CHAPTER 9

Radical Innovation Using Corporate Accelerators: A Program Approach

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Abstract Collaboration between startups and established firms often fail, not only because of the motivation or capability of the participants, but also because of a poor understanding of the required management processes. This chapter examines corporate accelerators from the perspective of program management process and provides a checklist for the construction of a suitable framework.

Keywords Radical innovation • Corporate accelerators • Program theory • Innovation strategy

Background

Research shows that radical innovations are often introduced into the market by entrepreneurs via newly created firms (Ahuja & Lampert, 2001). Established firms are generally superior in delivering incremental innovation, improving existing technologies and business models bit by

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bit (see Chap. 1). Therefore a key to facilitating the introduction of radical innovation by established firms is to merge elements of the old and new economies by working with startups (see Chap. 8). Examples of firms that execute this strategy include Disney Accelerator (Techstars), Microsoft Ventures Accelerator Tel Aviv, Axel Springer Plug & Play, Barclays Accelerator (Techstars), Nike+ Accelerator (Techstars) and ProSiebenSat1 Accelerator.

But what is an accelerator program exactly? They are programs that begin with a competition in which anyone with a clever business idea can participate. Usually the competitors are startup teams, nascent firms that think their original idea is realistic and can grow quickly. These ideas are innovative, new to the market, and may have the potential to increase profits and market presence substantially (Blank & Dorf, 2012). If the young firm shows promise, usually during the founding or pre-founding phase, an established firm might take a share of equity by providing funding and resources for further development. However, an increasing number of organizations are choosing not to take this approach, as the acceptance rate by startups is too low.

The accelerator program invites groups of entrepreneurs to participate in a "boot camp" in which they are supported by mentors, workshops, education, and a network of experienced company founders and experts in finance, law, methods, or technology (Jackson, Richter, & Schildhauer, 2015). Within a highly structured framework and a tight schedule with fixed delivery and demonstration dates, the startups present provisional versions of their product. The whole process has a specific rhythm and milestones are not moved, allowing a rapid selection of the best ideas that can be conceptualized, prototyped, and presented in a specific timebox. Perhaps more importantly, ideas that are considered to be less promising are discarded early and with low sunk cost.

Corporate accelerators are a specific type of accelerator, which a company might run internally or using an external service provider.

> The emergence of the corporate accelerator appears to have arisen from a desire by many companies to bring themselves closer to innovation and gain access to windows on emerging technology, thus staving off the gale of creative destruction. (Hochberg, 2015, p. 24)

The objectives of companies in doing this may vary from serious new product development to public relations and image management. Consequently, the advantages vary widely as well, but generally companies hope to gain fresh ideas and raise the motivation of their own teams. Startups profit by very quickly gaining access to financial support or other resources such as expert networks, marketing channels, or other partners (Jackson & Richter, 2017). At first glance, this seems like an obvious win–win situation and, if standardized and proven, it could form part of a national approach to innovation. However, these programs are relatively new and unproven, and the partnerships are not without problems. Many such programs fail because the processes are unclear, because it doesn't work the way the established firms expect or demand, because startups have no interest in responding to wordy or restrictive tenders, or because the two parties differ so substantially in their work practices and culture that if even great ideas are developed the two are incapable of working together to co-develop anything.

It has already been noted in Chap. 8, that deep-seated attitudinal, structural, and cultural differences collide in these partnerships. Good processes can help to identify these differences, set up preventive measures, and respond quickly when things start to go wrong. Often the partnerships fail not because of a lack of good will or capability, but because of a lack of clear, well-thought-through program practices.

In the following sections accelerators are analyzed using the lens of program management. We discuss how to make them work using a formal taxonomy of program management derived from Gomm (2000). We fill this taxonomic framework with the experiences and lessons expressed by managers of accelerators, startups, and company innovation managers.

How Can Managers Implement Corporate Accelerator Programs within Their Own Organization?

The successful use of startups by other organizations, and the necessity to keep abreast of new developments in technology, challenges managers to consider how they might apply this approach themselves. But duplicating the success of others is not easy; one cannot simply imitate a set of processes and expect the same results. A standard checklist for program designers should help such managers consider where the accelerator approach might be adapted to fit the needs of their own firm. We use a program framework which has been used particularly successfully in health and social welfare programs. Before we do this, we briefly discuss program theory, in particular using a realist approach as described by Pawson and Tilley (2004). We do this because programs need to be implemented with a clear idea of what makes the program work, and whether the conditions to trigger successful outcomes are present. Understanding why something might or might not work helps managers to evaluate, improve, and successfully implement programs that are initiated to achieve specific goals.

Program Theory as an Aid to Improving Design and Implementation of Innovation Strategy

Programs are social undertakings aimed at improving outcomes and thereby resolving a certain set of problems. They emerge from the mental models people have of those problematic, or conversely desirable, situations and their understanding of what causes them to occur. Poverty should be reduced, injustice rectified, infrastructure improved, and innovations produced. The programs that are developed to address these issues should be based upon an understanding of causes. In our case, a corporate accelerator is intended to boost the probably inadequate levels of radical innovation in established firms in order to protect the firm from external disruption by competitors and new entrants. Programs are directed towards a vision or objective and are a practical conceptualization of how this vision can be achieved. They are context specific and are introduced into existing social systems to achieve change. Any program intervention should, to a degree, throw an existing system off balance, enabling causal change that leads to desired results. The central question becomes what works for whom and in what circumstances. Introducing the same formal accelerator program into two different organizations may lead to very different results—a single feature of the context may lead to quite divergent outcomes. In the case of corporate accelerator programs these could be factors such as:

- capabilities and charisma of trainers and trainees (i.e. startups, firm managers, and accelerator managers),
- personal relations between participants,
- value that the organization really attaches to innovation,
- quality and type of inputs into the accelerator from the wider context, such as infrastructure, facilities, government support programs, and so on.

If an accelerator program is successful, or generates a positive vibe in an organization, the motivation and capabilities of the participants create a virtuous circle, which ultimately becomes self-sustaining: a new type of creative, can-do culture emerges. But for this, contextual factors such as management support, tolerance of failure, and risk-taking are important. Even beyond this, such programs take place within open systems and are connected to a wider environment: unexpected events, new political drivers, technical developments, or a change in personnel can all influence the trajectory of an accelerator program—the outcomes are not deterministic, although in retrospect they might seem to be. In particular, a program architect should always be aware that it is not the program features that directly cause changes to happen. Human agents participating in the processes are influenced by those features to change their behavior or make certain decisions: it is "the process of how subjects interpret and act upon the intervention stratagem" (Pawson & Tilley, 2004).

Programs can have intended and unintended consequences. A program architect should monitor outcomes as they occur in a program: in the case of accelerators, it is not about numbers and measures (although these are important); it is also about changes effected by the program on the environment and actors themselves. Changes might be observable in the behavior of staff, readiness of managers to pursue risk or give their staff space to experiment, different kinds of conversations and language: these changes to the underlying substance of the firm may have a significant and sustainable influence on a firm's competitiveness and innovation readiness. Whatever the outcomes are, they may differ from firm to firm, depending upon the starting position and contextual factors which influence the trajectory. Program architects need to observe and identify the conditions which cause good or bad outcomes, and manage these factors accordingly to avoid failure: there is no silver bullet.

> Programme building is […] a matter of getting the right ingredients in place in the right setting to suit the needs of particular sets of consumers. (Pawson & Tilley, 2004, p. 10)

Corporate Accelerator Programs

In our interviews with experienced practitioners (12 interviews with established firms, 12 with startups, and three with accelerator managers) and analysis of the existing accelerator literature, we have identified many of the essential features of corporate accelerator programs. These features can be used by a program architect during the definition and planning of a corporates accelerator program.

The first question for a program manager or architect to ask of each program feature is whether it will work in that particular context. Simply implementing standard features is not an option. Any accelerator program should be adapted to local conditions, so that features such as a pitch night, the lean startup method (Ries, 2011), or the limited time frame will trigger mechanisms that inspire participants in the firm and the startup to commit to and deliver innovative ideas that support company strategy. Table 9.1 takes the key general components of programs and makes suggestions as to how a program architect might consider the specific organizational context when the corporate accelerator is established and run.

Table 9.1 Success factors of accelerator programs

Program component	*Contextual aspects that will help the feature to work*
Strategy	There must be a clearly defined objective for the corporate accelerator. All participants must be helped to understand and commit to this objective. This needs to be propagated across the organization. The organization can choose from a number of outcomes that an accelerator with startups can provide, but it must explicitly manage towards these. An overarching innovation strategy is necessary to legitimate and provide resources, but a specific strategy for the corporate accelerators and working with startups is also required.
Resources	Established firms should create clear organizational signposts and pathways for the startups to the relevant sources of knowledge, information, and data, and to the right customer and internal networks. Senior management commitment is a *sine qua non*: lip service and clichés will only service to increase cynicism. Senior leaders must provide resources, support the projects, and be seen to be involved.
Processes	The established firm should have the ability to determine the duration, content, and form of the accelerator program. A competition to select the best participants, a fixed program duration, the use of lean startup methodologies and rapid interactions, and feedback keep the pulse of development rapid and even, preventing energy-sapping pauses, minimizing wait time, and maintaining momentum—all embedded within a disciplined framework.
Structures	In setting up the project groupings, roles and responsibilities, it is better to separate the accelerator from the routines of the established firm. This is also important for internal corporate accelerators. Freed from internal procedures and a culture that might say "slow down, we can't do that here," participants in corporates accelerators will be more likely to apply themselves in unconventional ways and come up with the most interesting and radical contributions to the firm.

(*continued*)

Table 9.1 (continued)

Program component	*Contextual aspects that will help the feature to work*
Roles and responsibilities	There should be a project manager, who is responsible for controlling the entire accelerator process. This project manager should either be, or report directly to, a senior manager. The accelerator itself should be run by an experienced accelerator manager, with startup and corporate experience, who creates the necessary bridges between the company and startups. It is important not to perceive startups as sub-contractors, but as equal partners, with their own needs and legitimate objectives: a basic principle of interaction should be to seek win–win outcomes and shared goals, which should be revisited and adapted in a continuous, flexible process.
Environment	The attitudes, culture, and existing work practices of the established firm are decisive. A positive and supportive enterprise culture will simplify the interaction with the new partners and assist the acceptance of new products by management and staff. To develop a radically innovative product or service with startups is one thing; to integrate this into an existing product suite (which it might threaten), or marketing processes, or brand is quite another story.
Results	For startups, a total focus on the customer and the permanent, relentless pursuit of customer and market fit is crucial: this attitude needs to be adopted by the established firm. Companies should only further refine and develop ideas which are attractive to key stakeholders, such as customers or investors. Metrics which measure success and progress should be developed and refined as the firm gains more experience in the workings of radical innovation.

The following table presents questions which established firms should ask themselves prior to commencing a corporate accelerator. They are the result of several years of international research, participant observation of, and conversations with those involved in accelerator programs. They may provide useful food for thought for program architects seeking to successfully engage the creative energies of startups and provide useful outcomes for established firms (Table 9.2).

An accelerator program functions as a high-performance filter, through which ideas, teams, and skills are passed and which weeds out lackluster innovations, poorly functioning teams, and those without the capabilities to make things work. This minimizes sunk costs and uncer-

Table 9.2 A checklist for corporate accelerators

Program component	*Questions when planning a corporate accelerator program*
Strategy	What are the goals of the program? Do we have a corporate strategy for open innovation processes with startups?
Resources	What resources are available? Do we have the resources necessary to run a corporate accelerator? What additional resources will we need?
Processes	What processes have we planned? Will the process be similar to existing accelerator programs? Are the objectives consistent with the overall goals? What must we adapt?
Structures	How should we organize our program? Is our program spatially and organizationally separated from the existing routines of our company? Do we need to change anything in our internal reporting or management? How do we optimize the exchange of ideas between core business and the accelerator program?
Roles	What roles should we define for the program? Who has overall responsibility? Do we have senior management support? Do we have an experienced and independent accelerator manager? What exactly is the role of the targeted startups?
Environment	What is the environment provided by the firm and the environment within which the firm operates? Are we open to new ideas? Where do we generally get new ideas? Are we in a position to integrate externally sourced, radically new ideas?
Results	How do we know that we have achieved our goals? Who are the most important stakeholders, who can independently assess success? Are we considering our most important customers? Do we have hard data and measures for customer satisfaction with new products or accelerator program efficiency and effectiveness?

tainty. Strict processes, selection criteria, and fixed decision points and deadlines keep creativity "under control" and maximize relevance and potential. Whilst it sounds brutal, startups are often grateful for the imposed discipline and structure. Established companies find it easier to steer the processes and idea development in a direction which suits them and to minimize the time spent on unsuitable proposals. Motivated, talented people from different backgrounds working together under these conditions have the potential to develop radical innovations with applications for established firms.

Companies generally become more involved in the innovation process after proposals begin to take shape. In due course, the number of ideas is reduced—at the beginning of the program generally a large number of possible ideas are floated, and these are reduced bit by bit. Objective criteria should be developed in advance and applied to help select the best ideas. An accelerator program thereby becomes more than a filter: it is a communications interface between the established firms and the startups. The accelerator creates a highly competitive and controlled environment which facilitates refinement of ideas and selection for further collaboration with startups.

Conclusion

A lot has happened in innovation theory and processes. Corporate accelerators are a relatively new and a little researched innovation program, whose most important function is to help companies to recognize and adopt new approaches, ideas, and technologies in the face of competition from traditional sources as well as new market entrants. But there are other significant benefits—reputation and brand enhancement, building relationships with talented future suppliers, or even the creation of new markets. Most companies who co-operate with startups are particularly interested in radical innovation, usually because they are operating in markets that are particularly threatened by new Internet entrants: incremental innovation is not enough in their industry.

In this chapter we have presented the key aspects of corporate accelerators within a program management framework in order to help those companies wishing to establish such an approach. But implementation is always bound into an existing context and the same formal program features, introduced into two different firms, may have completely different outcomes. Therefore the key question in program design and implementation should be how we can make this work for us, given our people, processes and culture. This reflective and considered approach is quite different, more nuanced, and more likely to succeed than approaches that simply tick off "critical success factors."

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