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Corporate Accelerators – An Emerging Vehicle for Managing Corporate-Start-up Engagements

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Summary

Corporate accelerators (CAs) are an emerging form of outside-in open innovation that facilitates interaction between large organizations and start-ups. Existing complementarities between established firms and start-ups make collaboration between these entities promising and have proven helpful for large corporations and start-ups. The process through which CAs fulfill strategic objectives of speeding up corporate innovation is explored in limited studies. In this paper, we use grounded theory methodology to explore the processes by which large corporations manage CAs and how these accelerators help firms to enhance their capabilities to face the VUCA world. Data shall be collected through semi-structured interviews and further processed with the help of ATLAS-ti. Our work aligns with various literature advancement calls for linking open innovation to a dynamic capability perspective and innovation ecosystem. Thus, this work focuses on boundary-spanning research linking open innovation to dynamic capability, stakeholder management, and the ecosystem components' interaction.

Track: Innovation

Paper type: Developmental paper

Introduction

The open innovation paradigm builds on the notion that companies should employ internal and external ideas and market entry strategies (Chesbrough, 2012, 2003). In recent years, this strategy of purposefully controlling the inflow and outflow of knowledge across organizational borders to foster innovation and entrepreneurial culture has garnered considerable research interest (Bogers et al., 2018; Chesbrough, 2012, 2003; Chesbrough & Bogers, 2013; Dahlander & Gann, 2010). Large organizations are operating in environments increasingly becoming more and more VUCA (Volatile, Uncertain, Complex, and Ambiguous) (Schoemaker et al., 2018). Organizations often face challenges arising from customers, competitors, and the environment, that threaten their survival and put pressure on organizations to maintain their competitive edge. For that purpose, firms today constantly look for innovative ideas and solutions (Chesbrough, 2020) and make efforts to leverage the creativity, knowledge, and capabilities of external parties to stay relevant (Hutter et al., 2021; Schoemaker et al., 2018). Collaborating with start-ups is one such activity that organizations are pursuing to open their boundaries of innovation and make innovation more open.

Large corporations and start-ups are inherently two different entities. One has what the other side needs or lacks. This premise makes the prospective union between these two organizations an aspiring one. Where large corporations have resources, power, scale, and established routines to run a business effectively and efficiently, they typically lack innovative ideas, agile characteristics, and risk-taking ability, which are found in abundance in start-ups (Weiblen & Chesbrough, 2015). Earlier, where such engagements were majorly taking place in the tech industry, now this aspect has also been surpassed as well as manufacturing and services industry players are also participating in such engagements. This way, large established corporations are approaching start-ups for engagements for producing disruptive innovations to compete successfully in their competitive landscapes.

The phenomenon of accelerators is a recent but rapidly growing one. Since the launch of the first accelerator, Y-Combinator, in 2005, the acceleration model has been widely adopted to stimulate the innovation and development of small businesses, primarily start-ups (Global Accelerator Learning Initiative, 2021). The world's largest organizations, including IBM, Google, Amazon, SAP, Microsoft, Shell, and Toyota, have launched CA programs with various goals. CAs have sparked discussion about corporate-start-up collaboration, in which firms seek strategic collaborations with start-ups to follow open innovation practices (Deloitte., 2015; Leiblein et al., 2002; Onetti, 2021; Reuber et al., 2018; Weiblen & Chesbrough, 2015). Open innovation, particularly outside-in and inside-out (Chesbrough, 2012), is vital for established organizations to achieve a lasting competitive advantage today, and CAs, among other vehicles, are suitable for pursuing these breakthroughs (Hutter et al., 2021; Peter & Back, 2018; Smith, 2020; Weiblen & Chesbrough, 2015).

Theoretical background and research questions

Kohler (2016) defines CAs as "company-supported programs of limited duration (often 3 to 4 months) that support cohorts of start-ups during the new venture phase through mentoring, training, instruction, working space, and company-specific resources." Due to the complementary nature of such collaborations, this type of corporate-startup interaction has proven helpful for both large corporations and start-ups (Global Accelerator Learning Initiative, 2021; Kohler, 2016).

An extensive review of CAs literature reveals that the research on CAs has progressed in numerous directions during the past decade. Differentiating CAs from generic accelerators, incubators, and corporate ventures (Kohler, 2016), categorization (Kanbach & Stubner, 2016; Moschner et al., 2019), motives (Gutmann, 2019; Hutter et al., 2021; Kanbach & Stubner, 2016; Kohler, 2016; Urbaniec & Žur, 2021), associated challenges (Hutter et al., 2021a;

Jackson & Richter, 2017; Moschner & Herstatt, 2017; Wójcik et al., 2020); implementation processes (Hutter et al., 2021; Moschner & Herstatt, 2017; Nesner et al., 2020) design mechanisms (Joseph & Cashin, 2021; Kohler, 2016), and expected benefits (Kanbach & Stubner, 2016; Maio & Giudici, 2020; Nesner et al., 2020) have primarily been the research interest areas. Much of the research efforts have focused on the 'what' elements of the CAs, including the antecedents (Kupp et al., 2017; Urbaniec & Żur, 2021) and outcomes (Boni & Joseph, 2019; Gutmann, 2019; Gutmann et al., 2019; Urbaniec & Żur, 2021), but limited understanding exists regarding the 'how' element, i.e., process aspect (Goswami et al., 2018; Kanbach & Stubner, 2016; Shankar & Shepherd, 2019). Figure 1 summarizes the extant CAs literature.

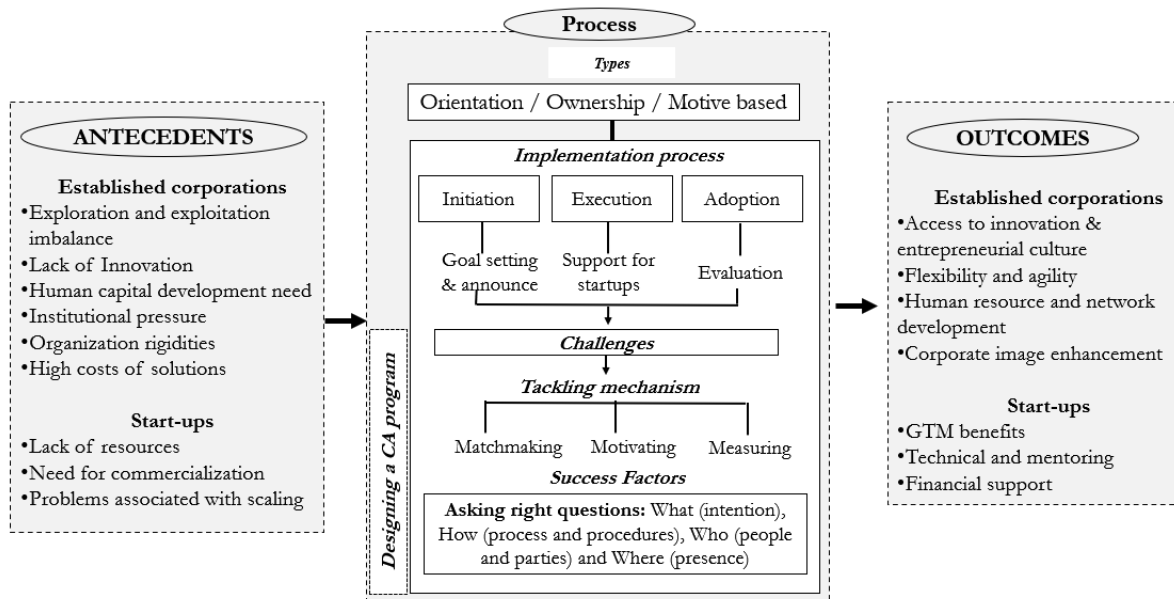


Figure: 1 Synthesis of corporate accelerator literature

The aspect of implementing CA programs is essentially unexplored. Since CAs are supposed to contribute to the organization's strategic goals, they must be consistent with its core objectives. Given that, Organizational aspects like the organizational type (a family-run firm

versus a public or private corporation), the organization's structure (flat versus hierarchical); and critical participants in the decision-making process (top management team, board members, partners, shareholders) exert influence on the design and implementation process. This makes it prudent for organizations to consider these potentially influencing factors while designing a CA program. However, extant literature does not provide any understanding of these. Beyond having a bird's eye view of corporate accelerator programs, the literature lacks studies illuminating how large corporations integrate learnings and outcomes from such programs. As a dedicated team that runs corporate accelerator programs, how CAs help firms gain from such dedicated investments has not been illustrated by research. The procedures followed to transfer the knowledge from CAs to other parts of the organization, the role played by CAs as a part of the more extensive innovation ecosystem of the organization, the management of different parties involved in the acceleration process, and the nature of CAs' affecting large firm's capabilities are the aspects which are not addressed in the corporate acceleration literature.

Large organizations continuously strive to make innovative moves in the era of technological advancements and rapidly changing environments to stay pertinent. The success of innovative efforts is not related to the market share or size of the organization but is linked to the capacity of the firms to find either new assets and resources or complement existing ones (D. J. Teece, 2006). Firms today are expected to develop abilities to manage those resources that it does not fully own/control (Furr et al., 2016). Dynamic capabilities are increasingly relevant in uncertain times as they are concerned with continuously creating and sustaining competitive advantage in a rapidly changing environment (Teece et al., 1997; Teece, 2006). Dynamic capabilities serve as the bridge between the present and the future (Shoemaker et al., 2018). Recent research work in the domain of open innovation has proposed a complementary relationship between open innovation and dynamic capabilities (Chesbrough et al., 2020) after recognizing that the open

innovation process can contribute to the enhancement of dynamic capabilities by involving external stakeholders in the sensing and seizing aspects, thus leading to tremendous competitive advantage (D. Teece et al., 2016).

Thus, our first research question is: **how do corporate accelerators facilitate large firms to shape their dynamic capabilities?**

In recent years, the concept of "ecosystems" has seen massive traction in terms of attention paid by both academia and practice, where the reach of this concept is not only limited to technology firms but to financial services and manufacturing firms as well (Deloitte., 2015; Jacobides et al., 2018). The strategic management domain adopts the ecosystem phenomenon extensively, leading (D. J. Teece, 2014) to believe that the term ecosystem might supplant the term industry. The role of the acceleration phenomenon in entrepreneurship and innovation ecosystem building has been a focus of attention in the recent past (Cohen & Hochberg, 2014; Goswami et al., 2018; Pauwels et al., 2016). Ecosystem building is also one of the highly-cited motivations behind establishing accelerators by large corporations (Hutter et al., 2021; Onetti, 2021; Smith, 2020). The extant literature calls for examining innovation ecosystems' nature, formation, and structure to elucidate the value creation and capture processes within and between ecosystems (Jacobides et al., 2018). Consequently, the second research question is: **how do corporate accelerators interact with other corporate entrepreneurship and innovation activities?**

The focal organization is expected to create rules and put in place different procedures to abide by all stakeholders (Jacobides et al., 2018). A successful corporate start-up collaboration also demands looking at it as a long-term partnership rather than just a temporary, one-off transaction. Aspects like level of engagement, duration of interactions in terms of recurring and continuous interactions are important aspects to consider while designing a collaboration

between partners (Frow et al., 2015). Specifically, an 'architecture of participation' is necessary for designing successful collaborations (O'Reilly, 2004). Thus, there is a need to have a holistic and comprehensive understanding of the governance aspects of stakeholder management (Tantalo & Priem, 2016). The review of the extant corporate accelerator literature has led us to acknowledge the omission of this critical aspect. Therefore, our third research question is: **how do corporate accelerators manage the governance aspect of the acceleration program?**

Research Methodology

This study shall use a qualitative, grounded theory methodology built around a series of case studies research to pursue this exploratory study (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Glaser & Strauss, 1967; Strauss & Corbin, 1990; Yin, 1989, 2003). The case study methodology is particularly suitable for exploratory studies as it allows an inductive way of deriving findings from the data to address how and why questions (Yin, 1989). Moreover, the case study method has been prevalent in studying the innovation phenomenon (Cheng et al., 2016). Thus, the logic of this study is qualitative because CAs are an emerging research field (Shankar & Shepherd, 2019) and the multiple case study design method shall help to explore CAs as a general phenomenon (Eisenhardt, 1989, 2021; Eisenhardt & Graebner, 2007; Yin, 2003, 2009). In the grounded theory approach, the inquiry moves from empirical data to theory, iterating back and forth to identify categories, then exploring and weaving them into a theory. The grounded theory shall emerge through three analytical steps: open, axial, and selective coding.

Data shall be collected through in-depth, semi-structured interviews to uncover inexplicitly defined information by allowing the interviewee to reflect on past experiences (Bryman & Bell, 2011). Participants' size shall be determined through theoretical sampling to reach theoretical saturation by employing the snowball sampling technique in making a selection of participants

(Saunders et al., 2012). As this is a cross-sectional study, the phenomenon of CAs shall be studied as it is on hand. After interviewing respondents, we shall transcribe the data into textual documents, then process these documents through computerized analysis. We propose using ATLAS.ti software to analyze the transcripts and generate codes based on carefully extracting phrases from the documents.

Research Contribution and Implications

This study focuses on empirical theory-building work, which aligns with the call for research in advancing open innovation literature (Bogers et al., 2018; McGahan et al., 2021; D. Teece et al., 2016). Our work is in line with the call for linking open innovation to a dynamic capability perspective (Bogers, 2019). In our first research question, we explore the process through which large corporations are building their capabilities by running CAs. Further, we study the interaction of CAs with other units of the organization working in similar open innovation domains, thus exploring CAs' interaction with the whole ecosystem of open innovation activities that a firm does (Jacobides et al., 2018; Suseno et al., 2018). Another vital call for research that has been addressed in this study is the need to understand the governance of stakeholders in value creation (Suseno et al., 2018). Thus, this work focuses on boundary-spanning research linking open innovation to dynamic capability, stakeholder management, and the ecosystem components' interaction. This way, the study adds to the literature on corporate-startup engagement, particularly CAs.

The study has implications catering to the complexity faced by managers concerning internalizing the learnings from different corporate start-up engagements. Thus, an extensive valuable framework for managers is provided to employ when collaborating with external parties, like start-ups, to make organizations more resilient in facing market uncertainties. Our work has implications for managers in terms of how they can internalize the learning from the

corporate accelerator programs for expected innovation outcomes for the focal firm. This way, they can proactively shape their capabilities in the desired and timely manner. Our work also shed light on designing an effective governance mechanism, i.e., the charter for the smooth running of the corporate accelerator programs. Our study establishes the importance of continuous interactions that should take place between the corporate accelerator unit and other corporate entrepreneurship and innovation activities undertaken by the focal firm in order to realize the benefits occurring from such activities to their full potential.

Future work-plan: We are currently collecting data from various corporate accelerators. Once data collection process is complete, we shall analyze the interviews content and synthesize the findings.

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