Accelerating Open Innovation: A Stakeholder Approach

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Introduction

In the past decade, open innovation, a "paradigm that assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as the firms look to advance their technology (Chesbrough 2003, pxxiv)" has gained increasing attention from practitioners and scholars alike, as firms strive to respond to increasing pressures to boost innovation, reduce time-to-market, and decrease their R&D costs (Huizingh 2011). The principal rationale of sharing risks and rewards in innovation across firm boundaries is to better leverage intellectual capital.

As knowledge becomes increasingly distributed, organizations should no longer rely solely on their own research, but instead share and develop processes or inventions (i.e. patents) with other companies and vice versa. Moreover, a firm's undervalued assets, such as internal inventions that are not being used, should be made available to the outside world through co-development, licensing, joint ventures and/or spin-offs (Chesbrough 2003). Such open innovation approaches to

manage and leverage intellectual capital require an entrepreneurial mindset insufficiently developed in many large corporations (Jones, Norris and Solomon 2002).

One increasingly popular approach among firms' open innovation efforts constitutes in the running of business incubators and seed accelerators programs. These permit to attract promising new ventures, generate opportunities for collaboration (Minshall et al. 2014; Gassmann and Enkel 2004; Gassmann and Becker 2006), and increase the entrepreneurial mindset within the organization (Burg, Jager, Reymen and Cloodt 2012). Corporate accelerators and incubators are entrepreneurial support structures that make available a combination of business training and mentoring program, physical infrastructure (often a co-working space), and access to various networks (Miller and Bound 2011; Cohen and Hochberg 2014). While incubators have been around for over three decades (Allen and McCluskey 1990; Hackett and Dilts 2004), seed accelerator programs appeared in 2005 with the launch of Y-combinator in the United States. Ever since, thousands of seed accelerators have proliferated around the world (Cohen and Hochberg 2014). Academic interest in these phenomena however is fairly recent (Miller and Bound 2011; Isabelle 2013; Cohen 2013). To date, studies are essentially definitional, proposing to discern antecedents and core characteristics of the concepts at hand (Cohen 2013; Radojevich-Kelley et al. 2012; Isabelle 2013; Cohen and Hochberg 2014). While accelerators' impact on nascent ventures and investors is increasingly researched (Hallen, Bingham, and Cohen 2014; Fehder and Hochberg 2014; Kim and Wagman 2012), little is known about the nature and types of relationships of accelerators with diverse stakeholders such as entrepreneurs, venture capitalists, policy makers, academic institutions, and large corporations (Gould 2012). This is regretful because in many ways this is where the paradox of open innovation lies: in the ambiguity between wanting to access the benefits of open innovation and having serious concern in terms of the risk

of sharing one's intellectual capital and possibly exposing it to misappropriation. Stakeholder theory (Freeman 1984) and stakeholder value creation (Nolan and Phillips 2010) might help understand, explain, and extenuate this inherent structural risk of open innovation in general and more specifically of corporate acceleration. Our research intends to contribute toward remedying this gap. We investigate corporate accelerators in terms of their characteristics, dimensions, and types of interactions with the principal actors of the entrepreneurial ecosystem. Why do corporations build and run such accelerators? How do stakeholders impact upon such accelerators, their functioning and performance? How do such accelerators in turn impact upon their corporate and external environment? What different types and levels of integration, cooperation and/or sharing exists and can we begin to understand how these perform? These are some questions that our research addresses.

Literature review

While no formal definitions nor conceptual frameworks of corporate accelerators exist as yet in the literature, it is suggested to perceive these programs as the confluence of various preceding types of innovation and corporate venturing initiatives aimed at exploring changes in the environment and increasing large organizations' ability to innovate. In particular, corporations have run business incubators for around three decades (Allen and McCluskey 1990; Hackett and Dilts 2004). While incubators' value offering has evolved over time (Bruneel et al. 2012), they generally provide physical infrastructure, business support, and networking opportunities for a duration of 2 years on average (Grimaldi and Grandi 2005; Becker and Gassmann 2006; Brigl et al. 2014; Bruneel et al. 2012). Colocation with other new ventures allows entrepreneurs to leverage knowledge, lessons learned, and business contacts (Becker and Gassmann 2006; Bøllingtoft and Ulhøi 2005), something that corporate venture capital (CVC) alone could not offer. While some

corporate incubators were meant to encourage internal entrepreneurs, many focused on hatching external ventures (Becker and Gassmann 2006; Grimaldi and Grandi 2005).

In recent years, seed accelerators have emerged as a novel format of entrepreneurial support (Miller and Bound 2011) and corporate leaders are increasingly adhering to it (Wauters 2013; Roettger 2013; Kopytoff 2012). While accelerators share some characteristics of business incubators at a high level, significant differences become apparent in terms of program configuration, such as duration, exit policies, presence of cohorts, selection process, mentoring, and networking activities (Cohen 2013; Miller and Bound 2011). Seed accelerators have a short duration of three to six months on average (Miller and Bound 2011; Cohen 2013; Radojevich-Kelley et al. 2012) unlike business incubator programs, which often continue for two years (Bruneel et al. 2012). This variance in duration implies a divergence in underlying objectives: incubators intend to provide a nourishing environment for ventures to survive during their first fragile years (Allen and McCluskey 1990; Miller and Bound 2011). In contrast, accelerators' short duration is aimed at creating a high pressure environment that is expected to drive rapid progress (Miller and Bound 2011), help entrepreneurs make decisions, generate higher engagement from mentors (Cohen 2013; Hallen, Bingham, and Cohen 2014), and ultimately fuel fast growth (Cohen 2013). Furthermore, accelerators' highly selective admission policy – they tend to put into competition candidates from around the world (Isabelle 2013; Cohen 2013) differs from incubators' less demanding selection process that usually focuses on local entrepreneurs (Bergek and Norrman 2008; European Commission 2002). Also, whereas accelerators have a fixed duration and all startups start and finish the program at the same time, business incubators have more flexible exit times (European Commission 2002) and thus do not organize startups in batches. Incubated startups may be at different levels of maturity, therefore business training is often

provided on ad-hoc basis, and networking is less institutionalized (Hansen et al. 2000). In contrast, batching allows accelerators to use a more standardized approach under the rationale that startups are at the same level of maturity and face similar challenges (Hallen, Bingham, and Cohen 2014; Cohen and Hochberg 2014).

In this context, corporate accelerators constitute a particular variant, where the main sponsor and/or manager of the program is an established company, instead of an independent investor (Lehmann 2014). This brief overview evidences the key role that optimal stakeholder interaction needs to play for such programs to perform, and thus validates the necessity for further research in that domain.

Methodological approach

To set the scene we performed a meta-synthesis of available literature on corporate venturing, seed acceleration, business incubation and open innovation. The purpose was to overcome the scarcity of available studies on seed accelerators by drawing from adjacent domains and building thus a theoretical underpinning of relevant concepts, constructs, taxonomies, and frameworks linked to the concept of acceleration in a corporate context, for which no formal definition exists yet. Secondly, in order to investigate the motives, roles, interactions, and value adding activities engaged in by corporations in seed accelerators, we performed a review of the (contrary to academic data) very prolific practitioners' data sources, such as accelerators' websites, industry reports, consultant reports, and business news. Thirdly, we perform original empirical work in the shape of an in-depth qualitative case study at a leading multinational corporation. The global group runs several entrepreneurial initiatives and has recently started an accelerator program. Data collection includes semi-structured interviews and direct observation. We conceptualize each one of these approaches separately – i) academic meta-synthesis, ii)

practitioner data analysis and iii) inductive field research – and ultimately triangulate the three data sets into a conceptual framework aimed to increase understanding of corporate accelerators and serve as a model for further inquiry. In particular, we are expecting to frame the construct of corporate seed acceleration in relationship to diverse stakeholder theories.

In addition to developing novel theoretical hypotheses, we expect new insights for practitioners, for example more substantial knowledge on what drives organizations' choices to adopt different collaboration models and to have some early understanding on how such models perform. Further implications for practitioners that can be expected to emerge are some indications on the contextual and collaborative prerequisites that need to be put in place for accelerators to be able to deploy their efficacy. This will help leaders to make decisions and help facilitators and accelerator managers to optimize their programs. In addition, entrepreneurs may also benefit from such research by better recognizing the value propositions of different programs and selecting those best fitted to their needs.

Initial findings

The field study is ongoing. The first two research loops are well advanced and frameworks are emerging. We have for example built a taxonomy of cooperative acceleration strategies that large organizations develop, essentially independent seed accelerators and corporate seed accelerators. We have begun to frame this (Figure 1) into four distinct cooperation heuristics adopted by corporate partners to interact (or not) with independent accelerators: the channel exploiter, the value sponsor, the strategic ally, and the solo corporate manager. We detail our approach and provide explanations, examples and references.

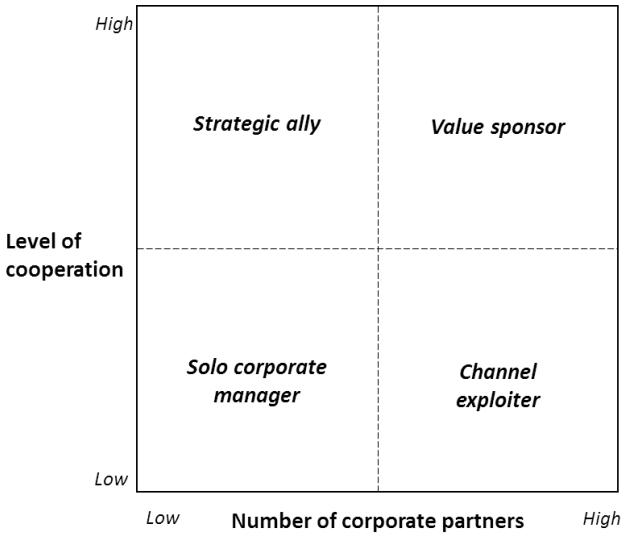
Insert figure 1 about here

At low levels of cooperation, there is the “channel exploiter” strategy, were established firms use independent accelerators as distribution channels for their own products, typically IT platforms and services (e.g. cloud server space, free accounting tools, etc.). This heuristic is deployed by organizations “in the hope that startup founders become their long-term customers” (Seedcamp Founders’ Pack 2015). Accelerators offer these services as part of their value-added package to startups, forming this type of partnership with several companies so as to make their offering more attractive in the eyes of entrepreneurs. New ventures benefit from these deals as they lower their operating costs. Next, in the “value sponsor” approach, corporations engage some of their executives to act as mentors to the entrepreneurs and exchange experience in various domains. In some cases, they provide access to unique resources such as distribution channel and customer base for prototype testing. Knowledge spill-out, promotion of an entrepreneurial spirit, and innovative brand image may be key benefits for the corporation to establish these partnerships. As described by SNCF, a partner to Le Camping accelerator in Paris “The culture of open innovation was adopted in SNCF’s values, breaking with traditional models of innovation. Thanks to the confrontation with the innovation ecosystem we can see our problems in a different light and come up with solutions which we would not have thought before… For new ventures, SNCF is an ideal testing ground and they can benefit from our advice” (Le Camping - Partners 2015). In addition, the corporate venture capital branch of established firms may gain access to the venture portfolio for co-investment during demo days.

Up to this level, the accelerator is still viewed as independent, and the corporations, usually more than one company, act as minor sponsors. The programs' organization remains in the hand of the former entrepreneurs/investors who launched and run the accelerator on daily-basis. The degree of influence of the sponsors in the program's configuration requires further investigation. However, some corporations have taken the leap to the next level, becoming the key sponsor of the accelerator programs, providing seed investment in addition to the other non-financial resources in terms of technologies, marketing channels, customers, mentors' advice, and physical space. At this point two different strategies are pursued. On one hand, organizations might act as a "strategic ally" with an independent accelerator program, launching a new program together, using co-branding. The joint accelerator program often focuses on a particular industry where the corporation has strong capabilities. The proven track record and expertise of the experienced accelerator, together with the unique capabilities of the corporations may make a powerful combination. The success of these programs is yet to be proven as most of them only have between one to three years of existence. Last but not least, some companies choose to be a "solo corporate manager" of the accelerator and launch their own programs, building on their network and powerful brands. Rationales for this strategy vary.

This is work in progress. However, we would appreciate the opportunity to share our progress at ICSB and exchange with and learn from peers from the field of innovation.

Figure 1: Cooperative strategies between independent accelerators and corporate partners



128 references available from the authors