



CATÓLICA  
LISBON  
BUSINESS & ECONOMICS

# **From Idea to Funding: Accelerators as Catalysts for Equity Investments in Start-ups**

Inês Serrão

Dissertation written under the supervision of Professor Peter V.  
Rajasingh.

Dissertation submitted in partial fulfilment of requirements for the MSc in  
Management with specialization in Strategy, Entrepreneurship and  
Impact, at the Universidade Católica Portuguesa, 2023.

## **Abstract**

Early-stage start-ups are characterized by high levels of uncertainty. Incubators and accelerators aim to guide founders through the development phase and prepare fledgling companies for fundraising. Therefore, selection criteria and program design can have a significant impact on graduating start-ups for acquiring follow-on investments.

This dissertation used 14 interviews with VC experts and program managers, and a survey with entrepreneurs with experience in incubator/accelerator programs. Findings revealed that selection criteria for admitting into a program tend to focus on team, market opportunity, and the solution the firm is offering. Team quality was considered the most important factor at early stages, but investors do not solely base decisions on this, despite this factor accounting for up to 80% of program managers' selection criteria. Further findings highlight the subjective nature of the decision-making process in early-stage start-ups.

Our results reflect that VC investors prioritize technical skills and founder-market fit as primary investment criteria for early-stage start-ups. Incubator/accelerator programs, despite being sector-agnostic, significantly help with management skills, documentation preparation, and expanding founders' networks. Thus, program managers must address gaps in technical skills while improving industry specialization. The study suggests that accelerators and incubators can affect investor decision-making, depending on their reputations. This accrues from a track record of successful portfolio companies and stringent selection criteria for program entry.

Overall, this study suggests that a delta between accelerator selection strategies and investor selection due diligence criteria can impact the success/failure of start-ups in acquiring follow-on investment.

Title            From Idea to Funding: Accelerators as Catalysts for Equity Investments in Start-ups  
Author         Inês Serrão  
Keywords      entrepreneurship, start-up, screening criteria, venture capital, decision-making, accelerators, incubators

## Resumo

*Start-ups* caracterizam-se por elevados níveis de incerteza. Incubadoras e aceleradoras visam orientar os fundadores no desenvolvimento inicial e prepará-los para a captação de investimento. Os critérios de seleção e o *design* do programa podem impactar o sucesso das *start-ups* em obter financiamento.

Esta dissertação baseia-se em 14 entrevistas com especialistas em capital de risco e gestores de programas de incubação e aceleração, e num questionário com empreendedores. Os resultados revelaram que os principais critérios de seleção são equipa, oportunidade de mercado e solução. A qualidade da equipa foi considerada o fator mais importante para a tomada de decisão em fases iniciais e, ainda que insuficiente para investidores, pode representar até 80% para a entrada nos programas. Destaca-se a natureza subjetiva do processo de decisão sobre *start-ups* nesta fase.

Adicionalmente, sugere-se que os investidores priorizam capacidades técnicas e *founder-market fit* para a tomada de decisão. Programas de incubação/aceleração, cuja maioria não tem uma especialização de indústria, contribuem para a preparação de documentação, capacidades de gestão e expansão da *network* dos fundadores. Assim, os programas devem considerar colmatar lacunas identificadas no desenvolvimento de capacidades técnicas dos fundadores, oferecendo *expertise* especializado de indústria. Deve também considerar-se que incubadoras e aceleradoras podem afetar as decisões de investidores, consoante a sua reputação, a qual depende do seu portfólio de empresas e da aplicação de critérios de seleção rigorosos.

Em geral, enfatiza-se que a diferença entre critérios de seleção utilizados por aceleradoras e por investidores podem impactar o sucesso das *start-ups* na obtenção de investimento.

Título	Da Ideia ao Investimento: O Papel de Aceleradoras enquanto Catalisadoras de Investimento de Capital para <i>Start-Ups</i>
Autor	Inês Serrão
Palavras-chave	empreendedorismo, <i>start-up</i> , critérios de seleção, capital de risco, tomada de decisão, aceleradoras, incubadoras

## **Acknowledgments**

Firstly, I would like to thank my supervisor, Professor Peter Rajsingh, for his constant availability and valuable guidance. His support and trust have encouraged me to deepen my knowledge of entrepreneurship and learn about this topic. He has impacted my career far beyond the supervision in this dissertation.

Along my education journey, I have luckily crossed paths with many professors, teachers, and colleagues for whom I am deeply thankful for helping me shape my professional being and define my work standards. During my short professional career, I also must mention my gratitude towards my recruiters and co-workers.

I am also grateful to my internship for trusting me and providing me with an open space to explore entrepreneurship on a deeper level, giving me the opportunity to get to know the reality of an accelerator as well as its relevance in the ecosystem. And also, would like to express thanks to my current consulting job, especially Mariana, for all the support, patience and coaching during my dissertation period.

I further extend my gratitude to the professionals I interviewed, and the entrepreneurs who took part in my survey. Your time and support are reflected in the insights I was able to bring to the study.

Finally, I would like to express my deepest thanks to my family, especially my parents and my sister Joana, for the opportunity they opened for me, for trusting my abilities, and for providing me with endless support and love. To my friends, especially Joana, Ana, and Hugo, thank you for supporting and believing in my abilities to make this project possible.

**Contents**

- Abstract ..... 1
- Resumo..... 2
- Acknowledgments..... 3
- 1. Introduction ..... 6
- 2. Literature Review ..... 8
  - 2.1. Early-Stage Start-ups Process..... 8
  - 2.2. The Role of Accelerator Programs ..... 11
    - 2.2.1 Differences between Incubators and Accelerators ..... 11
    - 2.2.2. Characteristics of Accelerators..... 12
    - 2.2.3. Screening Criteria..... 14
  - 2.3. Start-up Funding ..... 16
  - 2.4. Venture Capital Decision-Making..... 17
- 3. Research Methodology ..... 19
  - 3.1. Semi-structured interviews ..... 19
  - 3.2. Quantitative survey ..... 23
  - 3.3. Data Analysis..... 23
- 4. Results and Findings ..... 24
  - 4.1. Selection criteria ..... 24
  - 4.2. The Gap in Selection Criteria ..... 30
  - 4.3. Accelerators as Catalysts for VC Funding ..... 35
- 5. Conclusion & Implications..... 37
- 6. Limitations & Future Research ..... 39
- 7. References ..... 39
- 8. Appendices ..... 46
  - A. Guidelines of semi-structured interview questionnaire..... 46
    - Semi-structured questionnaire (Investors) ..... 46
    - Semi-structured questionnaire (Incubator and Accelerator’s Managers)..... 47
  - B. Full description of interviewees ..... 48
    - Description of the Interviewees..... 48
    - Summary of the interviews ..... 49
  - C. Survey ..... 63

## List of Tables

Table 1 - Interview's main findings. ....	20
Table 2 - Complete Sample Description. ....	30
Table 3 - Business Developers Sample Description. ....	36
Table 4 - Likelihood Ratio Test. ....	37

## List of Graphs

Graph 1 - Program Selection Criteria, in founders' perspective. ....	31
Graph 2 - Evolution of start-up characteristics, pre- and pos-incubator/accelerator programs. .....	32
Graph 3 - Evolution of start-up characteristics, pre- and pos-incubator/accelerator programs, in macro clusters.....	33
Graph 4 - Investor Selection Criteria, from founders' perspective, in total of votes. ....	33
Graph 5 - Investors' Selection Criteria, in founders' perspective, per cluster. ....	34
Graph 6 - Investors' Selection Criteria, in founders' perspective, per investment outcome. ...	35

## 1. Introduction

Start-ups have various characterizations. An accepted definition is that they are companies in the initial stages of operation, founded by one or more entrepreneurs seeking to develop a product or service for which they believe there is demand (Grant, 2022). These early-stage teams operate under high levels of uncertainty and, particularly in technology-based industries, many look for business support from the beginning of the venture (Hausberg & Korreck, 2020). While some succeed, most fail, so understanding the reasons for failure are relevant for future value creation.

Many players and methods have appeared in the start-up ecosystem to support entrepreneurs as they deal with uncertainties. On one hand, emergent methods, such as the lean start-up methodology, advocate early-stage teams engaging in an iterative process to refine the business model and make more sound business decisions. This allows ventures to have rapid and cheap failures, as well as to adapt or pivot towards addressable markets (Blank, 2013; Ries, 2011). Also, established players like business incubators and capital providers, as well as venture capitalists and angel investors, play an important role for start-up development by providing growth capital, support services, and other mechanisms to help young companies scale.

Nevertheless, the high-risk and high-reward strategies followed by new ventures lead to significant rates of failure, as well as a low ratio of successful start-ups (Cantamessa et al., 2018). Studies have attempted to explain this phenomenon, including researching the role of different participants in the entrepreneurial ecosystem. As a consequence, start-up accelerators and incubators have proliferated in recent years to meet ever-changing founder and company needs (Nogueira, 2022). The major research focus has been to explain their impact on start-up's performance (Hausberg & Korreck, 2020).

During the 1960s and 1970s, business incubators appeared and gradually grew, with the goal of providing office space, shared services, and business assistance to ventures in their early development stages (Hackett & Dilts, 2004; Bergek & Norrman, 2008). More recently, in 2005, Y Combinator created a new and emergent subsector of start-up or seed accelerators (S. Cohen et al., 2019). These can be defined as fixed-term, cohort-based programs for start-ups teams (usually not single entrepreneurs), which includes mentorship, monitoring and educational components, while connecting founders with experienced entrepreneurs, venture capitalists, angel investors, and corporate executives. They also prepare teams for public pitch

events where founders seek to close funding from qualified investors (S. L. Cohen, 2013; Hochberg, 2016).

While it is often difficult to separate the two, the main factors distinguishing incubators from accelerators are the fixed-term and cohort-based aspect of the former's programs (S. G. Cohen & Hochberg, 2014). However, a newer breed of *hybrid accelerators/incubators* emphasises direct access to capital and specialized services to speed up time-to-market, based on access to a network of large capital sources and other players (Grimaldi & Grandi, 2005). There is often proximity to a science or technology park (Bergek & Norrman, 2008), but the main goal is to assist start-ups in acquiring early round funding (Hochberg, 2016; Kotha et al., 2022).

Many accelerators also provide small seed investments, from \$10,000 to \$150,000, in return for an equity stake usually structured as a convertible note. Thus, they serve as deal sorters and deal aggregators for investors, especially venture capitalists and angel investors (Hochberg, 2016).

Maintaining steady quality deal flow is essential (Patton et al., 2009). In the beginning process, for-profit accelerators review candidates stringently, applying similar criteria also used by venture capitalists ((Ford et al., 2009; Zedtwitz, 2003), to reduce biases that can cloud investor decision-making (Dicks & Fulghieri, 2021). Start-up selection is a key skill within entrepreneurial finance, and it entails examining macro-criteria, entrepreneur characteristics, the business case, market need, and so forth (Berre & Le Pendeven, 2022).

This dissertation focuses on accelerator programs, and incubators with similar practices, excluding university and corporate-affiliated programs, and the link between their screening processes and later investor decisions. Most tend to concentrate on the addressable market or management teams, whereas a participant's survival is positively correlated to "a more balanced screening profile" as found by Aerts et al. (2007).

This study makes several contributions to entrepreneurship literature. It adds to knowledge about accelerators, from process design until the moment of acquiring a seed round. Additionally, it complements previous studies and findings on accelerator programs and their effectiveness, addressing the influence of this distinctive stakeholder in the start-up ecosystem, and the role of iterative idea development for shaping the skills of founders. It assesses how accelerator behavior might help determine downstream investor decisions and especially aims to close the gap concerning how accelerator selection with respect to both the business case and founders, may differ from other types of early-stage investors decision-makings (S. Cohen et

al., 2019). Findings are expected to illuminate start-up selection criteria used by venture capitalists.

The work further speaks to a literature gap, following Cohen et al. (2019) that “start-ups at the youngest stages of development have long been invisible to researchers”. Thus, the **Problem Statement** can be defined as: The role of accelerator selection strategies on the success/failure of start-ups for acquiring follow-on investment.

**Two research questions (RQ)** were crafted:

- **RQ1:** How do accelerator selection processes differ from investor selection due diligence criteria?
- **RQ2:** Does any aspect of a delta between the two impact outcomes for graduating start-ups?

## **2. Literature Review**

This chapter provides a general overview of the early-stage process of start-ups and presents two main stakeholders besides the founding team, namely incubators/accelerators and venture capitalists. There is a focus on innovation, uncertainty, and dynamic capabilities acquired after the accelerator program.

### **2.1. Early-Stage Start-ups Process**

Founded in 1982, Edison’s General Electric company (now GE) can be thought of as a paradigmatic start-up (Drucker, 2013). However, when the dot-com boom took over in the 1990s technology and the internet drove a start-up boom with Silicon Valley becoming an epicenter of VC activity. The San Francisco Bay Area (which includes Silicon Valley) accounted for over 40% of total annual U.S. VC investment, which represents \$131.9 billion invested across 4,193 deals (Gabbert et al., 2022). Considered a ‘hot spot’ of entrepreneurial activity (Brown et al., 2019; Markova & Petkovska-Mircesvska, 2010; Audretsch, 2021), Silicon Valley spawned a new model of entrepreneurship described as high-growth, technology-driven, and venture capital-backed (Welter et al., 2019).

Steve Blank (2010), a Silicon Valley serial-entrepreneur and academician, defined a start-up as a temporary organization formed to search for a repeatable and scalable business model. Rooted in innovation, these organizations seek to remedy deficiencies of existing products or create entirely new categories of goods and services. They further disrupt ways of thinking and doing business (Baldrige, 2022). Besides being known as disruptors, start-ups

cannot be dissociated from technology, so they tend to be highly scalable tech companies aiming for rapid growth. Start-ups are also held to meet three criteria: they often create blue ocean in an industry, have higher entrepreneurial risk related to establishing a market, and after a successful start are likely to grow rapidly (Bednár & Tarišková, 2017).

Thus, two key aspects that differentiate start-ups from large companies and other small companies are speed and growth (Baldrige, 2022). The beginning of the start-up process aims to build on ideas very quickly, under conditions of extreme uncertainty (Ries, 2011). The Lean Start-up Methodology has become an accepted paradigm for how start-ups move from idea to market, an approach frequently adopted by accelerators to reduce waste often occurring through product and business development cycles (Frederiksen & Brem, 2017). The processes entail validated learning and the mantra of build-measure-learn. An iterative learning process draws upon feedback loops – defining a hypothesis and running experiments to validate an underlying business model via continuous user responses (Ries, 2011). In this way, the method acknowledges uncertainties associated with the start-up process and rejects long-term planning.

An early *minimum viable product (MVP)* is launched quickly to experiment with customers. Key metrics are monitored to make actionable changes and reject failed hypotheses. Repeatedly making these small changes accumulates strategic decisions, or causes pivots, that eventually create a sustainable business model (Ries, 2011). Studies have found that pivots are not accomplished with one sweeping strategic decision or single catalysing event, but rather through a series of decisions to either exit or add elements, while maximizing learning and holding the expenses low (Kirtley & O'Mahony, 2020).

The Lean Start-up Methodology defies traditional business thinking by prioritizing uncertainty and experimentation (Frederiksen & Brem, 2017). Other methodologies include Customer Development (S. G. Blank, 2003), Design Thinking (T. Brown, 2009), the Business Model Canvas (Osterwalder & Pigneur, 2010) and the Lean Canvas (Maurya, 2012). These focus on survival by offering new thinking, step-by-step processes, and frameworks to organize information at early stages of the business.

Formal business plans have been found to be ineffective in managing uncertainty (Lange et al., 2007). Entrepreneurs need to make sense of thin or ambiguous data without a suitable industry peer group. So, the importance of these methodologies lies in their ability to provide structured new ways of thinking to navigate uncertainty and increase long-term survival for start-ups (S. Cohen et al., 2019; Kirtley & O'Mahony, 2020; Packard et al., 2017; Townsend et al., 2018).

Furthermore, strategic change for early-stage entrepreneurs may be challenging given uncertainties that entrepreneurs face (Townsend et al., 2018) and their inability to understand the value of alternative strategies *ex ante* (Gans et al., 2019). Regarding innovation and disruption, scholars like Snihur and Zott (2020) suggest that founders' orientation toward novelty is associated with a firm's propensity for business model innovation.

Innovation plays a vital role for economic development but according to the European Association of Business Angels, 50 million new projects are launched every year (137,000 per day), but 90% of them fail. Additionally, CB Insight's research suggests that a start-up is 40% riskier than an incumbent business (Bednár & Tarišková, 2017). Bednár & Tarišková (2017) analyzed responses from 51 start-up founders and located five main problems: three deal with finance, namely lack of capital for further development, distrust from investors because of insufficient evidence of potential, and poor cost estimates or incorrect product pricing. Another is the lack of market need, including inadequate product testing in the market, something the Lean Methodology seeks to mitigate. And, finally, the fifth problem is a low-quality team that cannot solve issues and develop the right MVP or business model.

Drucker (1986) defined innovation as "the task of endowing human and material resources with new and greater wealth-producing capacity." Areas of opportunity include unexpected occurrences, incongruities, process needs, and industry and market changes. Failures can also be seen as sources of innovation, as exemplified by the Ford Edsel case. Here the biggest new-car failure resulted in identifying the principle of "lifestyle" segmentation. Thus, analysing sources of opportunity is important.

Yet, pursuing innovation is known to lead to riskier and more complicated start-up processes and can pose challenges for survival during the early stages of firm development (Hyytinen et al., 2015). Innovative start-ups have a liability of novelty and smallness, limiting their access to external finance and changing the overall risk profile (Scherer & Harhoff, 2000). However, scholars also recognize that innovativeness can increase the likelihood of survival if it enhances start-ups' market power, reduces the costs of production, or allows the creation of dynamic capabilities and absorptive capacity (Teece et al., 1997; Zahra & George, 2002).

Barreto (2010) considers a firm's dynamic capabilities in terms of 4 dimensions: these are the "potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to change its resource base" (p. 271). Dynamic capabilities describe multiple dimensions of managerial action where no single aspect is sufficient alone (Barreto, 2010; Edwards, 2001).

Disruptive innovation is seen as a key criterion for market success. Digital start-ups with a validated business model, strong customer traction, and funding from a first Series A round of over \$1 million succeed when they focus on testing and validating their business strategy (Cavallo et al., 2019).

In conclusion, the myriad of uncertainties surrounding key decisions taken at the early stage of a start-up's life cycle clearly impacts the survival of new ventures. Among the many factors influencing success, a recent key element in the ecosystem that can impact success is incubators and accelerators. This research focuses on start-ups that participate in accelerator programs, and how this contributes towards mitigating challenges faced during the initial stages of business development.

## **2.2. The Role of Accelerator Programs**

Miller and Stacey (2014) defined incubation as a collection of techniques that can be used to prove an idea, develop a team and de-risk ventures for later-stage investors. Combining business development processes, infrastructure, and people, two types of organizations were created to assist businesses during early phases of development and transition: incubators and accelerators (Bone et al., 2017). However, there is no consensus defining the two terms (Hausberg & Korreck, 2020), and in some cases their activities overlap.

Business incubators are typically physical spaces, available on relatively flexible terms, which provide office space, shared services, and business assistance. Incubation services include training for entrepreneurs, access to networks and specialist equipment (Dee et al., 2015; Hackett & Dilts, 2004). The ecosystem disruption they introduced was a combination of both technological and managerial assistance for start-ups (Aerts et al., 2007).

Accelerators were first primarily funded by venture capitalists seeking to develop deal-flow, and then came to be established by a wider variety of organisations, including large corporations and the public sector (Bone et al., 2017). Although their origin can be traced to the early 2000s (when a VC firm called CMGI acquired equity in numerous Internet start-up companies), Y Combinator pioneered the current, accepted model of accelerators in 2005 (Kim & Wagman, 2014). The objective is to grow start-ups by providing seed capital, investment opportunities and structured entrepreneurship education and support (R. Brown et al., 2019).

### **2.2.1 Differences between Incubators and Accelerators**

According to Hochberg (2016), accelerators differ from incubators as they focus on scaling up existing start-ups instead of launching new ones. Accelerators also perform a dual

role player, acting as deal sorters and aggregators for VC investors. They screen a large pool of start-ups to find high-potential applicants and assist with developing business plans, pitch decks, and prototypes, as well as providing access to investors, networking opportunities, and workshops. Accelerators have a limited duration (3-12 months), are cohort-based, selective with admissions, and they are highly selective regarding admissions (Bone et al., 2017; S. G. Cohen & Hochberg, 2014). This dissertation solely focuses on accelerator programs, excluding university and corporate-affiliated programs.

Accelerators provide seed funding and structured support services in exchange for equity (R. Brown et al., 2019). They adopt a private sector equity-funding model and seek companies that scale rapidly or fail fast (Kim & Wagman, 2014). These programs have a growth-driven purpose, which is reflected in factors like selection criteria, funding models, and success metrics (Pauwels et al., 2016). This is different from incubators, which charge rent and focus on providing a supportive environment for start-ups to grow. The design and target ventures of accelerator programs are meant to minimize wasting resources (Bone et al., 2017).

This study defines incubators and accelerators based on characteristics adapted from Bone (2017), and Cohen & Hochberg (2014):

	<b>Incubators</b>	<b>Accelerators</b>
<b>Duration</b>	1-5 years	3-12 months
<b>Cohorts</b>	No	Yes
<b>Business model</b>	Rent/ fee-based	Investment (seed funding); equity-based
<b>Selection frequency</b>	Non-competitive, ad-hoc	Competitive, cyclical
<b>Venture stage</b>	Early (idea development)	Early and later (idea testing and MVP)
<b>Mentorship</b>	Minimal, tactical	Intense, by self and others
<b>Technical support</b>	Office space, and facilities (i.e., laboratory equipment)	Entrepreneurship business education, investors' decks, and initial market testing

**2.2.2. Characteristics of Accelerators**

Several studies have found that accelerators have positive impacts on start-ups (Hallen et al., 2019; Smith et al., 2013; Van Rijnsoever et al., 2017). However, some research suggests

that the effects of accelerators are more muted or even negative (Gonzalez-Uribe & Leatherbee, 2018; Yu, 2020). Reasons vary for these contradictory conclusions; success of accelerators are traced to program design features, and sources of funding.

Concerning program design, Cohen et al. (2019) considered this the most important variable for comprehending the effects of accelerators on start-ups. The authors examined the relationship between key accelerator design elements, ecosystem aspects, and performance of accelerator alumni. The study used Y Combinator and Techstars, a dataset of 146 accelerators 2005-2017, to study key design features: cohort size, program duration, minimum and maximum funding given and maximum equity taken (for participation), external mentorship opportunities, formal education, coworking space, and graduation events.

Y Combinator selects participants twice a year and invests \$125,000 in exchange for an average 7% equity stake, and \$375,000 in an uncapped SAFE with a Most Favoured Nation provision (Nathoo, 2022). The 3-month program concludes with a "Demo Day," during which participants pitch their business to a large audience of investors. Leading up to this, founders engage with managing directors who advise them and give them access to an outside mentor network, deployed on an ad hoc basis for some start-ups. Portfolio companies work in separate offices and convene once a week for dinner and speaker sessions. The cohorts frequently include over 100 businesses or more (S. Cohen et al., 2019).

Techstars, alternatively, accepts applications six times a year and selects around 50 startups to interview. Roughly 12 companies are selected for each three-month mentorship-driven cohort, receiving \$120k in exchange for 6% equity, with \$20k upfront. Over the 12 weeks, teams work on investment pitches while meeting mentors and attending seminars. Techstars's managers monitor progress and offers support to polish pitches for the Demo Day. The program continues to keep in touch with alumni startups and tracks them through online questionnaires and occasional phone contact, as well as encouraging networking initiatives (S. Cohen et al., 2019; Karim, 2020).

Cohen et al. (2019) found a positive correlation between longer program durations and larger investment with better performance for start-ups post-graduation. Additionally, there is a small, negative relationship between cohort size and a participating start-up's success in raising funding after graduating. Thus, smaller cohorts seem to be linked to graduates who do better. Also, the authors identified a negative correlation between external mentoring and performance, advocating strategy that relies more on internal personnel and advisers to coach start-ups (e.g., AngelPad).

Regarding sources of funding, many believe that the accelerator model emerged to provide deal flow and venture style returns for seed funds. However, Bone et al. (2017) studied 163 active accelerators in the UK and showed that alternative funding from corporate VC units and public grants is common, with only 46% of accelerators taking equity in supported businesses.

A study by Crişan et al. (2021) suggests that governmental efforts to improve the local business ecosystem can also be useful, for instance encouraging crowd sourcing as a primary method of raising capital (e.g., Start-up Chile (Gonzalez-Uribe & Leatherbee, 2018)), or by financing through public grants. Accelerators also exist within corporations to promote incremental innovation or externally as a separate company to produce disruptive innovation, for example the Orange Fab mentioned in Kohler (2016). Finally, two other examples are university accelerators that seek to stimulate innovation, support technology transfer, or provide a learning experience, and community collaborations that focus on specific communities or ecosystems (Crişan et al., 2021).

Accelerators connect startups with investors by serving as intermediaries. They have both mechanisms of ‘hit maker’ and ‘network broker’, providing benefits in terms of resources, organizational and business transfer, and connecting founders to external funding resources. (Van Rijnsoever et al., 2017) As they gain credibility over time, acceptance into a program becomes a certification mechanism and an indicator of quality. This signal benefits high-quality entrepreneurs by enabling them to raise money quickly from vetted investors on favorable terms and provides investors access to robust investments (S. Cohen et al., 2019).

### **2.2.3. Screening Criteria**

Yu (2020) suggests, as mentioned previously, that accelerators might speed up success or failure by more rapidly bringing material uncertainties to the fore that test start-ups. Thus, key factors of accelerator success are the screening criteria to select companies which raises the quality of start-ups and consequently benefits their reputation (Yin & Luo, 2018).

Selection usually follows a two-stages process, as seen in Singapore-based JFDI (modeled after Techstars), which is categorized as an investor-led program. First, entrepreneurs submit applications online where they register and answer questions about team, product, operations, markets, competitors, and future plans. The first stage – *Profile Screening* – relies on the review and evaluation of a network of entrepreneurship experts, who screen and trim candidates. Most applications are rejected, and a few proceed to the following stage. The second stage – *Final interview* – can be divided into serial rounds to decide which start-ups are accepted

to the program. TechStars names the last interview “The Screening Committee”, which focuses on the problem/market and the scope of entrepreneur’s product/idea (Gonzalez-Uribe & Leatherbee, 2018; Karim, 2020a; Yin & Luo, 2018).

Bangqi Yin and Jianxi Luo’s (2018) study focuses on the screening criteria used. In the beginning, criteria influencing decision-making are mostly related to the business opportunity, such as demand validation, consumer affordability, market demographics, sales and distribution, value proposition, technology competence and concept maturity. However, for the final stage, criteria more focused on team competence dominate, such as sustainable advantage, prior start-up experience, feedback mechanism, and growth strategy. In sum, the authors show that the two main areas affecting start-up selection are: how real and competitive the product is and the competence of the team.

Mittiness et al. (2012) prioritize the entrepreneur's skills over the company's potential during selection, particularly for angel investors. However, Gonzalez-Uribe and Leatherbee’s (2018) present a different process for Start-Up Chile, where the focus is on the project's potential impact on the local entrepreneurial community, using a panel of 200 randomly assigned experts from around the world.

Investors are drawn to portfolio firms of the accelerator because, presumably, the accelerator did an excellent job of screening them. Also, it is expected from early in the interviews, that the entrepreneurs drawn to the accelerator had high levels of entrepreneurial orientation and were very opportunity-driven, ambitious, and growth-oriented (R. Brown et al., 2019). However, Kim & Wagman (2014) argue that larger portfolio sizes are affecting the quality of accelerator screening practices. In a rational-expectations equilibrium, portfolio size is smaller than the first best (efficient) level, which is consistent with real-world observations. It addresses the reluctance of investors to invest in companies, E.g., after attending the Demo Day of Y Combinator stating that start-ups are overhyped after cohort expansion from 8 in 2005 to 80 in 2012.

Leitão et al. (2022) also identified how start-up credibility is affected by acceptance into an incubator. They noted that younger firms benefit in the eyes of investors. However, as firms mature, belonging to a program can be associated with newness, vulnerability, and inexperience, hence becoming a disadvantage. A program’s reputation also affects the credibility of start-ups.

Nevertheless, the goals of incubators and accelerators are to help start-ups attain funding and develop founders for the future challenges of the new business. One of the main challenges

is measuring success when those business are still at a very early stage of the process (Huang & Pearce, 2015).

### **2.3. Start-up Funding**

At the earliest stage, potential investors view failure as the key risk as a core component of the investment decision (Huang & Pearce, 2015). Initial funding usually comes from the founder, coupled with money from family and friends (3Fs), and the business depends on bootstrapping and business alliances. As the company expands and needs more cash, it must look to the external environment, including bank business loans, grants and programs sponsored by the government, crowdsourcing, venture capitalists, corporate investors, angel investors, etc. (Baldrige, 2022; Markova & Petkovska-Mircesvska, 2010). Recently, the range of risk capital sources has been enhanced by additional forms, such as equity crowdfunding platforms, accelerators, microfinance, and peer to peer lending (Cavallo et al., 2019).

After initial funding, Series A, B, C, and D rounds are typically led by venture capital firms, until the start-ups enter the later stage characterized by being a mature and profitable business. It may now choose to go public through an initial public offering (IPO), a special purpose acquisition company (SPAC), or a direct listing on a stock exchange (Markova & Petkovska-Mircesvska, 2010). This paper focuses on the early-stage startups, including rounds in pre-seed and seed stages, since it is the period when start-ups most seek the services of accelerators.

Angel investors are high-net worth businesspeople who invest capital into early-stage companies, usually in exchange for equity. Sometimes, they are previous entrepreneurs who have expertise and enjoy advising or assisting founders. They adopt a profile of long-term investors and are starting to adopt standardized deal screening procedures similar with those used by venture capitalists (Baldrige, 2022; Carpentier & Suret, 2015; Kerr et al., 2014; Markova & Petkovska-Mircesvska, 2010).

Venture capital firms act as financial intermediaries to place LP's capital directly into portfolio companies. They invest millions in private companies, aiming to maximize returns by exiting through sales or IPOs. They actively oversee and support portfolio companies, monitoring performance and offering expertise. After a period of bloated valuations, the VC market is currently experiencing a pullback, but 2021 was still a record year for VC with \$630 billion invested in VC-based companies (Rosenbaum, 2022; Stanford, 2022).

Many accelerator programs also provide their portfolio companies with an equity interest of 5 to 7% in exchange for a stipend or small seed investment (\$26,000 on average,

with a range of \$0 to \$150,000) (Hochberg, 2016). Van Rijnsoever et al. (2017) found a positive effect of incubation programs on the ability of start-ups to attract funding from formal investors, as well as on the amount they attract.

**2.4. Venture Capital Decision-Making**

Founders and ecosystem supporters must be cognizant of the due-diligence processes venture capitalists use when selecting investments, given that VC support is critical for growing successfully (Gompers et al., 2020). Tyebjee and Bruno (1984) present the investment activity of VC as 5 steps-process. This consists of deal origination; deal screening; deal evaluation; the deal structuring; and post-investment activities. Gompers et al. (2020) combine screening and evaluation into deal selection, rating it as the most important stage, and Hans (2021) summarizes the whole process into the following figure:

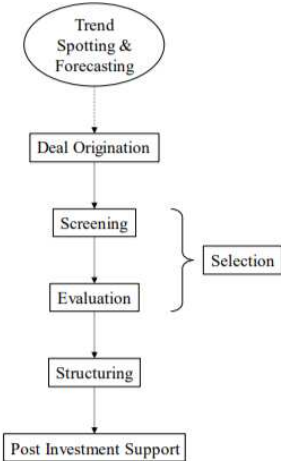


Figure 1: VC Investment Activities - adapted from Tyebjee and Bruno (1984)

According to Steve Blank (2012), innovative VCs are important, especially following a trend where investors are ex-entrepreneurs. Regarding VC investment criteria, it consists of a multi-stage process designed to evaluate qualitative and quantitative characteristics of the potential investment, used in particularly in the deal selection stage (Hars, 2021). It is known that venture capitalists place more weight on qualitative factors than on quantitative ones when evaluating start-ups (Gompers et al., 2020). Tyebjee and Bruno (1984) identified 23 characteristics organized into five different categories: market attractiveness, product differentiation, managerial capabilities, environmental threat resistance, and cash-out potential. The first two categories were found to be the best predictors of expected return, while the managerial capabilities and environmental threat resistance allow a decrease in perceived risk.

Macmillan, Siegel, and Subbanarasimha (1985) determined 27 criteria and six major groups: entrepreneur’s personality, entrepreneur’s experience, product/service, market, venture

team. They defined the characteristics of the team as the most important factor for VCs. However, they adjusted their study arguing that business-related criteria are more critical than team criteria, namely, the demonstrated market acceptance of the product/service and the competition present or anticipated in the first two years (Macmillan et al., 1987).

Kaplan and Strömberg (2004) found factors which include market attractiveness, product or service, strategy, technology, customer adoption, competition, deal terms, and the quality and experience of the management team. They grouped criteria into three categories: internal factors (management quality, performance to date, downside risk, influence of other investors, VC investment fit and monitoring costs, and valuation), related to management actions and the quality of the team; external factors, regarding market size, customer adoption, competition, and exit condition risks; and complexity factors, covering the difficulty of execution or implementation of the product/technology and business strategy/model. Even though they do not distinguish the relative importance of the factors, most important within each group are “quality of management” (59,7%), “market size and growth” (68.7%), and “business strategy/model” (53,7%), respectively.

More recently, Gompers et al. (2020) used the Kaplan et. al (2010) *"Jockey vs. Horse" approach* to investigate which variables are more constant over the course of a successful VC investment. The strategy and company model are the "Horse," while the entrepreneurial team is the "Jockey". Gompers et al. (2020) focused on the relative importance of the different selection criteria. Greatest importance was on management/founding team (95%), followed by business (“Horse”) related factors like business model (83%), product (74%), market (68%), industry (31%). Fit with fund and ability to add value were less important. Additionally, early-stage investors and information technology (IT) investors place relatively more weight on the team.

Gompers et al. (2020) also explored quantitative analysis tools used by VCs. In the previous ranking, the company valuation was ranked as fifth most important overall, but third for later-stage deals, suggesting that early-stage VCs use quantitative valuation techniques less often than late-stage VCs.

The disruptive impact of the Lean Start-up methodology previously mentioned, was felt on the whole entrepreneurial ecosystem (Frederiksen & Brem, 2017). Lange et al. (2007) recognized that a formal business plan was extensively used as a screening device. Timmons et al. (1985) argued that a business plan is much more than a fund-raising device because it articulates the opportunity, the purpose, the entry, and growth strategy to seize it, and why the founding team has what it takes to execute the plan.

Nowadays, a shorter format is used, usually a pitch deck. The goal is to have a roadmap for the early years of the firm's life, projecting the impact of the founding strategies and resources, and motivating investment (Lange et al., 2007). Finally, it is relevant to understand the link between VCs and accelerators. Gompers et al. (2020) highlighted that the strength of the network has a strong bearing on the success of the VC, considering that most of the deals come from the VC's network (over 50%). This means that the role of accelerators as 'network broker' (Van Rijnsoever et al., 2017) is beneficial for both entrepreneurs and VCs. Accelerators are responsible for start-up success when linking them to investors, and the impact of the delta between their and VC's selection process will be examined through empirical qualitative interview with managers and investors, as well as through a survey among entrepreneurs.

### **3. Research Methodology**

Considering the focus of the research, the study was designed with two methods to gather qualitative and quantitative data. There were 14 semi-structured expert interviews with accelerators managers, head of incubators, VCs investors, and other experts in the field. Besides this, a survey was conducted to gather perceptions of entrepreneurs about accelerator programs.

#### **3.1. Semi-structured interviews**

The semi-structured format allowed for adapting questions to accommodate different interviewees and their roles. Interviews were conducted via videoconference software, or in-person, with a note-taking process where the conclusions were transcribed immediately upon completion. The list of all interviewees can be found in Appendix B.

The length was between 20 to 25 minutes and centered around 7 to 10 structured questions with a pre-defined order. However, 3 took longer because of the flexibility provided for interviewees to share knowledge about the industry. The interview questions were defined following the example of methodology used in studies around similar topics, such as Gompers et. al (2020) and Hars (2021), and are presented in Appendix A.

To ensure comprehensive analysis, we had an international sample of European and American VCs, incubators, and accelerators. This last category integrates both types of programs. The interviews were conducted without a specific construct to address the main hypothesis, and experts were asked whether they specialized in any startup stage or industry.

Categorizing the experts was important to avoid bias in comparing answers, but all interviewees had experience evaluating or preparing startups for early-stage funding. The interviewees' personal experiences were considered in the study and did not represent their

respective companies. The inquiry asked about the most important criteria for evaluating a startup and to rate these in order of importance. Most interviewees did not provide a specific distribution and only rated criteria based on importance levels.

VCs were questioned about criteria that most contributed to success or failure of startups they evaluated. Success was defined for two perspectives: pre- and post- investment. However, accelerator and incubator managers who also were asked the same questions, were also queried about factors they aimed to develop in founders during participation in their programs.

We also considered the Jockey and Horse framework from Kaplan et al. (2010) with the purpose of funneling answers into two main groups: entrepreneurial team (Jockey) and strategy and business model (Horse). Based on answers, interviews were conducted about how criteria are evaluated. Additionally, interviewees were asked to dive deeper into startup ecosystem scenarios to allow us to test several hypotheses.

For clarity, interviewee main findings are summarized in the table below:

**Table 1 - Interview’s main findings.**

Main findings	#Total Interviews	#Valid Answers	Total support (% of valid answers)	Investors' Support (%)	Program Managers' Support (%)
Most of managers interviewed have sector-agnostic experiences/work is sector-agnostic programs	-	6	-	-	83%
Most investors interviewed have a sector/industry-focused approach or defined industry-focused strategies/calls	-	8	-	50%	-
There is a lot of subjectivity in VC decisions, especially in early-stage	14	10	90%	75%	30%
The main criteria were Founding Team; Market opportunity/potential;	14	14	86%	92%	78%
Solution/product/idea/technology - Founding Team	14	14	100%	100%	100%

- Market	14	14	86%	100%	67%
- Solution	14	14	79%	88%	67%
<i>Founding team</i>					
"Build a mutual relationship of trust"	14	14	36%	50%	17%
Global/ambitious mindset (drive, speed, and motivation)	14	14	57%	63%	50%
Team Complementarity	14	14	43%	50%	33%
Market-founder fit	14	14	43%	50%	33%
Background/ Experience (industry & as entrepreneur)	14	14	79%	75%	83%
Coachable skills	14	14	29%	38%	17%
<i>Market Opportunity</i>					
Market Value/Size	14	14	43%	63%	17%
Market Growth	14	14	14%	25%	0%
Competitor barriers	14	14	7%	13%	0%
Cash out potential	14	14	29%	50%	0%
Market trends/timing	14	14	43%	75%	0%
<i>Solution</i>					
Expansion/scalability	14	14	43%	75%	0%
Value Proposition/Differentiation	14	14	29%	25%	33%
Business model	14	14	36%	38%	33%
Problem validation	14	14	14%	13%	17%
Strategic plan (product, go-to-market)	14	14	43%	63%	17%
Proof of concept/ Early-traction metrics (e.g., customer interviews)	14	14	50%	63%	33%
Technology development and traction (MVP)	14	14	57%	75%	33%
Revenue	14	14	29%	38%	17%
Incubator/Accelerator-Founder Fit	14	14	29%	0%	67%
Investor-founder fit/Fund-founder fit	14	14	36%	50%	17%

Founding team is the most important factor (founder ability (jockey))	14	14	79%	75%	83%
Founding team is the most important, but not enough to invest/accept	14	14	64%	75%	50%
Market potential is a critical criterion for decision	14	14	86%	100%	67%
<i>Failure Pre-investment</i> Lack of investor-founder fit (including team unavailability; lack of commitment; lack of speed in execution, failure to show traction or to pivot when needed; and no trust between founders and the investor)	14	8	75%	25%	67%
Lack of speed in execution	14	8	25%	0%	33%
<i>Failure Post-investment</i> Lack of founder-market fit	14	8	50%	13%	50%
Lack of speed in pivoting	14	8	13%	0%	17%
Accelerators role as a network /deal flow provider	14	10	60%	50%	33%
Accelerators focused on developing business-related aspects and formalities (e.g., market validation; pitching skills; fundraising strategy; investment document preparation; cap table structure)	14	13	77%	75%	67%
Accelerators help defining market and investment waves/trends	14	13	23%	25%	17%
Incubators/Accelerators' programs biggest benefit is to grow founders' network (for which program design includes	14	13	69%	38%	100%

mentorship; coaching; contact with experts and experienced founders; connections with investors or corporate partners as a final goal)					
Accelerators' relevance in investors' decision-making dependent on their reputation in the ecosystem	14	13	46%	75%	0%

### 3.2. Quantitative survey

Additionally, a survey was administrated between February 2023 and April 2023, using the Qualtrics website. The respondents were mostly contacted via LinkedIn, encouraging responses for users with the key word “founder,” as well as suggestions from the platform who entered incubator/accelerator programs. The final sample had 42 total subjects, of which 35 were comprehensive responses.

Respondents were advised that their responses were confidential, anonymous, and used for non-commercial research purposes only. As shown in Appendix C, the instrument used to gather data was designed with a total of 52 questions, divided into five different targets with customized forms that vary from 27 to 5 questions: Non-business developers; Business Developer/ Program Participant, with and without pre-seed/seed investment; and Business Developer/ Non-Program Participant, with and without pre-seed/seed investment.

A second section of the survey evaluated entrepreneurs' perspectives on successfully attaining pre-seed or seed investment from venture capitalists. Depending on the investing experience of the responders, they were questioned about tools they used to prepare presentations to an investment team and the 3 main items that were considered by investors, in their opinion. After that, the respondents are asked about the impact of participating in the program on the outcome of the investment decision.

### 3.3. Data Analysis

Deductive codes were built from the design of the interviews and the survey to organize the data into clusters (Hollweck, 2016). As explained, the interviews had 2 target groups: VC experts, which included VC analysts, and other investors with expertise in the market; and Incubators/Accelerators. The survey targeted entrepreneurs and founders who might or might not have participated in an accelerator or incubator program.

The analysis of the qualitative data followed the process described by Yin (2016), consisting of 5 steps: gathering the data, decoding it, combining it, interpreting it, and coming to decisions. The interviews were designed to identify the most critical selection criteria and divided them into 3 main clusters: Selection Criteria; Start-ups' Success and Failure; and Role of Accelerators/Incubators. The goal was to compare selection factors using the Jockey vs Horse framework (Kaplan & Lerner, 2010). Regarding this, the 2 clusters already defined the main topics dividing the data: the entrepreneurial team (as the "Jockey"), and the strategy and business model (as the "Horse").

Beyond the 3 clusters, 46 patterns were identified and quantified by levels of agreement associated with each interview. The final phase was the study's conclusions presented in the following chapter. It is important to note the interpretation of the patterns will also be crossed verified with the inputs collected from the survey.

Analysis of the quantitative data collected by the survey focused on complementing conclusions from the interviews and presenting the entrepreneur's perspective on incubators/accelerators and investors' selection criteria. Using the same framework, the ratings were adapted from items defined by Tyebjee and Bruno (1984). The first cluster (Jockey) included capabilities of the founding team while the second cluster (Horse) related to market attractiveness, product differentiation, environmental threats/resistance, and cash-out potential. Clusters were also identified which were either "founding team's capabilities" or "business idea". It aimed to reflect the evolution of criteria over pre- and post-program evaluations.

## **4. Results and Findings**

This chapter presents the results and findings of the qualitative and quantitative data analysis based on the interviews conducted and the results obtained by the distributed survey to entrepreneurs. A detailed summary of each interview can be found in Appendix B.

### **4.1. Selection criteria**

This section aimed to identify gaps between selection criteria used by VCs and the preparation founders receive from accelerators/incubators. To this end, a set of expert interviews were conducted with 8 VC investors and 6 accelerator/incubator managers.

All 14 interviewees had experience with early-medium stage start-ups. VC Investors worked with seed stages, 63% also specialized in pre-seed and 63% invested in the growth stages (Series A and Series B). Program Managers included both accelerators and incubators

with all having specializations in the seed stage, 83% also operated in pre-seed stages and 17% were in growth stages.

Considering the total aggregated sample, 64% of individuals worked in industry agnostic companies with diversified portfolio, while the remaining 36% had an industry specialization or applied industry-selection criteria in pre-screening stages that respects to specificities introduced by their investment strategy or the open call that introduces some variable and mandatory requirements on industry-level. Moreover, 11 of the interviewees (79%) had a tech-oriented preference.

The analysis identified several key themes that emerged from the interviews. These themes are presented as follow:

- **Decision-making impactful criteria**

Experts agreed that program recruitment and the due diligence criteria revolve around three main clusters founding team; market opportunity/potential; and solution/product. Each of the clusters was mentioned by 100%, 86% and 79% of interviewees, respectively, when questioned about the main selection criteria considered early-stage investment or acceptance into incubation/acceleration program. Also, other selection criteria mentioned were traction metrics (43%), including early traction or the technology's stage of development as eliminating factors; business model (36%); revenue (29%) also had some relevance, integrated into the market and solution clusters mentioned above. Finally, Investor-Founder fit, or Fund-Investor fit was mentioned by half the investors interviewed, and related to levels of funding, term-sheet, cap table, as well as the fund's investment strategy pertaining to value and industry alignment.

Founding Team was the most mentioned factor by all the interviewees with 79% of the responses reflecting that founding team is the most important factor impacting the selection decision. This factor is evaluated mostly through the founders background, pre-entrepreneur experience, team complementary skillset and mindset. 50% of VC investors directly stated the need to develop a mutual relationship of trust with a VC-founder as a key success factor. This relies on understanding the founder's drive and motivation to build their business, while validating that they have soft skills, such adaptability, resilience, drive, to implement the start-up's long-term strategic vision.

Investors must look for a team that demonstrates a "skin-in-the-game" mentality, showcasing ambition and a global mindset combined with deep knowledge about the market they are operating in. They must be able to show investors they know how market dynamics work, who are competitors, industry trends, and how their long-term vision is aligned with

these. Besides this, investors focus on team complementarity and experience, and rarely bet on solo-entrepreneurs, because they must know that is the right team to go for, aiming to validate founder-market fit. It is essential for the team to integrate a more commercial profile which is able to sell the business (CEO), and a product expert, tech-developer who will create the solution (CTO), as mentioned by 50% of interviewed investors. Showing “coachability skills” is also an appealing characteristic, especially important in early-stages (3/8 VC interviews).

For program managers, a solid founding team had even more relevance for being accepted in programs, especially when pre-seed ones. Some managers interviewed operated in pre-team and pre-idea situations, which aim to help groups of co-founders to create a team and follow a program that finishes with a pre-seed investment from the program. E-IA3 mentioned that investors can value “a 2nd time, experienced founder with a good track record which accounts for up to 80% of the decision at a very early stage”. Besides the relevance of past experience and successful exits of entrepreneurs, program managers also value managerial and technical skills, or industry-expertise, as well as motivation, drive, coachability and program commitment. Moreover, the complementary skill of the founding team was also a topic brought up by the 2 program managers looking for more established start-ups to enter the programs.

As also reflected in the Literature Review, founding teams can be important, but are not enough for deciding whether to bet on a start-up. This was supported by 75% of VC investors and 50% of program managers. E-VC5 stated that “at pre-seed investments, there are no fixed requirements. It depends on what founders already have and what they provide. Due diligence is focused on analyzing what they already have (the idea being the minimum), studying the market potential and understanding the team, which is considered to be the most important factor. The subjectivity of investor decisions at the early stages was mentioned by 90% of interviewees who presented insights about the ecosystem, and this provided more thoughts about how the VC industry works. Other interviewees aimed to evaluate all the information provided by founders using business-related metrics to validate “the customer base presented by the start-up and define its size” (E-VC3).

In the Literature Review, we stated that accelerators seek to speed up success or failure by bringing material uncertainties that test start-ups to the fore. The motto of incubator/accelerators is usually similar to “1. Team; 2. Team; 3. Team; 4. Market; 5. Idea; 6. Traction”, which was mentioned by E-VC4, a former TechStars scout. Market potential is a critical criterion for evaluation, especially in VC due diligence. This was mentioned by 86% of the total interviewees, and by 100% of VC investors. It involves analyzing exits in the same market and measuring the market value and potential for a company to become a unicorn.

Market valuation, growth, and the cash out potential were criteria mentioned by all the VCs. Moreover, VCs considered benchmarking and following investment waves/trends to mitigate the risk of not choosing winners, particularly since tech start-ups have uncertainties surrounding innovation and novelty. Five out of eight interviews mentioned the importance of using trends to assist with market timing.

Another important criterion regards the Solution factor, which is the value proposition and differentiation of the product or technology. 75% of VCs highlighted this for expansion and scalability, strategic plan (43%), as well as problem validation and customer interest, even from pre-seed stages. In seed stages, traction metrics prove that the project answers a specific problem identified and has strategy for scalability through synergies, expansion to other geographies, and that is shown with the unit economics evolution. Additionally, investor-founder fit, or fund-founder fit was an eliminatory criterion presented by 50% of the interviewed investors, considering cap table and valuation discussions with founders, investment proposals and industry/investor needs.

From the incubator and accelerator perspective, 50% of program managers mentioned recruitment selection criteria regarding both the market opportunity and solution. This excluded the 3 entities that have programs focused on pre-team and pre-idea entrepreneurs. The findings reflect the diversity of programs in the start-up ecosystem with respect to the level of maturity required and the validation criteria. 2 out of 6 interviews already required an MVP, and another 33% base their decision on any type of early traction that can be taken as proof-of-concept and customer interest.

The experts interviewed were not singularly focused on early-stage start-ups. The selection criteria for start-ups change as they progress beyond seed stage investments, with a later focus on more data-driven approaches and a proven business model. At the seed stage, however, selection criteria are still based upon the founder and team, the existence of anchor investors or pre-seed investment, insights on the problem, and traction metrics and growth. As start-ups move towards Series A, according to 3 out of 5 Series A-experienced interviewees, market and growth become the most important factors, requiring a solid understanding of the competitive landscape, evidence of differentiation, visibly increasing growth, and rising revenues. According to E-VC5, “in the medium stage of growth (Series A and B), investors become more interested in the business plan and what the team has already achieved”. Traction metrics become more critical for explaining what has been executed and results achieved.

Investors also analyze why the team is suitable for pursuing the opportunity, including team changes and the ability of the founder to attract talent. In later stages (Series C and D+),

it becomes crucial to have a viable exit plan, taking into consideration timing and macroeconomic factors.

- **Start-up Success and Failure**

During the interviews, failures were also discussed. As mentioned in the literature review, there is no consensus concerning definitions and measuring success for very early-stage firms (Huang & Pearce, 2015). E-VC2 compared the mindset of early-stage VC investors and early-stage incubation/acceleration programs. The former aims to "enter early and leave as soon as possible" where the accelerator/incubator seeks to "create value for participants during the program by preparing start-ups to raise more investment capital."

While follow-on investments and rapid exits are often viewed as indicators of success, some founders may prioritize other factors such as building a sustainable business, creating an impact, or achieving personal goals. Experts suggested that success should not be measured solely by achieving further investment since some founders may not want this and seek to grow the company organically. Instead, success can be measured by validating the product and market and having a motivated team ready to move forward with the business. From another perspective, other success metrics were framed in terms of factors such as job creation, funds, team size, and speed of attaining new fundraising rounds.

From the program perspective, failure can also be defined as "when everything is set to move forward, but the team not wanting to proceed due to other personal or professional opportunities" as mentioned by E-IA5. Nevertheless, according to the expert interviews, most start-up failures during the investor decision-making process, i.e., pre-investment failures, occur when the team does not meet the requirements to succeed, even when market potential is high. There was no consensus among interviewees about the specific percentage of failures caused by team-related issues, but examples from the data suggest that this is a significant factor. Lack of team fit was a topic mentioned by all interviewees (8/8 valid answers). In the pre-investment phase, lack of investor-founder fit was the main reason for an unsuccessful outcome (75%). This included team unavailability; lack of commitment; lack of speed in execution, failure to show traction or to pivot when needed; and no trust between founders and the investor. In the post-investment phase, lack of founder-market fit was identified by 50% of the sample; no team cohesion; and not finding product-market fit because team focus more on the solution instead of the problem, and not pivoting in a timely manner, were all cited as factors.

- **Role of Incubators/ Accelerators**

Incubators and accelerators play a crucial role in the due diligence process of investors as they provide pre-screening and help investors evaluate founders. The main benefit of incubator and accelerator programs is considered to be the access they provide to networks, including mentorship, coaching, and connections with investors or corporate partners. Accelerator and incubator programs provide deal flow for VCs who act as mentorship partners or are part of an Investment Committee jury for graduating companies. Three program managers also presented the perspective of corporate partners that invest in early-stage start-ups. While the selection criteria are similar to those used by VCs, they only invest when they see potential in the start-up solution and traction metrics.

Moreover, the reputation of an accelerator is found to be a significant factor as investors value more well-known programs such as TechStars and Y Combinator. E-VC4 said that “because of the restrictive recruitment into programs with a high reputation it is considered a validation stamp for founders since only 1-2% are selected.” This finding aligns with Cohen et al. (2019) who stated that programs can become an indicator of quality. In fact, 75% of VCs interviewed said that a program’s reputation was a key criterion when weighing investment decisions. However, most investors interviewed also pointed out that the benefits of a program show up in traction results and start-up financials, as well as in how prepared founders are for the formalities of the investor due diligence process. Nevertheless, comparing European and American VCs, the former does not place as much importance on incubators and accelerators unless they are well-known or the VC has a connection to the program.

Programs offered by incubators and accelerators aim to develop various aspects of a start-up, including the entrepreneurial skills of the founding team, market knowledge and direction, business growth, and fundraising skills. A significant benefit of these programs is that they grow the founder's network, including facilitating contact with experts and experienced founders, a finding cited by 69% of the interviewees. The founding team understands the ecosystem better and knows what investors expect of them.

From the perspective of investors, 77% of those interviewed agreed that accelerators develop business-related aspects and formalities, while a smaller percentage agreed that accelerators improve founders’ entrepreneurial skills. Also, 67% of the managers interviewed identified their goal to be developing business-related factors. Because of this, E-VC8 stated that these programs “can be worth of every penny of equity”, when they specialize in cultivating specific skills.

Overall, incubators and accelerators have become critical players for start-ups as they offer valuable resources and support to founders. While the impact on entrepreneurial skills of founders might not be as significant as network and business development support, programs offer a conducive environment for turning ideas into viable businesses. Additionally, 23% of stakeholders interviewed highlighted the potential of these programs.

**4.2. The Gap in Selection Criteria**

This section reports on a survey of 35 relevant responses, out of 42 total, to examine founder and entrepreneur perspectives on the role of accelerators/incubators and views of VC selection criteria. About 69% of respondents were entrepreneurs (business developers). The survey accepted five different scenarios mentioned in the methodology chapter.

Most respondents were Portuguese with the mean age falling between the categories of "18-24 years old" and "25-34 years old". As reported, around 69% of the respondents identified themselves as business developers, indicating that they had previously attempted to develop a business idea.

**Table 2 - Complete Sample Description.**

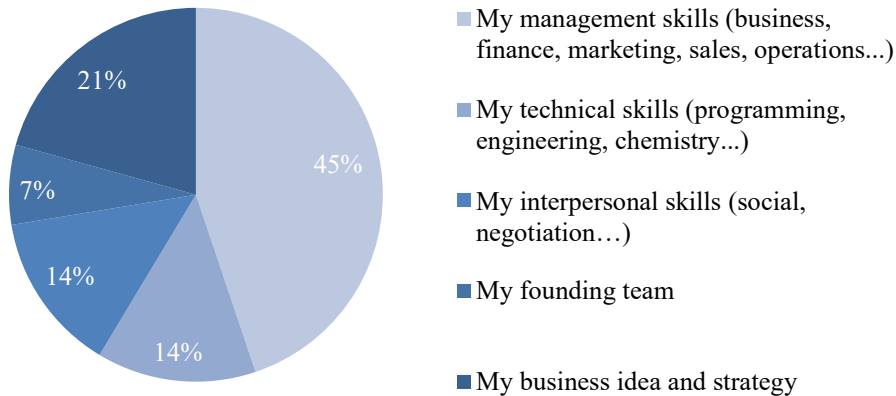
Statistic	N	Mean	St. Dev.	Min	Pctl(25)	Pctl(75)	Max
NATIONALITY	35	1.057	0.236	1	1	1	2
AGE	35	2.686	0.900	1	2	3	4
BIZIDEA	35	0.686	0.471	0	0	1	1

As stated, the aim of this paper is to investigate how the existence of a gap between the selection criteria used by VCs and the preparation founders receive during accelerators/incubators programs can impact start-up success. The survey reflects thoughts of business developers about the impact of participating in an incubator/accelerator program, as well as whether it helped in obtaining early-stage VC funding.

Selection criteria for entering Incubator/Accelerator programs are usually focused on the founding team's personal skills, drive, motivation, and ambition, as well as their backgrounds and technical skills, based upon qualitative interviews. While the pre-screening stage uses business-related criteria, team competence is more valued in later stages. Graph 1 confirms that most entrepreneurs believe that their management skills were essential for program selection (45%), followed by “business idea and strategy” (21%), “technical skills” (14%), and “interpersonal skills” (14%). The qualitative interviews support these findings, showing that personal skills and technical competence are important factors in the selection

process. However, the criteria used may vary between programs and stages, and some programs may prioritize business-related factors in earlier stages.

**Graph 1 - Program Selection Criteria, in founders' perspective.**

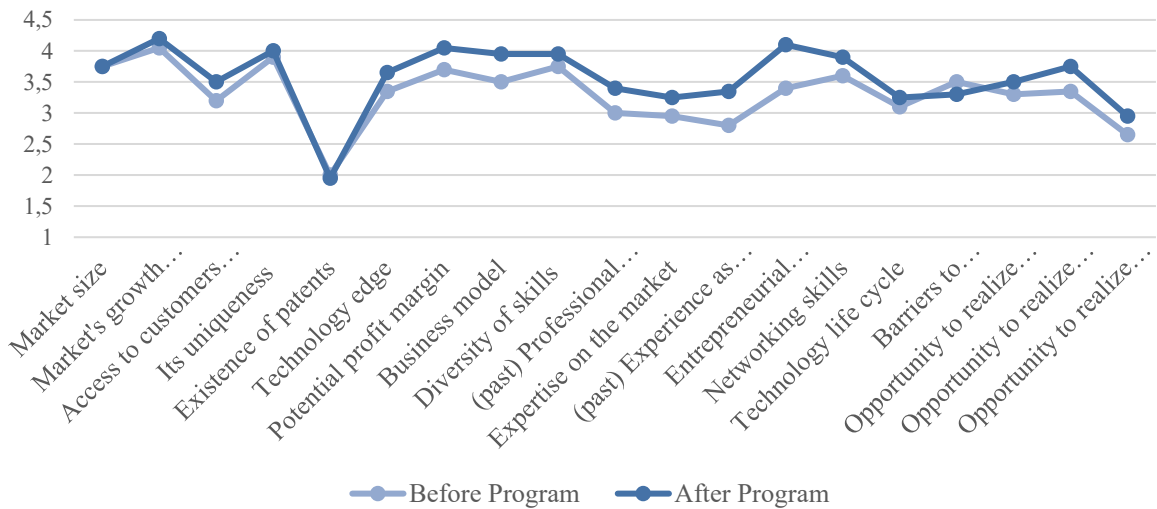


The Literature Review found that accelerators might speed up success or failure by more rapidly bringing material uncertainties to the fore that test start-ups (Yu, 2020). Considering the expert interviews in light of this, findings point to the diversity of programs and different levels of firm maturity accepted into them. Cohen et al. (2019) also found that program design was the most important variable for comprehending the effects of accelerators on start-ups.

All survey respondents who were business developers were asked to rate 19 aspects of their business idea on a scale from (1) to (5), with 1 representing “very low” and 5 being “very high”. These 19 aspects were distributed by the 5 main cluster identified by Tyebjee and Bruno (1984), namely, Market Attractiveness, Product Differentiation, Capabilities of the Founding Team, Environmental Threats/Resistance, and Cash-Out Potential.

Respondents who participated in a program were asked to rate the same 19 aspects once again, with the purpose of measuring the impact of the program on their start-up development, as well as on improving their abilities as founders. Results are presented in the following graph:

**Graph 2 - Evolution of start-up characteristics, pre- and pos-incubator/accelerator programs.**



In a detailed view, there were not marked changes in any of the factors. Even so, there was greater evolution of Product Differentiation and Capabilities of the founding team. Also, access to customers was the most relevant factor under the Market Attractiveness cluster. The survey validated that gaining traction was positively affected by participation in accelerator programs. Besides this, knowledge about the market, which was identified as an important measure for investors when evaluating team capabilities, was also improved.

Regarding the product/solution, the difference between pre- and post-program participation highlighted how programs have workshops and mentoring sessions that provide founders with business ideas. This also drives creation of MVPs and testing for market and customer validation, as well as improvements of the business model and strategy definition. From all the 19 aspects, filing for patents showed lower ratings from pre-program moments and a negative evolution in post-program.

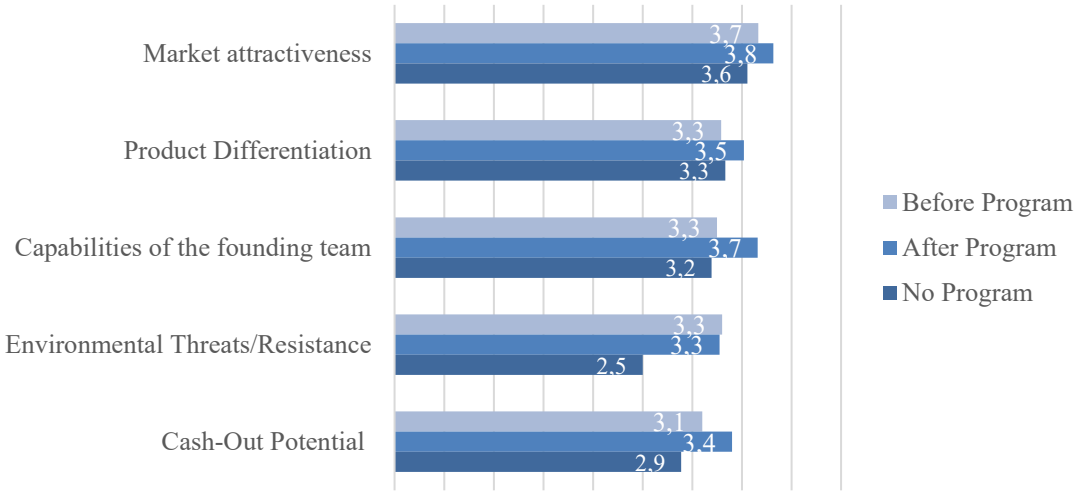
Focusing on the Capabilities of the founding team, this cluster reflects the biggest evolution identified by founders' (13%). It reflects the networking introduced by incubator/accelerator programs, which was previously highlighted by managers and investors. The factors (past) experience as entrepreneur and entrepreneurial management skills showed an increase of 20% from founders' ratings. Besides getting to know more about the ecosystem and hearing other founders' experiences, participants in programs develop business pitches and documents to present to investors.

Graph 2 also illustrates an increase of founders' knowledge about the Cash out potential cluster, which can be defined as increased expertise about investors' expectations and requirements. On average, in pre-program metrics, there was the lowest score (3.1), growing

10% in after-program metrics. On the other hand, Environmental Threats/Resistance presented a lower level of 1%, because of the lower rating given to the factor “Barriers to competitive entry” by founders.

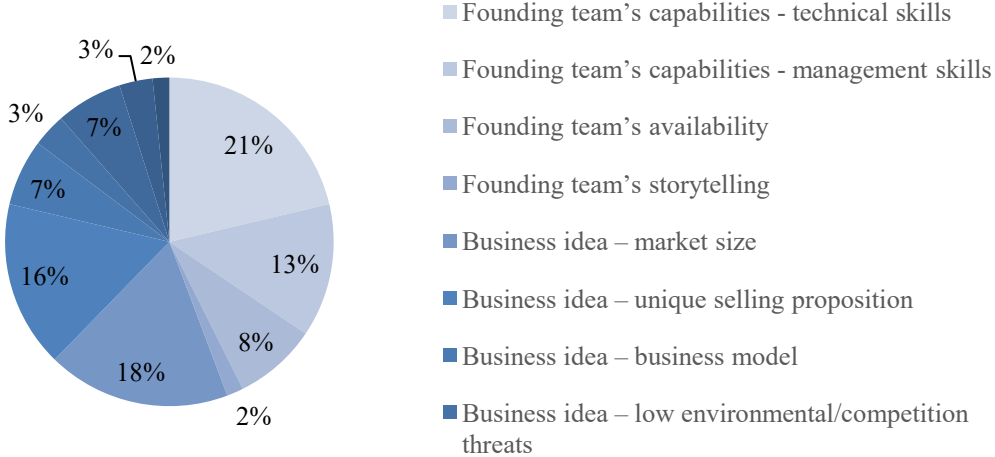
Moreover, when compared to answers by business developers who had not participated in an accelerator program there was a lower rating.

**Graph 3 - Evolution of start-up characteristics, pre- and pos-incubator/accelerator programs, in macro clusters.**



The survey sample includes 50% of start-ups invested in by VCs in a pre-seed or seed stage, and 50% of founders who did not gain a successful investment. Looking at investors’ selection criteria, based on the experience of entrepreneurs who voted on a maximum of 3 aspects considered by investors during the due diligence process, the following results were observed:

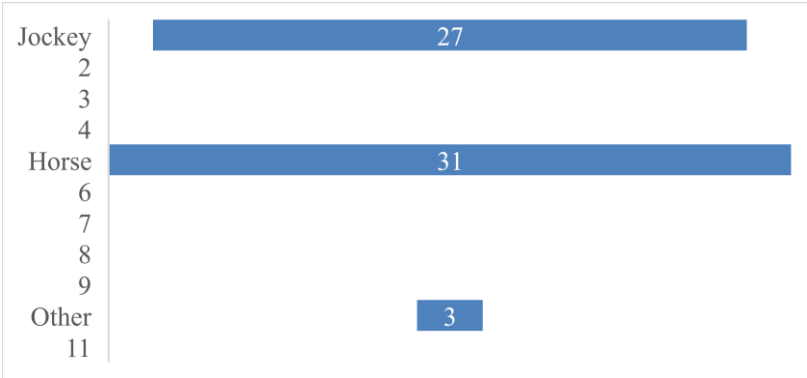
**Graph 4 - Investor Selection Criteria, from founders’ perspective, in total of votes.**



The results point out that founders consider that investors have very diverse selection factors during the due diligence process. This conclusion might reflect the subjectivity present in the VC industry mentioned in the expert interviews. Nevertheless, the results distinguish technical (21%) and managerial skills (13%) from founding team’s capabilities, and market size (18%) and unique selling proposition (16%) regarding business-related analysis.

Regarding findings about selection criteria, these can be clustered according to 2 main topics: the entrepreneurial team (as the “Jockey”), and the strategy and business model (as the “Horse”), deploying Kaplan’s framework (2010).

**Graph 5 - Investors’ Selection Criteria, in founders’ perspective, per cluster.**



As seen in graph 5, the findings show that the four most-voted criteria account for 34% for each founding team cluster and business idea cluster. Considering the total number of votes, there were more votes on business-related factors (51%), versus 44% regarding the founding team. The remaining 5% considered other factors such as “FOMO (fear of missing out)” and “Incubator’s/accelerator’s reputation”.

Cross checking these findings with those collected from investors’ perspectives during the interviews, the team was considered the most important criterion impacting decision-making, but also 75% of VC investors considered it not to be the only factor. Considering the main 3 clusters identified that reflected investing decision at an early stage – Team Capabilities, Market Attractiveness and Solution – points to “Horse” factors being equally, or even more, important than “Jockey” ones. Three experts answered a question asking them to distribute a 100% total weight for each criteria used to base final decisions on investing in a start-up. Two placed the business-related factor at 50% or more, aggregating market and idea together, compared to the remaining attribute, team importance.

To better understand the weight in decision-making, survey respondents also provided their perspectives on three aspects they considered most impactful for investor decisions. The outcome shows votes attributed to each factor regarding VC early-stage investment:

**Graph 6 - Investors’ Selection Criteria, in founders’ perspective, per investment outcome.**



Graph 6, presented above, includes two categories of factors: the founding team's capabilities and the business idea's attributes, along with an additional factor of the incubator/accelerator's reputation. In the entrepreneurs’ perspective, technical skills and market size are rated highest in terms of impact on success, with 8 and 7 votes, respectively. These aspects are followed by management skills and unique selling proposition, both with 5 votes. Considering the answers of founders who experienced negative investment outcomes, there was a tie between technical skills and unique selling proposition, both with a score of 5. Market size and management skills came next with 4 and 3 votes, respectively. Another observation is that investors, in early stage ventures, value team skills and market opportunity the most, which is aligned with founders’ answers. Even so, there was lower prioritization of market size in the second respondent category.

**4.3. Accelerators as Catalysts for VC Funding**

As reflected in the Literature Review and the interviews, one of the one of the main objectives of accelerators/incubators is to facilitate investment, acting as an intermediary to connect entrepreneurs to investors (Van Rijnsoever et al., 2017). Aiming to answer RQ1 and RQ2, the following analysis focuses on proving that participation in an incubator/accelerator

program has an impact on start-ups receiving early-stage VC funding. This paper will consider the primary data collected, as well as the following hypothesis:

- Null Hypothesis: Participation in an accelerator/incubator program has no impact on the outcome of start-ups receiving early-stage VC funding.
- Alternative Hypothesis: Participation in an accelerator/incubator program has an impact on the outcome of start-ups receiving early-stage VC funding.

To interpret this association, we considered the sample including all 24 business developers who have participated in the survey. Most of the respondents were Portuguese, with the mean age falling in the category of "25-34 years old". Around 75% of respondents had a founding team when they started pursuing their business idea, and the sample consisted of 65% survival rate. Besides this, 88% of respondents had experience in an incubator or accelerator program.

**Table 3 - Business Developers Sample Description.**

Statistic	N	Mean	St. Dev.	Min	Pct1(25)	Median	Pct1(75)	Max
NATIONALITY	24	1.083	0.282	1.000	1.000	1.000	1.000	2.000
AGE	24	3.083	0.776	2.000	2.750	3.000	4.000	4.000
BIZIDEA	24	1.000	0.000	1.000	1.000	1.000	1.000	1.000
FOUNDTEAM	24	0.750	0.442	0.000	0.750	1.000	1.000	1.000
SURVIVAL	24	0.625	0.495	0.000	0.000	1.000	1.000	1.000
BIZTIME	24	3.417	1.558	1.000	2.000	3.000	5.000	6.000
ACCELERATOR	24	0.875	0.338	0.000	1.000	1.000	1.000	1.000

We performed a generalized linear regression between VCFUNDING, as the dependent variable considering a positive or negative outcome in getting the early-stage investment; and ACCELERATOR as the independent variable regarding the participation of founders in an incubator/accelerator program.

Both variables are binary, taking up the values 0 or 1, translating the answers “no” or “yes”. No statistically significant relationship was found between them. Nevertheless, the model suggests that there is a negative effect on VCFUNDING when ACCELERATOR is zero, which means when there is no participation in any incubator/accelerator program. Even so, the large standard errors indicated greater uncertainty in the estimates, as well as the log-likelihood (-14.341) measures a worse fit of the model.

By running a likelihood ratio test, we aimed to assess the fit of the logistic regression model that evaluated the role of accelerators regarding the probability of start-ups obtaining VC

funding. For this we first considered a model that included the predictor variable "accelerator", and a second null model that only included the intercept, representing a positive answer of obtaining early-stage VC investment.

**Table 4 - Likelihood Ratio Test.**

```
Likelihood ratio test

Model 1: VCFUNDING ~ ACCELERATOR
Model 2: VCFUNDING ~ 1
#Df  LogLik Df  Chisq Pr(>Chisq)
1    2 -14.341
2    1 -16.636 -1  4.5889    0.03218 *
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
```

The output showed that the likelihood ratio test statistic is 4.5889, which corresponded to a chi-squared distribution with 1 degree of freedom. The p-value associated with this statistic test is less than 0.05, indicating that the first model provided a significantly better fit than second. Also, it indicated that the difference in the log-likelihoods between the two models is statistically significant at the 0.05 level. Therefore, the results of the regression analysis suggest that accelerator participation is a statistically significant predictor of the probability of obtaining VC funding for start-ups, after controlling for other factors included in the model.

## 5. Conclusion & Implications

The aim of this study was to explore the role of accelerator selection strategies on the success/failure of start-ups for acquiring follow-on investment. We investigated how accelerator selection processes differ from investor selection due diligence criteria, and how the delta between the two affects the outcomes of graduating start-ups. Thus, the research focused on selection processes, the evaluation criteria, and the existence of a delta.

Accelerators and venture capital investors have different selection strategies, as our findings suggest. Accelerators prioritize innovative ideas and growth potential, focusing on motivated entrepreneurs and a driven team and preparing the team for fundraising. VCs, on the other hand, invest in established companies with proven viability and scalability, looking for a return on investment. However, due to the high levels of uncertainty in the early stages of a start-up, building relationships with the founding team is critical for investor decisions in early-stages (pre-seed and seed round). As the evidence suggested, VCs have different views on how to select investments. Some focus more heavily on the management team (the Jockey) while other focus more heavily on the business itself (the Horse) (Gompers et al., 2020).

Based on our research, we can conclude that accelerator selection processes and investor selection due diligence criteria share similarities in their expectations regarding the team and business/market opportunity. When recruiting startups, accelerators prioritize a startup's potential and team, while during the program founders are challenged to develop knowledge about the market and pursue validation. The network opportunities provided by accelerators are also considered a significant benefit, with entrepreneurial management skills being developed, as reflected in the survey. Investors, on the other hand, prioritize a team's technical skills, rated by entrepreneurs as the most important criteria for both successful and non-successful outcomes during due diligence. Most interviewed programs were sector-agnostic, reflecting broader approaches and skillsets instead of offering more industry-focused mentoring. However, investors only value program participation when these have solid reputations. Differences in the rigor and thoroughness of programs, like TechStars compared to regional programs, focus on valorization of technical skills and market metrics in the pre-program stage. These differences can impact the success of start-ups in acquiring follow-on investment as some firms may not meet investor criteria despite graduating from an accelerator.

Our research found that differences between accelerator selection strategies and investor due diligence criteria can affect outcomes for graduating start-ups. While focusing on team, not all incubators/accelerators require market validation metrics that show team compromise when entering the program, as well as some level of knowledge about technical skills needed to pursue the idea. Additionally, program goals must be aligned with investors in terms of preparing founders for fundraising and for dealing with the procedural formalities. A misalignment was also found in some programs; hence program managers must focus on developing team capabilities to approach and develop a closer relationship with investors on an interpersonal level. Improved outcomes for graduating start-ups could occur if incubators and accelerators provided connection with investors throughout the program, targeting industry-expert investors thereby nurturing a relationship from very early-stages. Customized and more focused programs can be correlated with more specific startup needs.

Our findings have important implications for theory and practice. Our research suggests that a closer alignment between accelerator selection strategies and investor selection due diligence criteria could improve the success of start-ups acquiring follow-on investment. It provides a theoretical contribution to decision-making in the entrepreneurial process, identifying gaps concerning incubator/accelerator's selection criteria and early-stage investors decision-making. Our findings may help accelerator/incubator managers to rethink programs by better understanding the preferences of investors in early-stage start-ups, while defining

more standardized evaluation processes from the recruitment stage and placing greater emphasis on meeting investor criteria.

In conclusion, our research has demonstrated that the delta between accelerator selection strategies and investor selection due diligence criteria can impact start-ups acquiring follow-on investment. Addressing aspects of this delta can improve outcomes for graduating start-ups and increase chances of success.

## 6. Limitations & Future Research

This study has limitations to consider when interpreting findings. The sample size is small, which may limit generalizability, and the survey targeted five groups but did not obtain answers from one. Also, the sample sizes of the other groups differed significantly, making unbiased comparisons challenging. To enhance reliability, future research could use a larger and more representative sample. The interview sample of experts is also relatively small and not fully generalizable. Additionally, most experts were not from major global companies with broad portfolios, and the sample did not acknowledge differences across geographical locations.

We only examined the impact of accelerator programs on early-stage start-ups receiving VC funding. Future research could explore other measures of success such as revenue growth, profitability, and employee retention. The study found that investors often view major accelerators like TechStars and Y Combinator as a validation stamp for start-ups. Future research could compare regional and national venture builder programs to analyze their selection criteria and industry specialization approach. Future research could also examine if regional accelerator programs with industry expertise are more attractive to investors.

## 7. References

- Aerts, K., Matthyssens, P., & Vandembemt, K. (2007). Critical role and screening practices of European business incubators. *Technovation*, 27(5), 254–267.  
<https://doi.org/10.1016/j.technovation.2006.12.002>
- Audretsch, D. B. (2021). Have we oversold the Silicon Valley model of entrepreneurship? *Small Business Economics*, 56(2), 849–856. <https://doi.org/10.1007/s11187-019-00272-4>
- Baldrige, R. (2022, October 16). What is a start-up? the ultimate guide. *Forbes*.  
<https://www.forbes.com/advisor/business/what-is-a-startup/>
- Barreto, I. (2010). Dynamic capabilities: A review of past research and an agenda for the future. *Journal of Management*, 36(1), 256–280.

- Bednár, I. R., & Tarišková, I. N. (2017). *INDICATORS OF STARTUP FAILURE*.  
<http://www.eban.org/about-angel-investment/early-stage-investing->
- Bergek, A., & Norrman, C. (2008). Incubator best practice: A framework. *Technovation*, 28(1–2), 20–28. <https://doi.org/10.1016/j.technovation.2007.07.008>
- Berre, M., & Le Pendeven, B. (2022). What do we know about startup-valuation drivers? A systematic literature review. *Venture Capital*.  
<https://doi.org/10.1080/13691066.2022.2086502>
- Blank, S. (2010). *What's A Startup? First Principles*.  
<https://steveblank.com/2010/01/25/whats-a-startup-first-principles/>
- Blank, S. (2012). A Startup Conversation with Steve Blank. *Forbes*.  
<https://www.forbes.com/sites/kevinready/2012/08/28/a-startup-conversation-with-steve-blank/?sh=3a5abaf9f0db>
- Blank, S. (2013). Why the Lean Start-Up Changes Everything. *Harvard Business Review*.  
<https://hbr.org/2013/05/why-the-lean-start-up-changes-everything>
- Blank, S. G. (2003). The Four Steps to the Epiphany. *Morrisville: Lulu Enterprises Incorporated*. [https://web.stanford.edu/group/e145/cgi-bin/winter/drupal/upload/handouts/Four\\_Steps.pdf](https://web.stanford.edu/group/e145/cgi-bin/winter/drupal/upload/handouts/Four_Steps.pdf)
- Bone, J., Allen, O., & Haley, C. (2017). *Business Incubators and Accelerators: The National Picture*.
- Brown, R., Mawson, S., Lee, N., & Peterson, L. (2019). Start-up factories, transnational entrepreneurs and entrepreneurial ecosystems: unpacking the lure of start-up accelerator programmes. *European Planning Studies*, 27(5), 885–904.  
<https://doi.org/10.1080/09654313.2019.1588858>
- Brown, T. (2009). *Change by Design: How Design Thinking Transforms Organizations and Inspires Innovation*. Harper Collins.  
[https://books.google.pt/books/about/Change\\_by\\_Design.html?id=x7PjWyVUoVAC&redir\\_esc=y](https://books.google.pt/books/about/Change_by_Design.html?id=x7PjWyVUoVAC&redir_esc=y)
- Cantamessa, M., Gatteschi, V., Perboli, G., & Rosano, M. (2018). Startups' roads to failure. *Sustainability (Switzerland)*, 10(7). <https://doi.org/10.3390/su10072346>
- Carpentier, C., & Suret, J.-M. (2015). Angel group members' decision process and rejection criteria: A longitudinal analysis. *Journal of Business Venturing*, 30(6), 808–821.  
<https://doi.org/10.1016/j.jbusvent.2015.04.002>
- Cavallo, A., Ghezzi, A., Dell'Era, C., & Pellizzoni, E. (2019). Fostering digital entrepreneurship from startup to scaleup: The role of venture capital funds and angel

- groups. *Technological Forecasting and Social Change*, 145, 24–35.  
<https://doi.org/10.1016/j.techfore.2019.04.022>
- Cohen, S., Fehder, D. C., Hochberg, Y. V., & Murray, F. (2019). The design of startup accelerators. *Research Policy*, 48(7), 1781–1797.  
<https://doi.org/10.1016/j.respol.2019.04.003>
- Cohen, S. G., & Hochberg, Y. V. (2014). *Accelerating Startups: The Seed Accelerator Phenomenon*.  
<http://ssrn.com/abstract=2418000>Electronic copy available at: <https://ssrn.com/abstract=2418000>
- Cohen, S. L. (2013). *HOW TO ACCELERATE LEARNING: ENTREPRENEURIAL VENTURES PARTICIPATING IN ACCELERATOR PROGRAMS* [The University of North Carolina at Chapel Hill].  
<https://www.proquest.com/openview/543901dfbf2e10341c6f07f9c516a123/1?pq-origsite=gscholar&cbl=18750>
- Crișan, E. L., Salanță, I. I., Beileu, I. N., Bordean, O. N., & Bunduchi, R. (2021). A systematic literature review on accelerators. *Journal of Technology Transfer*, 46(1), 62–89. <https://doi.org/10.1007/s10961-019-09754-9>
- Dee, N., Gill, D., Weinberg, C., & Mctavish, S. (2015). *WHAT'S THE DIFFERENCE? Startup Support Programmes*. [www.nesta.org.uk](http://www.nesta.org.uk)
- Dicks, D., & Fulghieri, P. (2021). Uncertainty, Investor Sentiment, and Innovation. *The Review of Financial Studies*, 34(3), 1236–1279. <https://doi.org/10.1093/rfs/hhaa065>
- Drucker, P. F. (1986). Innovation and Entrepreneurship: Practice and Principles. *Public Productivity Review*, 10(1), 105. <https://doi.org/10.2307/3380320>
- Drucker, P. F. (2013). The Discipline of Innovation. In *HBR's 10 Must Reads on Innovation (with featured article "The Discipline of Innovation," by Peter F. Drucker)* (pp. 143–156). [https://books.google.pt/books?hl=pt-PT&lr=&id=PgmUzP5LkIC&oi=fnd&pg=PR4&dq=The+Discipline+of+Innovation+drucker&ots=GC3BA2U2uX&sig=SkmFFJMrWYWb8jYK\\_BcRY4fykVc&redir\\_esc=y#v=onepage&q=The%20Discipline%20of%20Innovation%20drucker&f=false](https://books.google.pt/books?hl=pt-PT&lr=&id=PgmUzP5LkIC&oi=fnd&pg=PR4&dq=The+Discipline+of+Innovation+drucker&ots=GC3BA2U2uX&sig=SkmFFJMrWYWb8jYK_BcRY4fykVc&redir_esc=y#v=onepage&q=The%20Discipline%20of%20Innovation%20drucker&f=false)
- Edwards, J. R. (2001). Multidimensional constructs in organizational behavior research: An integrative analytical framework. *Organizational Research Methods*, 4(2), 144–192.
- Ford, S., Garnsey, E., & Probert, D. (2009). Evolving corporate entrepreneurship strategy: technology incubation at Philips. *R&D Management*, 40(1), 81–90.  
<https://doi.org/10.1111/j.1467-9310.2009.00580.x>

- Frederiksen, D. L., & Brem, A. (2017). How do entrepreneurs think they create value? A scientific reflection of Eric Ries' Lean Startup approach. *International Entrepreneurship and Management Journal*, 13(1), 169–189. <https://doi.org/10.1007/s11365-016-0411-x>
- Gabbert, J., Tarhuni, N., & Cox, D. (2022). 2021 Annual US VC Valuations Report.
- Gans, J. S., Stern, S., & Wu, J. (2019). Foundations of entrepreneurial strategy. *Strategic Management Journal*, 40(5), 736–756. <https://doi.org/10.1002/smj.3010>
- Gompers, P. A., Gornall, W., Kaplan, S. N., & Strebulaev, I. A. (2020). How do venture capitalists make decisions? *Journal of Financial Economics*, 135(1), 169–190. <https://doi.org/10.1016/j.jfineco.2019.06.011>
- Gonzalez-Uribe, J., & Leatherbee, M. (2018). The effects of business accelerators on venture performance: Evidence from start-Up Chile. In *Review of Financial Studies* (Vol. 31, Issue 4, pp. 1566–1603). Oxford University Press. <https://doi.org/10.1093/rfs/hhx103>
- Grant, M. (2022, June 18). What a Startup Is and What's Involved in Getting One Off the Ground. Investopedia. <https://www.investopedia.com/terms/s/Startup.Asp>. <https://www.investopedia.com/terms/s/startup.asp>
- Grimaldi, R., & Grandi, A. (2005). Business incubators and new venture creation: An assessment of incubating models. *Technovation*, 25(2), 111–121. [https://doi.org/10.1016/S0166-4972\(03\)00076-2](https://doi.org/10.1016/S0166-4972(03)00076-2)
- Hackett, S. M., & Dilts, D. M. (2004). A Systematic Review of Business Incubation Research. *The Journal of Technology Transfer*, 29(1), 55–82. <https://doi.org/10.1023/B:JOTT.0000011181.11952.0f>
- Hallen, B. L., Bingham, C., & Cohen, S. (2019). Do Accelerators Accelerate? If So, How? The Impact of Intensive Learning from Others on New Venture Development. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2719810>
- Hars, J. L. (2021). *VENTURE CAPITAL SELECTION CRITERIA IN THE ERA OF DIGITAL BUSINESS as a contribution to the common topic of VENTURE CAPITAL IN EUROPE: CURRENT TRENDS AND PRACTICES* Work project out under the supervision of.
- Hausberg, J. P., & Korreck, S. (2020). Business incubators and accelerators: a co-citation analysis-based, systematic literature review. *Journal of Technology Transfer*, 45(1), 151–176. <https://doi.org/10.1007/s10961-018-9651-y>
- Hochberg, Y. V. (2016). Accelerating Entrepreneurs and Ecosystems: The Seed Accelerator Model. *Innovation Policy and the Economy*, 16, 25–51. <https://doi.org/10.1086/684985>

- Hollweck, T. (2016). Robert K. Yin. (2014). Case Study Research Design and Methods (5th ed.). Thousand Oaks, CA: Sage. 282 pages. *The Canadian Journal of Program Evaluation*. <https://doi.org/10.3138/cjpe.30.1.108>
- Huang, L., & Pearce, J. L. (2015). Managing the Unknowable: The Effectiveness of Early-stage Investor Gut Feel in Entrepreneurial Investment Decisions. *Administrative Science Quarterly*, 60(4), 634–670. <https://doi.org/10.1177/0001839215597270>
- Hyytinen, A., Pajarinen, M., & Rouvinen, P. (2015). Does innovativeness reduce startup survival rates? *Journal of Business Venturing*, 30(4), 564–581. <https://doi.org/10.1016/j.jbusvent.2014.10.001>
- Kaplan, S. N., & Lerner, J. (2010). It Ain't Broke: The Past, Present, and Future of Venture Capital. *Journal of Applied Corporate Finance*, 22(2), 36–47. <https://doi.org/10.1111/j.1745-6622.2010.00272.x>
- KAPLAN, S. N., & STRÖMBERG, P. (2004). Characteristics, Contracts, and Actions: Evidence from Venture Capitalist Analyses. *The Journal of Finance*, 59(5), 2177–2210. <https://doi.org/10.1111/j.1540-6261.2004.00696.x>
- Karim, S. (2020a, December 4). *Inside a Techstars Accelerator: The Application & Interview Process*. <https://www.techstars.com/the-line/advice/inside-a-techstars-accelerator-the-application-and-interview-process>
- Karim, S. (2020b, December 4). *Inside a Techstars Accelerator: What To Expect From the Three Months*. <https://www.techstars.com/the-line/advice/inside-a-techstars-accelerator-what-to-expect-from-the-three-months>
- Kerr, W. R., Lerner, J., & Schoar, A. (2014). The Consequences of Entrepreneurial Finance: Evidence from Angel Financings. *Review of Financial Studies*, 27(1), 20–55. <https://doi.org/10.1093/rfs/hhr098>
- Kim, J. H., & Wagman, L. (2014). Portfolio size and information disclosure: An analysis of startup accelerators. *Journal of Corporate Finance*, 29, 520–534. <https://doi.org/10.1016/j.jcorpfin.2014.10.017>
- Kirtley, J., & O'Mahony, S. (2020). What is a pivot? Explaining when and how entrepreneurial firms decide to make strategic change and pivot. *Strategic Management Journal*. <https://doi.org/10.1002/smj.3131>
- Kohler, T. (2016). Corporate accelerators: Building bridges between corporations and startups. *Business Horizons*, 59(3), 347–357. <https://doi.org/10.1016/j.bushor.2016.01.008>

- Kotha, S., Shin, S. J., & Fisher, G. (2022). Time to unicorn status: An exploratory examination of new ventures with extreme valuations. *Strategic Entrepreneurship Journal*, 16(3), 460–490. <https://doi.org/10.1002/sej.1439>
- Lange, J. E., Mollov, A., Pearlmutter, M., Singh, S., & Bygrave, W. D. (2007). Pre-startup formal business plans and post-startup performance: A study of 116 new ventures. *Venture Capital Journal*, 9(4), 1–20.
- Leitão, J., Pereira, D., & Gonçalves, Â. (2022). Business Incubators, Accelerators, and Performance of Technology-Based Ventures: A Systematic Literature Review. In *Journal of Open Innovation: Technology, Market, and Complexity* (Vol. 8, Issue 1). MDPI. <https://doi.org/10.3390/joitmc8010046>
- Macmillan, I. C., Siegel, R., & Narasimha, P. N. S. (1985). Criteria used by venture capitalists to evaluate new venture proposals. *Journal of Business Venturing*, 1(1), 119–128. [https://doi.org/10.1016/0883-9026\(85\)90011-4](https://doi.org/10.1016/0883-9026(85)90011-4)
- Macmillan, I. C., Zemann, L., & Subbanarasimha, P. N. (1987). Criteria distinguishing successful from unsuccessful ventures in the venture screening process. *Journal of Business Venturing*, 2(2), 123–137. [https://doi.org/10.1016/0883-9026\(87\)90003-6](https://doi.org/10.1016/0883-9026(87)90003-6)
- Markova, S., & Petkovska-Mircesvska, T. (2010). *ENTREPRENEURIAL FINANCE: ANGEL INVESTING AS A SOURCE OF FUNDING HIGH-GROWTH START-UP FIRMS*.
- Maurya, A. (2012). *Running Lean: Iterate from Plan A to a Plan That Works*. “O’Reilly Media, Inc.” [https://books.google.pt/books/about/Running\\_Lean.html?id=j4hXPn233UYC&redir\\_esc=y](https://books.google.pt/books/about/Running_Lean.html?id=j4hXPn233UYC&redir_esc=y)
- Miller, P., & Stacey, J. (2014, April 2). *Good Incubation*. <https://www.nesta.org.uk/report/good-incubation/>
- Mittiness, C. R., Baucus, M. S., & Sudek, R. (2012). Horse vs. Jockey? How stage of funding process and industry experience affect the evaluations of angel investors. *Venture Capital*, 14(4), 241–267. <https://doi.org/10.1080/13691066.2012.689474>
- Nathoo, K. (2022). *The Y Combinator Deal*. <https://www.ycombinator.com/deal>
- Nogueira, S. P. (2022). *Winning the Startup Game A Study on the Design of European Startup Accelerators*. <http://hdl.handle.net/10400.14/38424>
- Osterwalder, A., & Pigneur, Y. (2010). *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers*. John Wiley & Sons. [https://books.google.pt/books/about/Business\\_Model\\_Generation.html?id=UzuTAAwAAQBAJ&redir\\_esc=y](https://books.google.pt/books/about/Business_Model_Generation.html?id=UzuTAAwAAQBAJ&redir_esc=y)

- Packard, M. D., Clark, B. B., & Klein, P. G. (2017). Uncertainty Types and Transitions in the Entrepreneurial Process. *Organization Science*, 28(5), 840–856.  
<https://doi.org/10.1287/orsc.2017.1143>
- Patton, D., Warren, L., & Bream, D. (2009). Elements that underpin high-tech business incubation processes. *Journal of Technology Transfer*, 34(6), 621–636.  
<https://doi.org/10.1007/s10961-009-9105-7>
- Pauwels, C., Clarysse, B., Wright, M., & Van Hove, J. (2016). Understanding a new generation incubation model: The accelerator. *Technovation*, 50–51, 13–24.  
<https://doi.org/10.1016/j.technovation.2015.09.003>
- Ries, E. (2011). *The lean startup: How today's entrepreneurs use continuous innovation to create radically successful businesses*. Crown Business.
- Rosenbaum, E. (2022, May 18). What comes after the easy money era ends for cash-burning tech companies in Silicon Valley. *CNBC*. <https://www.cnbc.com/2022/05/18/what-comes-after-easy-money-era-ends-for-cash-burning-tech-companies.html>
- Scherer, F. M., & Harhoff, D. (2000). Technology policy for a world of skew-distributed outcomes. *Research Policy*, 29(4–5), 559–566. [https://doi.org/10.1016/S0048-7333\(99\)00089-X](https://doi.org/10.1016/S0048-7333(99)00089-X)
- Shore, J., & Warden, S. (2021). *The Art of Agile Development*. “O’Reilly Media, Inc.”  
<https://www.oreilly.com/library/view/the-art-of/9781492080688/>
- Smith, S. W., LGasiorowski, L., & Hannigan, T. J. (2013). *Accelerators and Crowdfunding: Complementarity, Competition, or Convergence in the Earliest Stages of Financing New Ventures?* [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2298875](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2298875)
- Snihur, Y., & Zott, C. (2020). The Genesis and Metamorphosis of Novelty Imprints: How Business Model Innovation Emerges in Young Ventures. *Academy of Management Journal*, 63(2), 554–583. <https://doi.org/10.5465/amj.2017.0706>
- Stanford, K. (2022). *Down Rounds, Impacts, and Exit Opportunities A look at what's in store for companies taking down rounds in the current market PitchBook Data, Inc.*
- Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509–533. [https://doi.org/10.1002/\(SICI\)1097-0266\(199708\)18:7<509::AID-SMJ882>3.0.CO;2-Z](https://doi.org/10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z)
- Timmons, J. A., Smollen, L. E., & Dingee, A. L. M. (1985). *New Venture Creation: A Guide to Entrepreneurship*.  
[http://scholar.google.com/scholar\\_lookup?hl=en&publication\\_year=1985&pages=%00empty%00&author=J.+A.+Timmons&author=L.+E.+Smollen&author=A.+L.+M.+Dinge](http://scholar.google.com/scholar_lookup?hl=en&publication_year=1985&pages=%00empty%00&author=J.+A.+Timmons&author=L.+E.+Smollen&author=A.+L.+M.+Dinge)

e&isbn=%00null%00&title=+New+Venture+Creation%3A+A+Guide+to+Entrepreneurs  
hip+

- Townsend, D. M., Hunt, R. A., McMullen, J. S., & Sarasvathy, S. D. (2018). Uncertainty, Knowledge Problems, and Entrepreneurial Action. *Academy of Management Annals*, *12*(2), 659–687. <https://doi.org/10.5465/annals.2016.0109>
- Tyebjee, T. T., & Bruno, A. V. (1984). A Model of Venture Capitalist Investment Activity. *Management Science*, *30*(9), 1051–1066. <https://doi.org/10.1287/mnsc.30.9.1051>
- Van Rijnsouwer, F. J., Van Weele, M. A., & Eveleens, C. P. (2017). Network brokers or hit makers? Analyzing the influence of incubation on start-up investments. *International Entrepreneurship and Management Journal*, *13*(2), 605–629. <https://doi.org/10.1007/s11365-016-0416-5>
- Welter, F., Baker, T., & Wirsching, K. (2019). Three waves and counting: the rising tide of contextualization in entrepreneurship research. *Small Business Economics*, *52*(2), 319–330. <https://doi.org/10.1007/s11187-018-0094-5>
- Yin, B., & Luo, J. (2018). How do accelerators select startups? Shifting decision criteria across stages. *IEEE Transactions on Engineering Management*, *65*(4), 574–589. <https://doi.org/10.1109/TEM.2018.2791501>
- Yu, S. (2020). *How do Accelerators Impact the Performance of High-Technology Ventures?* <http://regionalcouncils.ny.gov/new-york-city/042413/>
- Zahra, S. A., & George, G. (2002). Absorptive Capacity: A Review, Reconceptualization, and Extension. *The Academy of Management Review*, *27*(2), 185. <https://doi.org/10.2307/4134351>
- Zedtwitz, M. von. (2003). Classification and management of incubators: aligning strategic objectives and competitive scope for new business facilitation. *International Journal of Entrepreneurship and Innovation Management*, *3*(1/2), 176. <https://doi.org/10.1504/IJEIM.2003.002227>

## **8. Appendices**

### **A. Guidelines of semi-structured interview questionnaire**

#### **Semi-structured questionnaire (Investors)**

1. Can you start by telling me about your experience with investing?
2. Do you consider yourself specialized in any stage of the start-up lifecycle or do you have any industry in which your portfolio companies focus more?

3. What are the most important factors or criteria do you consider when interviewing a start-up to invest in?
4. Could you please rate those criteria in order of most to least important? How would you divide a 100% total weight for each criteria mentioned, accounting for your final decision on investing in a start-up?
5. Do you analyze your failures? What factors contributed most to their failures? (What factors impacted it?)
6. Do you have any connection to an accelerator/incubator program? If yes, why?
7. Do you consider that when founders have participated in an accelerator program, they are better prepared to meet the criteria you consider? How so?
8. About the VC industry, do you feel this scenario is static, or will it shift to another perspective?

#### **Semi-structured questionnaire (Incubator and Accelerator's Managers)**

1. Can you start by telling me about your experience?
2. Does your company specialized in any stage of the start-up lifecycle, or does it have any industry in which your portfolio companies focus more?
4. What are the most important factors or criteria do you consider when interviewing a start-up to enter the program?
5. Could you please rate those criteria for order of most to least important? How would you divide a 100% total weight for each criteria mentioned, accounting for your final decision on investing in a start-up?
6. During the program, what are the main factors you aim to develop on founders and the idea to consider their participation successful?
7. Do you analyze your failures? What factors contributed most to their failures? (What factors impacted it?)
8. About the VC industry, do you feel this scenario is static, or will it shift to another perspective?

## B. Full description of interviewees

### Description of the Interviewees

Code	Segment	Name	Company	Role
E-VC1	VC Investor	Rui Ferreira	Portugal Ventures	CEO
E-VC2	VC Investor	Gonçalo Vilaça	Ex-Alcea Advisors	Entrepreneur; Start-up Advisor
E-VC3	VC Investor	Jacopo Pacitto	Statkraft Ventures	VC Analyst
E-VC4	VC Investor	João Nunes	Playfair Capital; Ex- Techstars	VC Analyst; ex- TechStars Scout
E-VC5	VC Investor	Lavinia Bonomo	Indico	VC Analyst
E-VC6	VC Investor	Martinho Matos	Bynd	VC Analyst
E-VC7	VC Investor	Johann Almeida	FWD Global	Associate
E-VC8	VC Investor	Zac Geinzer	CandyVC	Investor
E-IA1	Accelerator/Incubator	Enes Denizli	Plug and Play Tech Center	Partner Success and Ventures
E-IA2	Accelerator/Incubator	Filipe Cordeiro	Start-up Factory & Acredita Portugal	ex-CEO; Head of Startups
E-IA3	Accelerator/Incubator	Pau Maspoch	Demium	Head of Incubation
E-IA4	Accelerator/Incubator	João Rosado	Start-up Lisboa	Head of Incubation
E-IA5	Accelerator/Incubator	Lara Ligeiro	Fábrica de Startups	Acceleration Manager
E-IA6	Accelerator/Incubator	André Flórido	Antler	Investment Associate

## **Summary of the interviews**

### **Rui Ferreira – CEO Portugal Ventures**

- Investment strategy and focus of the open calls determine the first screening stage, with industry fit being the primary eliminatory criteria.
- Investment/evaluation criteria include value proposition/differentiation, customers and traction metrics, business scalability, and founding team.
- Value proposition/differentiation aims to evaluate if the product is differentiating and not replicable, in order to evaluate the competition barriers.
- Customers and traction metrics measure the stage of development of the technology and its testing level.
- Business scalability includes an analysis for the cash out potential and the market timing, looking to define the unicorn potential of the start-up.
- Founding team is the most important factor, followed by market potential and timing, customers and traction metrics, and value proposition. For this, the analysis focuses on founders' complementarity, experience, skills, different mindsets, being a team instead of a solo entrepreneur.
- Portugal Ventures requires investment proposal (term sheet) and cap table for analysis.
- Rejections primarily occur during the pre-screening stage, especially because of lack of fit with the open call, and due diligence process.
- Accelerators play a role in pre-screening and identifying startups and founders that are more robust and have stronger networks compared to other startups that apply through open calls. "The role of accelerators is mostly the network factor."

### **Gonçalo Vilaça – Founder of Alcea Advisors**

- "For the past 15 years founded, led, and advised start-ups, multinationals, governments and universities in healthcare & life sciences, sustainability, mobility, and retail across Europe, North America and Asia, specializing in growth, financing, analytics, health tech and venture building."
- Venture Capital (VC) Funds are built on an investment strategy that defines the venture stage to invest in and the minimum ticket. This reflects the risk the investing company is willing to take and the criteria that entrepreneurs must meet.
- VC Funds aim for an expected success rate of around 10%. Successful investing companies are expected to deliver a return of 10 times the investment, which is the multiple of venture capital that influences early-stage funds.

- When researching the market potential, VCs focus on an "exits benchmark" of start-ups in that market. They also measure the market value and potential to find unicorns with a potential market worth of 1 billion euros.
- As an example, a VC invests in 15 companies in each investment round, expecting only 3 of them to be successful. Successful investments result in the VC's participation in the following round of investment for that company, reserving 10M€ for those (capital deployment).
- VC's main risk is the difficulty of choosing winners, especially when investing in businesses that require innovation and novelty. Therefore, they tend to “follow investment waves/trends”, for example, considering popular industries.
- Portugal's entrepreneurs always think on a global scale, which is an appealing mindset for investors. However, the VC reality in Portugal and Europe is affected by the lack of Limited Partners to create funds and the European mindset, which is more risk-averse, non-coachable, and short-term focused.
- “Compared to U.S., the European VC market is very different in terms of investment, mindset, vision, goals, and growth of start-ups”.
- Early-stage accelerator/incubator mindset is to create value for the participants during the programs and prepare start-ups to raise more investment series (“Create value for the participants during the programs, by preparing the start-ups to raise more investment series”). They support the beginning of an idea, prepare founders for formalities from investors, and align their expectations with investors. Programs' reputation is linked to the success and growth of the ventures that participate in the programs.
- VC's role in the ecosystem is to make quick and significant exits and good business deals (“Early enter, leave as soon as possible”). They focus on monitoring the founders of invested start-ups and supporting the early development of new ideas they are involved in.
- VC due diligence criteria must evaluate market potential, solution, and team. Traction metrics measure the interest and may complement the growth engines and their strategy. It aims to prove problem validation and customer interest, as well as potential for scalability either through geographical expansion or through synergies with other players. Trust in the team is built through the ability of founders to create a relationship of trust and is analyzed in terms of complementarity and cap table, as well as other

formalities part of the due diligence process. That results from their ability to show a defined strategy, supported by traction metrics, and that they have “skin-in-the-game”.

- The team must show resilience, drive, adaptability, and velocity. These skills reflect their ability to face problems, namely, in case of need to pivot, recruit, convince investors and customers. They must be able to inspire trust and sell their vision. Team complementarity and cap table are also analyzed as part of the due diligence process.
- “VC’s business is based on the art of relationships”. It is a person-centric business, especially in the early-stages, and works with a star-system regarding entrepreneurs and investors. Because of that, another variable VCs evaluate about the team is the skill of being coachable.
- Other selection criteria considered by VCs, especially from Series A and forward, are data-driven strategy and a proven business model.

#### **Jacopo Pacitto – VC Analyst in Statkraft Ventures**

- The expert has previous experience in start-up scouting and market research projects in Amsterdam.
- Statkraft Ventures is a Norwegian Corporate Venture Capital (CVC) arm of an energy corporation that specializes in energy and climate tech. It manages two funds - an International Fund that invests in Series A to Growth Stage companies in Europe and North America, and a Norway Fund that invests in seed to series B (growth stage) ventures. For the first, it is required that the investing start-up is already established, have a proven base of customers and is able to generate revenue. However, regarding the second fund, the venture can be pre-revenue, but it is preferable to be able to already show some revenue evidence.
- The timing of investment is influenced by trends at the moment, and it strongly impacts decision-making.
- The evaluation process for startups involves comparing their pitch to established companies, analyzing their financials and term-sheet, and assessing the funding amount requested, with a 3 to 4 months due diligence process validating all information provided by founders and focusing on market research to ensure the customer base and size presented by the startup is valid.
- Pitch allows investors to understand the overall strategy, revenues, how to get customers, international mindset, and the plan to achieve the defined goals, while the financial analysis is a 12-20 pages document which aims to analyze how much investors

can make and start-up valuation pre-money (“A good due diligence validates the customer base presented by the start-up and its size”).

- Another selection criteria is team, which includes checking the founder’s background (especially when the solution involves deep tech).
- In the expert’s perspective, the “financial part” is more important, when weighing the final decision.
- Accelerator/Incubator programs play a role in identifying trends to invest in, as an orientation for the market, and can help founders with pitching skills and mentorship from previous entrepreneurs. However, its relevance on the decision-making, is as strong as the reputation the program has (e.g., Y Combinator, TechStars).

#### **João Nunes – VC Analyst in Playfair Capital; Ex-Techstars Scout**

- João has previous experience as a TechStars Lead Start-up Scout in the EMEA region. During this time, he gained extensive experience in sourcing and investment processes across Europe, Middle East and Africa.
- “Playfair Capital is an early-stage fund that commits to companies early and with conviction. Our typical investment is £100k-£600k into pre-seed and seed stage companies raising rounds of up to £3m.”
- As generalist investors, Playfair focuses on investing in pre-product or pre-revenue founders. The firm consists of a small team of 7, each analyst having different expertise and background knowledge, and it is located in London. Despite being a small team, they work closely with their portfolio companies, providing them with extensive support and guidance.
- Playfair uses two types of criteria to evaluate potential investments: Playfair's criteria (alignment with fund conditions) and industry-specific criteria. When considering early-stage startups, Playfair focuses on the quality of the founding team, as well as key performance indicators (KPIs) and financial data provided by the founders.
- Playfair Capital has a rigorous selection process based on four criteria: team, market, product, and business model. The team is evaluated for drive, experience to scale the business, competitive edge, and if they see “potential for working together for the next 5-10 years”. The market is assessed for fit, size, growth, and some validation traction in the form of user feedback. The product is evaluated for technology, MVP, defensibility, and addressing pain points. The business model regards understanding how founder will

monetize the technology, with the market's commercial norms in mind. is analyzed for monetization strategy.

- In TechStars, the expert says that they have a motto of “1. Team; 2. Team; 3. Team; 4. Market; 5. Idea; 6. Traction.”
- “At Playfair, we apply criteria more to eliminate than to evaluate”. They focus on finding good founders’ profiles through the inbound and outbound channels.
- They have standard eliminatory criteria when evaluating potential investments: the team have raised less than 1M€; is a tech company, round sizes are interesting for Playfair Capital participation. When assessing the team, Playfair looks for individuals who show respect and commitment, are coachable, and have founder-market fit with relevant past experiences and industry know-how. However, the final decision ultimately depends on the individual investor.
- Nevertheless, the expert states that “everything depends on the investor.”
- Neither TechStars nor Playfair discriminates solo founders, but it must have a solid justification to convince investors.
- According to the expert, the typical investment strategy in the VC industry is known as "spray and play”, investing in many startups with the hope that a few will bring high returns. As a result, the funding amount is typically lower than what Playfair Capital offers at an early stage. SeedCamp is an example of a fund that follows this approach, although its well-established reputation positively impacts the reputation of the startups it invests in. Playfair Capital differs by investing in fewer startups per fund, providing hands-on follow-up and higher funding amounts. They typically take 10% equity ownership.
- Accelerator programs like TechStars and Y Combinator are highly sought-after by founders due to their reputation and selective nature. The expert notes that being accepted into these programs is seen as a validation stamp, more so than a differentiator in founder skills. However, the impact of other less-known accelerators on investor decisions is limited, as their quality is dependent on their portfolio companies. The quality of a fund is similarly defined by its portfolio companies.

#### **Lavinia Bonomo – VC Analyst in Indico Capital Partners**

- Indico funds positions as a generalist in the tech industry with a diversified portfolio in different business models ranging from pre-seed to early growth, with a focus on Iberian

founders or companies with an Iberian presence. As an investor, the interviewee has a specialization in fintech, e-commerce, and other businesses.

- “At pre-seed investments, there are no fixed requirements. It depends on what the founders already have and what they provide. The analysis is focused on analyzing what they already have (being the idea the minimum), studying the market potential and understanding the team, considered the most important factor.”
- Regarding selection criteria, the evaluation and the metrics use depend on the business model, whether B2B or B2C, and include the analysis of the team; market size, potential and trends; product and growth rate; and business model. The founding team is considered the most important factor in the early stage, and investors look for leadership skills, complementarity between the CEO and CTO, willingness to ask for help, and founder-market fit. A successful team should demonstrate a clear vision and mission for the company and a deep understanding of the market they are operating in.
- At the seed stage, investors prioritize several factors including the founder/team, investment in pre-seed, insights on the problem, and traction metrics such as sales, which can vary based on the market and geography. Team is considered the most important criteria, but not enough to decide. However, investing in a pre-revenue start-up at this stage carries high risk.
- During Series A investments, the focus is mainly on the market and growth factors. Start-ups need to have a solid understanding of the competitive landscape and show differentiation from competitors. Additionally, they need to present some growth, even if it is not expected to be high percentages, typically around 1.5% to 4%. Higher revenues are also expected. As the company grows, the team needs to attract the right people to fill key roles. Overall, Series A investments require a combination of strong market positioning, growth potential, and a capable team that can scale the business.
- “The due diligence on the founding team is becoming more structured, over time”, aiming to validate tech/CTO skills and ability at the latest stages that require evolution of the product/technology.
- “Less and less, VCs invest just on a power-point”. The expert shared her view that, nowadays, investors need more than the pitch deck and an idea, requiring a prototype and some level of traction, at least to prove the concept and its interest from a target audience.

- Accelerator and incubator programs, such as Y Combinator and TechStars, have an established reputation that can positively influence investor decisions. The experience gained from these programs is often reflected in the financials and traction of a startup. However, regional programs do not have the same impact on investor decisions, as they may not provide the same level of support and guidance to the startups. Additionally, startups from regional programs may have a lower success rate compared to those from well-known programs.

#### **Martinho Correia de Matos – VC Analyst in Bynd**

- Bynd invests in pre-seed and seed stages with an Iberian footprint and is sector-agnostic but follows internal verticals (e.g., sustainability, non-CAPEX intensive projects).
- For seed rounds, the investment requirements focus on proven MVP and minimal product-market fit validation, also revenue around 10-15K€, in ideal conditions. Bynd sources opportunities inbound and outbound, and VCs tend to have a more data-driven approach.
- Selection criteria include team (background evidence, past entrepreneur experience, complementary skills both technical and managerial/sales profiles), market (competition landscape, size of the market, channels and go-to-market strategy, competitors' pains, start-up team strategy and approach to the market), and product (understanding its value proposition and the development project, not requiring a technical due diligence at this stage).
- When making investment decisions, the team is considered the most important factor, followed by an equal consideration of the market and product. A trusted relationship between the founding team and the investor is important for team commitment, but team alone is not enough.
- It is stated that “There is a lot of subjectivity in the VC market, especially in the early stages”.
- It can be considered that most failures (start-ups don't get invested) occur from cases where the market has good potential, but the team does not meet the requirements.
- The role of accelerators/incubators is to prepare founders with the necessary materials and connections for attracting investors, while also offering network connections. However, similar results can be achieved without such programs. While prestigious accelerators like Y Combinator can serve as a validation for startups, not all accelerators

have the same impact. Additionally, participating in these programs can dilute the cap table from an early stage, which can impact negotiations with VCs later.

- While accelerators provide valuable network connections, it is expected that founders can achieve similar validation from the industry on their own. Founders must demonstrate their knowledge of the market, which will be evaluated by investors during the due diligence process using their experience, network, and research to validate the information presented in the investment deck.

#### **Johann Almeida – Associate in FWD Global**

- The notes discuss various VC firms and their investment strategies in Brazil, with a focus on technology start-ups.
- Canary is a VC firm that started by raising a seed fund of 200 million reais and focusing on technology start-ups. They have since evolved to focus more on Series A and B funding and have a spin-off fund called Atlantis that invests in later-stage companies.
- FWD Global invests in technology and real estate but tends to focus on late-stage deals.
- When evaluating early-stage start-ups, the team is the most important factor. Investors look for people who have experience with start-ups (even if they've failed before), as well as a strong professional background, industry knowledge, and a track record of fundraising. It's also important to have support from other investors and a good reputation within the start-up ecosystem.
- In the medium stage, investors are more interested in the business plan and what the team has already achieved. Metrics like traction are also important.
- Late-stage start-ups are more affected by macroeconomic factors. During difficult times, founders may have more negotiating power with investors.
- The expert does not have a lot of experience with accelerator programs.

#### **Zac Geinzer – Investor in CandyVC**

- The investor specializes in pre-seed and seed stages for software, climate tech, fintech, and cybersecurity.
- The founder's trustworthiness and specialized skill set (“if I can trust this person for 5 to 10 years”), as well as their potential for market success (customer interviews, market dynamics, etc.), are important for investment decisions.
- Successful founders should be a bit crazy, have strategic and tactical orientation, and a long-term vision. Traction is important in the seed stage, and revenue planning should

not be relied upon too heavily. Investors should trust the team and their approach, as they are the business developers, and investors are just advisors.

- Failures can result from financial mismanagement, lack of product-market fit, or founder-market fit.
- Accelerator programs can be beneficial but should be matched carefully to the startup's needs. The NYU accelerators have different goals, such as creating capable founders with a skill set, helping experienced founders fill gaps in their businesses, and finding product-market fit. Program directors are investors' eyes and ears during due diligence and have a better understanding of founders as people. Some accelerators are predatory and require startups to pay, but they can be worth the equity. Founders require customized support such as network, business development, and bootcamps, and they need to be matched well with the program.
- The team (50%) is the most important factor for investment decisions, followed by market potential (25%) and the idea (25%), even though these last two are directly influenced by investor's perspective about the team.

#### **Enes Denizli – Partner Success and Ventures in Plug and Play Tech Center**

- The Plug and Play Tech Center serves as both an accelerator and an investor, with a focus on connecting startups with corporate partners through its Corporate Innovation Partners program. It focuses on Seed to Series C and sector-agnostics. This program offers acceleration for early-stage startups that can solve specific problems faced by corporate partners, with a particular emphasis on those with market potential and client traction. Additionally, PnP actively seeks out startups through outbound channels.
- The accelerator program lasts for around six months and helps early-stage startups with mentorship and support in areas such as marketing and legal. Founders are given mentorship and support throughout the program to improve pitching skills, marketing, legal, and other areas of need. The program focuses on start-ups that are already established, have a product, and show some traction metrics, although they are still considered early-stage. The program aims to provide proof of concept and successful collaborations with corporate partners, with a final pitch event. According to an expert, the main benefit of the accelerator program is the contact with a large network of corporate partners.

- Failures in the accelerator program are often caused by misaligned technology with corporate partners' needs, slow development progress, and startups being too busy to respond to corporate partners.
- The company's investment selection criteria include the team (30%), product/technology (20%), market overview (20%), and PnP's potential to help the startup (10%) through their network of corporate partners.
- PnP partners also always focus on the product and if it answers the problem they are trying to solve; besides that, they also evaluate if the product proves to be at the development stage they promised (Horse side of the framework).

**Filipe Cordeiro – ex-CEO of Start-up Factory Azores; ex-Head of Startups in Acredita Portugal**

- His previous experience includes coordinating an acceleration program, entrepreneurs' capacitation, and founding Start-up Factory Azores for start-up advisory and scouting for VC investment. He has a generalist experience, from idea to seed, ranging from social, web3, tech to sustainability.
- At a very early-stage, Acredita Portugal had a strong emphasis on the potential of an idea, and it was a critical factor for a start-up to be accepted into their acceleration program. The program aimed to help founders develop their ideas into a minimum viable product (MVP). However, the program managers put more weight on the team's ability to pivot and show commitment, rather than on the idea itself. They believed that building a strong foundation of trust between the team and the program managers was critical to the success of the start-up. This approach allowed the program to provide more effective support and guidance to the founders, ultimately leading to greater chances of success.
- Experts in both accelerators emphasized the importance of founder coachability over deep knowledge, nurturing an intrinsic entrepreneurial spirit by working on their ability to inspire, network, and align expectations. The programs are structured with coaching sessions and workshops for a hands-on approach to business development and strategic planning. Only after these steps do they investigate the idea's potential and develop the business model and roadmap, with a focus on developing hard skills and understanding the "why" behind the idea.
- The lack of human relationships during pre and post investment between the team and investors is a reason for start-ups not getting funded in Portugal. After investing, VCs often control high percentages of the cap table without providing support for growth to

the founders (“Founders and investors’ relationship is like a marriage, based on trust”). Founders should show knowledge about the market and the idea, have a strategy to apply the money, and align their goals with investors, understanding founder-investor fit. Failure at early stages is mostly due to the team's lack of passion, motivation, effort, and dedication.

- The most important qualities an entrepreneur must possess to enter an accelerator program are passion, experience, and knowledge about the market of their business idea. During the program, the focus is on developing the team's ability to make pragmatic decisions and be autonomous, as well as refining the business model, timings, and partnerships/network. Although it is sometimes unclear what an accelerator program aims to accelerate, having a business idea is usually a first requirement. The best national accelerators have high standards and already require a certain level of maturity.

#### **Pau Maspoch – Head of Incubation in Demium Barcelona**

- The interviewee has experience in international business, worked at an early-stage start-up, started a B2B start-up with pre-seed investment, joined Demium as an entrepreneur, and was involved in the incubation of various early-stage projects across different industries.
- The reason for the failure in obtaining Demium investment was due to the changes in fund’s investment thesis and higher standards, where the team's availability and the growing market opportunity were important factors. It must be considered that Demium was purely an incubator before, and development of an investment opportunity changed the mindsets and goals of the programs.
- The program's recruitment process involves selecting individuals with industry-specific knowledge and experience, prioritizing a large group to increase the likelihood of finding a compatible team, and assessing potential co-founders during onboarding to ensure they possess the necessary skills to be successful.
- Investors prioritize the team (60%) in their decision-making process, with a focus on two types of founders: primary leaders who exhibit risk-taking, decision-making, ambition, and coachability, and secondary talent-focused founders to provide technical knowledge and create a complementary founding team.
- Investors pay close attention to the market opportunity, including its size, growth potential, and scalability of the solution, and tend to favor companies with a global

mindset in European countries like Portugal and Israel, and a clear understanding of industry trends, especially in the US, UK, France on climate tech.

- Weighing on the investment committee decision, it's, on average, 60% team and 40% market opportunity. However, a 2nd time, experienced and with a good track record founder/entrepreneur can impact the decision up to 80%, at a very early stage.

### **João Rosado – Head of Incubation in Start-Up Lisboa**

- Start-up Lisboa focuses on pre-seed and seed stage start-ups; and it is industry-agnostic but has preference on some technologies such as Web 3, deep tech, gaming, clean tech, and B2B SaaS.
- Scouting strategy involves standard requirements such as revenue, investment, complementary team and its potential, connection to Lisbon, and tech-base. Also, it focuses on founders' referrals and referrals from VCs.
- During the recruitment process, the pre-screening stage involves evaluating around 30 start-ups based on pitch deck, revenue, early traction, and team already full-time, and the chosen for the following stage, have a pitch and Q&A session with the Investment Committee, which include experts from legal, VC, start-up founders, incubation team, technology partners, and Altice. Team/ Founder quality is prioritized as the most important criteria to enter the program.
- The program prepares founders for leadership, growth, and fundraising by focusing on factors such as team ambition, usable MVP, data room support, Investor Relationship Manager, and adaptability to different investors. The program aims to equip founders with the skills and resources necessary to succeed in the startup world and align their expectation for fundraising.
- Start-up Lisboa offers deal flow as a service for VCs and creates opportunities for corporate piloting for corporate partners.
- The program involves 3-month iteration cycles with each cohort and admits 20 start-ups per cohort, with a minimum incubation time of one year and a 90% success rate. It offers training sessions with founders and VCs, mentoring, networking, and a Rocket Founder program in line with Y Combinator best practices. The program helps founders define their fundraising strategies and conducts weekly checkpoints based on defined metrics, such as product, sales and investments, as well as documents and pitch presentations. Quarterly retrospectives assess progress and plan future steps. The program also provides perks such as community integration and coworking space.

- Success is measured by metrics such as job creation, speed of evolution, and investment, while failures are reflected in the inability to pivot, lack of flexibility in their solution idea, not testing their MVP, or the inability to raise capital at the required speed.
- VCs use different metrics for success, primarily focused on reaching multiples.

### **Lara Ligeiro – Acceleration Managers in Fábrica de Startups**

- The focus is on ideation and early-stage acceleration programs, primarily in the tourism industry. Recruitment for these programs includes team motivation, industry experience, willingness to work on other people's projects (ideation), and potential for entrepreneurship.
- In the acceleration program, start-ups are required to have a commitment to complete the program, market traction, and an MVP if they already have one, although the necessity of an MVP may depend on the timing of the idea, and it's not necessary for the idea to be tech-focused, while the selection process starts with a form that assesses the commitment of the applicants through their answers.
- Fábrica de Start-ups has its own methodology for acceleration, including bootcamps, mentorship, and complementary workshops with partners. Program duration can go up to 2 months and the goal of acceleration is to validate the problem and market, adapt the product and business model, and generate revenue and market knowledge to attract investors. Program success is measured by revenue generation and market validation metrics for start-ups.
- The goal of ideation is to help start-ups define a business model and an idea outlined by an identified market problem.
- Success is not necessarily related to obtaining investment, and a non-success/failure can occur if the team doesn't want to move forward due to other opportunities or if everything is set to move forward and it doesn't.
- The main reasons for rejection during recruitment are lack of commitment to work on the idea, lack of required expertise in the team, and not meeting standard requirements for the program.
- Investment is not obtained by founders due to inadequate traction and insufficient validation to comprehend market demand, as well as the inability to provide solutions aligned with the problems faced by corporate partners.
- Accelerators work closely with VCs and corporate partners to connect start-ups with investors and help them attract them.

- “Start-ups that are more closely tied to accelerators use them as an intermediary to be recommended to investors. They attract investors instead of looking for them.”

### **André Flórido – Investment Associate in Antler**

- The investor has pre-seed investing experience and is sector-agnostic due to their program thesis.
- The program looks for co-founder potential with ambition to build something new, even without an idea, in preferred industries with identified problems, targeting pre-entrepreneur, experienced corporate professionals, but also open to motivated recent college graduates.
- The absence of an effective problem and team-fit are common reasons for failure. The first considers a lack of product-market fit, but also a focus on solutions instead of problems. The second regards lack of ability to work together, complementarity or market knowledge.
- The program's goal is to create a co-founding team and develop a problem-focused solution, with a 6-month program consisting of a 2.5-month integration period and a 3.5-month work period. Antler’s thesis is “Exceptional founders’ team will create exceptional products”.
- The Antler program is a six-month startup accelerator that aims to create co-founding teams and develop problem-focused solutions. During the first 2.5 months, the program provides guidance on the early-stage startup process and the mindset of an entrepreneur, but then takes a step back to allow teams to work on their ideas independently. The program places a strong focus on team dynamics, seeking to ensure that each team is solid, committed, and ambitious. The investment decision is a key moment for the program, with the goal of creating exceptional products by selecting exceptional founding teams. The program also provides support for MVP development, initial traction, and fundraising for the next round during the remaining 3.5 months.
- The investment decision is a key moment, with a focus on the team, the problem, the market size, and the team's unfair advantage.
- The investment committee includes external judges, but the program also relies on global portfolio founders and external partners for networking opportunities to create networking opportunities.

## C. Survey

**Intro:** Hello! This quick survey aims to investigate the divergence between the selection criteria used by accelerators and investors' due diligence criteria. This research project is conducted by Inês Serrão, a student completing her Master's in Strategy and Entrepreneurship at Católica Lisbon School of Business and Economics, under the supervision of Professor Peter V. Rajsingh.

Your responses are strictly confidential, anonymously, and will be used only for non-commercial research purposes. It will take approximately 5 min to be completed. If you provide an email address, I can give you an early look at the complete survey results, if that is interesting for you.

Thank you in advance for your contribution!

### Questions:

1. Where is your main residency (excluding temporary stay as studying)? [Choose a country]
2. How old are you? [Choose an age category]
3. Did you ever have any business ideas you have tried to develop? [YES/NO]

#### > IF YES – Business Developer

4. Did you already have a founding team at the time? [YES/NO]
5. Are you still pursuing your business idea? [YES/NO]
  - 5.1. If you answered yes, for how long have you/your team been working on your business idea?
    - <1 month
    - 1 to 6 months
    - 6 to 12 months
    - 1 to 2 years
    - 2 to 5 years
    - >5 years
  - 5.2 If you answered no, for how long have you/your team worked on your business idea?
    - <1 month
    - 1 to 6 months
    - 6 to 12 months
    - 1 to 2 years
    - 2 to 5 years
    - >5 years
6. Have you participated in any accelerator/incubator program? [YES/NO]

- Yes, I have participated in a program
- Yes, I am still part of a program
- No, I have never participated in a program

> IF YES - Business Developer/ Program Participant I

7. Regarding the program you have participated in, was it an incubation or an accelerator program? [ACCELERATOR/INCUBATOR]

8. How long is/was the program in which you have participated? (*Select one option*)

- <3 months
- 3 to 6 months
- 6 to 12 months
- >1 year

9. When you were selected for the program, what do you think were the main criteria used to select you? (*Select 2 max*)

- My management skills (business, finance, marketing, sales, operations...)
- My technical skills (programming, engineering, chemistry...)
- My business idea and strategy
- My interpersonal skills (social, negotiation...)
- My founding team
- Other

10. Before entering on the program, how would you rate your business idea:

(Please rate the following question from (1) to (5), considering the rating 1 – very low; 2- low; 3- neutral; 4- high; 5-very high)

- Market attractiveness:
  - Market size
  - Market's growth potential
  - Access to customers (number of sales, potential buyers...)
- Product Differentiation:
  - Its uniqueness (unique selling proposition)
  - Existence of patents
  - Technology edge
  - Potential profit margin
  - Business model
- Capabilities of the founding team:
  - Diversity of skills (technical and management related)

- (past) Professional experience
- Expertise on the market
- (past) Experience as an entrepreneur
- Entrepreneurial management skills (pitch presentation, market connections...)
- Networking skills
- Environmental Threats/Resistance
  - Technology life cycle
  - Barriers to competitive entry (market players, equivalent products...)
- Cash-Out Potential
  - Opportunity to realize capital gains by merger with other company
  - Opportunity to realize capital gains by selling the business
  - Opportunity to realize capital gains by IPO

10.1. In order to verify your attention level, please choose the third option: [Business, Founder, Blue]

12. After your participation in the program, how would you rate your business idea:

*(Please rate the following question from (1) to (5), considering the rating 1 – very low; 2- low; 3- neutral; 4- high; 5-very high)*

- Market attractiveness:
  - Market size
  - Market's growth potential
  - Access to customers
- Product Differentiation:
  - Its uniqueness (unique selling proposition)
  - Existence of patents
  - Technology edge
  - Potential profit margin
  - Business model
- Capabilities of the founding team:
  - Diversity of skills (technical and management related)
  - (past) Professional experience
  - Expertise on the market
  - (past) Experience as an entrepreneur

- Entrepreneurial management skills (pitch presentation, market connections...)
- Networking skills
- Environmental Threats/Resistance
  - Technology life cycle
  - Barriers to competitive entry (market players, equivalent products...)
- Cash-Out Potential
  - Opportunity to realize capital gains by merger with other company
  - Opportunity to realize capital gains by selling the business
  - Opportunity to realize capital gains by IPO

12. Have you already successfully got any pre-seed or seed investment from a Venture Capital?  
[YES/BOTH/NO]

> IF YES or BOTH - Business Developer/ Program Participant with investment

13. Since you have finished the program, how long has it taken to get a successful investment round? *(Select one option)*

- I got it right at the end of the program
- <1month
- 1 to 3 months
- 3 to 6 months
- 6 to 12 months
- 1 to 2 years
- > 2 years

14. What did you have to present to the investing team? *(Select any options)*

- Elevator pitch
- Business plan (future cashflow, roadmap, go-to-market...)
- Minimum viable product
- Competitive landscape
- Previous results (angel investments, sales, ...)
- Certification of Incorporation
- Capitalization structure
- Other: \_\_\_\_\_

15. During the investment stage(s), what do you think were the main criteria used to select your idea? *(Select 3 max)*

- Founding team's capabilities - technical skills

- Founding team's capabilities - management skills
- Founding team's availability
- Founding team's storytelling
- Business idea – market size
- Business idea – unique selling proposition
- Business idea – business model
- Business idea – low environmental/competition threats
- Business idea – cash-out potential
- Business idea – FOMO (fear of missing out)
- My incubator's/accelerator's reputation
- Other: \_\_\_\_\_

16. Did you consider that outcome was possible without your participation in the incubators/accelerator program(s)? [YES/NO]

16.1 Please, justify your answer: \_\_\_\_\_ [**> End**]

> IF NO - Business Developer/ Program Participant without any investment

13. Since you have finished the program, how long has it taken to get a first investment round?

*(Select one option)*

- I got it right at the end of the program
- <1month
- 1 to 3 months
- 3 to 6 months
- 6 to 12 months
- 1 to 2 years
- > 2 years
- I have never participated in an investment round

14. What items have you prepared to present to the investing team? *(Select any options)*

- Elevator pitch
- Business plan (future cashflow, roadmap, go-to-market...)
- Minimum viable product
- Competitive landscape
- Previous results (angel investments, sales, ...)
- Certification of Incorporation
- Capitalization structure
- Other: \_\_\_\_\_

15. During the investment stage(s), what do you think were the main criteria that impacted the decision of not investing in your idea? *(Select 3 max)*

- Founding team's capabilities - technical skills
- Founding team's capabilities - management skills
- Founding team's availability
- Founding team's storytelling
- Business idea – market size
- Business idea – unique selling proposition
- Business idea – business model
- Business idea – low environmental/competition threats
- Business idea – cash-out potential
- Business idea – FOMO (fear of missing out)
- My incubator's/accelerator's reputation
- Other: \_\_\_\_\_

16. Did you consider that outcome was possible without your participation in the incubators/accelerator program(s)? [YES/NO]

16.1 Please, justify your answer: \_\_\_\_\_ [**> End**]

> IF NO - Business Developer/ Non-Program Participant I

7. Why have you never participated in an incubation or an accelerator program? *(Select one option)*

- I did not see added value in participating
- I have not found one I trust
- I have not found one near me
- I did not have availability
- Other: \_\_\_\_\_

8. How would you rate your business idea:

*(Please rate the following question from (1) to (5), considering the rating 1 – very low; 2- low; 3- neutral; 4- high; 5-very high)*

- Market attractiveness:
  - Market size
  - Market's growth potential
  - Access to customers (number of sales, potential buyers...)
- Product Differentiation:
  - Its uniqueness (unique selling proposition)

- Existence of patents
- Technology edge
- Potential profit margin
- Business model
- Capabilities of the founding team:
  - Diversity of skills (technical and management related)
  - (past) Professional experience
  - Expertise on the market
  - (past) Experience as an entrepreneur
  - Entrepreneurial management skills (pitch presentation, market connections...)
  - Networking skills
- Environmental Threats/Resistance
  - Technology life cycle
  - Barriers to competitive entry (market players, equivalent products...)
- Cash-Out Potential
  - Opportunity to realize capital gains by merger with other company
  - Opportunity to realize capital gains by selling the business
  - Opportunity to realize capital gains by IPO

9. Have you already successfully got any pre-seed or seed investment from a Venture Capital?  
[YES/BOTH/NO]

> IF YES or BOTH Business Developer/ Non-Program Participant with investment

10. How long did it take to get a successful investment round since you had started working on your start-up? (*Select one option*)

- < 3 months
- 3 to 6 months
- 6 to 12 months
- 1 to 2 years
- > 2 years

11. What did you have to present to the investing team? (*Select any options*)

- Elevator pitch
- Business plan (future cashflow, roadmap, go-to-market...)
- Minimum viable product
- Competitive landscape

- Previous results (angel investments, sales, ...)
- Certification of Incorporation
- Capitalization structure
- Other: \_\_\_\_\_

12. During the investment stage(s), what do you think were the main criteria used to decide investing your idea? *(Select 3 max)*

- Founding team's capabilities - technical skills
- Founding team's capabilities - management skills
- Founding team's availability
- Founding team's storytelling
- Business idea – market size
- Business idea – unique selling proposition
- Business idea – business model
- Business idea – low environmental/competition threats
- Business idea – cash-out potential
- Business idea – FOMO (fear of missing out)
- Other: \_\_\_\_\_

13. Did you consider that outcome would have been different if you had participated in an incubators/accelerator program(s)? [YES/NO]

13.1 Please, justify your answer: \_\_\_\_\_ [**> End**]

> IF YES or BOTH Business Developer/ Non-Program Participant without investment

10. How long did it take to get a successful investment round since you had started working on your start-up? *(Select one option)*

- < 3 months
- 3 to 6 months
- 6 to 12 months
- 1 to 2 years
- > 2 years
- I have never participated in an investment round

11. What items have you prepared to present to the investing team? *(Select any options)*

- Elevator pitch
- Business plan (future cashflow, roadmap, go-to-market...)
- Minimum viable product
- Competitive landscape

- Previous results (angel investments, sales, ...)
- Certification of Incorporation
- Capitalization structure
- Other: \_\_\_\_\_

12. During the investment stage(s), what do you think were the main criteria that impacted the decision of not investing in your idea? *(Select 3 max)*

- Founding team’s capabilities - technical skills
- Founding team’s capabilities - management skills
- Founding team’s availability
- Founding team’s storytelling
- Business idea – market size
- Business idea – unique selling proposition
- Business idea – business model
- Business idea – low environmental/competition threats
- Business idea – cash-out potential
- Business idea – FOMO (fear of missing out)
- Other: \_\_\_\_\_

13. Did you consider that outcome would be different if you had participated an incubators/accelerator program(s)? [YES/NO]

13.1 Please, justify your answer: \_\_\_\_\_ [**> End**]

> IF NO – Non-Business Developer

Nowadays, starting an entrepreneurial journey is getting easier, with the support of the best incubators that look for business or tech leaders that want to launch their own company. Even if you don’t have a business idea, or a founding partner, you can still find an accelerator/incubator program that helps you throughout the process!

Would you enter one of these programs? [YES/NO]

> IF YES:

7. Why have you never participated in an incubation or an accelerator program? *(Select one option)*

- I did not see added value in participating
- I have not found one I trust
- I have not found one near me
- I did not have availability
- Other: \_\_\_\_\_ [**> End**]

> IF NO [> **End**]

**END** – Thank you very much for your contribution!

You can leave your email address if you are interested in an early look at the complete survey results: \_\_\_\_\_ . Any question you have you can always contact me through my [LinkedIn](#).