



ACCELERATING STARTUPS IN EMERGING MARKETS:

Insights from 43 Programs

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Development Entrepreneurs

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Research Team

Peter W. Roberts, *Academic Director*
Social Enterprise @ Goizueta, Emory University

Genevieve Edens, *Director of Research & Impact*
Aspen Network of Development Entrepreneurs

Abigayle Davidson, *Research Analyst*
Aspen Network of Development Entrepreneurs

Edward Thomas, *Senior Manager*
Deloitte

Cindy Chao, *Manager*
Deloitte

Kerri Heidkamp, *Senior Consultant*
Deloitte

Jo-Hannah Yeo, *Consultant*
Deloitte

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About the Programs Behind this Report

Global Accelerator Learning Initiative

The Global Accelerator Learning Initiative (GALI) is a collaboration between the Aspen Network of Development Entrepreneurs (ANDE) and Social Enterprise @ Goizueta (SE@G) at Emory University. GALI is set up to explore and answer key questions about acceleration, such as: Do acceleration programs contribute to revenue growth? Do they help early-stage ventures attract investment? Do they work as well for developing-world entrepreneurs as they do for those in the developed world?

Aspen Network of Development Entrepreneurs

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that propel entrepreneurship in emerging markets. ANDE members provide critical financial, educational, and business- support services to small and growing businesses (SGBs) based on the conviction that SGBs will create jobs, stimulate long-term economic growth, and produce environmental and social benefits. Ultimately, ANDE believes that SGBs can help lift countries out of poverty. ANDE is a program of the Aspen Institute, a nonpartisan forum for values-based leadership and the exchange of ideas.

Social Enterprise @ Goizueta

Believing that business schools are well-positioned and obligated to focus on increasing prosperity and reducing poverty in places where markets are currently ineffective, Social Enterprise at Goizueta (SE@G) is a research center within the Emory University business school that aims to generate positive societal impacts by making markets work for more people, in more places, in more ways through academic research, fieldwork programs, and student engagement. SE@G's activities uncover what works in accelerating entrepreneurs based in developing countries, boost neighborhood vitality in Atlanta through microbusiness development, increase transparency in specialty coffee markets, strengthen women coffee grower communities, and develop the next generation of principled social enterprise leaders.

Deloitte

Deloitte is a globally respected leader in providing strategy and management consulting, financial advisory, and professional services. With a presence in more than 150 countries, Deloitte works with public, private, and nonprofit sector clients on their most complex and pressing issues. In addition, Deloitte is widely known for tax, audit, and risk management services provided around the world. Deloitte's legacy firms have provided professional services for more than 150 years. Deloitte has decades of experience supporting international donors, financial institutions, and development agencies in emerging markets with high-quality consulting across a range of technical areas related to sustainable development, poverty reduction, and inclusive economic growth.



Accelerating Startups in Emerging Markets

Insights from 43 Programs

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Understanding Acceleration in Emerging Markets

// As the impact accelerator market matures, there is increasing recognition that a one-size-fits-all approach is not effective. Market dynamics are highly unique in different industries or geographies, and thus it is most useful to give enterprises lessons and resources that are directly related to their specific niche. Accelerators are increasingly developing customized models of support with local or sector-specific case studies, mentors, and instructors.

— Monitor Deloitte and The Rockefeller Foundation,
"Accelerating Impact," 2015

Because entrepreneurship is critical for economic growth and prosperity, policymakers are honing in on entrepreneur promotion and support as a vehicle for stimulating economic development in emerging markets. Seeding more and more promising new ventures, and then smoothing the path from “small” to “small-and-growing” is seen as a viable means to create new jobs, as well as a viable alternative to traditional employment-based livelihood

BOX 1

What are Accelerators?

Although experts disagree at the margins, accelerators tend to differ from other entrepreneurial support programs in three ways:

- ▶ They are cohort-based; accelerating groups of promising ventures at the same time;
- ▶ They are time-bound; typically working in periods of three to six months; and
- ▶ They aspire to connect entrepreneurs with potential investors; often hosting pitch nights or demo days.

Read more at www.galidata.org/accelerators/methodology

approaches. This imperative to double down on entrepreneurs who establish ventures with potential for substantial growth leads to a focus on how we can identify and then accelerate promising early-stage ventures in places where development challenges are greatest.

Because acceleration is seen as an important spur to entrepreneurship, accelerator programs are proliferating around the world. In addition to now-famous programs like Techstars and Y Combinator, as well as many other programs that are run in high-income countries, we are seeing more and more programs in emerging markets. In fact, GALI's 2016 Global Accelerator Survey, which examines the landscape of accelerators, identified more than 240 organizations that are currently operating accelerators, including nearly half with programs in emerging markets.¹

For the most part, the blueprints used to design these programs copy elements from those famous original programs.² The problem with simple replication, however, is that emerging market entrepreneurs, ventures, and ecosystems can be quite different. Therefore, the same kind of program run in two different contexts might produce very different results.

To understand which factors might account for performance differences for accelerator programs run in emerging markets, we recruited a diverse panel of sector experts. They collectively brainstormed a set of ideas about why accelerators in emerging markets might perform differently than those working in high-income countries (see Appendix A). This exercise uncovered four main areas where emerging market differences might influence accelerator performance: those pertaining to entrepreneurs, ventures, entrepreneurial ecosystems, and accelerator programs (see Box 2).

This report treats these widely held beliefs as testable predictions in an investigation of similarities and differences between acceleration in emerging markets versus high-income countries.

Combining longitudinal venture-level data with qualitative insights from entrepreneurs, program managers, and investors, we find, at the most general level, that the two country contexts may not be as different as many people believe. When trying to stimulate the growth of promising ventures, the emerging market accelerator programs in our sample attract similar entrepreneurs and ventures and produce similar venture growth outcomes. However, there are a few subtle but important differences.

The overarching goal of this report is to inform the people who are working to support entrepreneurs, and to help them tailor accelerators to the specific conditions in which they operate. After presenting our main observations about accelerator program outcomes, about entrepreneurs, ventures and ecosystem characteristics, and about accelerator programs themselves, we close with guidance about their implications for those who seek better accelerator outcomes in emerging markets.

About the entrepreneurs, programs and data in this report

The venture-level data used in this report come from entrepreneurs who applied to participating Entrepreneurship Database Program accelerator programs in the 2013 to 2015 period.

¹ See www.galidata.org/accelerators.

² Clarysse B., Wright M. & Van HoveSee, J. (2015) A look inside accelerators: Building businesses. Nesta.

BOX 2

Commonly Held Beliefs about Acceleration in Emerging Markets

Emerging market entrepreneurs are different

- ▶ Emerging market entrepreneurs have greater talent gaps
- ▶ Emerging market entrepreneurs have less entrepreneurial experience
- ▶ Emerging market entrepreneurs have less money to invest
- ▶ Emerging market entrepreneurs are less confident of success and thus ROI

Emerging market ventures are different

- ▶ Emerging market ventures need less capital
- ▶ Emerging market ventures are less developed at application
- ▶ Emerging market ventures are more developed at application

Emerging market ecosystems are different

- ▶ Emerging markets have less local equity investment
- ▶ In emerging markets, success without acceleration is harder

Emerging market accelerator programs are different

- ▶ Emerging market accelerators make fewer direct investments
- ▶ Emerging market accelerators are lower quality
- ▶ Emerging market accelerators have lower-quality networks

We set aside ventures that designate themselves as nonprofits, ventures from non-qualifying programs³, ventures whose responses to key questions are deemed to be abnormally high, and ventures that do not report their operating countries. We also set aside a small number of emerging market ventures that applied to high-income country accelerator programs and an even smaller number of high-income country ventures that applied to emerging market programs. This leaves a sample of 2,455 ventures that applied to 43 programs operating in 9 countries. These programs, in both high-income and emerging market contexts, typically operate at the nexus of entrepreneurship and development (see Appendix B for the list of accelerator partners).

³ Participating programs that did not make the final sample are those with fewer than ten applications, and those for which data were not collected from rejected and participating ventures.

BOX 3

High-Income Countries versus Emerging Markets

Countries are organized according to the 2015 definitions provided by the World Bank.*

High-Income Countries are those with a Gross National Income (GNI) per capita of \$12,476 or more.

Emerging Markets comprise the other three groups including low-income (GNI per capita of \$1,025 or less), lower middle-income (GNI per capita between \$1,026 and \$4,035), and upper middle-income (GNI per capita between \$4,036 and \$12,475).

* See *World Bank Country and Lending Groups*.

To gain traction on differences between acceleration outcomes in high-income countries versus emerging markets, we divide the sample into two groups:

- ▶ 1,172 high-income country ventures that applied to programs run in high-income countries; and
- ▶ 1,283 emerging market ventures that applied to programs run in emerging markets.

Table 1 shows that 17 percent of the high-income country applicants to high-income country programs were selected and participated in programs. This participation rate was slightly lower (14 percent) for emerging market programs. Table 1 also shows that response rates for follow-up surveys ranged from a low of 47 percent (emerging market entrepreneurs rejected from emerging market programs) to a high of 77 percent (both groups of participating entrepreneurs).

VENTURES IN SAMPLE

◀ table 01 ▶

	PARTICIPATING VENTURES	REJECTED VENTURES
FULL SAMPLE (N=2,455)		
High-Income Countries	204	968
Emerging Markets	185	1,098
WITH FOLLOW-UP DATA (N=1,421)		
High-Income Countries	157 (77%)	475 (49%)
Emerging Markets	143 (77%)	519 (47%)

The ventures in this sample applied to, and sometimes participated in, 26 different high-income country programs (mainly in the United States) or 17 emerging market programs (run by five different organizations in six different countries). Details about programs and countries are found in Appendix B.





PART 1:

Accelerating Revenues, Employees and Investment

Venture-level data reveal that accelerators in emerging markets and high-income countries are generating consistently positive acceleration outcomes across four indicators of venture performance.

Although accelerators can have a range of different goals, a common set of aspirations relates to scaling commercial operations. Therefore, this report focuses on two variables that indicate the current commercial performance of accelerated ventures; i.e., their revenues and employees. It also emphasizes two forms of investment that facilitate future performance and growth; i.e., the levels of outside equity and debt.⁴

4 We rely on responses to the following questions that are built into the application and follow-up surveys:
(1) What was your venture's total earned revenue [last year]?
(2) Not counting founders, on December 31 [last year], how many people worked for your venture ... full time?
(3) Overall, how much equity has your venture raised from all outside sources since founding [last year]?
(4) Overall, how much has your venture borrowed since founding [last year]?

BOX 4

About the Application and Follow-up Data




The Entrepreneurship Database Program at Emory University partners with a range of accelerator programs to collect consistent data from entrepreneurs during their various application periods, and then records whether or not each applicant was selected to participate in the program. Roughly one year later, participating and rejected entrepreneurs are asked to complete follow-up surveys that capture year-over-year changes in several variables that indicate new venture performance.

In this report, we compute averages for participating and rejected ventures from the data reported in application surveys and one year later in follow-up surveys. This allows us to calculate the extent to which revenues, employees, equity, and debt change during the year of acceleration. Because averages are skewed by the ventures with large changes, we also report differences in the percentage of ventures that report greater revenues, employees, equity, or debt in their follow-up surveys.

To learn more, visit www.entrepreneurdata.com.

At a minimum, programs are meeting their acceleration goals if one or more of these variables tends to increase faster for participating ventures compared to ventures that applied to programs but were not accepted. The venture-level data reveal that accelerators in emerging markets and high-income countries are generating consistently positive acceleration outcomes across these four indicators of venture performance.





More specifically, the observations in Table 2 and Figure 1 indicate that:

-  **There is consistent revenue acceleration**, indicated by the average revenue-growth advantage for participating ventures (+\$20,008) and the greater percentage of participating ventures experiencing positive revenue growth (+10.3 percent). Looking across the two groups, the acceleration effect in high-income countries (+\$24,532 and +12.2 percent) is larger than that for emerging markets (+\$15,090 and +9.4 percent).
-  **There is consistent employment acceleration**, indicated by the average employee-growth advantage for participating ventures (+0.68) and the greater percentage of participating ventures experiencing positive employee growth (+6.6 percent). This time, average employee growth is higher in emerging markets (+0.96), while the percentage of ventures experiencing employee growth is lower (+0.9 percent).
-  **There is consistent equity investment acceleration**, indicated by the average equity-growth advantage for participating ventures (+\$14,333) and the greater percentage of participating ventures experiencing positive equity growth (+8.3 percent). The two country groupings experience similar growth outcomes: +\$14,045 and +5.2 percent (in emerging markets) versus +\$14,536 and +11.2 percent (in high-income countries).
-  **There is consistent debt acceleration**, indicated by the average debt-growth advantage for participating ventures (+\$14,096) and the greater percentage of participating ventures experiencing positive debt growth (+8.6 percent). Again, the two country groupings experience similar growth outcomes: +\$13,050 and +7.2 percent (in emerging markets) versus +\$14,572 and +9.9 percent (in high-income countries).



ONE-YEAR CHANGES IN KEY PERFORMANCE METRICS⁵

◀ table 02 ▶

	PARTICIPATED AVERAGE CHANGE	REJECTED AVERAGE CHANGE	DIFFERENCE	
 REVENUE				
High-Income Countries	\$35,062	\$10,530	\$24,532	✓
Emerging Markets	\$26,134	\$11,043	\$15,090	✗
 FULL-TIME EMPLOYEES				
High-Income Countries	0.81	0.3	0.51	✓
Emerging Markets	2.18	1.22	0.96	✗
 EQUITY				
High-Income Countries	\$23,415	\$8,878	\$14,536	✗
Emerging Markets	\$22,239	\$8,195	\$14,045	✓
 DEBT				
High-Income Countries	\$21,620	\$7,048	\$14,572	✓
Emerging Markets	\$14,616	\$1,566	\$13,050	✓

Statistically significant difference at the $p < .05$ level: ✓ YES ✗ NO

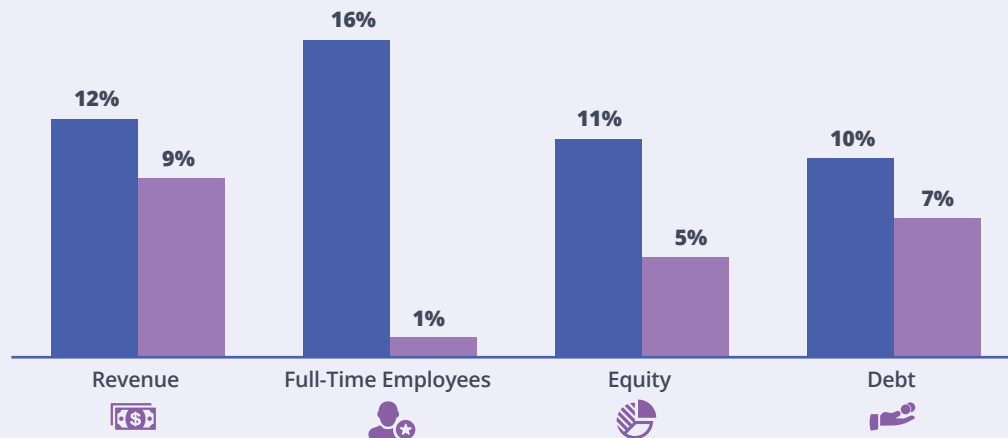
Average differences (participated – rejected) for the full sample: Revenues (\$20,008*); Employees (0.68*); Equity (\$14,333*); Debt (\$14,096*).

⁵ Average differences (participated – rejected) for the full sample: Revenues (\$20,008*); Employees (0.68*); Equity (\$14,333*); Debt (\$14,096*).

ARE ACCELERATED VENTURES MORE LIKELY TO GROW? DIFFERENCE IN PERCENTAGE OF PARTICIPATED AND REJECTED WITH POSITIVE ONE-YEAR CHANGES

◀ figure 01 ▶

● High-Income Countries ● Emerging Markets



From these detailed analyses of quantitative data we conclude that accelerators in emerging markets and high-income countries are supporting entrepreneurs to grow across several measures. Within this story of overall positive accelerator performance, however, there is more nuance upon examination of differences for certain variables. For example, when considering venture size at application, the relative changes for revenues and employees are smaller in emerging markets while the relative changes for both debt and equity are larger. To explore some of these differences further, we examine several commonly-held beliefs about acceleration in emerging markets in Part 2.



BOX 5

Focusing on Stellar Growth Outcomes





While it is possible — in both country groups — to achieve substantial growth without acceleration, the numbers suggest that program participation does help.

In addition to average changes, it is also important to look at the top end of each distribution to appreciate whether and where accelerators contribute to extreme high-growth outcomes, which arguably have the greatest impact on economic development. In the current sample, the top 25 growth outcomes for each variable produce observations that complement those found in Table 2:

- ▶ Stellar revenue and equity growth outcomes are spread across high-income countries and emerging markets. The average revenue growth is particularly impressive in emerging markets (+\$822,990).
- ▶ There is a greater chance of observing stellar employment growth in emerging markets, where the average growth (+23.9) is also more impressive.
- ▶ There is a greater chance of observing stellar debt-growth outcomes in high-income countries. However, the average debt increment for the small group of emerging market ventures is impressive (+\$454,530).

From Table 1, we peg the overall probability of program participation at 25 percent for high-income country programs and 22 percent for emerging market programs. In every cell below, the percentage of stellar growth ventures that participated in their program exceeds these baselines. For example, four out of 7 (57 percent) stellar emerging market debt-growth ventures participated in a program; as did eight out of 14 (57 percent) stellar high-income country equity-growth ventures. The most questionable accelerator program impacts relate to the top 25 emerging market revenue and employee growth outcomes.

TOP 25 VENTURES BASED ON ONE-YEAR GROWTH

		IN HIGH- INCOME COUNTRIES	IN EMERGING MARKETS
 REVENUE	Average Revenue Change	\$591,933	\$822,990
	Participated in Program	54% (7 of 13)	33% (4 of 12)
 FULL-TIME EMPLOYEES	Average Employee Change	18.0	23.9
	Participated in Program	100% (2 of 2)	26% (6 of 23)
 EQUITY	Average Equity Change	\$573,929	\$519,310
	Participated in Program	57% (8 of 14)	45% (5 of 11)
 DEBT	Average Debt Change	\$357,694	\$454,530
	Participated in Program	44% (8 of 18)	57% (4 of 7)

BOX 6





Changes in Relation to Baseline (Application)

When considering venture size at application, the relative changes for revenues and employees are smaller in emerging markets, while the relative changes for both debt and equity are larger.

The averages reported in Table 2 do not take into account the different starting points for ventures operating in the two country groups (see Appendix C). Initial revenues and employment levels are considerably higher in emerging markets, for both participating and rejected ventures. On the other hand, the amount of equity attracted since founding is considerably lower in emerging markets. For this reason, we might want to translate the level changes reported in Table 2 into percentages (i.e., the average growth numbers divided by the averages reported on application surveys).

When we do this, we see that the relative changes for revenues and employees are smaller in emerging markets, while the relative changes for both debt and equity are larger.

AVERAGE PERCENTAGE CHANGE RELATIVE TO APPLICATION

	PARTICIPATED AVERAGE CHANGE	REJECTED AVERAGE CHANGE	DIFFERENCE
 REVENUE			
High-Income Countries	61%	37%	25%
Emerging Markets	39%	26%	14%
<i>Difference</i>	-22%	-11%	-11%
 FULL-TIME EMPLOYEES			
High-Income Countries	58%	32%	26%
Emerging Markets	43%	30%	13%
<i>Difference</i>	-15%	-2%	-13%
 EQUITY			
High-Income Countries	27%	16%	11%
Emerging Markets	53%	40%	13%
<i>Difference</i>	26%	25%	2%
 DEBT			
High-Income Countries	39%	35%	4%
Emerging Markets	52%	9%	43%
<i>Difference</i>	13%	-26%	39%



BOX 7

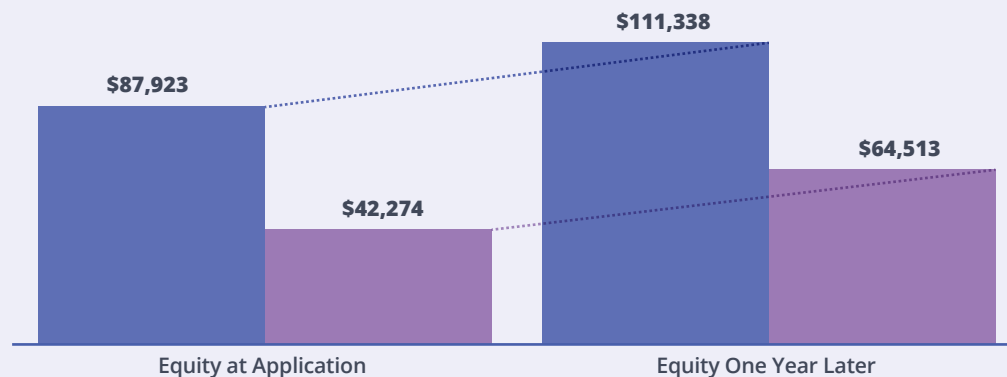
Does Acceleration Level the Playing Field?

Acceleration slightly narrows the equity gap between emerging market and high-income country ventures.

Another way to assess the data presented in Table 2 is to ask whether accelerators are closing the “rich-poor” gap when it comes to things like equity investment. Despite the fact that they report higher revenues and more employees, the cumulative amount of outside equity already attracted by participating ventures in emerging market accelerators is less than 50 percent of that reported by participating ventures in high-income countries. Because the average increment is the same in both country groups, the emerging market deficit narrows only slightly: after the program, emerging market ventures report just under 60 percent the average equity raised by high-income country ventures.

EQUITY RAISED BY PARTICIPATING VENTURES

● High-Income Countries ● Emerging Markets





PART 2:

Key Insights

Given these similarities and differences, we set out to explore the factors that might be responsible for these patterns. This section probes a set of commonly held beliefs about differences in emerging markets sourced from a panel of experts. We combine quantitative data with qualitative insights from a set of structured interviews with accelerated entrepreneurs, program managers, and investors to test these beliefs (see Appendix D for our interview rosters and summaries of our interview protocols).



BELIEF #1

EMERGING MARKET ENTREPRENEURS ARE DIFFERENT

SUMMARY ASSESSMENT

Emerging market entrepreneurs have more-than-adequate educational experience and technical competence, according to data and interviews. However, investors often point to a lack of entrepreneurial experience among founding teams. In addition, emerging market entrepreneurs place more value on "business skills development" when considering accelerator programs, despite their higher levels of reported experience.

Emerging market entrepreneurs are similarly confident about commercial prospects as high-income country entrepreneurs, and are backing this up by investing similar amounts of their own funds. This diminished focus on scaling-to-exit may contribute to investor perceptions of lower entrepreneurial ability and commitment.

1 ▶ Do emerging market entrepreneurs have greater talent gaps, and less entrepreneurial experience? ← MIXED SUPPORT

We gain some insight about talent gaps by asking program managers about the specific weaknesses of entrepreneurs as they enter their programs. When asked about their incoming entrepreneurs, program managers describe similar gaps for both high-income and emerging market entrepreneurs. Managers in both country groups emphasize a lack of investment readiness and a need for business model development.

According to quantitative data, entrepreneurs who apply to emerging market programs actually report stronger credentials. The Entrepreneurship Database Program application surveys ask about the educational experiences of the top three members of the founding team, as well as their prior startup experiences and details about their last two jobs. On average, founders of emerging market ventures report significantly more college education (1.65 undergraduate or post-graduate programs, compared to 1.45 for high-income country entrepreneurs) and significantly more prior entrepreneurial experience (founded an average of 2.83 companies, compared to 2.29). Moreover, they are equally likely to report CEO or executive director experience in their prior two jobs.

Although emerging market entrepreneurs carry similar or better credentials into their new ventures, they also place more value on “business skills development” when considering accelerator programs. When asked to rank the various benefits they hope to receive from accelerator programs, the only difference is that “business skills development” is ranked significantly higher by emerging market entrepreneurs.⁶

Interviews with investors reveal additional insights. When asked about instances where founding teams have great ideas but problems with execution, roughly half of the emerging market investors point to a lack of entrepreneurial experience, compared to none of the respondents who invest in high-income countries. This is reflected in the following emerging market investor quote: “We often see great technical ability, but significantly lower entrepreneurial ability.”

2 ▶ Do emerging market entrepreneurs invest less of their own money in their ventures? ✕ NOT SUPPORTED

Are they less confident of success? ⊖ MIXED SUPPORT

Studies show that adults in high-income countries have roughly fifteen times more personal wealth than those in emerging markets.⁷ However, the Entrepreneurship Database Program data suggest that these wealth differentials are not translating into smaller founder investments in emerging markets. In fact, the difference in the amount of own money invested by founders since a venture’s founding — \$61,313 for high-income country ventures versus \$51,883 for emerging market ventures — is not significant.

When asked about these personal investments, entrepreneurs in both emerging markets and high-income countries report using personal savings, with smaller numbers using personal loans or donations from others. The only noticeable difference is that more emerging market entrepreneurs invest directly from their paychecks on an ongoing basis; six of 22 compared to three of 27 high-income country entrepreneurs. This is indicated by one emerging market entrepreneur who said, “I didn’t have a lot of money to start with, but I put in everything I had. This was money I had earned from my job, as I had no savings, and my friends and family had no money to contribute ... I would work for other entrepreneurs and in return instead of paying me, they would help me with pieces of my business.”

A related belief is that emerging market entrepreneurs are less confident of success and thus ROI.

6 Entrepreneurs were asked to rank seven potential benefits in order of most to least important, including: network development, access to connections to potential investors/funders, mentorship from business experts, securing direct venture funding, business skills development, gaining access to a group of like-minded entrepreneurs, and awareness and credibility.

7 Based on data from Credit Suisse Research Institute, Global Wealth Databook 2016. Average wealth in high-income countries is \$150,000 compared to \$10,000 in emerging markets.

Corroborating statements made by our expert panel, two emerging market program managers that we interviewed (compared to zero from high-income countries) mentioned that one weakness of their entering entrepreneurs is that they tend to undervalue their true business potential. They tend to be “thinking on a low-scale...undervaluing their companies...too cautious with their expectations.”

If this belief is correct, then emerging market entrepreneurs should report less-ambitious profit aspirations. However, when queried in their applications about financial goals, entrepreneurs from emerging markets were significantly more likely to select one of the three highest profit margin categories (11 to 15 percent, 16 to 20 percent, or more than 20 percent). Because these stated ambitions correlate with the underlying confidence of founders, emerging market entrepreneurs do not seem to be less commercially-confident than their high-income country counterparts.

To get a deeper sense of entrepreneurs’ expectations about venture outcomes, we asked them to reflect, upon starting their venture, what they expected to accomplish in five years’ time. The majority of entrepreneurs in both emerging markets and high-income countries mention goals related to company growth. However, a greater portion of high-income country entrepreneurs (five of 27) mention getting acquired as a specific aspiration, compared to none of the emerging market entrepreneurs.

▶ **BELIEF #2** **EMERGING MARKET VENTURES ARE DIFFERENT**

SUMMARY ASSESSMENT

There are sector differences in the ventures that seek acceleration in emerging markets, and those ventures are also less likely to be built around proprietary intellectual property. However, these differences are not responsible for the short-term equity deficits experienced by emerging market ventures.

Emerging market ventures tend to wait longer and are therefore more commercially established before they apply to accelerators. However, they do not come in with as much initial investment support and plan to raise considerably less equity over the next three years. Interviews with accelerator program managers suggest that emerging market ventures may be less investment-ready as they are still iterating on their growth strategies.

3 ▶ Do ventures in emerging markets work in different sectors, and are they less likely to be invention-based?

Relatively speaking, emerging market ventures in the sample are more likely to operate in the agriculture, artisanal, energy, and financial services sectors; and less likely to operate in the health sector (see Table 3). Because sectors are differentially capital-intensive, these differences could potentially help to explain the lower equity investment levels in emerging markets. For instance, financial services ventures, which are over-represented in emerging markets, attract a lot of equity investment on average (\$70,839). However, agriculture ventures, also over-represented in emerging markets, attract relatively low levels of equity on average (\$36,244). In the health sector — where emerging market ventures are solely under-represented, the sector average (\$48,927) is only slightly more than the overall sample average.

SECTOR PARTICIPATION AND EQUITY RAISED*

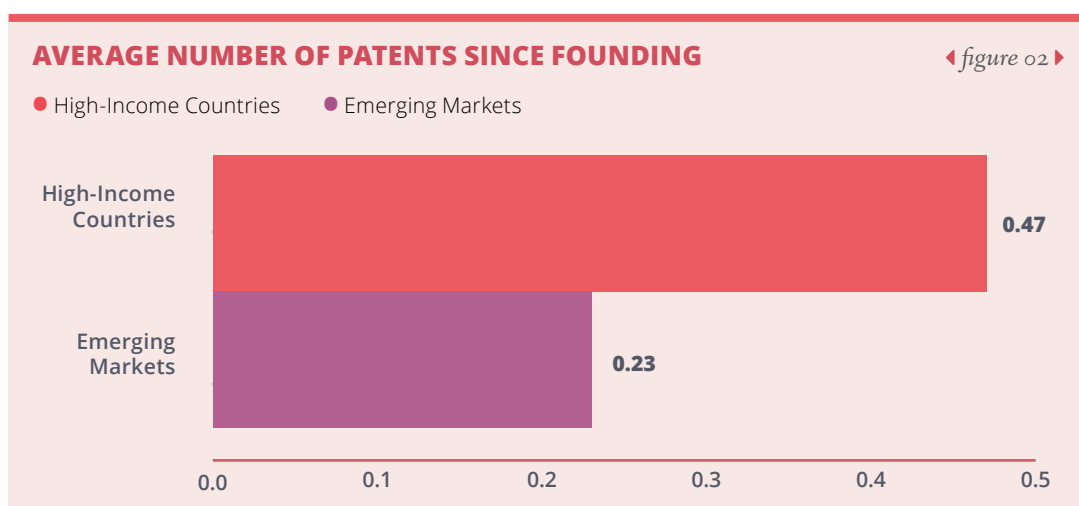
◀ table 03 ▶

	HIGH-INCOME COUNTRIES	EMERGING MARKETS	OVERALL
OVER-REPRESENTED IN HIGH-INCOME COUNTRIES			
Health	259	108	367
average equity since founding	\$55,975	\$32,027	\$48,927
OVER-REPRESENTED IN EMERGING MARKETS			
Agriculture	135	186	321
average equity since founding	\$63,487	\$16,471	\$36,244
Financial Services	107	185	292
average equity since founding	\$94,893	\$56,927	\$70,839
Energy	56	114	170
average equity since founding	\$98,144	\$8,552	\$38,065
Artisanal	12	46	58
average equity since founding	\$446	\$1,022	\$903

*Sectors where N>50 and where emerging markets or high-income countries were over or under-represented, based on a comparison to the expected number if sector participation was equally distributed in both samples.

In addition to sector differences, experts believe that high-income country ventures are more invention-based, which might also have implications for investment outcomes.

In Entrepreneurship Database Program application surveys, entrepreneurs are asked how many patents they hold. Ventures from high-income countries have, on average, twice as many patents as their emerging market counterparts; a difference that is statistically significant (see Figure 2). Since ventures with patents raise more equity, this may also contribute to lower investment levels among emerging market ventures.⁸



To assess whether sector and intellectual property differences are responsible for the equity investment deficit among emerging market ventures, we estimate a simple regression model

8 "Entrepreneurship and acceleration: Questions from the field (Intellectual Property)." March, 2017. GALI.

that relates the equity investment since founding variable to an emerging market indicator variable, with and without controls for sector participation and intellectual property.⁹ We find that differences in sector and intellectual property do not explain away the lower levels of equity investment in emerging markets.

4 ▶ Do emerging market ventures simply need less capital, whether due to lower costs of doing business or lower expectations about future growth? ⊖ LIMITED SUPPORT

To identify specific capital aspirations, the application surveys ask entrepreneurs about plans for outside equity investment over the next three years. Applicants to high-income country programs reported an average of \$4,102,964, compared to an average of \$2,133,988 for emerging market applicants. This large difference suggests that the demand for capital is indeed lower in emerging markets. This might reflect genuine differences in growth potential, constraints in the broader investment climate, or the simple fact that one dollar of investment goes much farther in emerging markets.

However, note that these figures, when annualized, are well above the average investment levels reported on the application and follow-up surveys. In fact, the lower average for the emerging market entrepreneurs — roughly \$711,000 per year — exceeds the average one-year equity increment for the top 25 ventures in this sample — roughly \$500,000. This suggests that any underlying differences in the expected demand for equity investment are at ranges well above the currently available supply in both country groups.

5 ▶ Do emerging market ventures tend to be less developed at application? ⊗ NOT SUPPORTED

Or do they tend to wait longer to apply, and are therefore more developed at application? ✔ SUPPORTED

The application data indicate that ventures from emerging markets are significantly older when they apply to programs; 2.8 years compared to 2.1 years. Consistent with this longer gestation period, both participating and rejected emerging market ventures report more full-time employees and more prior-year revenues than their high-income country counterparts (see Appendix C).

When program managers reflect on the areas in which entrepreneurs improve the most during acceleration, both groups mention improvements in articulating their value proposition and pitching to investors. However, emerging market program managers also tend to mention improvements to business strategies and operations. For example, five mentioned improvements in the underlying business models (compared to zero high-income country program managers). They are also twice as likely to mention improvements in product-market fit or in sales strategies. This latter emphasis is indicated in the following quote from one emerging market program manager: “Generally, the cohort divides into two groups. Larger businesses with higher skills benefit most from fundraising and connections to investors. Less progressed companies improve most on strategy and operational changes to allow them to scale and become investment ready.”

⁹ The estimated emerging market effect in a baseline regression model is -\$39,082. In a model that controls for sector effects and for the number of patents received since founding, the estimated effect is still -\$38,029.

6 ▶ Are emerging market ventures seen as riskier? LIMITED SUPPORT

When asked about the countries in which it is easiest and most difficult to find quality deals, investors who work in multiple countries mostly listed less-developed markets as being more challenging. However, when asked which risk factors they emphasize, nearly all of the investors that we interviewed (15 out of 16) listed the quality of the founding team and related human capital risks as an important factor, regardless of where the venture is based. Among the investors who singled out particular countries as having higher risk levels, they often pointed to something about the founding team (like being less committed or experienced), or about available talent generally (like the availability of business acumen and management skills).

Regulatory, political, and economic risk was the second most mentioned factor, but as one investor pointed out: “With a strong team, context doesn’t matter.”

▶ BELIEF #3 EMERGING MARKET ECOSYSTEMS ARE DIFFERENT

SUMMARY ASSESSMENT:

Our data do not support the idea that commercial success without acceleration is dramatically more difficult in emerging markets. However, investment funds flow less freely in emerging markets. This makes it difficult for ventures to secure investment that is commensurate with their needs, and more challenging for accelerator program managers to facilitate equity investment during their programs.

7 ▶ Do emerging markets have less local equity investment, including fewer local investors and less-developed networks connecting investors to potential investments? SUPPORTED

Several studies corroborate the belief that there is more equity investment available in high-income countries. In 2016, for example, \$69 billion of venture capital was invested in the US, compared to \$5.6 billion in India, \$4.8 billion in the UK, \$526 million in Mexico, and \$49 million in Kenya.¹⁰ These data are consistent with CrunchBase data on seed-stage financing, which shows that investment rounds are smaller on average for emerging market ventures. In 2016, for example, seed-stage equity deals in the United States were on average six times larger than seed-stage deals completed in Kenya.¹¹

Baseline data collected from application surveys are consistent with these country differences. Among emerging market entrepreneurs — both rejected entrepreneurs and those selected to participate in accelerator programs — the average outside equity raised since founding is significantly lower than the average for high-income country entrepreneurs (see Table 4). The same holds for cumulative debt finance.¹² In both cases, high-income country

¹⁰ High-income country data published in Venture Pulse: Q4'16 Global analysis of venture funding, and emerging market data from EMPEA Research.

¹¹ Seed-stage investment data from www.crunchbase.com.

¹² The value of debt should not be underemphasized; a point that was affirmed by one emerging market program manager: ‘Our cohort has raised debt, not equity, and mainly from local investors. Here equity investments are not as common as debt.’

ventures — unaided by accelerator programs — are able to attract up to twice as much early-stage investment as those operating in emerging markets. These differences are even more dramatic in light of the fact that emerging market applicants are older on average, and tend to report higher revenues and employees.

AVERAGE INVESTMENT PRIOR TO APPLICATION ◀ table 04 ▶

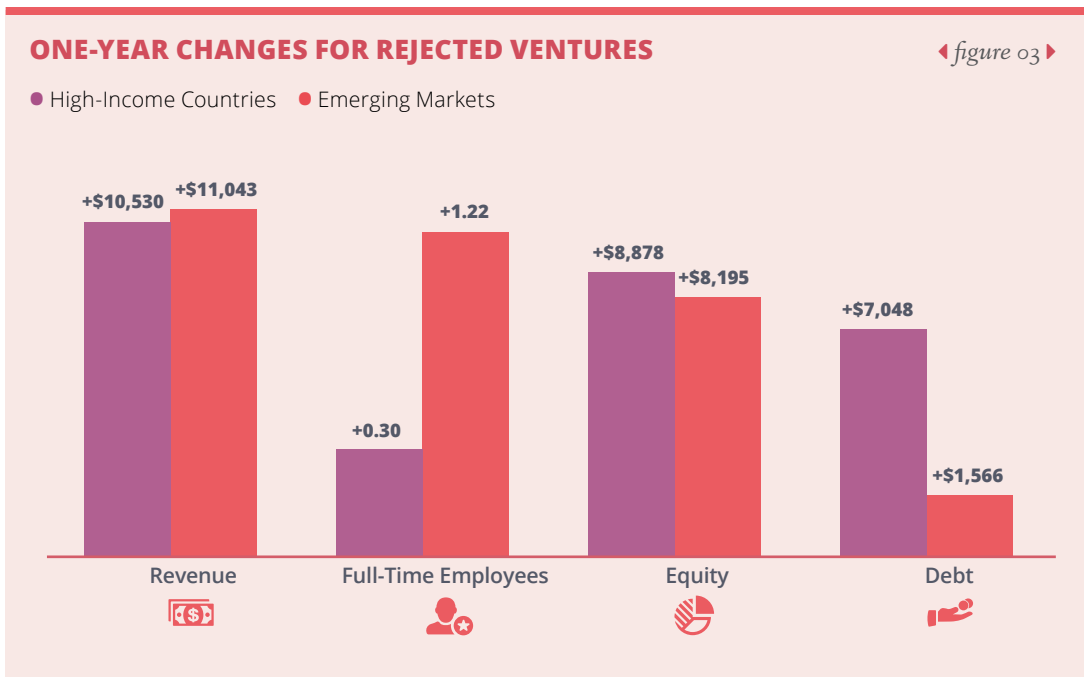
	PARTICIPATED	REJECTED
EQUITY SINCE FOUNDING		
High-Income Countries	\$87,923	\$57,275
Emerging Markets	\$42,274	\$20,368
DEBT SINCE FOUNDING		
High-Income Countries	\$55,381	\$20,145
Emerging Markets	\$28,123	\$17,986

The follow-up data suggest that accelerated ventures attract equal levels of equity investment during their year of acceleration. We asked program managers how their entrepreneurs learn about these funding opportunities. Emerging market managers are just as likely to mention direct introductions, and twice as likely to mention program events like demo days. They highlight their ability to facilitate deals, but often with investors who live and work outside the country. They are also more likely to emphasize that recruiting investors to the program can be quite challenging.

8 ▶ Is it harder in emerging markets to attain success without acceleration? Do high-income countries provide greater opportunities for rejected entrepreneurs to access services, support and advice? ⊗ NOT SUPPORTED

One way to observe actual venture performance without acceleration is to revisit the application data, which capture venture performance prior to acceleration. These present mixed observations about the challenges faced by non-accelerated ventures in emerging markets. Among the rejected ventures, reported revenues and employees tend to be higher in emerging markets while investment levels tend to be lower. We interpret this as indicating that it is equally possible to establish and run companies in emerging markets, but harder to attract the investment to scale their early promise.

Another way to assess the relative benefits of acceleration is to see if rejected ventures are doing relatively worse in emerging markets. Figure 3 shows that, on average, rejected entrepreneurs grew revenues in both country groups, but slightly faster in emerging markets (+\$11,043). Emerging market ventures also grew full-time employees at a much higher rate (+1.22). When it comes to attracting capital, rejected high-income country ventures do slightly better raising equity, and much better when it comes to securing debt.



Investor perspectives on the subject are mixed. Consistent with the fact that all of the cells in Figure 3 are positive, and that only one of the contrasts leans against emerging market ventures, many investors reject the notion that success without acceleration is more difficult in emerging markets. This is indicated by the following quote from one investor with a global orientation: “I think the probability [of success without acceleration] doesn’t differ much across markets ... Good, seasoned entrepreneurs don’t need accelerators, and an accelerator program doesn’t make up for the lack of an entrepreneurial ecosystem/funding environment/strong team/regulatory challenges/talent availability, etc.”

Others take a stronger position, arguing that accelerator programs are not always necessary — and can even be harmful — when it comes to developing investment-ready ventures.

▶ **BELIEF #4:** EMERGING MARKET ACCELERATOR PROGRAMS ARE DIFFERENT

SUMMARY: ASSESSMENT

There is no evidence of an overall quality difference between emerging market and high-income country accelerators. However, emerging market entrepreneurs rarely indicate that connections made during a program help grow their networks. Moreover, program managers in emerging markets are also more likely to report difficulty recruiting mentors and advisors. This suggests that the social capital benefits that accrue during programs might be harder to sustain post-program.

9 ▶ Are emerging market programs of lower quality? Do they make fewer direct investments in ventures? ✕ NOT SUPPORTED

It is difficult to obtain comparable data on the actual quality of accelerator programs. However, we can check for obvious differences when it comes to inputs and outcomes. On outcomes, we have already shown that, on average, emerging market programs do as well as their high-income country counterparts when it comes to accelerating several performance metrics, including employees and equity and debt investment (see Table 2).

We also have high-level data describing 42 of the programs in our sample (see Table 5). This allows us to look for differences in three critical input variables: program cost, number of mentors and total guaranteed investment for participating entrepreneurs. In all instances, there is no evidence of inferior resources for emerging market programs. They spend more money per program (\$281,000 on average compared to \$124,596) and they attract a similar number of mentors (57.3 compared to 55.2).¹³ The data also suggest that emerging market programs offer the same amount of guaranteed investment (roughly \$90,000) to the entrepreneurs who participate in their program.

DATA DESCRIBING SAMPLED PROGRAMS

◀ table 05 ▶

	PROGRAMS	PROGRAM COST	MALE MENTORS	FEMALE MENTORS	TOTAL MENTORS	GUARANTEED INVESTMENT
High-Income Countries	26	\$124,596	38.8	16.4	55.2	\$87,446
Emerging Markets	16	\$281,000	42.8	14.5	57.3	\$90,000

10 ▶ Do emerging market accelerators have lower-quality networks? ✓ SUPPORTED

When asked to describe the most important connections made during their programs, all of the entrepreneurs that we interviewed provided similar responses, mentioning advisors and mentors, then fellow entrepreneurs, and finally investors. Although “they helped to develop my business” is the most common benefit that entrepreneurs mention coming from these connections, “they helped to expand my networks” was a more common benefit expressed by high-income country entrepreneurs (ten of 27) compared to those working in emerging markets (two of 22). This kind of benefit is seen in the following quote from one high-income country entrepreneur: “We gained an inside view to the health care industry, introductions to government officials.”

Echoing the above observation about the difficulty that emerging market program managers have attracting investors to their programs, emerging market program managers are also more likely to report difficulty recruiting mentors. When asked about the various stakeholders that they recruit, nearly half (six out of 13) of the emerging market program managers indicate that mentors and experts are the most difficult to recruit.

¹³ In post-program surveys, we ask each program manager, “to the nearest \$10,000, what is the total financial cost associated with running this program? Please include all living stipends paid to participating entrepreneurs, but do not include any financial investments that you expect to make into the ventures themselves.”



PART 3:

Implications for Acceleration in Emerging Markets

There are fewer quantifiable differences in the pipelines of entrepreneurs and ventures that present themselves to emerging market accelerator programs than people tend to think. Moreover, when it comes to demonstrating their early promise, applicants to emerging market programs report considerably higher revenues and more full-time employees.

Reflections from the field

To ensure that these observations are interpreted through an experienced practitioner lens, we presented them to leaders in the field and asked them what they might take away from this research.

Special thanks to:

- ▶ **Ross Baird**, Village Capital
- ▶ **Nicholas Colloff and Harry Devonshire**, Argidius Foundation
- ▶ **Nneka Eze**, Dalberg Global Development Advisors
- ▶ **PR Ganapathy**, Villgro
- ▶ **Ian Lorenzen**, GrowthAfrica
- ▶ **Kenneth Turner**, The Lemelson Foundation
- ▶ **Rodrigo Villar, Erik Wallsten, Armando Laborde, and Anne-Lorraine Meunier**, New Ventures Group

On the other hand, securing investment is more challenging in emerging markets. The amount of available capital is not keeping pace with the promise and performance of early-stage ventures. This might be due in part to investors (and entrepreneurs) undervaluing prior entrepreneurial experiences in emerging markets. It is important to think about, and begin to rectify, this imbalance between promise and investment outcomes in emerging markets:

/// We wonder whether the perception of lower entrepreneurial skills compared with higher reported rates of experience is connected to cultural bias. Anecdotally, we've seen that foreign (typically US-based) investors in emerging markets find it easier to invest in expat founders because of cultural ease. They may even overlook key risks — such as lack of work permits or weak business track record — because among expat entrepreneurs the pitch is polished, confidence is high, and there is no language barrier.

This investment deficit might also be due to different mindsets about raising equity and about exits:

/// Emerging market ventures are not riskier... their businesses tend to require less capital, and the option of taking capital does not seem that predominant.

Whatever the reason, emerging market accelerator programs are able to create short-term windows where investment outcomes are better aligned with the revenue and employee growth outcomes:

/// As practitioners, supporters, and partners of accelerators, we are not surprised at the headline result that ventures accepted into accelerator programs grow at faster rates than rejected ventures ... this confirms what we're seeing on the ground, and our understanding of the value that accelerators provide to early stage ventures.

But what exactly are entrepreneurs looking for and getting from accelerators in the two country settings? Emerging market entrepreneurs tend to place more emphasis on business skill development, while much of the framing of accelerators' value is around building connections that might help close fundraising gaps. This raises program design issues that must be addressed:

/// This confirms our sense that in emerging markets, experienced entrepreneurs join accelerators because in an environment with relatively little equity funding available, it's a clear route towards investment. But entrepreneurs you interviewed were more likely to report mentors were more valuable connections than investors. We believe this is a sign that accelerators need to build programs around specific goals: Do entrepreneurs need to build skills? Do they need a better grasp on unit economics and cash flow? Are they ready for a capital raise? In our experience, accelerators can be successful when they focus and strengthen in one particular area.

It also speaks to the need to carefully match entrepreneurs and ventures with these different kinds of programs:

/// The low value that most entrepreneurs placed on their investor connections indicates to us a pattern of mismatch that we've noticed between investors and entrepreneurs. Neither side is satisfied with the other. Accelerators have a role to play in helping both sides identify what they are looking for. While pitch sessions might be fun, curated matchmaking is more useful.

/// *To solve the mismatch, accelerators could benefit from developing more formal relationships with investors that really focus on targeted pipeline development. For example, if an accelerator aligns with a specific fund and targets the types of businesses that they may want to invest in, or that their investee companies may want to acquire, there is a clear path to investment or acquisition.*

/// *I spoke with an entrepreneur in Uganda who had been through two accelerator programs. The first was inspirational. He left enthusiastic, more ambitious, with a better business model. The second got him investment.*

We also note that interviews with program managers indicate that the connections required to close these capital gaps are harder to cultivate and hold in emerging markets:

/// *I was surprised that program managers find it hard to recruit mentors. But thinking about it, we have an easier time finding mentors in Kenya compared to Uganda. Perhaps as the ecosystem develops, and awareness of entrepreneurship grows, the exposure and introduction accelerators provide could further support the ecosystem.*

/// *It is interesting to see connections with fellow cohort members as a key benefit of an acceleration program. I believe we can do more to foster such connections within our cohort and will now actively work to do that.*

/// *Your findings validated our sense that accelerators provide significant services even after the program ends. Peer networking with other accelerator alumni, continued relationships with mentors, and active connections to other service providers or funders matter. Accelerators, and their funders, should think about these important services.*

Finally, as we reflect on the average promise of emerging market entrepreneurs, the general challenges inherent in their ecosystems, and the overall success of emerging market accelerator programs, we must not allow this initial picture of two forests to obscure the many tree-to-tree differences:

/// *Many of the findings that you generalize across all high-income countries and all emerging markets are actually very context-specific. Depending on the specifics of the local ecosystem, accelerator program managers and entrepreneurs will face different challenges ... it is important not to downplay the effects of subtle ecosystem differences, and the different roles that accelerators will play.*

/// *This report is very helpful, but the next step will be to dig in to the difference within countries, or within regions. In the US, 78 percent of venture capital goes to just three states — New York, California and Massachusetts. In the Global South, there are a lot of nuances as well between countries and within countries.*

We must also remember that data-driven insights are only as good as the data and that these (quantitative and qualitative) data are still quite general:

/// *The current sample of programs and entrepreneurs does not reflect the whole market. A more focused analysis that drills down on acceleration activity within a targeted region or sector seems like it could be useful for the field.*



POST-SCRIPT:

Where Do We Go From Here?

The latter point in the preceding section represents a clear and compelling call to action. The primary aim of GALI is to provide data and evidence on the extent to which accelerator programs are meeting their goals of stimulating the commercial growth of early-stage ventures around the world. Our first two major research reports provided positive answers to the big question that we first posed in early 2015.¹⁴ Accelerator programs — in many countries and many sectors — are indeed having an overall impact on revenue, employee, and investment growth.

The second aim of the collaboration is to dig beneath the overall effects to determine exactly where and how accelerator impacts are influenced by program design choices and ecosystem conditions. Here, we must be wary of generalizing current findings to the full range of accelerator programs and ecosystem conditions across emerging markets.

The current sample of emerging market entrepreneurs comes from 17 programs run by four organizations in six countries (see Appendix B). Because this initial sample of accelerator experiences is limited in both size and diversity, we must continue to ask questions and to collect data from more programs working in more places. In this respect, we are encouraged that in 2016, the Entrepreneurship Database Program collected application data from more than 3,500 entrepreneurs who applied to more than 30 emerging market programs run by 18 different organizations in more than a dozen countries. In other words, we more than doubled the size and diversity of the emerging market sample in just one year. This expanding range of programs and countries will allow us to explore the important nuances picked up in the previous section.

As we expand these efforts, we must remain aware of blind spots in our sampling processes. We must seek out programs that are different by design, targeting different types of entrepreneurs (such as those not seeking high-risk equity investment in order to become the next unicorn). We must also find ways to modify our research processes so that they can tease out the subtle-but-important nuances across regions and cities.

With this expanding set of questions and our expanding sample of accelerator programs and entrepreneurs, GALI will continue to encourage and support the growing roster of researchers who are collectively producing answers to the questions that are critical to our field.

¹⁴ “Randall Kempner and Peter Roberts: Aren’t Accelerators Great? Maybe...” The Wall Street Journal (April 2015)



Appendices

APPENDIX A1.

Expert panel

The majority of the experts on our panel report direct experiences with at least five different accelerator programs, and have experience across a range of professional domains and geographic regions.

Experience Categories:

(Determined by research team)

Practitioner (19)

Funder (6)

Research/Consultant (6)

Investor (1)

Academic (1)

Other (1)

Focal Regions:

North America (14)

Sub-Saharan Africa (8)

Europe & Central Asia (4)

Latin America & Caribbean (3)

South Asia (2)

East Asia & Pacific (1)

General (2)

Accelerator Experience:

Zero Programs (3); One (4); Two (1); Three (3); Four (2); Five (18)



We would like to thank the following individuals for their time and their insights:

<u>NAME</u>	<u>ORGANIZATION</u>
Manon Klein	DOEN Foundation
Liz Wilson	Small Foundation
Alicia Robb	Individual
Annie Roberts	Open Capital Advisors
Mike Kubzansky	Omidyar Network
Ross Baird	Village Capital
Michele Rivard	US African Development Foundation
Juan Carlos Thomas	TechnoServe Inc.
Chaarvi Badani	Villgro Innovations Foundation
Amisha Miller	Kauffman Foundation
Sara Leedom	African Entrepreneur Collective
Erica Lock	Echoing Green
Kaloom Lakhani	Invest2Innovate
Diyanto Imam	Inotek
Stefanie Bauer	Intellectap
Daniel Izzo	Vox Capital
Laura N Sennett	African Development Bank
Esther Wanjiru	WECREATE Kenya
Ian Lorenzen	GrowthAfrica
Oscar Artiga	TechnoServe Inc.
Saurabh Lall	University of Oregon
Joachim Ewechu	Unreasonable East Africa
Robert Schneider	U.S. Agency for International Development
Sylvain Franc de Ferriere	Yunus Social Business
Petra Rees	Lean Enterprise Acceleration Programmes
Andrew Lieberman	Miller Center for Social Entrepreneurship
Matt Guttentag	LINC LLC
Sara Johnson	Integrity Ventures LLC
Suzi Sosa	Verb, Inc
Max Pichulik	Impact Amplifier
Antoine Cocle	Kaya Impacto
Matt Towner	International Centre for Social Franchising

APPENDIX A2.

Priming questions for expert panel

In this brainstorming exercise, we presented each individual with a series of performance contrasts derived from the application and follow-up data:

Full-time employees reported by all program applicants:

Programs in High-income Countries

- ▶ X applicants reported an average of X.X prior-year full time employees.

Programs in Emerging Markets

- ▶ Y applicants reported an average of Y.Y prior-year full-time employees.

In your opinion, what are the three most likely reasons why applicants to programs run in emerging markets tend to have more full-time employees?

Own money invested since founding by all program applicants:

Programs in High-income Countries

- ▶ X applicants reported investing an average of \$X of their own money since founding.

Programs in Emerging Markets

- ▶ Y applicants reported investing an average of \$Y of their own money since founding.

In your opinion, what are the three most likely reasons why applicants to programs run in high-income countries tend to invest more of their own money in their ventures?

One-year revenue growth:

Programs in High-income Countries

- ▶ X1 participating ventures grew revenues by an average of \$X1; X2 rejected ventures grew revenues by an average of \$X2.

Programs in Emerging Markets

- ▶ Y1 participating ventures grew revenues by an average of \$Y1; Y2 rejected ventures experienced revenue decreases that averaged \$Y2.

In your opinion, what are the most likely reasons why programs run in emerging markets are having a greater impact on the revenue growth of participating ventures?

One-year growth in outside equity investment:

Programs in High-income Countries

- ▶ X1 participating ventures grew equity investment by an average of \$X1; X2 rejected ventures grew equity investments by an average of \$X2.

Programs in Emerging Markets

- ▶ Y1 participating ventures grew equity investment by an average of \$Y1; Y2 rejected ventures grew equity investments by an average of \$Y2.

In your opinion, what are the most likely reasons why programs run in high-income countries are having a greater impact on the equity investments made in participating ventures?

APPENDIX A3.

Expert panel's collective mental map

The experts generated a large set of potential explanations for these performance contrasts, such as:

- /// Emerging market ecosystems are often less developed, offering fewer alternative support options for early stage ventures.*
- /// Ventures in developed markets have easier access to comparatively more capital.*
- /// If you don't get into a program in a high-income country, you have other opportunities for support and a better ecosystem in which to operate.*
- /// High-income country enterprises attract more capital because they start with bigger investments, so can take on more money more quickly.*

Our research team consolidated these various potential explanations into a concise framework of categories and sub-categories:



Ideas mentioned more than twice (times mentioned)

ENTREPRENEUR DIFFERENCES

- Emerging market entrepreneurs have less money to invest (36)
- Emerging market entrepreneurs have greater talent gaps (16)
- Emerging market entrepreneurs are less confident of success and thus ROI (13)
- Emerging market entrepreneurs have less entrepreneurial experience (4)
- Emerging market ventures are “family affairs” (3)

VENTURE DIFFERENCES

- Emerging market ventures need less capital (23)
- Emerging market ventures are less developed at application (15)
- Emerging market ventures are more developed at application (13)
- Emerging market ventures perceived to be riskier (7)
- Emerging market ventures are more labor intensive (7)
- Emerging market ventures have different social orientations (6)
- Emerging market ventures are less tech-oriented (5)

ECOSYSTEM DIFFERENCES

- Emerging markets have less local equity investment (35)
- In emerging markets, success without acceleration is harder (16)
- In emerging markets, philanthropic support for ventures is less established (5)
- Emerging market entrepreneurs are not expected to invest their own money (5)
- In emerging markets, it is more difficult to access relevant information (4)

PROGRAM DIFFERENCES

- Emerging market accelerators make fewer direct investments (4)
- Emerging market accelerators are lower quality (4)
- Emerging market accelerators emphasize revenues over investment (3)
- Emerging market accelerators have lower-quality networks (3)

MACRO STRUCTURAL DIFFERENCES

- In emerging markets, wages are lower (19)
- In emerging markets, it is easier to hire and fire (6)
- In emerging markets, labor productivity is lower (6)

DATA QUALITY ISSUES

- Selection bias (14)
- Sector participation for emerging market entrepreneurs is different (5)
- Be sure to consider PPP issues (5)

APPENDIX B.

Programs and countries in the sample

High-Income Countries

(26 programs in 3 countries)

Programs

Accelerating Appalachia
Impact 8 (2 programs)
NMotion
Points of Light Civic Accelerator
(5 programs)
Propeller Startup
SheEO
Telluride Venture Accelerator
Unreasonable Institute, Global
UnLtd US
Village Capital (12 programs)

Countries Represented

United States (22 programs)
Canada (3 programs)
Netherlands (1 program)

Emerging Markets

(17 programs in 6 countries)

Programs

Agora Partnerships (3 programs)
New Ventures Momentum Project
Unreasonable Institute, East Africa
Unreasonable Institute, Mexico
Village Capital (11 programs)

Countries Represented

India (4 programs)
Kenya (4 programs)
Mexico (4 programs)
Nicaragua (3 programs)
South Africa (1 program)
Uganda (1 program)

APPENDIX C.

Averages from application surveys

	PARTICIPATED (INITIAL LEVEL)	REJECTED (INITIAL LEVEL)	DIFFERENCE
 Revenue			
High-Income Countries	\$57,203	\$28,716	\$28,488*
Emerging Markets	\$66,408	\$43,132	\$23,276*
<i>Full Sample</i>	\$61,581	\$36,378	\$25,203*
 Full-Time Employees			
High-Income Countries	1.40	0.95	0.45*
Emerging Markets	5.04	4.06	0.98
<i>Full Sample</i>	3.12	2.60	0.53
 Equity Since Founding			
High-Income Countries	\$87,923	\$57,275	\$30,648*
Emerging Markets	\$42,274	\$20,368	\$21,906*
<i>Full Sample</i>	\$66,213	\$37,660	\$28,553*
 Debt Since Founding			
High-Income Countries	\$55,381	\$20,145	\$35,236*
Emerging Markets	\$28,123	\$17,986	\$10,136
<i>Full Sample</i>	\$42,418	\$18,998	\$23,420*

* $p < 0.05$



MPAK

Australian
2017

Indonesia
Impact
Accelerator

Indonesia
Impact
Accelerator

PEER-SELECTED
INVESTMENT
MODEL

APPENDIX D.

Entrepreneur, program manager and investor interviews

We contacted entrepreneurs and program managers from accelerators that partnered with the Entrepreneurship Database Program. We were careful to include programs working in both emerging markets and high-income countries, and targeted programs whose overall performance is representative of these two groups. We then targeted participating entrepreneurs who fall into two categories: those whose performance in their year of acceleration was reasonably good and those whose performance somewhat poor. By drawing equally from these two groups, we ensure that the insights we gather represent a similar distribution of performance outcomes. We also contacted investors — working in high-income countries or emerging markets — to learn more about the different investment contexts. Interviews were either conducted by phone or over email.

The questions posed in interviews focused on the characteristics, experiences, and perspectives of the different entrepreneurs, ventures, programs, and ecosystems. Interviews were conducted by phone or in some cases by email. To see specific interview questions, contact the research team directly at www.galidata.org/ask-a-question.

Interviewed Entrepreneurs

ENTREPRENEUR	PROGRAM NAME
Aurora Azucena Zeas Romero	TechnoServe Nicaragua
Nathan Ball	Village Capital US Louisville Agriculture & Cleantech
Karla Breceda	Village Capital Mexico FinTech
Blair Brettschneider	Points of Light Civic Accelerator
Jae Cameron	Points of Light Civic Accelerator
Sofia Cruz del Río Castellanos	Unreasonable Institute Mexico
Meaghan Daly	Impact 8
Prabhav G Dhwajan	Village Capital India FinTech
Aaron Frumin	Propeller Startup
Danielle Gaglioti	Points of Light Civic Accelerator
Juan Diego Gomez	Village Capital Mexico FinTech
Romel Rubén González Díaz	Agora Partnerships
Gates Gooding	Agora Partnerships
Patricia Griffin	Unreasonable Institute East Africa
Sam Heyman	Propeller Startup
Rafael Jimenez	Village Capital Mexico FinTech
Kennedy Kitheka	Village Capital South Africa Edupreneurs
Michael Kuntz	Unreasonable Institute East Africa
Juan Lagrange	Agora Partnerships
Denali Lander	Propeller Startup

Tina Lee	Points of Light Civic Accelerator
Eric Leslie	Points of Light Civic Accelerator
Cesar Manduca	Village Capital Mexico Fintech
Jason Martin	Points of Light Civic Accelerator
Christopher Memmott	Village Capital US Health
Omar Muñoz	Technoserve Nicaragua
Zakheni Ngubo	Village Capital South Africa Edupreneurs
Santiago Ocejo	Village Capital Mexico FinTech
Carolina Pastrana	Agora Partnerships
Khoi Pham	Points of Light Civic Accelerator
Antonio Prieto	Technoserve Nicaragua
Isabel Rauh Hain	Unreasonable Institute Mexico
Sheena Repath	SheEO
Oscar Rodriguez-Gonzalez	Impact 8
Patrik Schumann	Village Capital US Water
Nidhish Shetty	Village Capital Ahmedabad Tech4Impact
Raymond Shih	Impact 8
Carly Shuler	Points of Light Civic Accelerator
Casey Smith	UnLtd US
Brian Srikanchana	Points of Light Civic Accelerator
Richard Tuck	Impact 8
Suzanne Tyson	Impact 8
Jessica Vernon	Unreasonable Institute East Africa
Charity Wanjiku	Village Capital Africa Hardware
Darren Wendroff	Village Capital US Health
Martin Wissenberg	Points of Light Civic Accelerator
Alberta Wright	Propeller
Daniel Young	NMotion
David Young	Propeller Startup

Interviewed Program Managers

<u>PROGRAM MANAGER</u>	<u>PROGRAM NAME</u>
Emmanuel Block	I3 Latam (New Ventures)
Daniel Bukenya Yiga	Yunus Social Business Uganda
Jasmine Cato	Points of Light Civic Accelerator
Andrea Escalante	MassChallenge Mexico
P.R. Ganapathy	Villgro
Martin Kiilu	Investment Readiness and Investment Facilitation Program (Intellecap)
Victor Kurniawan Cahyadi	Kinara Indonesia

Kalsoom Lakhani	Invest2Innovate Accelerator
Hannah Lewis	Village Capital US Energy
Sabina Malacon	Unreasonable Institute Mexico
Yanira Martínez	Village Capital Mexico Health
Julio Martínez	Pomona Impact
Quinn Middleton	Unreasonable Institute Global
Daut Mwansa Chibula	WECREATE Zambia
Perry Nunes	Village Capital India Fintech & Village Capital India Education
Allyson Plosko	Village Capital US Health
Katarina Poljakova	XLR8UH
Ebony Pope	Village Capital US Education
Mallory Sanborn	Village Capital US Agriculture
Kaitlin Tait	YGAP Spark* International Accelerator Australia

Interviewed Investors

<u>INVESTOR</u>	<u>COMPANY</u>
Tom Adlam	Pearl Capital Partners
Amon Anderson	Acumen
Steve Beck	Novastar Ventures
Emile Cubeisy	Silicon Badia
Tahira Dosani	Accion Venture Lab
Andrew Heintzman	InvestEco
Oliver Karius	LGT Impact Ventures
John Kohler	Miller Center for Social Entrepreneurship
Diogo Lucas	Impacto Capital
Gabriel Meizner	Adobe Capital
María José Montero	Ameris Capital
David Munnich	Investisseurs & Partenaires (I&P)
Jude O'Reilley	Skoll Foundation
Mark Paper	Business Partners International
Shivani Garg Patel	Skoll Foundation
Micaela Ratini	Insitor Management
Anna Samaké	Lundin Foundation
Audrey Selian	Rianta Capital, Artha Initiative
Brian Trelstad	Bridges Fund Management

Invitation to Join GALI

We invite interested accelerators to consider joining the Entrepreneurship Database Program to begin developing a more comprehensive understanding of acceleration practices and impacts.

Through participation, our accelerator partners gain:

- ▶ Deeper insights from reports about applicant pools, selection biases and impacts on revenue, employment and investment growth based on all entrepreneurs who apply to your program. These reports are valuable for programs that want to demonstrate impacts to program funders and supporters; and
- ▶ Visibility from the broader GALI network, which provides benefits for those looking to develop more visible platforms for participating entrepreneurs.

We invite you to indicate your interest by answering a few questions at: www.galidata.org/contribute.



GALI works in association with the Global Entrepreneurship Research Network; a working coalition of institutions funding research as a tool in realizing the full potential of entrepreneurship to create inclusive prosperity on a global scale.



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To learn more about GALI, please visit www.galidata.org.