ACCELERATORS, NETWORKS AND VENTURE CAPITAL FINANCING (SUMMARY)

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ACCELERATORS, NETWORKS AND VENTURE CAPITAL FINANCING

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Principal Topics

Accelerator Programs are a growing player in the entrepreneurial landscape that intend to reduce startups’ failure rates and foster entrepreneurial ecosystems. They are important in speeding up the learning process of startup teams at a lower cost (S. L. Cohen & Bingham, 2013; Leatherbee, 2014). One of their objectives is to increase the chances of receiving subsequent funding through angels and VCs (Gonzalez-Uribe & Leatherbee, 2015; Radojevich-Kelley & Hoffman, 2012, S. G. Cohen, 2014; Winston-Smith, Gasiorowski, & Hanningan, n.d.). A critical function of the accelerator is to enhance the social capital of founder teams (S. G. Cohen, 2014; Leatherbee, 2014; Radojevich-Kelley & Hoffman, 2012). Given that social capital is key to the entrepreneurial phenomenon, it is important to analyze its impact on Accelerator Programs participation, and on their relative efficacy on enhancing subsequent startups’ performance.

Method

We construct an original database of startups from California and Massachusetts that went through Accelerator programs and a comparison group of startups (total 429 startups). We use data collected from specialized sources including AngelList, Crunchbase and SeedDB in order to reconstruct the network of connections among startups and individuals. Connections comprise the roles of investors, advisors, board members and other roles such as lawyers. We use these networks and graph theory in order to develop social capital indicators. We examine these metrics before and after acceleration. We also control with measures of education background and experience, constructed using Linked-in information.

Results and Implications

Our results add to the evidence pointing that Accelerator Programs enhances the positive impact of prior network on the probability of closing later VC financing rounds. In addition we show that this effect is more pronounced in startups with better prior social capital as measured by networks, suggesting that the accelerator reinforces the positive effects of prior networks. These results are also in line with the literature showing networks in predicting performance.

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