

---

---

# Accelerating to Success

## China's Incubation Landscape

---

### Credits

#### Analysts

Mr See Wei Jie, Analyst

#### Research

Mr James Tan

### Overview

This report covers the expansive Incubation scene in China. With its status as a global economic powerhouse, there has been a surge in the number of incubators there, each with their unique characteristics. With the in-depth analysis provided within the report on these features and how they impact the startups within the incubator, readers will get a better understanding on the type of incubators and the startups suited to join each one.

### Contents

Introduction	3
A Case Study On US Incubators/ Accelerators Scene	7
China's Incubators Landscape	11
Accelerators and Acceleration Programs in China	21
Moving forward	43
Upcoming trends	47
Citation	48

## Foreword



With more than 1,000 incubators across China, it is timely to take a look at this phenomenon, its evolution and achievements.

A spurt of new accelerators modeled after the US-based Y-Combinator, and an increase in venture capital funding, have sparked interest in many universities, corporations and investment firms in the accelerator model. In what is very much still virgin territory, the definition of accelerator is up for debate. We attempt to end the debate on the definition in this report.

Some of the new accelerators have grabbed the spotlight. We dive into their programming, their model, and their results. The report concludes with what we believe to be the key ingredients contributing to the success of any accelerator model.

In time, will China have a competitor to Y-Combinator?

**Mr James Tan**  
**Managing Partner**  
**Quest Ventures**

## Introduction

Ever since the concept of seed accelerator sprung up in 2005 in Silicon Valley, it has been an avenue for serial entrepreneurs and investors to connect and shape startups into a scalable and viable business. An accelerator derives the majority of its characteristics from an incubator, thus we would like to start off by introducing the concept of incubation and acceleration.

## Incubators

There are no definite definitions of what an incubator is, according to the National Business Incubation Association, “a business incubator is an economic development tool designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services. To put it simply, we define incubator as:

*“An organization that complements an entrepreneur’s lack of business skills by providing the assistance to fill the knowledge gap they need to develop a successful business and product.”*

There are five primary services/assistance that business incubators offer to start-ups, they are (1) Financial Consulting Service, (2) Management Assistance, (3) General Business Assistance, (4) Professional Business Assistance and (5) Physical Services. As a result of these services that startups can tap on, incubators have become a popular option for technology startups on a global scene. The rise of startup incubators can be attributed to a myriad of factors ranging from government initiatives to private investors looking at developing their portfolio. More importantly, this trend points to a higher level of venture capital activity in a highly competitive technology industry.

## Types of Incubators

There are two types of incubators in general, namely (1) Non-profit and (2) For-profit. We understand that in the US, 25% of incubators are for-profit while 75% are non-profit. As the name suggests, non-profit incubators are normally owned by governments or universities while for-profit incubators are owned by privately owned with the purpose of making profits. We can further classify incubators into the following:

Technology Incubators	Primarily associated with major universities and have a primary objective of commercializing technology, foster the growth of businesses involved in emerging technology
Empowerment Incubators	Usually support companies whose founders had to overcome economic, literacy, and/or educational challenges
Mixed-use Incubators	Foster the growth of all types of businesses After a brief introduction on incubators, we will proceed on to discuss accelerators.

After a brief introduction about the concept of incubators, we will move on to discuss more about accelerators.

## Accelerators

Before we start on this section, we need to ask ourselves one question. Are accelerators any different from incubators? Essentially, incubators and accelerators share common features of providing an environment to serve the needs required from a startup and also only accepting startups with potential commercial viability. We want to point out one major difference between an incubator and an accelerator, which is the length of the program period. Normally, an accelerator will only house a start-up for up to 6 months. Before we start on this section, we need to ask ourselves one question. Are accelerators any different from incubators? Essentially, incubators and accelerators share common features of providing an environment to serve the needs required from a startup and also only accepting startups with potential commercial viability. We want to point out one major difference between an incubator and an accelerator, which is the length of the program period. Normally, an accelerator will only house a start-up for up to 6 months.

## The Rise of Accelerators

In 2005, Paul Graham proposed the idea of a seed accelerator by setting up Y Combinator. The accelerator is a short-term program (usually from 3-6 months) where startups are housed in an accelerator and given the support they need. The support may include working space, legal and banking services, mentorship programs, networking opportunities in return for a small proportion of the startups equity. The idea of a quick short-term program, with an aim of accelerating the growth of startups, became very receptive. Startups saw this as a chance to become big and obtain the facilities and support they required to grow.

## Grey Area: Differences between An Incubator and An Accelerator

It is necessary to dedicate a section to discuss the differences between an incubator and an accelerator. We believe that the distinction between an incubator and an accelerator is important as the concept of incubation and acceleration tends to be used interchangeably at times.

During our own research process, discussions were held to strengthen the understanding of the concept of incubation and acceleration. Before we start on this section, you might want to think about how you differentiate an incubator from an accelerator? We will share our thought process in this section and list down some questions that we asked ourselves during the course of our research process.

*1) Does an acceleration program need to provide a common working space for companies participating in the program?*

*2) Is an acceleration program not providing for common working space considered an accelerator?*

*3) If an incubator offers an acceleration program, are they now considered an accelerator?*

## A Third Dimension

After going through those questions, I hope you roughly get an understanding of how to differentiate an incubator and an accelerator. From our point of perspective, we believe there is a third dimension to be added to the concept of incubation and acceleration, and this third dimension is an acceleration program. What do we mean by an acceleration program? We start off by putting out this equation called the Accelerator Equation:

$$\text{Accelerator} = \text{Incubator} + \text{Acceleration Program}$$

This is the equation that will differentiate an accelerator from an incubator. However, when we say differentiate, it doesn't mean that an accelerator is different from an incubator. An accelerator is essentially an incubator running an acceleration program. There are two single components on the RHS of the equation, incubators and acceleration program. You can be an incubator just by itself or an organized acceleration program just by itself. But in order to be an accelerator, you need to have both components, incubator and acceleration program.

## Acceleration Program

We have discussed what is an incubator and what is an accelerator. So this section will touch on exactly what is an acceleration program? In this section, we will discuss the acceleration program as a single entity, which means that these types of programs do not provide for a common working space for its participants. Thus, this will exclude those acceleration programs that are managed by accelerators.

Acceleration programs are normally hosted by companies with the primary motivation of marketing their products to participants. Examples of such programs in China include the IBM Smart Camp and Microsoft's "Cloud Accelerator Program". Most commonly, common working spaces are not provided, however, valued-added business services will be provided for participants.

In the next part of this report, we will take a look at the startup scene in the U.S, in particular the incubator scene. With the US as the benchmark, we can relatively gauge the direction of where China's incubator scene is heading towards. For the purpose of this report, we will generalize incubators and accelerators under the broad term of incubator.

## A Case Study On US Incubators/ Accelerators Scene

Silicon Valley has housed more billion dollar companies than any other startup ecosystem anywhere else. Hence, we find it appropriate to devote a section of our report to discuss and analyze the various aspects of the ecosystem in Silicon Valley that we feel are applicable in China's context. In particular, we will discuss in-depth about Silicon Valley's prominent accelerator, Y Combinator.

A quick look at the funding sources for startups in the US (Figure 1) shows that Incubators/Accelerators make up about 11% of the funding sources. This means that one-tenth of startups in the US are funded by incubators and accelerators. This is a healthy percentage and we will use this figure as a comparison figure to evaluate China's incubation landscape.

As expected, the percentage of Self-funded and Family & Friends stands at 35%, this underlines the importance of bootstrapping in the path of entrepreneurship. However, this also outlines the importance of networks. If the entrepreneur is not equipped with wide personal networks, bootstrapping will not be able to provide the network that incubators/accelerators will provide. By performing a simple linkage of incubator/accelerator and potential investors, we can say that around 64% of total funding sources are linked to incubators/accelerators in the US. This figure will be referred to in the later section of the report. The percentage of related funding sources of incubators/accelerators indicate the importance of incubators/accelerators in the US startup scene.

### Y Combinator

In this section, we will look at one of the most popular accelerators in the world, Y Combinator. They are the pioneer of the term "Accelerator" and invest seed money in nascent startups and assisting to turn their ideas into companies. Founded in 2007, Y Combinator assists promising startups in exchange for their equity (in the range of 2-10%). Being one of the most popular accelerators, it is estimated that only 65 out of 1000 applications are selected to participate in the program (Barrehag et al, 2012).

Following is a brief summary of Y Combinator’s accelerator program presented in a table:

<b>Y Combinator’s Accelerator Program</b>	
Location	United States, Silicon Valley
Frequency	Runs twice a year
Duration	3 months
Funding	USD 11,000 – 20,000
Equity	USD 11,000 – 20,000
Features	Does not provide for common spaces Weekly dinners organized where successful VCs or entrepreneurs are invited to hold speeches Mentoring hours Demo day (Opportunity at the end of the program to pitch to VCs and business angels) Normally asks for equity stake ranging from 2%-10%

Since 2005, Y Combinator has funded over 460 startups with prominent ones such as Dropbox for example. With the great success following this new model of startup funding, there is an increasing incubator trend in the US. We will take a closer look at this trend in the next section.

## Incubators Trends

According to statistics from National Business Incubation Association (NBIA), there is a growing incubator trend during the timeframe of 2002-2011 in the United States. The total number of incubator programs in the US has grown by approximately 47% from 2005 - 2011. About 463 of the 1400 incubators estimated were from the technology sector.



## To Use Incubators or Not?

It is estimated that about 4% of startups are in incubator programs in the US. NBIA-funded research indicates that startups taking part in incubators program nearly double the survival rate of those that did not participate in an incubator program (Markovich, 2012). According to Bloomberg, incubated startups' survival rate after 5 years stand at 87% as compared to 44% for startups that didn't use incubators (Bloomberg, 2010).

As seen from the statistics, 87% of incubated startups survived after 5 years as compared to 44% of startups that had not participated in any incubator programs. On an absolute figure, the number of surviving non-incubated firms is higher than the number of surviving incubated firms. However, it is of no doubt that incubators will greatly increase the probability of survival. There are of course doubts cast over this overly optimistic figure and effectiveness of business incubators that we thought would be interesting to point out.

A study conducted by Amezcua of the Whitman School of Management questioned the effectiveness of business incubators opposed to that of the statistics released by NBIA (Blanchard, 2012). According to Amezcua research, 42% of incubated firms failed by 3.63 years in his sample size of 655 incubated firms and only 4% managed to exit their incubator.

## Factors Contributing To Effectiveness of an Incubator

According to our understanding, Amezcua is not undermining the effects of a business incubator but trying to point out that claims that incubators are highly successful are overstated. We acknowledge this fact and also want to point out that one study is not definitive of business incubators' effectiveness in general. However, Amezcua's research serves to point out the importance of several factors contributing to the success of firms going through an incubator/accelerator program. We have identified factors skewing the result of any research studies on the effectiveness of an incubator/accelerator:

Geographic Regions	Being in close proximity with necessary resources according to the respective industries. For example, an incubator/accelerator for tech start-ups located in Silicon Valley would be regarded as situated in an optimum geographic region as the incubator/accelerator will be able to link up tech startups to resources relevant to their industry.
Selection Process	The selection process sets the bar and expectations of startups going into a particular incubation/acceleration program. As the selection process varies between incubators/accelerators, any results collected on the effectiveness of incubators/accelerators tend to be skewed.
Industries	Difficulty of comparing firms in different industries going through similar incubation/acceleration program
Funding Size	How much funding garnered is termed to be successful to deem the incubator/accelerator effective?

## Role of US Government

With the United States having one of the oldest and largest incubation systems, it would be interesting to give an overview of the role the US government plays in the US incubation/acceleration scene. Governments globally view business incubators as a tool to foster new ventures primarily to achieve the objectives of job creation and economic development (Aruna Chandra T. F., 2009).

In May 2012, the Obama Administration announced a \$26 million Advanced Manufacturing Jobs and Innovation Accelerator Challenge to accelerate “innovation-fueled” job creation and economic prosperity (U.S. Department of Commerce, 2012), this is an example of how the US government participated in the incubation and acceleration scene in recent times. The US government’s involvement in the incubators/accelerators scene is mainly through funding under various levels (federal, state and local) (Aruna Chandra T. F., 2009). Most commonly, the source of the funding will decide the strategic focus and selection process of the respective incubators/accelerators. In the case of government funding, the incubator will be more inclined to achieve the main objective of economic development.

After going through briefly on the incubation/acceleration scene in the U.S., we will move on to the next section of the report to focus on the incubation and acceleration scene in China.

## China’s Incubators Landscape

Ever since the implementation of the Torch Program by the Ministry of Science & Technology (MOST) in 1988, the number of Business Incubators (BIs) increased from 100 at the end of 1988 to more than 1000 incubators nationwide by 2011 (智妍数据研究中心, 2012). It is also estimated that the number of high technology incubators is above 900 with 346 owned by the Chinese government. China had undergone two major phases of business incubator growth from 1988 till present. The first phase lasted for a period of 10 years during which the government only provided “physical resources, such as land and buildings, along with access to governmental sources of risk capital with little or no emphasis on value-added services, such as business consulting or networking” (Aruna Chandra C.-A. C., 2011). The second phase marks the development of increasingly specialized and industry-specific incubators with a focus on serving high-tech enterprises and entrepreneurs by providing a wider range of services from low to high value-added service (Yan Z. , 2004). Following the second phase of incubation growth in China, there are currently several major types of BIs in China. We will discuss the different types of incubators in China in the next section.

### Types of Incubators in China

There are several types of business incubators in China and we have summarized it into a formatted table as follows:

High Technology	<ul style="list-style-type: none"> <li>● Aimed at commercializing scientific achievements and cultivating small and medium sized enterprises</li> <li>● Strategic focus of job creation</li> <li>● Vigorous period of growth</li> </ul>
University-related	<ul style="list-style-type: none"> <li>● Generally set up to take advantage of the university’s academic resources</li> <li>● Incubator for startups by their own students</li> <li>● Aims to transfer scientific achievements of universities</li> </ul>
Returned Overseas Scholars	<ul style="list-style-type: none"> <li>● Better infrastructure and valued-added services</li> </ul>
International Business Incubator	<ul style="list-style-type: none"> <li>● Assist both the international and domestic startup firms to enter the Chinese and international markets respectively</li> </ul>

**Source: (Yan Z. , 2004), (Aruna Chandra C.-A. C., 2011)**

## Incubator Business Model In China

After looking at the different types of business incubators there are in China, we will now discuss the different types of business models that a business incubator in China can adopt.

### “Incubation + Seed Funding” Model

This model represents those incubators situated in university science parks leveraging on the university’s background, reputation, alumni connections and deal sources. With the university science parks’ resources, the incubators under this model are able to identify startups in a particular rising industry with high technological advancements. From the identified list of prospective start-ups, the incubators will provide seed funding and incubation services in exchange for equity stake in the prospective start-ups. Examples of start-ups that IPO-ed under this type of incubation model include Highlander (海兰信)、Sumavision (数码视讯) etc.

### “Angel Funding + New Product Innovation” Model

Innovation Works (创新工场) is the perfect representative of the “Angel Funding + New Product Innovation” model. We will discuss Innovation Works in greater detail during the later part of the report. Incubators under this model will usually invest in the form of angel investments in startups in the sectors of mobile Internet, e-commerce, cloud computing and other new digital media. Normally, incubators under this model will group together a management team of angel investors and managerial professionals who had prior experiences in high-tech firms such as Google, IBM etc.

## “Centralized Platform + Union” Model

Year	2000	2005	2011
Science and Tech BIs	131	534	1034
BIs Area Size (10,000 m <sup>2</sup> )	272.1	1969.9	3400
Incubatees	7693	39491	60936
Number of Employees	128776	717281	1,250,000

This type of incubator model focuses on bringing all the startups in a particular industry together. With all the relevant companies in a particular location, incubators under this model provide all the facilities and professional services particularly in the research & development area. This forms a self-sufficient ecosystem in a way under this type of incubator model and once the scale becomes bigger, the entire ecosystem may form a union for that particular industry. HuiLongSen International Business Incubator (汇龙森科技企业孵化器) is one such incubator adopting this business model.

## “Mentoring + Equity Stake” Model

The critical factor of this incubation model is the management team of the incubator. The management team is made up of qualified professionals acting as a mentor for a particular startup. On top of mentoring, the mentor will hold equity stake in the startup that he or she is mentoring. This will align the mentor’s interest together with that of the startup, be it facing the possibilities of failures and losses and reaping the benefits of a possible successful venture. An example of an incubator adopting this model is 博奥联创科技企业孵化器. A few successful firms coming out of this incubation model includes Lepu Medical (乐普医疗) and Sanyouhuizhi Bio-Tech (三友汇智).

## “Demo-day Competition + Angel Investment and Mentoring” Model

This model focuses on organizing events to attract participants to pitch their day. To put it simply, it is a direct demo-day for aspiring startups. Most commonly in the form of a competition, participants will pitch about their ideas and lay out their business plans. Successful participants may garner possible angel investments or mentorship. One such example of this model is by Lenovo where a fund of RMB 400m is set up to organize “联想之星创业CEO特训班”.

## China’s Incubator Trend

As mentioned previously, there is an increasing incubator trend in China and we expect it to stay this way in the near future. The number of Business Incubators (BIs) in the Science and Technology sectors increased from 131 at the end of 2000 to more than 1000 incubators nationwide by 2011.

Source: China Torch (2012)

## Spring of Private Incubators in China

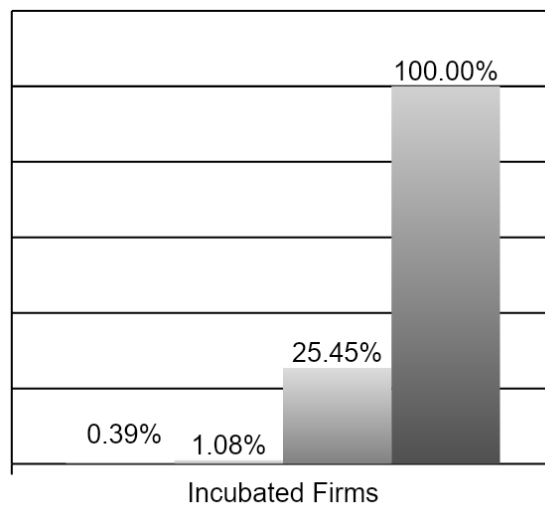
There is limited data on the number of private incubators. Out of the limited data we found, there are two sides being presented based on the secondary research materials that we benchmarked against. The first research study shows that there are only a handful of private incubators (for-profit) in China. This signifies the risk-adverse model in contrast to the American model as a typical conservative Chinese government venture fund still couldn’t accept the idea of 10-20% success rate of portfolio companies (Harwit, 2002). Another source stated that about 30% of the incubators in China are private incubators (Yan L. , 2012).

We have taken into account the time period of the studies conducted, and have incorporated some assumptions in the following analysis. In a span of 10 years, the number of private incubators has grown at an astonishing pace. By assuming that about 10% of incubators in 2002 are private incubators and 30% in 2012, the number of private incubators has grown at a CAGR of 37% during the period of 10 years. If we moderate the growth rate to 10% till 2017, there should be about 500 private incubators by then.

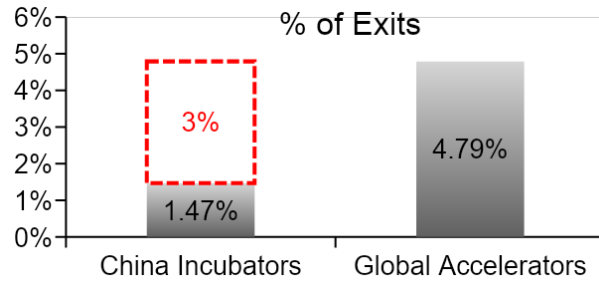
The increasing trend of private incubators only serves to reinforce the integration of incubators, venture capital and profit motivation. De-aligning the incubators from the public hand will only allow the incubation system to move towards a more risk-tolerant model without being restricted by obligations of careful handling of government's fund. We believe that as private incubators play an increasingly major role in operating and financing incubators, China will begin to reap the full risk and reward benefits that private capital flows can offer. In the later section of this report, we will be discussing in-depth on some of the private incubators in China.

### Incubators' Efficiency Level in China

We define incubators' efficiency level as the incubators' ability to advance the startups to the next level in terms of garnering funding. Funding can come in the form of Series A funding and to the most optimal case of Initial Public Offering (IPO). We have managed to gather some brief information to give a better understanding of how incubated firms in China are performing and these statistics will serve to indicate the effectiveness of Chinese incubators.



From the charts, we can see that only 1.47% of the total number of firms incubated in China managed to exit. The exit statistics pale when compared against the percentage of firms that exited after going through accelerator programs abroad.



This data includes both for-profit and non-profit incubators and due to limited data, it is generally hard to segregate the effectiveness of for-profit and non-profit incubators at a macro-level. However, we will perform a micro analysis at a firm level for a selected few private incubators in the later part of the report. We will move on to discuss the role of China's government in the incubation scene to further evaluate the incubation scene.



## Role of China's Government

Comparatively, government involvement in the incubator scene is very high in contrast to the role of the US government's involvement in the incubator scene. The Chinese government is very influential in the aspects of organization, funding and strategy for the incubators (Scaramuzzi, 2002). Research has shown that government involvement is negatively co-related with incubators' market orientation and entrepreneurial proclivity (Aruna Chandra T. F., 2009). This means that with higher government involvement in an incubator, related investors will tend to be more risk-averse and tend to make less risky investment in their client firms. This is supported by the fact that incubators in the southern regions (Shenzhen etc.) tend to embrace risk more than their counterparts incubators in the northern regions as a result of higher government involvement with arm's length financial relationship with their incubatees (Aruna Chandra T. F., 2009). We have come up with a simple matrix to signify this relationship.

From the simple matrix, we can see that not just in China's context, as the government's involvement in an incubator increases, the benefit gained from potential government subsidies is higher at the expense of the higher potential opportunity costs involved with less risky investments. Moving forward, there is definitely an increasing trend of moving towards a private/mixed ownership incubator structure. We reiterate that there is a need to move forward in this direction. Even for incubators currently funded by the government, their investment thesis shouldn't be bounded and built around the objective of not losing the government funding. This would only promote the current lack of risk in contrast to the West. Rather than being obliged to avoid "losing" the government resources, incubators should start to embrace risk and increase start-ups' access to funding.

With little international academic literature covered in the field of accelerators, we feel that it will be interesting to include a section to discuss what an acceleration program is and also the progress of acceleration programs in China.

## Accelerator's Model for China in the Future?

An accelerator derives most of its characteristics from a typical business incubator. Acceleration programs developed from a conventional incubation program as a new way of incubating technology startups in particular (Lisa Barrehag, 2012). We hold the viewpoint that soft start-ups, such as web or mobile related products, are more suitable than any other industries for an accelerator model as it is not as stigmatized as an incubator model. Thus, as the number of acceleration programs increases, most of them will still be concentrated in the field of web or mobile related products requiring relatively lower development costs. We will list out some of the key characteristics of an accelerator model below:

1. Highly Competitive Open Application
2. Preference for small teams over single entrepreneur
3. Short and fixed-duration program
4. Program participants "graduate" in batches

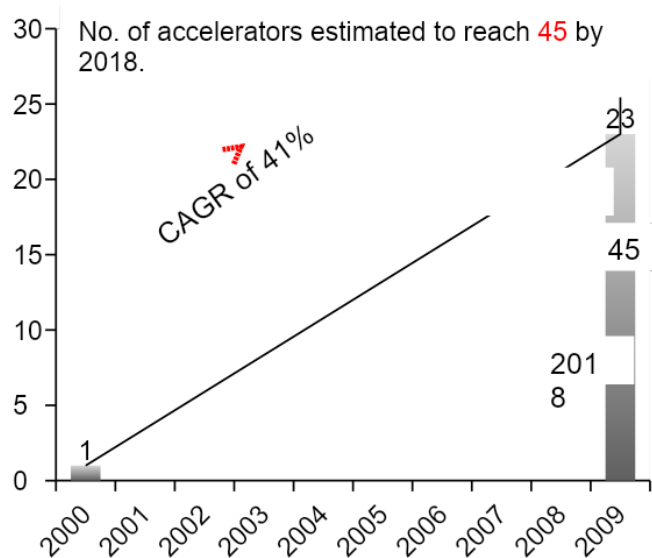
Network and connections to investors are critical aspects for long-term success for startups, as such; one of the main objectives of an accelerator is to ensure that a startup that graduated from its program secure funding from investors. Only with funding will the startup be able to further develop their product after the accelerator program (Christiansen, 2009). An increasing number of startups require more than just value-added services from Phase 2 incubators in China. They want programs tailored to increase their possibility of securing funding. Thus, there is an increasing demand for accelerators programs in China, which brings us to the point of the possibility of going onto the next phase of incubation, seeing the rise of accelerators model in China in the future.

## Accelerator's Trend in China

With limited information on privately held accelerators, we would be discussing China's accelerator trend based on the data provided by government organizations. There are two phases involved in the accelerator scene in China as well, Early Phase (2000-2005) and Development Phase (2006 -2009). During a span of 9 years, China became the second biggest country in terms of the number of business accelerators with 23 in total after the US (47 business accelerators) (HE Kefang, 2012).

List of Business Accelerators		
Year	Accelerator	Ownership Structure
2000	Shanghai交大科技园（大康企业加速器）	Science park, Enterprises
2006	Beijing市永丰高新技术产业基地现代企业加速器	Government, Enterprises, Science Park
2006	Hubei省武汉华工科技园光谷企业加速器	Science Park
2007	Guangdong省中山市科技新城企业加速器	Enterprises
2007	Zhejiang省宁波高新区凌云产业园加速器	Government, Science Park
2007	吉林长春高新区加速器	Government, Science Park
2008	Guangdong省深圳市招商局光明科技园加速器	Government, Enterprises, Science Park
2008	Guangdong省深圳市软件与信息服务产业园加速器	Government, Science Park
2008	Guangdong省深圳市光电产业企业加速器	Government, Science Park
2008	Guangdong省深圳市大工业区生物医药企业加速器	Government, Science Park
2008	Guangdong省广州开发区企业加速器	Government, Science Park
2008	Jiangsu省无锡高新区企业加速器	Government
2008	Jiangsu省江阴市经济开发区企业加速器	Government
2009	Xi'an省西安高新区操堂电子器件加速器	Government
2009	Shanghai市漕河泾浦江高科技园加速器	Science Park
2009	Jiangsu省南京新城科技园	Government, Enterprises
2009	Shandong省青岛高新区企业加速器	Government
2009	Anhui省合肥高新区	Government
2009	Guizhou贵阳高新区	Government
2009	Chongqing市建桥工业园区	Enterprises
2009	Shanghai青浦企业加速	Government

Source: (HE Kefang, 2012)



Looking at the data, we can see an increasing trend of business accelerators. As seen from the chart, from 1 accelerator in 2000, the number has increased to 23 in 2009. This represents a CAGR of 41% and if this growth rate remains for the next 5 years, the number of accelerators in China will reach 45 by 2018. As a result, we believe that there is a huge potential for the commercialization of accelerators in China.

## Geographic Distribution of Accelerators in China

Not surprisingly, the accelerators in China are congregated in the Northwest and Southeast regions as shown in the figure above (HE Kefang, 2012). This could be due to the fact that technological resources are easier to access in these regions as compared to the central regions, which lead to higher demand for accelerators. Out of the 23 accelerators in China, 10 of them are located in Zhusanjiao, Changsanjiao and Zhongguanchun area. In a way, this reflects the economic development strategy that is implemented by the Chinese government; primarily focusing on certain areas.

We have covered the incubation and acceleration scene at a macro level. In our next section of our report, we will proceed to analyze China's incubation and acceleration scene at a micro level. We intend to perform an in-depth analysis on selected incubators and accelerators in China.

## Accelerators and Acceleration Programs in China

In this section, we will take a look at some of the incubators in China and give our thoughts and analysis on each of the incubators or accelerators. In this section, we will present our evaluation on these incubators based on metrics that we have derived (Appendix 1).

### Innovation Works (创新工场)

Innovation Works Acceleration Program	
Location	Beijing, China
Duration	6 Months
Equity	15 - 20%
Features	<ul style="list-style-type: none"> <li>• Provide for common spaces in Beijing and business support for human capital and legal issues</li> <li>• Mentoring hours</li> <li>• Firms that has graduated from the program will still enjoy the benefits provided by Innovation Works</li> <li>• Equity Stake ranges from 15 - 20%</li> </ul>

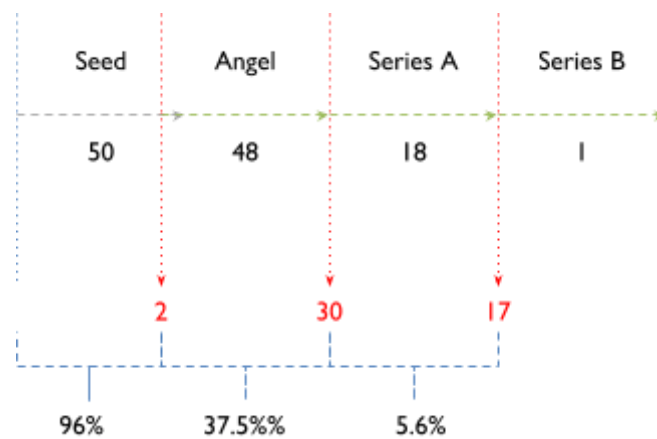
Innovation Works was established by Dr. LEE Kai Fu in September 2009 to encourage entrepreneurship among the young Chinese people community. At the point of initial introduction, they represent a novel type of business model incorporating elements of Angel Investment, Business Incubators and Mentoring. As of September 2012, Innovation Works has invested in 50 startups, with 18 of them garnering Series A funding and 1 securing Series B funding (上方文Q, 2012). We present a brief summary of the Innovation Works Acceleration Program.

The figure above indicates the relative effectiveness of the Acceleration Program in Innovation Works. Being one of the more popular accelerators in China, these figures will be utilized later on to evaluate the rest of the incubators.

## Accelerator Cycle

This section will touch on the cycle of the acceleration program in Innovation Works. The analysis will provide an understanding of the process of the six months program.

## Teams



For the secondary research materials that we have gathered, Innovation Works does not have a fixed cycle for an acceleration program. Any application sent in to their designated email will be considered. This is a typical source of deal flow for a venture capital firm and Innovation Works seems to be heading towards a VC direction.

Since its inception in 2009, Innovation Works had received more than 5000 applications and only invested in 50 out of these applications (上方文Q, 2012). This translates to a mere 1% acceptance rate into its acceleration program. However as compared to Y Combinator's acceptance rate of 6.5% (Chapter 2.1), one might be inclined to think about the huge disparity in the acceptance rate. Does the 5.5% difference signify the opportunity cost lost due to lesser tolerance for risk? This ties in with our previous discussion of a lower risk tolerance level in China. However, it would be unfair to say that Innovation Works is risk-averse as the low acceptance rate could be due to a lack of ideal business plans fitting their investment thesis.

In the team aspect, we feel that Innovation Works can improve by increasing its acceptance rate into its acceleration program as 50 incubatees in 3 years is certainly too little to satisfy a growing market in China.

Innovation Works targets startups in the area of mobile internet, e-commerce and cloud computing (百度文库, -).

Innovation Works is looking for startups whose founders are equipped with some experience in the field relevant to its product offering. The founder can be a first-time or serial entrepreneur, but the team must be able to display knowledge and a clear vision of how the business should progress within a certain time frame.

## Program

Like any other acceleration program, Innovation Works provides a common working space and valued-added services such as funding, business plan optimization, technology guidance, marketing, human resources and legal assistance. But the main drawing point of Innovation Works' program is its network.

Being backed by an elite group of investors including Fortune 100 companies and prominent venture capital funds, this provided a solid network for participants in Innovation Works' program. We feel that intangible services like networks are critical in today's incubation and acceleration scene as it determines a startup's possible exit routes and potential additional resources. In this aspect, Innovation Works' program definitely offers participants one of the most important services; networks.

## Accelerator Organization

In this section, we will touch on the different building blocks that make up the accelerator program, such as the details of startup financing and the networks of Innovation Works.

## Financing the Startups

In the most recent interview with China Business Journal, Lee Kai Fu responded to this question by stating that Innovation Works normally take a 15-20% equity stake in participating startups. (YANG, 2012). As compared to the equity stake Y Combinator is taking, Innovation Works tend to be taking a higher equity stake. The higher than average equity stake as compared to conventional angel investors might put off some entrepreneurs and this represents some opportunity costs.

## Networks and Mentors

Innovation Works selection procedure means that startups would have their existing networks should any problems be encountered. However, Innovation Works has a strong full time employee base who will be there to assist the startups whenever necessary.

## Conclusion

Innovation Works started out as a fresh concept of combining elements of angel investment, business incubators and mentoring. Today, one may be more inclined to think of them as an investment firm after the closing of their second fund, Innovation Works Development Fund II.

Even with a fund, if the acceleration equation is adopted, Innovation Works is considered as an accelerator as it provides common working spaces and value-added services (incubator) and offers an acceleration program for its incubatees.

There are some slight concerns over the higher-than-average equity stake and low acceptance rate. Even with these slight concerns, for an accelerator, Innovation Works has performed very well in terms of providing the incubatees with the most important resources, the network to grow. This is definitely an area that other business incubators or accelerators find hard to emulate.



## Chinaccelerator (中国加速)

Based in Dalian, Chinaccelerator is founded by Sean O'Sullivan and Cyril Ebersweiler. Chinaccelerator launched its first acceleration program in 2010 and there are 23 startups across three batches to date. The program will normally take place between August to October annually.

### Accelerator Cycle

This section will touch on the cycle of the acceleration program in Chinaccelerator. The analysis will provide an understanding of the process of the three months program.

### Teams

Chinaccelerator Acceleration Program	
Location	Dalian, China
Duration	3 Months
Equity	5-8%
Features	<ul style="list-style-type: none"> <li>● Provide for common spaces in Dalian</li> <li>● Legal services, marketing help</li> <li>● Mentorship</li> <li>● Demo day at the end of the program</li> </ul>

Chinaccelerator will take in about 5-10 startups for every batch annually (Chinaccelerator, 2012).

They are targeting web-based and software startups with a preference for disruptive technology solutions with a small amount of startup capital (Chinaccelerator, 2012).

They are looking for founders with an idea to create an impact in the current technological state. The team must be equipped with the necessary business and technical skills to move the product offering forward (Chinaccelerator, 2012).

## Program

Chinaccelerator is banking on its wide network of mentors as its main drawing point. The main benefit that is constantly being emphasized is the connections and advice garnered from intense mentorship during the program. A quick look at their corporate webpage shows that Chinaccelerator did not even raise up the benefit of value-added services like legal services etc. Just like Innovation Works, the tendency to market your accelerator with your network must depend on who your backers are. Chinaccelerator is a member of Techstars network and Global Accelerator network.

## Accelerator Organization

In this section, we will touch on the different building blocks that make up the accelerator program, such as the details of startup financing and the networks of Chinaccelerator.

## Financing the Startups

In terms of equity stake, what is the average equity stake taken in the incubatees?

Batch 1 : CNY 40,000 for 4 – 8% equity stake (Chinaccelerator, 2012).

Batch 2: USD 10,000 for 4 – 8% equity stake (Lim, 2011)

Batch 3: USD 12,000 for 5 – 8% equity stake (Chinaccelerator, 2013)

From the three batches, it seems that funding size has increased while equity stake demands stayed the same. This just means that either valuation had gone up or Chinaccelerator decided to invest in companies that are slightly more mature.

## Networks and Mentors

From their webpage, Chinaccelerator has about 60 mentors giving guidance to their startups. However, most of the mentors are not based in the accelerator itself but stay connected virtually with their mentees.

## Conclusion

Apart from the mentorship and network that Chinaccelerator is marketing itself on, there are no prominent areas that Chinaccelerator is marketing itself on to help the startups. Important intangible services like networking and mentorship sessions may be, but there could be a little bit more emphasis on value-adding business services.

Also, there are concerns over the geographic location of Chinaccelerator. Locating it in Dalian might not be the most strategic in the long run. Certainly, start-ups can focus solely on their startups throughout the program and also there are technological resources in the area. However, as more and more batches graduate, will graduates of Chinaccelerator's program stay on at Dalian or would they move on to Zhong Guan Chun in Beijing? There is a higher possibility that the startup will move on to Beijing in order to be closer to the more developed startup ecosystem in Beijing. This points out the problem of accessibility to alumni resources in the future. For example, if Chinaccelerator requires certain help from a certain alumni based in Beijing, would Chinaccelerator find it easier to get help from their alumni if they were based in Beijing rather than Dalian?

## Tisiwi (天使弯创投)

Tisiwi was founded in 2010 by Pang Xiaowei. Tisiwi currently manages two venture capital funds and is based in Zhejiang. They are planning to invest around USD 80m in the Internet sector for the next 5 years (Tisiwi, 2012).

Tisiwi Acceleration Program	
Location	Zhejiang, China
Duration	3 Months
Funding	USD 32,000 (RMB 200k)
Equity	8%
Features	<ul style="list-style-type: none"> <li>● Common working spaces opened 24/7</li> <li>● Business services</li> <li>● Networking sessions</li> <li>● Demo day at the end of the program</li> </ul>

There are two types of products offered by Tisiwi, pure angel investment and acceleration program termed as 聚变 program. We will focus on Tisiwi's acceleration program. The program is held twice per annum during spring (March – May) and autumn (August – October). The length of the program is three months and held in Zhejiang. Below is a brief summary of the program:

### Accelerator Cycle

This section will touch on the cycle of the acceleration program in Innovalley. The analysis will provide an understanding of the process of the three months program.

### Teams

Tisiwi will take in 10 startups for every cycle, the actual number of applications cannot be determined (Tisiwi, 2013).

Similar to the previous two accelerators, Tisiwi focuses on the TMT sector and only invests in startups with product offerings in the area of mobile internet, online gaming and e-commerce for example (Tisiwi, 2013).

## Program

Tisiwi provides common working space and intangible services like networking sessions, sharing sessions and mentoring hours on top of regular business services provided. Tisiwi's main marketing point revolves around being part of the Tisiwi's family throughout the 3 months program. There's a particular component that is being highlighted in Tisiwi that previously discussed accelerators failed to bring to attention, which is the interaction between current and previous batches of the acceleration program.

Tisiwi termed this component as entrepreneurship debug and it involves discussions on the difficulties the current batch is facing. This also serves as a session for the startup to update on their progress. This is certainly an important component program that differentiated Tisiwi from the other competitors in the market. (Tisiwi, 2013).

## Accelerator Organization

In this section, we will touch on the different building blocks that make up the accelerator program, such as the details of startup financing and the networks of Innovalley.

## Financing the Startups

In terms of equity stake, what is the average equity stake taken in the incubatees?

The equity stake required from Tisiwi stands at 8% with an infusion of approximately USD32,000 capital (Tisiwi, 2013).

## Networks and Mentors

Tisiwi has a mentor base of around 30 people experienced in the technology sector. From the mentor base, most of them are Chinese entrepreneurs.

Networks with investment firms are not restricted to early-stage VC firms but also include firms such as IDG that invest in later-staged startups.

## Conclusion

From the discussion of Tisiwi, it definitely stands out as one of the accelerators who differentiated itself from the list of accelerators in the industry. Differentiating themselves by marketing on a provision of a collaborative environment is definitely a strategic choice. By encouraging interaction between current and previous batches, participants in their acceleration program might gain perspectives they would never have if such sessions had not been organized. This is one aspect that Tisiwi performed well.

## Innovalley (创新谷)

Founded less than a year ago in June 2012, Innovalley envisions becoming the next powerhouse in the accelerator business. Based in Guangzhou, Innovalley is founded by ZHU Bo, who IPO-ed NeTrue in the US and founded Cgogo in China (Baidu, 2013). The acceleration programs are organized twice annually during Spring (April – June) and Autumn (October – December).

Innovation Acceleration Program	
Location	Guangzhou, China
Duration	3 Months
Funding	USD 24,000 (RMB 150k)
Equity	Not stated
Features	<ul style="list-style-type: none"> <li>● Common working spaces opened 24/7</li> <li>● Business Services</li> <li>● Networking sessions</li> <li>● Demo day at the end of the program</li> <li>● Strategic partnership with Plug &amp; Play (an accelerator based in Silicon Valley)</li> </ul>

## Accelerator Cycle

This section will touch on the cycle of the acceleration program in Innovalley. The analysis will provide an understanding of the process of the three months program.

## Teams

There is no clear indication on the number of applications received, but what we do know is that the number of startups for each acceleration cycle is 20 (Innovalley, 2013).

Innovalley focuses solely on the TMT and mobile internet sector.

The product can be early-stage but there must be an existing prototype and team structure.

The team size can range from 3 – 10 people and they are required to move to Guangzhou for the duration of the acceleration program.

## Program

Innovalley offers value-added business services such as legal services and human resources needs etc. The program also includes networking and mentoring sessions. However, Innovalley stressed that the mentoring component is a one-to-one physical mentoring with a subject matter expert in a particular industry. This proves to be a differentiating factor for Innovalley as most accelerators host virtual mentoring.

## Accelerator Organization

In this section, we will touch on the different building blocks that make up the accelerator program, such as the details of startup financing and the networks of Innovalley.

## Financing the Startups

It is not stated how much equity stake is acquired for approximately USD 24,000, but it is estimated to be in the range of 5 – 10%.

## Networks and Mentors

It is expected that Innovalley's network will consist of Chinese entrepreneurs in the mobile technology sector.

## Conclusion

From an operator's perspective, it can be clearly seen that Innovalley is targeting startups in earlier stages. Unlike Innovation Works, more focus is put forth on mentoring as seen from the physical one-on-one mentoring component in Innovalley's program. Even with a physical mentoring program, it does not mean that the program is superior. What makes Innovalley stand out is that their team is built around experienced entrepreneurs who have been through the path of entrepreneurship and experience exactly what their program's participants are experiencing now. This aspect is definitely one that Innovalley can pride itself on.

However, by focusing on earlier stage startups that solves niche problems, Innovalley might be limiting itself to potential opportunities.



## Microsoft Cloud Accelerator (微软云加速器)

Microsoft Cloud Accelerator is the first accelerator in China set up by Microsoft APAC in July 2012. The main objective of this accelerator is to enable Microsoft to play a bigger part in the startup ecosystem and also to encourage participants to utilize Microsoft's platform such as their Windows Azure cloud services. The program lasts for 4 month. LIN Weiqian currently manages Cloud Accelerator and has 21 years of experience in the IT sector.

Microsoft Acceleration Program	
Location	Beijing, China
Duration	4 Months
Funding	Provision of Microsoft's product support
Equity	No equity stake involved
Features	<ul style="list-style-type: none"> <li>● Common working spaces opened 24/7</li> <li>● Business services</li> <li>● Networking services</li> <li>● Mentoring Services</li> </ul>

## Accelerator Cycle

This section will touch on the cycle of the acceleration program in Microsoft. The analysis will provide an understanding of the process of the 4 months program.

## Teams

There will be 15 successful participants in each cycle of Microsoft's acceleration program (Microsoft, 2013).

Although there is no specific sector mentioned, a look at their previous batches of participants suggest that the program is targeting startups providing their services on the Internet (Microsoft, 2013).

They are looking for start-ups with a technical expert within the founding team. The product offering has to be innovative and the firm has to utilize cloud services from Microsoft.

## Program

Although no monetary funding will be provided, the acceleration program will provide a common working space and intangible services such as mentoring, networking sessions and access to potential funding.

## Accelerator Organization

In this section, we will touch on the different building blocks that make up the accelerator program, such as the details of startup financing and the networks of Microsoft.

## Financing the Startups

There will not be any equity stake taken in the incubatees.

## Networks and Mentors

Leveraging its network, Microsoft's acceleration program provides a mentorship base consisting of thought leaders, entrepreneurs and in addition technological experts within Microsoft APAC.

## Conclusion

An acceleration program by Microsoft is definitely a signal of intent to play a more integral part in China's startup ecosystem. The main objective of this accelerator program is to associate Microsoft with entrepreneurial activity in China, as such, more startups will consider to utilize Microsoft's products in the future and also open up a market of new paying customers. We believe that in terms of intangible services like mentoring and network, Microsoft Accelerator definitely provides one of the best stepping stones to expand a startup's network. Initially, there are concerns that the lack of incentives by taking equity stake in the participants may stop Microsoft from going 'all-out' to help the startups in the program. But this concern is erased with the incentives of a potential market of new paying customers.

We have just gone through some accelerators in China, we will move on to discuss the various acceleration programs in China which don't provide an incubation space, hence, they are termed as acceleration programs.

## IBM SmartCamp China (创业家全球训练营 - 中国)

IBM SmartCamp China is a program bringing together the brightest startups in China. SmartCamp is a platform for IBM to engage with entrepreneurs and startups. It starts with the selection process in a region and the region winner will compete against other winners at the overall SmartCamp competition in the USA. The winner of the SmartCamp program will be able to embark on a three months accelerator program tailored to the team's needs.

IBM SmartCamp China Program	
Location	Beijing, China
Duration	2 Days
Funding	No equity stake involved
Features	<ul style="list-style-type: none"> <li>● 2 Days of intensive acceleration program</li> <li>● Networking and mentoring</li> </ul>

### Acceleration Program Cycle

This section will touch on the cycle of the acceleration program. The analysis will provide an understanding of the process of the 2 days program and also the benefits of it.

### Teams

For IBM SmartCamp 2012, there will be only 7 successful participants from China out of a list of 30 startups (IBM, 2012).

SmartCamp targets early-stage and growth-stage IT companies focusing on providing IT solutions to energy, healthcare, telecommunication sectors etc. (IBM, 2012).

Startups can be early-stage or growth-stage. Most importantly, the product offering of a startup must have a product form and not just an idea. As competition is high, IBM SmartCamp is looking for startups with a vision aligned with IBM on empowering the world with better technology (IBM, 2012).

## Program

Although no monetary funding will be provided, the main benefit of the SmartCamp program is its intangible services. Participants in this program will expect close interaction with high profile executives, investors and mentors. This signifies that participants of SmartCamp are right away fast forward to the “Demo Day” component of a program in an accelerator and prove to be a huge drawing factor for participants.

In addition, there will be 5 winners. The champion of SmartCamp will be able to go through another 3 months acceleration program tailored for them by IBM. The 3 months acceleration program will include relevant mentor pairing, technical training and marketing of the startup’s product through IBM’s network (IBM, 2012). The rest of the 4 SmartCamp’s participants will automatically gain admission into IBM Global Entrepreneur Program.

## Accelerator Organization

In this section, we will touch on the different building blocks that make up the acceleration program.

## Financing the Startups

There will not be any equity stake taken in the program participants.

## Networks and Mentors

Leveraging on its network, IBM will invite prominent names in the IT and venture capital industry. The most recent attendees of SmartCamp Asia 2012 include people from IBM (Jim Corgel, Windy Lung and Claudia Fan Munce etc.), IDG (LI Fung) and GGV (Jenny Lee). QuestVC also participated by being a part of the roundtable discussion segment.

### Conclusion

With a similar intention as Microsoft to play a more integral part in China’s startup ecosystem, IBM SmartCamp’s main objective is to associate IBM with entrepreneurial activity in China. SmartCamp provides startups with a fast-track program to Demo-Day. In terms of intangible services like mentoring and network, IBM definitely fast tracks a startup and raises their profile among potential investors.

However, the only downside of the SmartCamp program is that the number of startups that have a chance to participate in the program is too limited with just 7 slots. This lowers the chances of a Chinese startup of taking part in the program. As a result, the effectiveness of IBM's SmartCamp on growing China's startup ecosystem is somewhat limited.

## SAP Startup Forum (新创论坛)

Just like Microsoft Accelerator, SAP Startup Forum incentivizes startups to join their program by providing them with its HANA database. In this way, SAP will get a growing set of third party solutions coming from startups that use SAP HANA database. The forum lasts for a day where interested startups make a pitch on how they intend to make use of SAP's HANA database to build, enhance or complement their product offering. From this startup forum, about six to ten promising firms will be invited to join a development accelerator to develop the product.

In April 2012, SAP Ventures also announced the establishment of a USD 155M SAP HANA Real-Time Fund. This fund means that any startups invited to the development accelerator will have the chance to get funding from the SAP Fund (Nicole O'Malley, 2012).

SAP Startup Forum China	
Location	Beijing, China
Duration	1 Day
Funding	Provision of SAP HANA database and product servicing
Equity	No equity stake involved
Features	<ul style="list-style-type: none"> <li>• 1 day event comprising of pitching and networking session</li> </ul>

## Acceleration Program Cycle

This section will touch on the cycle of the SAP event. The analysis will provide an understanding of the process of the one-day program and also the benefits of it.

## Teams

There are no figures given about the number of participants in SAP Startup Forum Beijing, but there are a total of 40 startups for the one held in Silicon Valley (QQ, 2012). Thus, the number of participants is estimated to be about the same as the one in SV.

There are no particular industrial sectors that SAP is targeting as long as the participants build a viable product offering using SAP HANA database.

SAP selects their participants for the startup forum based on how desirable the product offering is, how feasible the product is with SAP Hana platform and how viable the product offering is (Nicole O'Malley, 2012).

## Program

Just like Microsoft Accelerator and IBM SmartCamp, although no monetary funding will be provided, the main benefit of the SAP Startup forum is its intangible services. Participants in this program will expect close interaction with executives, mentors and SAP HANA Fund. On top of intangible services, the tangible service comes in the form of the free provision of SAP HANA platform.

6 – 10 promising startup firms will be selected to join a development accelerator out of all the participants of the Startup forum.

## Accelerator Organization

In this section, we will touch on the different building blocks that make up the acceleration program.

## Financing the Startups

There will not be any equity stake taken in the program participants.

## Networks and Mentors

As the main objective of the SAP Startup Forum is to create as many quality solutions that use its HANA database, the main network that would be provided to the participants of the Forum will mostly be from SAP. However, SAP will assist to market the products of promising startups as the endorsement of these promising startups will open up a market of new paying customers.

## Conclusion

From SAP's perspective, with virtually the same objective of a potential market of new paying customers as Microsoft Accelerator, SAP is incentivized to help to commercialize the product offering of the participants that take part in the SAP Startup Forum.

From the startup's perspective, if SAP HANA platform is one of the building blocks of the product offering, then startups would be incentivized to join the SAP program. However, if the startup has to build its product offering around the SAP HANA platform at the expense of their product offering, then it might not be the most ideal program for them.

## Startup Leadership Program (SLP)

SLP is a six months program with 60 hours of classroom activity aimed to equip prospective startups with the hard and soft skills of entrepreneurship. SLP has clarified that it is not a typical boot camp or acceleration program and the main purpose of the program is to ensure that participants are well-trained (SLP, 2012).

Startup Leadership Program (Beijing)	
Location	Beijing, China
Duration	Spans over 6 months
Funding	No
Equity	No equity stake involved
Features	<ul style="list-style-type: none"> <li>● 60 hours of classroom activity</li> <li>● Ends off with a Demo day</li> </ul>

## Acceleration Program Cycle

This section will touch on the cycle of SLP. The analysis will provide an understanding of the process of the six months program and also the benefits of it.



## Teams

There were 29 successful applications for the first cycle and 12 for the most recent second cycle (SLP, 2012).

Focus areas: Technology, life sciences, clean technology and social enterprise.

Aim: SLP wants capable leaders with a visible passion for SLP and willingness to play a part in SLP's community (SLP, 2012).

## Program

Participants can expect to gain theoretical knowledge of the entrepreneurship process and gain access to possible funding with SLP's partners. In a classroom-based learning environment, participants will be able to take modules regarding business plan evaluations, lean startup strategy and term sheet competition etc.

## Accelerator Organization

In this section, we will touch on the different building blocks that make up SLP.

## Financing the Startups

There will not be any equity stake taken in the startup of the program's participants as some of the participants do not even have a product offering.

## Networks and Mentors

SLP markets itself on its extensive network of SLP Fellows. There are about 12 venture capital partners (SLP, 2012).

## Conclusion

Still situated in its infancy stage, SLP Beijing Chapter has not gained as much publicity as it had wanted since the launching of the Beijing Chapter. In addition, the missing component of unwavering focus on product development questions the effectiveness of the entire model. In short, SLP is not considered as an acceleration program, but rather an educational program to equip current and aspiring entrepreneurs with the skill sets to succeed in China's startup scene.

The six months program is not the entire duration of the program, but rather the program spans over six months with 60 hours of classroom learning. This means that throughout these six months, participants can still hold a full-time job and do not need to focus on the startup or the idea that he or she has. At the end of six months, a demo day will be held.

This model can be successful, but in order to be a hit in China, it has to be run well. QuestVC attended the demo day for Cycle 2 and was on the judging panel. There are two things that we feel SLP could improve from our perspectives.

- 1) The participants in the program need to set China as their primary market, so SLP will need to find more participants with China as the target market. This will increase the interests among China-based investors
- 2) The program need not be spanned over such a long period of 6 months. The participants need to feel the intensity of the program and a 60 hours classroom activity program can definitely be compressed to a shorter time span.

## Moving forward

Before we begin this chapter, it will be a good time to bring up the Accelerator Equation again:

Accelerator = Incubator + Acceleration Program

In the previous chapter, we went through a couple of accelerators and acceleration programs. From the discussions, we can generally see the trend of the incubation scene in China. More and more incubators are offering acceleration programs and becoming accelerators. Even for those not offering common working spaces like incubators, they are offering acceleration programs. From QuestVC's perspective, the following factors are those required of a good accelerator.

## What Makes Up a Good Accelerator

### Reasonable equity stake

Higher-than-average equity stake may discourage startups to join the accelerator. Thus, a reasonable equity stake around that required from an angel investor would be a good gauge for any accelerators.

### Focus on Intangible Services

There must be special focus on important intangible services like networking and mentorship sessions. In addition, value-adding business services should remain one of the critical components of an acceleration program as accelerators should complement the business needs required from the startups that most commonly lack. More often than not, we see too much focus on networking and mentoring sessions, yes, important they may be, but accelerators also need to remind themselves that startups require business support in order to fill up the knowledge gap they lack to move forward during the growth phase.

## Continued Interactions Between Previous and Current Batch of Program Participants

Continued interaction with past graduates of the same program will enable the current batch to gain new perspectives on their product offerings and also to update on their progress. However, these types of sessions may exist at the risk of “the blind leading the blind”. The problem is that just because a startup has graduated from this program doesn’t mean that they are correct in how they handle certain issues. Nonetheless, having such sessions is better than not having. Accelerators just need to make sure that their current batch of participants does not follow blindly.

## Physical Mentoring

We shouldn’t rule out the influence that physical mentoring provides as compared to virtual mentoring. Physical mentoring requires the presence of the mentors in the accelerator, this may prove to be a stumbling block for accelerators to incorporate the physical mentoring element into the acceleration program. For a mentor to be physically present in the accelerator, either the mentors work full-time in the accelerator or the accelerator is easily geographically accessible to partnering mentors. The first alternative is especially costly to accelerators and the latter would prove to be a more viable alternative. This highlights the importance of geographical location once again which we will touch on next.

## Geographical location

As touched on previously, geographical locations are critical in order to retain resources for both mentors and alumni. Geographical location comes as an issue of balancing what matters most to the accelerator, cost-saving or close proximity to a more strategic geographical location. In truth, especially in China, it would be beneficial to locate the accelerator within areas that are earmarked by the government for intensive economic development. These areas are Zhusanjiao (珠三角), Changsanjiao (长三角) and Zhongguanchun (中关村).

## Accelerators/Programs Must be Incentivized

We must reiterate this point even though it might be common knowledge in the industry. The reason for emphasizing this is due to the rise of acceleration programs not taking any equity stake in their program participants. This type of acceleration program is often organized by large corporations with the sole objective of marketing their products. In a way, large corporations are incentivized to organize these acceleration programs. With incentives, both accelerators and incubatees will be motivated to perform at their most optimum.

## Accelerators Management Should Ideally Come From an Entrepreneurial Background

You might ask, how relevant is this aspect to the success of an accelerator? Even if it's not relevant, we cannot deny the fact that it's a plus point for any accelerator whose founders are from an entrepreneurial background. Let's take a rhetorical question for example: Would you trust someone with in-depth recipe knowledge but no cooking experience to groom you into a top chef? Of course, there are exceptions. But, the point here is that it's beneficial to have a management coming from an entrepreneurial background as incubatees can tap onto their experiences when the unexpected occurs.

## Integration with Chinese Government

The path of entrepreneurship is tough but the path of entrepreneurship in China is made tougher given the unique role the Chinese government plays. Moving forward, as the ownership structure progresses towards an increasingly private/mixed structure, it will be beneficial to observe whether the accelerator is moving with the government's intended direction. In this section, we present some cornerstones of the government's three-year plan for the entrepreneurship scene. Some of the objectives are as follows:

1. Fund size of 40 million RMB funding 300 start-up
2. Building up a network and database of 500 mentors and 5000 start-ups , 500 investors
3. To publish an annual research report on entrepreneurship educational materials

**Source: QuestVC's Internal Research**

The Chinese government aims to achieve these objectives via 10 channels as follows: Organization, Policy, Funding, Training & Development, Human Capital, Intermediaries Platform, Marketing, Patent, Incubation and Acceleration.

## Conclusion

Writing a report on China's incubation scene has really deepened QuestVC's understanding on the incubation and acceleration scene in China. From QuestVC's perspectives, we have come up with a few key takeaways that could potentially shape our activities for 2013.

## Upcoming trends

### Self-Organized Acceleration Program Should Be The Main Deal Source Channel for Venture Capital Firms

Yes, we have recognized the need for a venture capital firm to host its own acceleration program as the main deal source channel instead of sourcing for deals in other acceleration programs or events. A VC firm typically combines all the elements of a good accelerator from our own perspective.

### 2013: A Good Year for Accelerators

Given the lackluster performance in venture capital investments in 2012, 2013 looks to be a good year for deployment of accumulating dry powder in the industry. For accelerators, this is positive news as the exit route is clearer.

### From Accelerators to Acceleration Programs

One question we asked ourselves during the research process, is there a need for common working space? Yes, startups need to be situated in an entrepreneurial environment, but is common working space really that critical?

In the venture capital industry, it is common knowledge that one of the most important aspects of the due diligence process lies with the evaluation of the team structure of a prospective startup. We know that more often than not, the problem lies not in the idea itself but on the execution of the idea. Thus a committed and driven team is what we're looking out for. If a startup fits this criteria, we need not situate them in an pro-entrepreneur environment for them to stay driven. Provision of intangible services are still essential, as such, we believe that there will be a movement of accelerators to acceleration programs.

Finally, to wrap up the report, we thank you for your time in reading this report. We hope that you have gained a deeper understanding of China's Incubation Landscape through this report.

## Citations

1. Aruna Chandra, C.-A. C. (2011). Growth and evolution of high-technology business incubation in China. In I. P. authors, Human Systems Management 30 (2011) 55–69 (pp. 55-69). USA: IOS Press.
2. Aruna Chandra, T. F. (2009). BUSINESS INCUBATION IN THE UNITED STATES, CHINA AND BRAZIL: A COMPARISON OF ROLE OF GOVERNMENT, INCUBATOR FUNDING AND FINANCIAL SERVICES. International Journal of Entrepreneurship, Volume 13, Special Issue, 2009 , 13, 67-86.
3. Baidu. (2013, January 1). 百度百科. Retrieved January 23, 2013, from 创新谷: <http://baike.baidu.com/view/9229247.htm>
4. Blanchard, L. (2012, April 24). Incubators and Accelerators. Do they work? Retrieved January 6, 2013, from Your Capital Edge: <http://www.yourcapitalede.com/2012/04/incubators-and-accelerators-do-they-work-2/>
5. Bloomberg. (2010, August 12). Betting on Incubators to Create Jobs - Businessweek. Retrieved January 6, 2013, from Bloomberg Businessweek Magazine: [http://www.businessweek.com/magazine/content/10\\_34/b4192020505301.htm](http://www.businessweek.com/magazine/content/10_34/b4192020505301.htm)
6. Chinaccelerator. (2012, December 1). FAQ. Retrieved January 22, 2013, from CHINACCELERATOR: the startup accelerator in China: <http://www.chinaccelerator.com/en/faq>
7. Chinaccelerator. (2013, January 1). Chinaccelerator. Retrieved January 22, 2013, from Chinaccelerator Program: <http://www.chinaccelerator.com/en/program>
8. Christiansen, J. D. (2009). Copying Y Combinator: A Framework for developing Seed Accelerator Programmes. Cambridge: Cambridge: University of Cambridge (MBA Dissertation at Judge Business School and Jesus College).
9. Harwit, E. (2002). High-Technology Incubators: Fuel for China's New Entrepreneurship. China: China Business Review.
10. HE Kefang, Z. S. (2012). The Development Path of Business Accelerators in China. Science Research Management (33), 112-119.
11. IBM. (2012, September 1). Smartcamp Asia. Retrieved January 24, 2013, from IBM: <http://www.ibm.com/developerworks/cn/gep/smartcamp/index.html>
12. Innovalley. (2013, January 1). 创新谷 Innovalley. Retrieved January 23, 2013, from 专注于TMT和移动互联网产业的孵化加速器: <http://www.innovalley.com.cn/plan.html>
13. Lim, J. (2011, July 18). Chinaccelerator - Incubating Start-ups in the Sun and Sea of Dalian. Retrieved January 22, 2013, from Technode: <http://technode.com/2011/07/18/chinaaccelerator-%E2%80%93-incubating-start-ups-in-the-sun-and-sea-of-dalian/>



14. Lisa Barrehag, A. F. (2012). Accelerating Success: A Study of Seed Accelerators and Their Defining Characteristics. Sweden: Chalmers University of Technology.
15. Markovich, S. J. (2012, June 5). U.S Entrepreneurship and Venture Capital. Retrieved January 6, 2013, from Renewing America:  
<http://www.cfr.org/united-states/us-entrepreneurship-venture-capital/p28433>
16. Microsoft. (2013, January 1). 招募公告. Retrieved January 23, 2013, from 云加速器:  
<http://www.yunjiasuqi.cn/zh-CN/Recruitment>
17. Nicole O'Malley. (2012, May 16). SAP Startup Focus Program. Retrieved January 24, 2013, from SAP HANA: <http://www.saphana.com/docs/DOC-1781>
18. QQ. (2012, July 2). SAP新创论坛 解决企业海量资料存储难题. Retrieved January 24, 2013, from 腾讯网: <http://digi.tech.qq.com/a/20120702/001578.htm>
19. Scaramuzzi, E. (2002). Incubators in developing countries. inforDev Program , 1-54.
20. SLP. (2012, December 1). Startup Leadership Program. Retrieved January 24, 2013, from <http://www.startupleadership.com/overview/programs>
21. Tisiwi. (2012, January 1). 关于我们. Retrieved January 22, 2013, from 天使湾:  
<http://www.tisiwi.com/angel/about>
22. Tisiwi. (2013, January 1). Tisiwi. Retrieved January 22, 2013, from 聚变计划:  
<http://www.tisiwi.com/fusion>
23. Tisiwi. (2013, January 1). 资金与偏好 — 天使投资. Retrieved January 22, 2013, from 天使湾:  
<http://www.tisiwi.com/angel/>
24. U.S. Department of Commerce. (2012, May 1). Obama Administration Announces \$26 Million Advanced Manufacturing Jobs and Innovation Accelerator Challenge. Retrieved January 6, 2013, from MBDA Web Portal: <http://www.mbda.gov/node/1473>
25. Yan, L. (2012, February 27). Private incubators to lead the trend of Innovation Business Innovation main has become increasingly prominent. Retrieved January 9, 2013, from VentureData.org:  
[http://www.venturedata.org/?i431617\\_Private-incubators-to-lead-the-trend-of-Innovation-Business-Innovation-main-has-become-increasingly-prominent](http://www.venturedata.org/?i431617_Private-incubators-to-lead-the-trend-of-Innovation-Business-Innovation-main-has-become-increasingly-prominent)
26. Yan, Z. (2004, Spring). Business Incubation System in China. Harvard China Review , 56-59.
27. YANG, H. (2012, March 31). 三问创新工场：主导者、股权比例与盈利时间. Retrieved January 21, 2013, from tech.ifeng.com:  
[http://tech.ifeng.com/internet/detail\\_2012\\_03/31/13591520\\_0.shtml?\\_from\\_ralated](http://tech.ifeng.com/internet/detail_2012_03/31/13591520_0.shtml?_from_ralated)
28. 上方文Q. (2012, September 7). 创新工场三年投资50个项目 估值近40亿. Retrieved January 16, 2013, from 驱动之家: <http://news.mydrivers.com/1/240/240515.htm>

- 
29. 智妍数据研究中心. (2012, May 1). 智妍数据研究中心. Retrieved January 7, 2013, from 2012-2016年中国创业孵化中心市场监测与未来发展趋势报 <http://www.abaogao.com/b/dianzi/T61651HFS3.html>
  30. 百度文库. (-, -). 百度文库. Retrieved January 21, 2013, from 创新工场简介: <http://wenku.baidu.com/view/0a09806f1eb91a37f1115c4a.html>