

EST
LA | ACCELERATE



Interreg
Estonia-Latvia
European Regional Development Fund



EUROPEAN UNION

QUICK GUIDE TO

ACCELERATION





This publication reflects solely the views of the authors. The EstLat programme is not responsible for the content of the guide nor can it be held liable for how this information may be used.



Baltic
Innovation
Agency



Garage48

startin
Go Global.



UNIVERSITY OF TARTU
Idea Lab

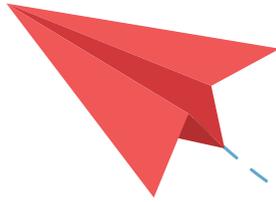


This guide has been prepared as the result of joint activities undertaken by the Baltic Innovation Agency, TechHub Riga, University of Tartu, Latvian Startup Association and Garage48 within the “Pre-accelerator program for boosting Estonian-Latvian startups - EstLat Accelerate” project, which was supported by the Interreg Estonian Latvian Program.



The Est-Lat Accelerate project aims at supporting early-stage teams and startups to build momentum and lay foundations for future growth by increasing their chances to successfully apply to relevant accelerators. The current guide is based both on learnings from the EstLat Accelerate project as well as on previous experiences gained from managing of and participation in various acceleration programs in Estonia and Latvia.

03

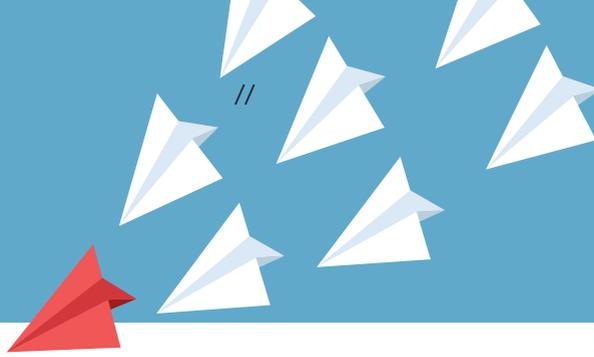


There are countless ways to success and every success story looks different. You're reading a quick guide to acceleration that tries to help startups who are by definition disruptive. Isn't it ironic that we made this guide, if the best you can do, is to do the opposite of what everybody else is doing? So, sit back, relax and take this guide as you'd eat your favorite steak – with a pinch of salt. :)

Overwhelmed by the selection of startup programs in the world? This little guide has been compiled by people from the startup world to help you navigate the waters of startup acceleration. Our aim it is to help you understand the role of acceleration in starting up and share some tips on how to prepare for it and use acceleration as efficiently as possible for building that next big thing you're after.

“*To accelerate – to change the speed of a standing or moving body. In startup terms this means an accelerator can help you grow quicker.*”





A FEW IMPORTANT TERMS

“

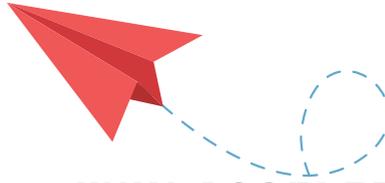
Startup – a potentially scalable new venture.

”

Startup – a potentially scalable new venture. A business that could grow big fast by making use of economies of scale that, oftentimes, digital products or channels can provide. Most times, an increased upside potential comes with increased risk, compared to “conventional”, linearly grown businesses. Thus, startups are the riskiest type of all new businesses out there.

Accelerator – an early-stage investor in startups that offers intense hands-on training and a mentoring program helping them de-risk their growth typically (but not always) coupled with an investment into these startups. These programs are called acceleration programs or, for short, accelerators.

Early-stage company – a new venture that is either pre-revenue (before having paying customers) or only has a few paying customers with revenue that is not yet confidently repeatable.



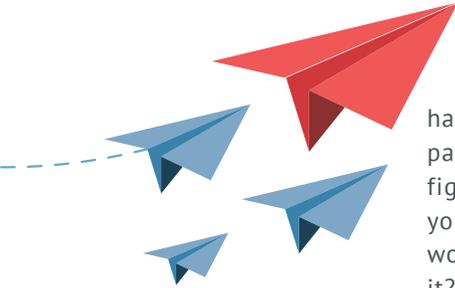
WHY ACCELERATE?

Bigger picture

The main thing for a startup is to figure out a working business model before running out of cash. That means either figuring out the former as quickly as possible, or having sufficient cash to survive until paying customers (aka a working business model) are found. Believe us that it's very difficult to run a business with an empty bank account.

If the paying customers are not exactly a day away, you should secure some money, typically in a form of equity, as borrowing with all that early stage uncertainty over product and customers isn't that easy. This is where early stage investment comes into play. This could take the form of founders' own money, friends & family (and the 3rd "F"– fools) rounds or as formal external investment either from a regularly investing individual (a business angel) or some form of institutional investor (fund). Some fund money would come with a bit more of a passive attitude than others – which would offer & require undertaking a training & business project development program under their supervision. However, an accelerator – an early stage investment with a training and mentoring component on top of it (or vice versa) might often be your best choice to actually get you started, in most effective way.

ARE YOU READY?



So, you're early with your idea and seem to have a need for external money before you get to paying customers or, sometimes, before you even figure out who those might be. Which would mean, you might consider joining an accelerator, but would this ultimately mean you are well suited for it? As it oftentimes holds – it really depends...at least upon these three considerations:



Company/ Business model



Is your potential business scalable? That means, if successful, could this grow really big? Especially, does it have potential for significant economies of scale when growing? While friends and even some business angels would be OK (and even sometimes prefer) investing in less risky business models at the expense of moderate upside potential, early stage funds, including accelerators, would typically require a significant degree of potential scalability of a project to be considered for a program. This is because early stage investors face high failure rates among startups and one success story has to cover their costs for many others that have failed.



Stage



Are you in the right spot stage-wise? Accelerators are early investors and would look for someone who's still early enough to add as much value from their hands-on approach as possible. When you're already later in the startup game with a proven business model, recurrent paying customers and scaling tasks dominating your agenda, they might feel that you're too old, unless these programs can clearly see how they can add value in helping you scale to a market that they understand better (e.g. US accelerators in case of European companies). All that said, it might well be that the company at a later stage might not consider itself suited to acceleration as this, in the case of investment, comes at a price. For a company with paying customers and thus a higher valuation, the price could already be considered too expensive.

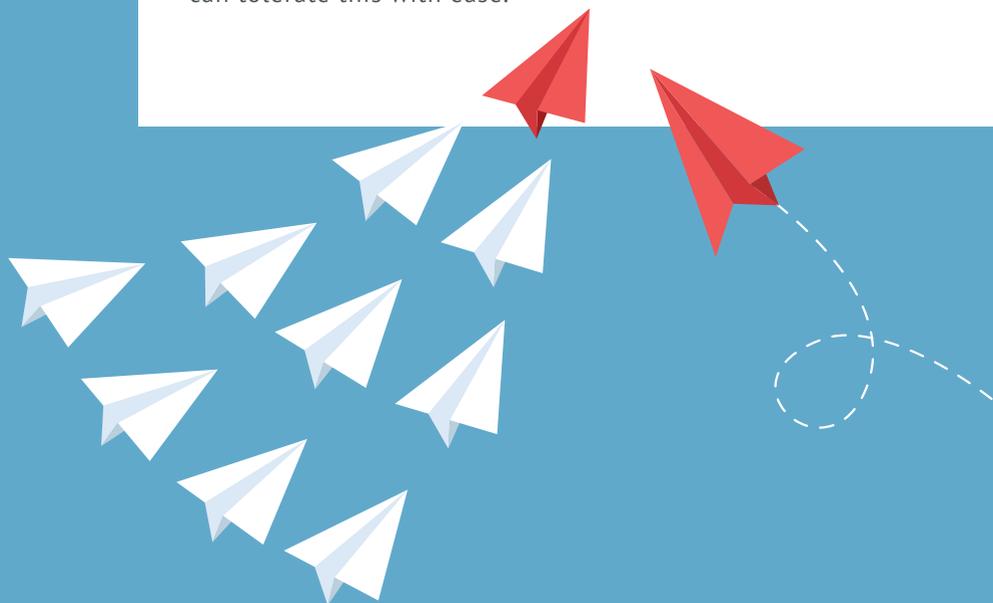


You and your team

Doing startups is a team sport. While there are examples of single founders having success in building global, fast-growth companies, having a founders' team with shared values and complimentary skills right from the beginning will likely increase the chance of success in building a great business. Therefore, aligning all founders' views on the following is important for deciding whether or not to accelerate.



What kind of ambition do you have? If you think that giving away some equity is too much for advice and money, acceleration, just as any raising of external investment, is not for you. If you would prefer somewhat slower and more gradual growth of your business to an all-or-nothing bet, acceleration might get in your way, as it would require moving quicker. (As some wise person has said a long time ago: getting external money into your business is like putting it on steroids). And last, but definitely not least, are you able and willing to learn? Getting through a good acceleration program assumes constantly sharing your ideas and exposing them to a variety of criticisms. Although in the end this will contribute to the success of your project, it often is not an easy or pleasant process for the founders personally, and not all of entrepreneurs can tolerate this with ease.



SWEET-SPOT FOR ACCELERATION

Nevertheless, many businesses demonstrate capability of significant scaling, provide a good fit in terms of development stage, and the founder(s) seem to be willing to learn, there are a few situations where acceleration is shown to provide the biggest benefit. They are:



First-time entrepreneurs: people that have never started a business before tend to travel the learning curve fastest, have less mindset blocks for being coached and mentored, as well as tend to have some “optimism bias” that proves to be useful when starting down the bumpy road of a startup.

First-time starters: even if the founder(s) have started a family or other so-called ‘linearly grown’ businesses before, to them, building a scalable business can be a brand-new territory with different rules of the game, and having advice early on can be very valuable.

//



Re-locating teams: when founder(s) discover that their primary or most promising market isn't exactly their home market. The best decision often is to relocate the operations as close to that key market as possible. And, what a great chance of doing it assisted and advised by a good acceleration program in the destination region.



The "Undecided": very often getting into an acceleration program could be the final trigger of founder(s) to go all in and do their startup full time. This especially applies to being accepted into a program that takes place far from their home. And this is very understandable: startupers sometimes just need that one little push of someone believing that they're after something promising. And accelerators can be those first ones that can turn the course of a weekend project of a few buddies into the something grand.

ARE YOU READY?



Nowadays there are hundreds of very different acceleration programs worldwide, as well as there are tens of thousands of startups applying to them. How to select the most relevant and best fitting program to the needs of your starting business on one hand, and break through the noise of all opportunities and promises the accelerator managers hear being pitched all the time?

UNDERSTAND WHAT YOU NEED



Accelerators generally offer advice, contact networks and some money, in rather different proportions. They are either generalists (take promising teams from various fields) or specialize in some industry vertical, type of product/service or business model (e.g. IoT & hardware, fintech, B2B applications, SaaS etc.). They might be very well-known programs with global outreach and thus extremely intense competition, or very niche accelerators focusing deeply on the subject matter, however possibly lacking well-known indicators of the program's quality.

Try understanding what the critical ingredients are for growing your business at this stage. Is it advice on developing your business, finding product-market fit (getting first paying customers), technology development advice, or scaling/internationalization advice? Is the main aim getting better prepared for raising a larger external investment round? Are good contact networks to industry players, manufacturing or sales partners, or press, things that you lack most? Or, would a small external funding help get you going for real? Answers to these questions, together with analyzing what accelerators are offering and obtaining information from their alumni of how they deliver in reality, will shape your decision on finding programs with the right fit for your next big thing.

12



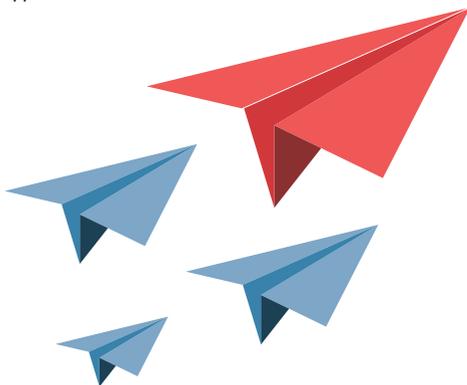
DEVELOP A FUNNEL APPROACH

Fundraising (and you should think of acceleration as one type of early-stage funding opportunity with a hands-on coaching program) is a numbers game: you should not expect any great results if there is not sufficient effort put into it. Those of you with a sales and marketing background will recognize the concept of building a “sales and marketing funnel”, in this case applied to funding as well. In order to get a few offers of acceleration programs on your table, you should reach out to many programs at once. This simply signals that you are serious about getting accelerated. The life on the other side of the counter is equally difficult for acceleration program people and the more they see or sense the interest in you by others, the more seriously they will consider you when getting down to final selection.

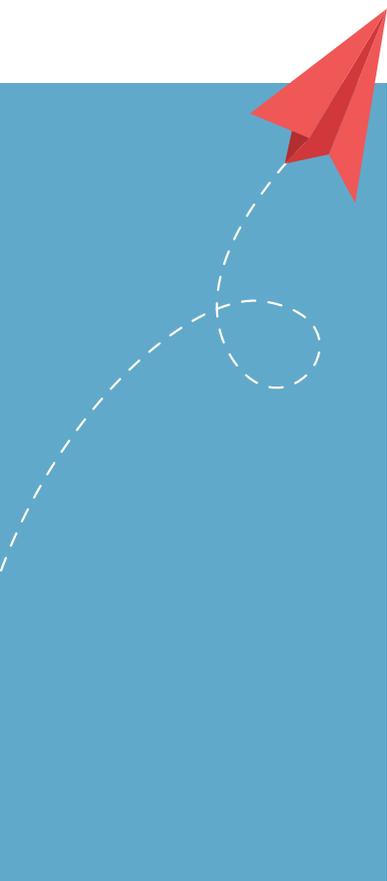
BECOME KNOWN



Sending out as many applications as possible does not remove the need of working “smarter, not harder”. Acceleration managers tend to listen to signals of the surrounding world, just as we all do when making decisions. Thus, nothing would help your project get noticed better than articles in industry or startup press, winning startup prizes and pitching competitions, customer reviews and similar. Nothing assists better in getting through the “ambient noise” of the startup world than a warm introduction to the accelerator team by someone you both know. Yes, accelerator managers are just people who listen to advice of someone they value. That said, you should earn that introduction by convincing the introducers that you are really doing something that one day will turn into a big business.



BE PERSISTENT & TENACIOUS



If you truly think that you need a good acceleration push for what you're trying to accomplish, don't give up easily. The occasions that accelerators, especially the famous and competitive ones, accept startups on their very first applications are quite rare. Most of the teams that get into a program have tried for some time before. As founders' tenacity is said to be one of the critical success factors of startups in the long run, being persistent and perseverant with your accelerator applications is one of very tangible signs that you really are serious about what you want to accomplish. That said, waiting for a "miracle" to happen and making no progress between applications is perhaps the biggest mistake one can make. Sending an application in the next time by only changing the date of it and nothing in accomplishments or at least in the parts about assumptions on customers and their needs, is clearly not a great sign for the project being worth looking at.

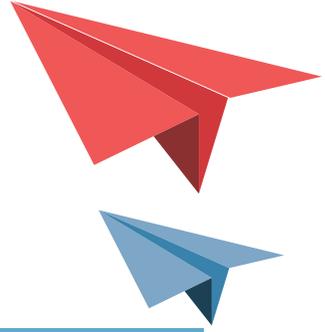
HOW TO MAKE THE MOST OUT OF AN ACCELERATION PROGRAM?

Congratulations, you got into an acceleration program! Now what? There are surprisingly many startups who believe this is the end of the initial efforts, some kind of a prize awarded. Wrong. Remember the analogy of getting external funding to being put on steroids? Now the time has started ticking for you, and you have to make it tick to your advantage.



HAVE A PLAN

Don't think of a conventional 40-page business plan here but more of an actionable roadmap for bringing your idea to the market. The same principle that was valid when deciding if and how to join an accelerator applies after you have got into one – think of specific desirable outcomes, like closing your first paying customer, having 3 term sheets from seed investors, or launching a crowdfunding campaign. And then, work towards it, using the leverage acceleration programs can offer. The more tangible and measurable your plan is, the better you would be able to reflect on your progress and communicate it to your partners and potential investors.



BE PROACTIVE

It couldn't be emphasized enough – the accelerator team and its mentors are there for you, so use them to your benefit as much as possible. Remember that often they cannot figure out what help you need right now. So, if you don't ask there is a chance you will not be answered. Don't be afraid of being too pushy on things that matter to building your business – hustling is a normal behavior of a startup founder and an experienced accelerator team member will be more disappointed seeing you shying away from tackling the problems that stand in your way of building a successful company.

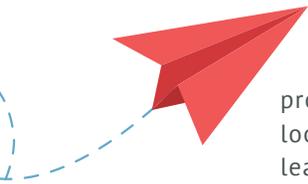
BE SPECIFIC

The more specific your requests for help and advice will be, the more likely you will get that help. Do your homework and prepare. Ask for advice on particular business or product development matters, seek introductions to specific vendors, look for meetings with exactly those investors or corporate partners that can add value to your plan. Being prepared and specific has another positive side effect – accelerator managers will feel more engaged with your startup and obliged to help as opposed to a general “help me” outcry.

FOLLOW UP PERSISTENTLY

Don't give up easily. Again, pretty much the same logic applies as with getting into an acceleration program you wanted. Follow up on all the introductions, meetings and any other opportunities that would add value to your plan. Be politely persistent with your requests and try to build a win-win proposition within all networks you are operating in. What's the worst thing that may happen to you when you keep asking? Hearing another "no"? You're be surprised how little change it makes to your plan, once you have one and believe in it.

BE COACHABLE



The coachability of founders is something all accelerator programs value and try to identify in startups like you. They try looking into how much you're able to listen to advice given and learn from the mistakes you've made along the way. However, coachability should not be mistaken for following everyone's suggestions blindly and losing your own vision as a result. Really well-coachable founders are the ones who are open to suggestions and views of peers and acceleration mentors but draw their own conclusions from them that can add the most possible value to their vision.



BONUS (A THING NOT TO DO)

As a last bit of advice, here is a word on what not to do when accelerating. Never take a mentor's advice as a substitute for validating your initial product-market fit. Mentors are (mostly) smart people with lots of experience in a given industry vertical, subject domain or in building startup businesses generally. But that does not necessarily mean that they are potential customers for what you're building. The chances are that in most occasions, they are not. Product-market fit assumptions are something you test and validate with your customers, or potential customers, and the opinion of someone who does not have the same needs and won't be using your product or service, on whether your product adds value or not, is very biased. So, listen to the valuable advice of mentors about building your product and business but test the need for what you're building and its potential value with possible customers – people or businesses that will be using it.

We hope that you enjoyed this quick read and there was something in here that contributed to a better understanding of what acceleration is for and how it works. Acceleration programs don't solve all problems founders might have when starting up; they are just a means of turning a startup into a real company. In the end, it is up to the founders to find the way of doing that. So, go and just start building the next big thing you've been dreaming of. Good luck!

