X	R. RETURN	EXIT AT
Startup 1	20.000,00 €				X	X	EXIT	20	400.000,00 €
Startup 2	20.000,00 €				X				
Startup 3	20.000,00 €								
Startup 4	20.000,00 €								
Startup 5	20.000,00 €								
Startup 6		20.000,00 €			X	X	EXIT	10	200.000,00 €
Startup 7		20.000,00 €			X		EXIT		
Startup 8		20.000,00 €							
Startup 9		20.000,00 €							
Startup 10		20.000,00 €							
Startup 11			20.000,00 €		X	X	EXIT	2	40.000,00 €
Startup 12			20.000,00 €		X		EXIT	10	200.000,00 €
Startup 13			20.000,00 €						
Startup 14			20.000,00 €						
Startup 15			20.000,00 €						
Startup 16				20.000,00 €	X	X	EXIT	3	60.000,00 €
Startup 17				20.000,00 €	X				
Startup 18				20.000,00 €					
Startup 19				20.000,00 €					
Startup 20				20.000,00 €					
<b>TOTALN INVESTMENT</b>	100.000,00 €	100.000,00 €	100.000,00 €	100.000,00 €					
<b>AGGREGATE INVESTMENT</b>	<b>100.000,00 €</b>	<b>200.000,00 €</b>	<b>300.000,00 €</b>	<b>400.000,00 €</b>					
<b>ACCELERATION COST</b>	254.000,00 €	254.000,00 €	254.000,00 €	254.000,00 €					
<b>TOTAL AGGREGATE ACCEL. COST</b>	<b>254.000,00 €</b>	<b>508.000,00 €</b>	<b>762.000,00 €</b>	<b>1.016.000,00 €</b>					<b>900.000,00 €</b>

- POSITIVE ROI FROM INDIVIDUAL INVESTMENTS
- NEGATIVE ROI FROM THE ACCELERATION PROGRAM





For an “equity – based” investing accelerator organizers must explore:

- The funding scheme and legal entity
- The sources of funding
- The equity holding process and future cash-out/exit plan
- The legal requirements, processes and their cost
- The desired Internal Rate of Return (IRR) or Return on Investment (RoI) for the program
- The long-term plan of the program eg. 4-5 years to create a minimum portfolio 20-30 of invested teams.
- The greater budget for a longer period

For an “non- equity – based” investing accelerator organizers must explore:

- Cost coverage
- Ecosystem impact (jobs, companies created)
- The legal requirements and cost
- Foot-print of the program (e.g. mentality changed)
- The long-term plan of the program
- The greater budget for a longer period

# PROGRAM TIMELINE AND RESOURCE ALLOCATION

Running the program in phases integrating consequent pre-acceleration and acceleration steps, can be useful especially if you have large number of admitted participants to apply an interim selection process and gradually distribute the available resources to fewer teams

NUMBER OF WEEKS	8	2	1	2	1	2	1	2	1	2	8	1	1	2	6	1
PHASES	ADMISSION PERIOD			PRE-ACCELERATION				ACCELERATION					POST-ACCELERATION			
ACCELERATION TYPE	ADMISSION PERIOD	SCREENING 1ST EVALUATION	SCREENING 2ND EVALUATION	1ST PART	INTERIM CONTROL	2ND PART	SCREENING 3RD EVALUATION	1ST PART	INTERIM CONTROL	2ND PART	POC TRIALS	SCREENING 4TH EVALUATION AND DEMO DAY PREP	DEMO- DAY	SELECTION / TERM-SHEET	DUE DILLIGENCE	INVESTMENT
NON INVESTING	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES		YES	YES			
INVESTING	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES		YES	YES	YES	YES	YES
INVESTING WITH PROOF OF CONCEPT	YES	YES	YES	YES	YES		YES	YES	YES		YES	YES	YES	YES	YES	YES

# PROGRAM TIMELINE AND RESOURCE ALLOCATION

PROGRAM TIMELINE TIME (WEEKS)							
ACCELERATION TYPE	ADMISSION PERIOD	PRE-ACCELERATION	ACCELERATION	DEMO- DAY	POST-ACCELERATION	TOTAL DURATION (WEEKS)	DURING THE PROGRAM ENGAGEMENT FOR STARTUPS
NON INVESTING	11	6	6	1	0	24	13
INVESTING	11	6	6	1	9	33	22
INVESTING WITH PROOF OF CONCEPT	11	4	11	1	9	36	25

# PROGRAM TIMELINE AND RESOURCE ALLOCATION

NON-INVESTING ACCELERATION PROGRAM EXAMPLE							
NUMBER OF PARTICIPATING TEAMS		PRE-ACCELERATION					
RESOURCE TYPE	#ITEM	ITEM COST	HRS/ MENTOR-ADVISOR	TOTAL HRS	PHASE ALLOCATION	TOTAL PHASE COST	
MENTORS	3	5.000,00 €	60	180	50%	7.500,00 €	
ADVISING	10	200,00 €	3	30	50%	1.000,00 €	
MINI EVENTS	2	1.000,00 €			50%	1.000,00 €	
COLLABORATION TOOLS	20	20,00 €			50%	200,00 €	
INVESTMENT AND LEGAL COSTS	0	- €			0%	- €	
<b>TOTAL COST</b>						<b>9.700,00 €</b>	
ALLOCATION OF HRS PER TEAM						10,5	
ALLOCATION OF VALUE / TEAM						485,00 €	
NUMBER OF PARTICIPATING TEAMS		ACCELERATION					
RESOURCE TYPE	#ITEM	ITEM COST	HRS/ MENTOR-ADVISOR	TOTAL HRS	PHASE ALLOCATION	TOTAL PHASE COST	
MENTORS	3	5.000,00 €	60	180	50%	7.500,00 €	
ADVISING	10	200,00 €	3	30	50%	1.000,00 €	
MINI EVENTS	2	1.000,00 €			50%	1.000,00 €	
COLLABORATION TOOLS	10	20,00 €			50%	100,00 €	
INVESTMENT AND LEGAL COSTS	0	- €			0%	- €	
<b>TOTAL COST</b>						<b>9.600,00 €</b>	
ALLOCATION OF HRS PER TEAM						21	
ALLOCATION OF HRS PER TEAM (NO INVESTMENT)						960,00 €	
ALLOCATION OF VALUE IN INVESTED TEAMS ONLY							

INVESTING ACCELERATION PROGRAM EXAMPLE							
NUMBER OF PARTICIPATING TEAMS		PRE-ACCELERATION					
RESOURCE TYPE	#ITEM	ITEM COST	HRS/ MENTOR-ADVISOR	TOTAL HRS	PHASE ALLOCATION	TOTAL PHASE COST	
MENTORS	3	15.000,00 €	60	180	50%	22.500,00 €	
ADVISING	10	300,00 €	3	30	50%	1.500,00 €	
MINI EVENTS	2	1.000,00 €			50%	1.000,00 €	
COLLABORATION TOOLS	20	20,00 €			50%	200,00 €	
INVESTMENT AND LEGAL COSTS	0	- €			0%	- €	
<b>TOTAL COST</b>						<b>25.200,00 €</b>	
ALLOCATION OF HRS PER TEAM						10,5	
ALLOCATION OF VALUE / TEAM						1.260,00 €	
NUMBER OF PARTICIPATING TEAMS		ACCELERATION					
RESOURCE TYPE	#ITEM	ITEM COST	HRS/ MENTOR-ADVISOR	TOTAL HRS	PHASE ALLOCATION	TOTAL PHASE COST	
MENTORS	3	15.000,00 €	60	180	50%	22.500,00 €	
ADVISING	10	300,00 €	3	30	50%	1.500,00 €	
MINI EVENTS	2	1.000,00 €			50%	1.000,00 €	
COLLABORATION TOOLS	10	20,00 €			50%	100,00 €	
INVESTMENT AND LEGAL COSTS	5	28.000,00 €			100%	140.000,00 €	
<b>TOTAL COST</b>						<b>165.100,00 €</b>	
ALLOCATION OF HRS PER TEAM						21	
ALLOCATION OF HRS PER TEAM (NO INVESTMENT)						2.510,00 €	
ALLOCATION OF VALUE IN INVESTED TEAMS ONLY						30.510,00 €	



Many times, startup accelerators fail to operate efficiently or deliver on what is promised. That is mainly due to the following main reasons:

1. Not positioned in a clear vertical, ecosystem or not having the reach to the best teams in those.
2. Absence of dedicated mentors and advisors
3. Not adequate reach to the right match of investing entities
4. Absence of clear goal setting followed with the right strategy for that goal
5. Absence of alignment among the program's stakeholders