Aspen Network of Development Entrepreneurs

For Immediate Release

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Global Accelerator Learning Initiative Releases Second Major Report

Examination of accelerator program performance reveals misperceptions about emerging market ventures and entrepreneurs

WASHINGTON—May 4, 2017—Today the Global Accelerator Learning Initiative (GALI)—a partnership between the Aspen Network of Development Entrepreneurs (ANDE) and Social Enterprise @ Goizueta at Emory University—released its second major report revealing that emerging market entrepreneurs and accelerator programs are more similar to those run in high-income countries than previously believed. Across a range of countries, entrepreneurs that go through accelerator programs report more capital raised, more revenue, and more full-time employees.

Accelerating Startups in Emerging Markets: Insights from 43 Programs examines data from over 2,400 early- stage ventures that applied to 43 acceleration programs run by twelve different organizations in nine countries. The report, developed in partnership with Deloitte Canada, compares the performance of accelerators in emerging markets with those operating in high-income countries (categories as defined by the World Bank). It challenges commonly held assumptions about the perceived differences between the two geographies using quantitative and qualitative data collected from entrepreneurs, ventures, and the accelerator programs themselves.

Specifically, the report tackles widely-held beliefs suggesting that emerging market entrepreneurs are less confident and experienced; that their ventures need less capital and are riskier; and that emerging market accelerator programs are less robust than those run in high-income countries.

Despite the numerous difficulties of running a startup in emerging market countries, accelerated ventures are able to grow at similar rates to their counterparts in the United States and Canada. According to the report, the average effects of acceleration on equity and debt raised were nearly identical in high-income countries and emerging markets. They also have similar high-growth potential: the most successful ventures in the study were just as likely to operate in an emerging market. The following insights help to illuminate what’s holding entrepreneurs back in emerging markets by pointing to new findings about entrepreneurship and acceleration.

Data-Driven Insights Into Emerging Market Acceleration

(1) **Emerging market entrepreneurs are as credentialed & committed as their high-income peers.** Emerging market entrepreneurs have the same or higher levels of education and work experience than their high-income peers when they apply to accelerator programs. They have founded significantly more companies on average compared to high-income entrepreneurs. And, they also report higher revenue and more full-time employees. The report also finds emerging market entrepreneurs to be as confident about commercial prospects as high-income country entrepreneurs, who invest similar amounts of their own funds into their companies. However, investors cite a lack of adequate experience for entrepreneurs in emerging

markets. Moreover, emerging market entrepreneurs more often emphasize the need for "business skills development" and focus less on an exit strategy, which may be contributing to investor perceptions of lower entrepreneurial ability and commitment.

(2) **Emerging market ventures experience capital deficits despite being more seasoned.** Unaccelerated, high-income country ventures are able to attract up to twice as much early stage investment as those operating in emerging markets—despite the findings that emerging market ventures are more seasoned at the time of application. The report looked to the underlying causes for this capital crunch for emerging market entrepreneurs and identified obvious differences. For example, emerging market ventures hold fewer patents, state more conservative capital aspirations, and focus on certain sectors such as agriculture. Yet, these differences, the report asserts, do not "explain away" the shortfall of capital and allude more to investors' misperceptions of emerging market entrepreneurs.

(3) **Emerging market accelerator programs are as robust as those in high-income countries.** The report also examined the quality of emerging market accelerator programs to help determine if this was a contributing factor to the discrepancy between the promise of companies and the actual investment outcomes for these ventures in emerging markets. The study demonstrates that emerging market programs do as well as high-income programs when it comes to accelerating several performance measures, such as employees, and equity and debt investment. In addition to these outcomes, GALI reviewed resources allocated to operating programs in emerging markets and determined that accelerators spent more money per program (on average) than those accelerators run in high-income countries; attracted as many mentors; and guaranteed the same amount of investment following completion of the program.

Based on its findings, the report exposes a cultural bias that might serve to explain the different performance patterns of the two country groups and point to unique hurdles for emerging market ventures. "Evidence suggests that just 10 percent of private capital investment goes to emerging markets, and much of that is managed from the U.S. or Europe. Yet, our data suggest that both emerging market entrepreneurs and their ventures are as prepared as those from high-income countries. Many experts we interviewed expressed concern that cultural bias might be driving the perception of lower entrepreneurial skills compared with higher reported rates of experience," states Peter Roberts, academic director, Social Enterprise @ Goizueta, Emory University.

"These findings are consistent with ANDE's previous research highlighting the challenges that small businesses face in identifying middle and senior level talent in emerging markets with experience in scaling firms. Hopefully this study helps investors and firms alike discover the untapped potential of accelerated emerging market ventures," said Randall Kempner, executive director of the Aspen Network of Development Entrepreneurs.

The report also points out the strength of accelerator programs in emerging markets when they tailor support to fill very specific venture needs. As the amount of available capital is not keeping pace with the promise of early-stage ventures, GALI will continue to examine how accelerator programs can better close the capital gap and design the most effective support for early-stage ventures.

For more information about GALI, a research initiative established in 2015 to explore key questions about enterprise acceleration, please visit: http://www.galidata.org

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