

# Success factors in corporate startup accelerators Insights from the case of Nestholma & Yle Media Startup Accelerator

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**Abstract**

This study explores the key factors of successful collaboration project between a startup and a big company. Due to the recent changes in digitalizing business environment and customer's buying behavior, several companies have showed interest to collaborate with startups that are operating in the same business field. By collaborating with small and innovative startup companies the big companies are usually willing to improve their own product development processes, test new ideas and eliminate their possible competitors as early as possible.

This research is based on one case study, *Media Startup Accelerator Program* where Yle collaborated with eight early-stage startups. The program was executed in the autumn of 2014 by startup accelerator Nestholma in partnership with Yle, the Finnish Broadcasting Company.

The goal of the study is to find out which were the key elements of successful collaboration in this case and which factors could be improved in upcoming accelerator projects. I'm trying to identify the benefits for a big company of participating in an accelerator program, and to evaluate when an accelerator program is not the best way to start the startup collaboration. In the end, I provide a toolkit based on the case, which might help big companies planning to get started with startup collaboration.

The research approach in this study is qualitative and case study is used as a research method. I interviewed six key persons who were involved in the accelerator project.

As result of this research, the most relevant factors that a big company should consider before getting started with a startup accelerator are identifying their own weaknesses and possibilities, involving the right people in the project, setting relevant goals for the project and having an effective and an open communication during the project.

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**Keywords** startups, collaboration projects, corporations, innovation management, product development, product innovation, accelerator, Yle, Nestholma

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# 1. Introduction

## 1.1 Research Topic

This thesis focuses on the collaboration process between a big company and a startup. The basis of this study is a case where Yle (Yleisradio, Finnish Broadcasting Company) decided to collaborate with startup accelerator Nestholma in order to improve Yle's product development and innovation process.

There is a growing interest for large corporations to collaborate with startup companies; the corporate efforts to reach out to the startup ecosystem have been increasing during the last few years and the amount of various startup accelerators has increased quickly (Freixas et al. 2013, Vascellaro 2011, Weiblen&Chesbrough 2015). An increasing number of big corporations have embraced collaboration with startups as a key element of their innovation strategy (Burfield 2014). However, it's sometimes very unclear how the collaboration should be arranged and managed. In recent years several startup accelerators have brought startups and big companies together. But how is the system working? Why should big companies invest their resources in startup collaboration, and what kind of roles should the key actors inside a big company take when executing the process.

However, there is relatively little research covering this topic, mostly because the trend of startup collaborations has emerged only several years ago. Due to this, there are many dimensions in organizing startup collaborations that I'm going to deal only superficially and only focus on selected aspects of the process.

Media has changed significantly during the past years. Because of the changes in the media field, Yle was looking for new ways to work. Yle as an organization has a strong position in the operational environment of media in Finland. For many years Yle used to do all their innovation and development work within their organization, using their own resources. Some years ago Yle realized that they're unable to keep their customers if they can't react faster on changes in the industry. According to the interviews conducted for this study, that's why Yle started to open their operations and look for new innovations outside the company. The old working philosophy of doing everything independently didn't work anymore.

## 1.2 Positioning the research

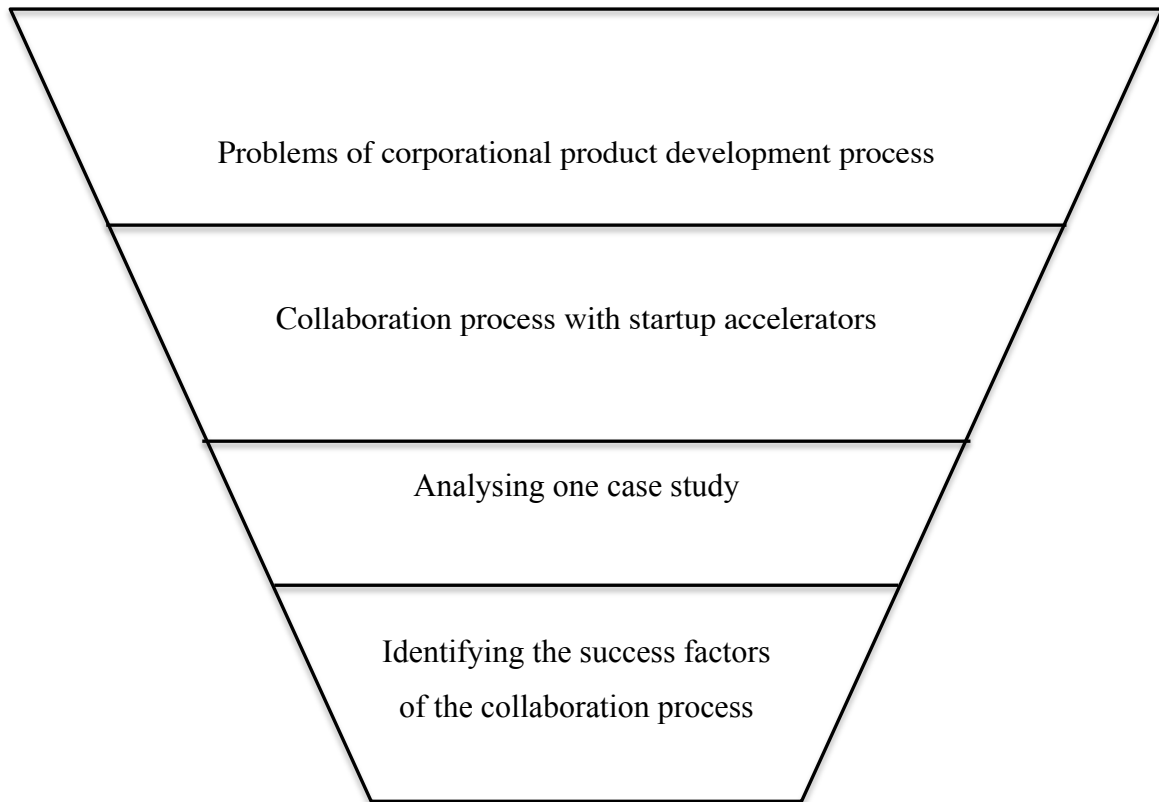
Big companies are facing challenges in their product development processes. Pressure from increased competition, shorter product life cycles and growing product complexity are making big companies willing to change the way they develop new technologies, products and services. In many sectors there has been a trend where the traditional, closed product development process is slowly being replaced by a more open model of innovation. This happens because companies realize they can no longer afford to rely only on their own research and development and need to acquire ideas from outside their own organization (University of Cambridge, IfM Briefing 2006.). In many cases, big companies are turning to startups for solutions. There is no clear strategy on how the collaboration process should be organized. Should big companies arrange their cooperation processes independently and try to find promising startups and establish relationships with them? Or should they rather set up an accelerator program, and let the program search and choose the most suitable startups for their needs? The concept of startup cooperation and startup accelerators is relatively new. Involving startups in big company's business operations is one way to outsource the product development process and to create competitive advantages.

## 1.3 The research context

This thesis focuses on the collaboration process between a big company and a startup. The goal of the research is to identify and discuss the success factors in corporate start-up accelerator projects. The research focuses on one case example: Nestholma's Media Startup Accelerator Program. The program was arranged in 2014 in Helsinki, in cooperation with Yle, the Finnish Broadcasting Company. Out of around one hundred startup companies that applied into the program, eight were selected to participate in it. The aim of the program for startups was to accelerate their business, for Yle to get their employees to familiarize themselves with the startup culture and to potentially benefit from startup's innovations and for Nestholma to invest in potential growing businesses.

This case study illustrates an example of an accelerator program in Finland that was executed in cooperation with a big company. In the discussion section these learnings and outcomes are combined with previous knowledge about how to build successful accelerators and organize collaboration between startups and big companies. This research is filling the gap that has not

yet been studied extensively, but is a growing trend in Finland as well. The toolkit provided at the end of this research may be a useful guide for big companies that are considering to collaborate with startups, or to participate in an accelerator or to run an internal accelerator program.



Picture 1. Positioning the research

#### 1.4 The research problem

The research problem can be seen as a funnel: first, big companies are probably facing challenges in their product development processes because of competition and rapidly changing market environments. After potentially deciding to improve their product development process by starting a cooperation process with a startup accelerator the broad question is, how should the cooperation be arranged? Because this question is too broad to be answered comprehensively in this research, I'm picking up some relevant success factors in corporate startup accelerator projects and discussing them side by side with the literature. The questions this research aims to answer are:



1. What can collaboration with a startup accelerator give for a big company?
2. What makes a successful startup accelerator program?
3. What to consider before participating in a startup accelerator?

This study is mostly examined from the viewpoint of a big company, but a startup's, an accelerator provider's and an investor's viewpoints are also briefly covered.

## 2. Literature review

This chapter first introduces first several product development approaches that are used by big companies. An overview of the process is provided on a very general level, because the product development processes varies significantly depending on industry and the customers that the company is doing business with. For example consumer goods need different attention than business-to-business products. After that I provide some examples of customer integration into the product development process and introduce problems that companies are nowadays facing with their product development processes in a rapidly changing business environment.

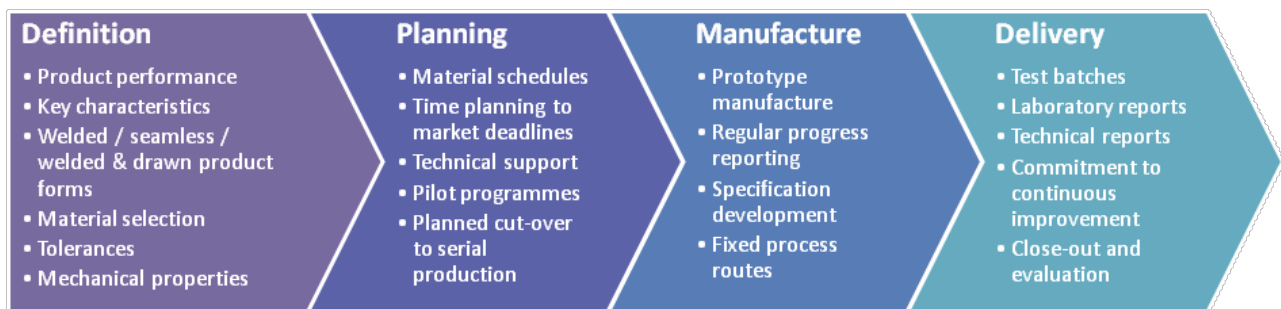
After that, I'm showing what kind of solutions startups could provide to companies who are willing to improve their product development processes. I provide examples of different ways to organize the collaboration process with startups and clarify the differences between accelerators, incubators and angel investing. I briefly introduce the history of startup accelerators and the current stage of collaborations between startups and big companies in Finland, the benefits for different parties (startups, big companies, investors) and the characteristics of a successful accelerator program. I also discuss the possible downsides and risks that an accelerator may face.

### 2.1 The product development processes in big corporations

The product development process in a company usually consists of opportunity identification or idea generation, preliminary market research, technical assessment, detailed market study, business analysis, marketing strategy, design process, testing, launching and life cycle management. Often many of these phases happen before even developing the actual product or

asking the potential customer how they feel about the product. Product innovation contributes to the renewal of the firm and its competences, which is particularly important in the current dynamic environment, which requires firms to renew their competences in order to survive and prosper (Danneels 2002). As in picture 2, the product development process consists of product definition, planning, manufacturing and delivery processes.

Traditionally the whole product development process in big companies has been conducted internally (Stark 2015, 2; Ylimäki 2014). The common product development process paradigm involves repeatedly the same departments and employees in the process. In manufacturing companies, the marketing department often decides which products the company starts to produce, then the engineering department designs them and the manufacturing department produces them. This cycle is then repeated and this process is generally applied in many companies, mainly because the specialist in every department are perceived to be the best ones to be responsible for specific functions (Stark 2015, 2.).



Picture 2. An example of typical product development process in big company. (Source: <http://www.finetubes.co.uk/>)

According to Griffin (1997, 440) informal product development processes do not produce successful products as often as very structured processes. However, even the structured development processes can be very different. In 1990's, more than half of the companies they researched were using more than one different structure for product innovation and development. Utterback & Abernathie (1975) see a relationship between a firm's choice of a product development strategy and its environment. For example, the competitive situation in the market affects the way a company's productive resources are deployed.

With effective product innovations the organizations can adapt to changes in markets, technology,

and competition. Nowadays organizations are especially challenged by changes in technology and global competition. Innovation and ability to develop new products are the keys to survive, and changes in product development processes seem necessary (Dougherty & Hardy 1996). Also instead of allocating product innovation resources based on current and previous sales, Kwaku (2005) suggests companies to do more sensitive allocating based on market situation in general.

Veryzer (1998, 308) introduces several highly structured approaches for managing the product development process that emerged in the early 90's. These approaches mainly develop the process into different structured stages that aim to help managing risk and increasing the efficiency of the development process. One model, the value proposition process, emphasizes the importance of continuous development and learning, which from today's perspective is a very current dimension in the product development process in almost every company.

Today's product development processes might be more flexible and, instead of one comprehensive development process, companies are running multiple projects at the same time, even if the goal would be just to launch one new product. Takeuchi and Nonaka predicted already in 1986 that the rules of the product development project are changing. They researched several companies in Japan and United States that took a new kind of approach for their product development processes. In most cases, the top-management gave individual project teams the freedom to innovate and build new products independently. The development process was not strictly controlled and different development phases were often overlapping. According to them, a bottleneck in one phase can slow or even halt the entire development process.

Today one of the best-known examples of lean processes in action is Morgan and Liker's (2006) Toyota Production System (TPS). It has become a model for competitive manufacturing throughout the world. According to them, nowadays every manufacturing company needs to have some sort of a "lean" program to be competitive.

Morgan and Liker (2006) categorize new product development processes based on innovation level as following:

1. Revolutionary new products that represent radically different products or technology
2. Product platform-development projects that require fundamentally new systems and components
3. Derivate products built on existing product platforms
4. Incremental product improvements

That is however only one way to categorize product development processes. Utterback and Abernathie (1975) introduced three other product innovation approaches. They paid attention to market segmentation and the competitive advantage that the firm is willing to achieve by developing new products. First, firms can focus on performance maximizing by being the first to introduce technically advanced products. Second, firms can try sales maximizing by watching first others innovate and then quickly adapt and introduce new product variations and features. The third possibility is to try the cost-minimizing approach, which means entering the market later with simpler and less expensive versions.

### 2.1.1 Involving customers in the product development process

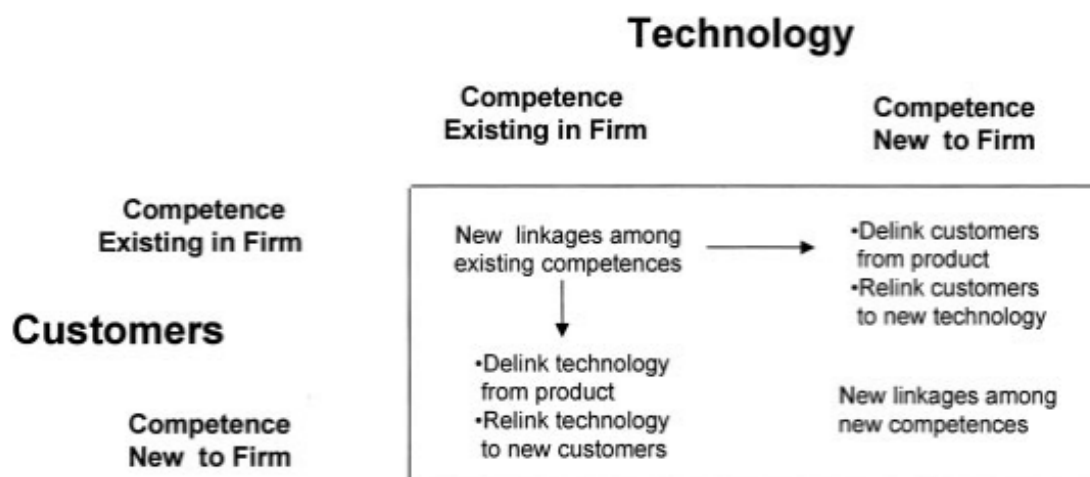
Nowadays companies have gradually started to open up their innovation process to involve customers and other parties in it. Ylimäki (2014, 997) describes how customer involvement can be seen as “interaction between customers and the design process” which can be suggested to lead to better innovation performance by helping companies recognize market and technology opportunities, generate new ideas and prevent them from developing poor designs (Lin, Chen & Chiu 2010; Tsai 2009; Von Hippel 1988). In previous research of big companies product development process, radical innovations have largely been ignored (Veryzer 1998).

Freel (2003) sees internal know-how and experience as key to new innovation. According to him, innovations often reflect already existing knowledge in the organization, just combined in new ways. This aspect is somehow the opposite to the viewpoint in which customers should drive the product development process. Ylimäki (2014) introduces a three-step customer involvement collaboration model (based on Petersen, Handfield, and Ragatz, 2005). In the first level of collaboration the company is responsible for solving a customer’s problem, while in the second level of development collaboration the cooperation between a supplier and a customer plays the most important role. In the third level, the customer drives the whole product development process.

According to Danneels (2002), product innovation requires the firm to have competences related to technology and to customers, and each of these competences is constituted by a set of resources. He uses the term ‘customer competence’ instead of ‘market competence’ to highlight the customers as the central element of the product development process. Customers play an active role in a firm’s

competence development through their influence on the new products a firm pursues. When managers seek to develop additional customer competences through product innovation, they need to deliberately seek input from new customers and to evaluate which resources are needed to address those customers.

Customer competence is constituted by such market-related resources as: knowledge of customer needs, preferences, and purchasing procedures, distribution and sales access to customers, customer goodwill or franchise reflected in the reputation of the firm and its brands, and communication channels for exchange. Technological competence instead gives the firm the ability to design and manufacture a physical product with certain features. Technological competence is constituted by such technically related resources as: design and engineering know-how, product and process design equipment, manufacturing facilities and know-how, and procedures for quality control. Danneels (2002) highlights that technological and customer competences need to be linked in order to achieve successful innovations.



Picture 3. Linking product innovation activities by type (Danneels, 2002).

According to Veryzer (1998), during a new product development process the idea of the product is evaluated based on the market opportunity and customer need already in a very early phase. After positive evaluations the technical features can be examined more carefully and the process can move to the design phase. In case the new product relies on a new technology or the product itself is unknown to its potential customers, the process likely needs more attention. Still, improving and shortening the product development process cycle could bring significant savings to a company and help them to test more ideas in a shorter time period and to pick the most potential ones for further development.

The importance of integrating the customer into new product development is widely accepted, but the techniques to identify customers' needs can be outdated. Several often used techniques, such as focus groups, questionnaires and surveys have significant limitations and customers often have difficulties identifying their real needs in interview situations because they are not completely aware of their own needs. Integrating customers to a new product development process with the help of questionnaires or interviews can be problematic: Questions may not be effective enough to find out the most important features of a product and how customers will use and like it. In a focus group, the attendees can meet in a neutral location and discuss about a given topic more flexibly than in structured surveys and also interact with each other. However, this takes place outside the customer's normal environment, which may lead to customers probably being unable to actually provide information about how they really use the product in their personal environment and in which context they use it. Especially when it comes to the consumption of services, it can be difficult for consumers to articulate their real needs in an interview. Surveys and interviews may be complemented with new techniques if companies aim to develop breakthrough ideas. (Goffin et al. 2012, 46.)

Ethnography can be an efficient technique for conducting in-depth studies in order to discover customers' hidden needs. It combines several techniques, but the main idea is to talk to customers in their own environments, where they also tend to be more open and honest in their answers. In ethnographic research customers can be directly observed when using products rather than relying on explanations of how they use products. (Goffin et al. 2012, 46.) Two useful ethnographic methods are contextual interviewing and systematic observation. Both of these tools focus on studying customers and users in their own environments, such as in their homes or, if the target group is employees, in their work places. According to Goffin et al. (2012), this practice recognizes the fact that people act and react differently depending on where they are. For example, they may be more open to discussing personal issues at home than they are when interviewed somewhere else.

### 2.1.2 Challenges in product development processes today

Globalization opens new market areas and results in growing worldwide competition. Fast changing market trends, more complex products and shorter product life cycles are setting new challenges to companies and their innovation processes (Stark 2015, 50). Companies have to be

able to adapt to these trends in order to stay in business. Good resources or excellent market knowledge are not enough if a big company lacks innovation and the ability to respond to changing customer demands. It might be that some corporations are not even aware of the changing trends in the market. Also, different markets could be approached with potentially different business partners that often have cultural knowledge about a certain market area (Karniel & Reich 2011).

Adopting forward-looking business strategies is the key to managing successful innovations in a modern business enterprise. According to Sengupta (2014), new technologies and market growth are providing the key components of the modern theory of innovation and making it possible to build collaborative ventures in R&D processes.

There are several drivers that keep pushing the corporational product development process. According to Stark (2015), the most important drivers are same issues that are changing the world from other perspectives too, such as globalization, mobile communications and increased competition (for full list see table 1).

Table 1. The drivers pushing the product development processes. (Stark, 2015)

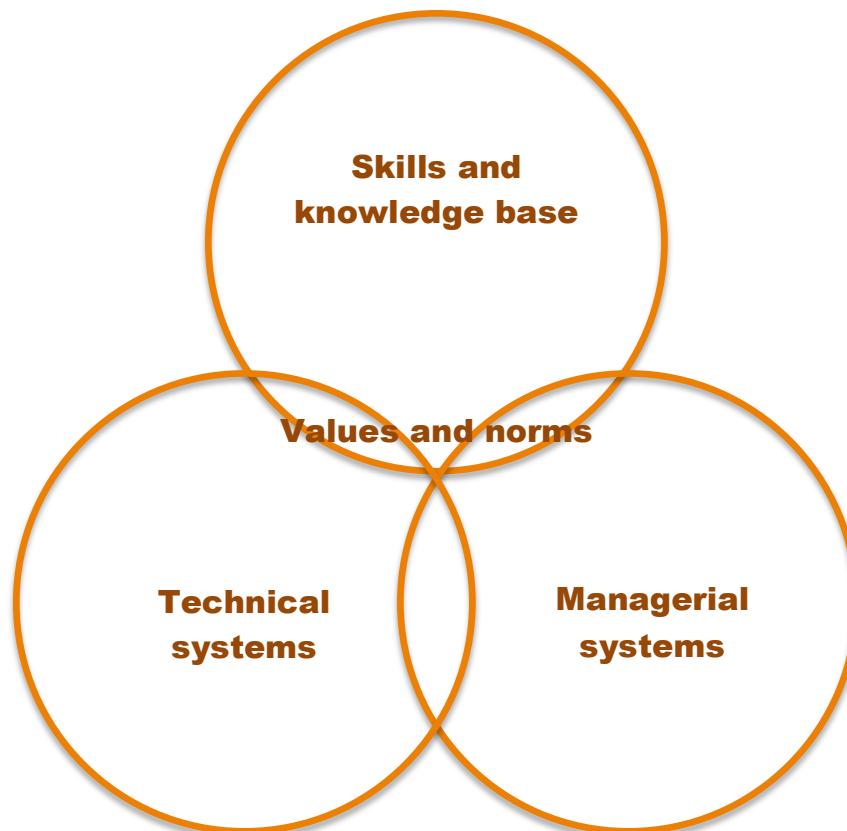
outsourcing	corporate restructuring
globalisation	sustainable development
demanding customers	evolution of information systems
product traceability	complexity of information systems
recycling directives	shareholder demands to increase value
increased competition	mass customisation and personalisation
multi-site activities	multi-cultural, multi-lingual environments
mobile communications	increasing product/solution/service complexity

The success or a failure of a product is always more or less the result of a product development process (Veryzer 1998). The development processes of new products are complex, unique and challenging and unfortunately quite many of them fail. One of reasons for failure is the management of the development process for a new product (Karniel & Reich 2011). However, new successful products are not the only way to grow sales constantly. Often big companies focus too much on growing their existing business and maximizing profits while smaller companies are developing new innovations (Chandy & Tellis 2000).

Wasting time and resources for unnecessary development work is a common problem. Companies should be able to choose as early as possible which products they find successful

and to kill the unsuccessful ones quickly. However, not all risks can be eliminated. For radical, technology-based new innovations the market opportunities are often unclear and the product development process often takes several years (Veryzer 1998, 308). Goldenberg et al. (2001, 69) points out that the success rate of new product introduction is relatively low and it should make companies identify predictive guidelines earlier in the product development process in order to make better choices and to avoid unnecessary costs and to continue promoting those products that potentially are successful.

A problem of the product development process has often been the lack of communication and interaction between different dimensions of the process. Leonard-Barton (1992, 114) introduces a model of four dimensions of core capabilities in a product development process (see picture 4). The first three dimensions of a process include skills and knowledge base, technical systems and managerial systems, which are then combined by the fourth dimension, values and norms. All these core capabilities are a collection of knowledge sets and, due to that, are also constantly changing. She reminds that in a product development process these dimensions can't be managed separately and interaction between the different dimensions is needed in order to be innovative. However, interaction may not always happen because it would challenge the adapted ways of doing things in a company (Leonard-Barton 1992, 123).



Picture 4. The four dimensions of core capabilities. (According to Leonard-Barton 1992).



Another problem with testing new innovations can be the unwillingness to change the brand image of the company. Because there are more misses than hits when it comes to new product launches the companies may not want to test new ideas under their own brands. If big companies try to stretch their brands too much, there is a risk of failure because customers can't adopt the new product because it doesn't fit within the company's existing brand image (Burkitt 2010). When making new innovations and testing new products, companies should also ensure that there are enough customers who are willing to buy the new product before the company invests in production (Bort 2013).

One major challenge with technically advanced products is the high degree of uncertainty about their market potential. There might be several suitable technologies available to meet certain market needs. Innovation may often arise from unexpected sources or directions. Performance-maximizing firms are expected to rely more heavily on external sources of information, and on more diverse sources of information than other firms. According to Utterback & Abernathie (1975, 643), relatively few firms can dominate an industry, and the market entrants will either be small, new firms or older firms entering a completely new market based on their existing technological strengths.

Innovation could be seen as a business skill that executives and employees can develop and master (Jaruzelski & Loehr & Holman 2012). Innovation management is the discipline of managing processes in innovation. It allows the organization to respond to external or internal opportunities, and use its creativity for new ideas and processes or products. Innovation management involves workers at every level in the organization, giving them a possibility to contribute creatively to a company's product development, manufacturing and marketing processes. (Bhakkad & Patil 2014, 35.)

If companies are willing to speed up their innovation process and innovate with lean methodology, they should, instead of blindly trying to develop new products, search for product or market fit and try to solve current problems their customers may have (Christensen 1997). It's also important to have capable people managing the innovation and making sure they have right tools to make things happen. According to GE Global Innovation Barometer (2014), innovation executives are feeling overwhelmed by the different options. As a solution to the rapidly changing market, they have started to actively look for talents, technologies and partners to make innovation happen.

Another major problem in corporate product development processes is focusing too much on improving the existing products instead of trying to find new business models or technologies outside of the box. Nokia is a good example of doing both. First they successfully switched to mobile business and made a success story with cell phones, then getting blind and stocked with certain technologies and crashing down again. Christensen (1997) instead considers that when the best firms succeeded, they did so because they listened responsively to their customers and invested aggressively in the technology and products that satisfied their customers' next-generation needs. He also sees that when those firms failed, it was for the same reasons. He claims that for established firms, finding new applications and markets for their new products seems to be a capability that each of these firms exhibited once, upon entry, and then apparently lost (Christensen 1997, 14).

## 2.2 Improving the product development process with startups

From corporate perspective, the most radical innovations often come from smaller companies. Some of those innovations may create new markets and bring down existing giants (Chandy & Tellis 2000). Big companies might be blind for changes in the market or they can't adjust their own products or marketing strategies to fit the current demand. At the same time, many agile startup companies come from outside the existing status quo and do things in a way that the market can't expect (Burfield 2014). In the best case, big companies could transform startups into engines of their corporate innovation (Weiblen & Chesbrough 2015). It's also possible that there are interesting new ideas and promising technologies developed inside a corporation, but those ideas are not fitting into their current product portfolio or core business. To profit from those internal innovations, corporate incubators have emerged. With incubator programs companies can test and bring innovation to market as new companies (Weiblen & Chesbrough 2015, 71).

Bringing together small innovative companies and big corporations could help the small ones to make bigger market entries and the big ones to develop better product faster. At the same time, the big ones can eliminate their potential competitors. Also according to Weiblen & Chesbrough's (2015) research, startups are more agile than large corporations and the combination of entrepreneurial activity with corporate ability seems like a perfect match, but can be elusive to achieve. It could be worth trying, because at the same time large corporations sit on resources which startups can only dream of.

There are different ways to collaborate with startups in product development. Weiblen & Chesbrough (2015) introduce two structured collaboration models. In their research, they screened the startup support landscape for ways in which corporations from the tech industry engage with startups. Their results are based on a series of interviews and available literature.

According to the research, probably the clearest and simplest way to get started is to provide some corporate venture capital for a separate innovation project within the company that will work like an independent team, but has the same strategic goals as the corporation. This setup provides flexibility, speed, freedom and still provides excellent possibilities to collaborate with the R&D department and to mutually share knowledge and experiences. However, for all startups corporate venture capital is not the best possible choice. Even though it might be beneficial that the corporation can provide market insight, technical help, capital and other resources, the startup will more or less be tied to the funding company which can limit its possibilities significantly, such as collaborating with other companies or pivoting. On the other hand, it's also possible that corporate business goals change over time. (Weiblen & Chesbrough 2015, 70.)

When a company has an interest to outsource their product development processes, they can look for suitable startups to form partnerships with and to agree mutual terms and conditions of relationship. Another alternative is to run innovation programs or internal startup accelerators. If a company is not interested in organizing and coordinating innovation or accelerator programs, they can form a partnership with an entity that coordinates the accelerator program for them and finds the most relevant and promising startups to suit the company's needs. In this case the accelerator is completely operated by an external consultant or company.

Sometimes, when dealing with a new project or idea, a big company can be interested in creating a spin-off company. A spin-off is a separated function or section of a business. According to *The Economist* (2011) the reason for creating spin-offs can sometimes be the willingness to make a part of existing business easier to sell to suitable buyers. An internal corporate incubator is a relatively new concept. As an early example, Shell launched its corporate incubator as an offshoot of its R&D division almost 20 years ago.

There can be several reasons for creating internal accelerators, for example to solve a specific problem or to try new innovations without hurting a company's brand image. Companies can

also pick suitable projects to extend and amplify the power of their brands (Burkitt 2010, Villano 2013). According to Trotter (2013), the idea of an internal hatchery for startups has been dismissed by some as a flawed concept. On the other hand, it has also been embraced by others who believe that large companies can launch new ventures in order to drive sustainable and repeatable growth. In a nutshell, for startups participating in a company’s internal startup program means that they’re launching their ventures with the help from companies who has done it before (Villano 2013).

Startups have also learned to work fast and effectively. The decision-making process has to be fast, because their resources are very limited and time can’t be wasted for too heavy R&D processes. When developing new products, startups need to ask their customers for their opinions. This may be one of the most effective ways to conduct product development and to co-create products with customers and even with competitors. On the other hand, big corporations, who are not working with such limited resources, keep using time for heavy and structured product development and innovation processes.

Instead of corporate venture capital, some newer collaboration models, such as various structured collaboration models between big companies and startups, seem to be more effective and may build better bridges between them (Weiblen & Chesbrough 2015, 67). A framework for engagement should be developed based on the goals that big company is has when they start the collaboration process.

Based on the existing literature, I have categorized startup collaboration types into six different categories (table 2). In the following chapters each collaboration model is explained in detail.

Table 2. Types of startup collaboration.

1. Freely formed partnership
2. Internal accelerator or innovation program
3. External accelerator or innovation program
4. Internal spin-off
5. Acquisition
6. Investing

## 2.2.1 Accelerators and incubators as a collaboration model

A startup accelerator is formed to help startups focus on their core business and to help them grow. Even though every accelerator is different, the programs usually have several factors in common. Accelerators have application periods and startups apply to be part of a program, which typically lasts few months. The program typically involves a small amount of funding in exchange for company equity as well as office space, an innovative community, access to mentors and networks, bound within a short-term programme with founder-friendly terms. The accelerator program aims to enable exciting new businesses and to get a return on investment. Accelerator programs often aim to build bridges between innovators and corporate partners. They bring companies closer to startups through product development collaboration. (Bradford 2014; Fankhauser 2013; Relan 2014.)

Corporate incubators, as well as private incubators and accelerators, provide ventures with funding, office space, expertise, and contacts. The aim is to provide the founding team a startup-like environment in which radical innovation can grow better than in a traditional corporate environment. The target from a corporate's viewpoint is that the grown-up spin-off will be able to conquer new markets independently or be re-integrated as a separate division. (Weiblen & Chesbrough 2015, 71.)



Picture 5. An example of startup accelerator structure. (Source: [www.catalyzer.co](http://www.catalyzer.co).)

Accelerators in general are very similar to incubators, but the most fundamental difference is a limited duration. While the nature of incubators and angel investments is continuous, accelerator programs are always limited, relatively short time periods. However, accelerators often are repeated with several “rounds”, but the companies participating in every round are

different. Typically programs last from three to six months. In most cases, accelerators end with a "demo day" where startups pitch to a large audience of qualified investors (Cohen 2013, 19). Incubators and accelerators are often formed of angel investors, venture capitalists, and others who are able to mentor startups and to help them grow their business (Keij 2014). However, these contacts could also be provided by a contact network of the accelerator provider.

Cohen (2013) makes a distinction between accelerators, incubators and angel investing. Actually the content of accelerators and incubators is mostly overlapping, but those terms still have slightly different meanings. She tries to clarify the differences between accelerators, incubators and angel investing by charting and comparing the elements of each set-up. According to Keij (2014), incubators and accelerators both help businesses grow. Incubators assist companies in their infancy, whereas accelerators guide startups through future expansion and development. Fankhauser (2013) says that there were incubators before accelerators. In late 1990's incubators boomed along with tech companies; the model was to offer an office space for new companies in exchange for equity. She claims that the terms incubator and accelerator are still used interchangeably, but as a term, an accelerator is newer.

This research focuses on accelerators that have limited duration and includes seed investing, mentoring, working premises and connections for startups. During the program startups focus on innovating, developing and launching their minimum viable products and looking for the next investments.

### 2.2.2 Examples of existing accelerators and startup collaborations

Nowadays there are many accelerators and incubators, and the number of various programs has increased quickly (Fankhauser 2013; Vascellaro 2011). Y-Combinator, the first seed accelerator, was launched in 2005 by investor Paul Graham. The Y-Combinator was followed by Techstars, Seedcamp and Startupbootcamp in the following five years. By 2011 there were around 200 different accelerators across the US and Europe (Gilani & Dettori 2011). Today accelerators are known worldwide and some companies have started to run internal accelerator programs.

The Y-Combinator has by 2015, according to the [yclist.com](http://yclist.com), invested in more than 500

companies, including the success stories Dropbox and Airbnb. In the Y-Combinator the team behind the accelerator works with startups on their ideas. The goal is that the startup quickly gets the direction in which their business idea should be expanded to. In addition to this, they help the founders to learn how to deal with investors. To participate in the accelerator the startups have to move to Silicon Valley for three months. Each cycle in the accelerator program culminates in Demo Day. Before that the startups focus on getting the company into the best possible shape and making their pitch to investors as perfect as possible. After the accelerator program the Y-Combinator network continues to help startups.

Whereas the Y-Combinator focuses on shaping startups' ideas and helping them to grow their business, the Techstars++ program takes the relationship between big companies and startups a step further. Startups that participate in a Techstars accelerator get a chance to spend two weeks working at the corporate headquarters of partner companies. There the startup teams receive hands-on mentorship and business development opportunities from the corporation's network of executives, partners and community members. (Griffith 2014.) It seems that involving partner companies in accelerator programs is a recently added dimension for several existing programs.

In recent years there have been several successful cases in Finland where startups and big companies have cooperated. For example the digital marketing company Fonecta moved out of their existing directory business and started to systematically invest in startups in order for them to develop innovations for the company. Outsourcing the product development process to startups can save both money and time. In 2014 a third of Fonecta's employees had a startup background (EK 2014). Another company in Finland, Konecranes, started an internal startup accelerator that, according to the company, changed their corporate culture (EK 2014). Unfortunately, the report did not offer any concrete examples of the corporate culture change, but most likely the change is related to faster and more open innovation processes.

At the moment there are several accelerators in Finland, such as Koppicatch and Gorilla Ventures, that both offer seed investing and acceleration, and Vertical, that mostly works with startups to develop their first minimum viable products. Also public sector in Finland has started to offer acceleration services for startups: the NewCo Helsinki accelerator has helped tens of startups to build their business and to get their first funding rounds. The program is fully powered by the city of Helsinki.

### 2.2.3 Alternative ways to benefit from startups: investments and acquisition

If participating in an accelerator program or starting an internal accelerator doesn't feel like a suitable option, there are also other possibilities to benefit from innovative startups. Big companies can invest in startups and become their partners. Sometimes the best choice can be an acquisition, where a startup is bought out by a bigger company.

According to Blank (2014) there are two types of integration strategies, which depend on where the startup is in its lifecycle. An early-stage startup can be acquired because of their intellectual properties or for a capable team even though they might still be searching for a right business model. More mature startups can be sold based on their existing products, product lines, user bases, revenues and profits.

For big companies, acquisitions can also be seen as risk management. Buying their potential competitors as early as possible will strengthen their own market position. When acquiring an early-stage startup, the acquiring company should ensure that they have resources for helping the startup to build their product forward. Sometimes it can be smarter to acquire a good team than a good product. A risk in this scenario is that if the current management team leaves, the customers may also leave subsequently.

Acquisitions have also been criticized. Blank (2014) points out that the success of the acquisition depends on whether the acquiring company is willing to keep the new venture as a standalone division or, alternatively, integrate it into the corporation. In his opinion, if the startup is being acquired for its intellectual property and/or team, the company should integrate and assimilate it quickly.

Instead of directly acquiring startups, big companies could also consider investing in them and outsource their product development processes to them. For example, some years ago Microsoft invested in several startups through their new angel fund and incubator program instead of just acquiring those companies. Other big companies, such as Dell and American Express, followed Microsoft's example (Schawbel 2012).

In addition to investing, accelerators and other "structured" collaboration models, it's also possible to freely form a partnership between a company and a startup. There is no data



available how common this is or what kind of agreements are companies then making, if any. It's also difficult to provide any examples of this kind of relationships, because those very often are not documented officially.

## 2.3 Running an accelerator - common characteristics of a successful program

This chapter takes a deeper look into the accelerator process. I'll point out the benefits for different parties in the accelerator program and also discuss also the possible downsides and risks in an accelerator program. At the end of this section some examples of previous successful accelerator programs will be provided.

### 2.3.1 Benefits for startups

Accelerators can help startups define and build their initial products as well as to identify promising customer segments. Accelerator programs try to make startups focus on their core tasks and the new venture process. In addition to providing funding, accelerators usually provide startups with working space, mentorships and contacts to venture capitalists. (Cohen, 2013, 19.)

Usually accelerators also provide startups a community of other startups to work with, which can be very valuable because the challenges that startups are facing during their early phase might be very similar and the teams can support each other. By getting advice and hands-on support from the experienced mentors, some of the upcoming risks that an early-stage startup faces, concerning for example their business strategy or growth, could be eliminated. Besides the mentors, accelerators provide a wide range of investor connections for startups, including business partners the accelerator is cooperating with and angel investors. (Bradford 2014.) The investor that brings the needed capital into the program, can be the company, the accelerator or a private investor.

According to Matthijs Keij (2014), the co-founder and CEO of FlxOne, a major benefit of an accelerator is that in that ecosystem startups can experience and learn from the mistakes of

others before they make them themselves. Startups will also get access to a strong network of business partners that likely would remain out of their reach without the accelerator program. Also, the benefits of an accelerator can last long after graduating from the program. According to a startup that graduated from Y-Combinator, the company has a "network you can tap into for the rest of your life" (Fankhauser 2013). Corporate accelerators also can provide startups very valuable access to their resources, including expensive equipment and access to their customer base (Weiblen & Chesbrough 2015, 71).

Today being accepted into an accelerator or incubator can be seen as certification of quality. For example, Relan (2014) claims that in American culture entering an incubator is beginning to hold the same weight as being accepted into university. Incubators and accelerators may create a new education system where relevant real-world experience replaces traditional university studies.

However, Founders of tech ventures today are in a situation that allows them to bring their ideas to market at much lower cost than in the early 2000s and in addition to this there are several supporting institutions available, such as governmental support and business schools (Weiblen & Chesbrough 2015, 67-68).

### 2.3.2 Benefits for a big company

Large companies have tried to become more entrepreneurial by adopting mechanisms like corporate venture capital, internal incubators, strategic alliances, and joint ventures. However, to make their company culture to change, they should rather engage with the startup community (Weiblen & Chesbrough 2015, 68).

When talking about startup accelerators it's often clear for startups how they benefit from participating the accelerator program. But what are the rewards from a big company's perspective? Behind the growing interest to cooperate with accelerators and startups there might be reasons such as outsourcing the product development process or speeding up the process. For a big company it can also be just a way to do better problem solving. Or maybe they are looking for acquisitions or trying to strengthen their own market position by buying their competitors as early as possible.

Goldstein (2013) claims that a startup-corporate partnership gives certain freedoms to both parties. While corporations have the freedom to quickly pursue their market opportunities, startups have the freedom to execute innovative ideas with greater resources. Larger companies also benefit culturally from bringing a startup into their ecosystem: Old business models can be refreshed, perspectives shifted, and innovation abounds. In addition to this, Goldstein points out that technology is relatively inexpensive and is being rapidly developed by startups. And while corporations offer large distribution channels, they often look for innovative technologies to enhance their business quickly, without adding to their overhead. Sometimes even the opportunity for acquisition can make sense for both sides.

According to the founder of YouWeb incubator Peter Relan (2014), cities with less tech culture could benefit from collaborating with startups and to learn together with them. This could be adapted to companies as well: less existing innovation and more collaboration with startups could bring added value. For a big company, working with startups can also mean using complementary resources for R&D processes. This of course depends on the deal a big company has made with the startup company. In addition to extended workforce, big company has a possibility for some information and working culture exchange. Learning from each other's working cultures can alone be a good reason to start the collaboration.

### 2.3.3 Can an accelerator fail?

There are also possible downsides for big companies to participate in startup accelerators. It's possible that the collaboration process can lengthen the product development cycle or increase the costs of the process, for example. According to the founder of YouWeb incubator Peter Relan (2014), as much as 90 percent of incubators will fail. By "failing," he means that these incubators and accelerators don't return the money that was invested in them. The claim he motivates by reminding, that actually incubators often are also startups, and the oft-cited rule of thumb is that 9 out of 10 startups fail. The reason for failing according to him can be having too few mentors and too many startups, lack of relevant funding paths after the accelerator program or lack of business development resources.

Another challenge is finding the right startups. The startup ecosystem is growing fast and getting more and more global and corporations should be able to screen and identify larger numbers of startups than before. When there is more to choose from, the risk of choosing

wrong is much higher. Companies also must be aware of their value proposition towards a startup. If a big company promises too much added values, such as access to VCs or other support institutions, the expectations are not necessarily matching. A big company should also be very clear of what they want to get out of their engagement with startups. If the corporation's strategic goals won't match with the innovations that startups are able to provide, time can be wasted. (Weiblen & Chesbrough 2015, 68.)

However, sometimes it can be good to fail. When giving startups an opportunity to test their ideas, they will still create innovations that can be reflected in the product technology in other spaces, even if the most of their previous ideas would fail (Relan 2014). Fankhauser (2013) points out that an accelerator can also be a stumbling block for entrepreneurs, and it's important to note that joining an accelerator is not a sure road to startup success. For example, if the accelerator requires relocation of the company or offering too much equity, which makes it more difficult for the startups to raise another round later as they'll have less equity to offer. For the corporation, failing may mean that the selected goals are not achieved. For example if the corporation is willing to develop new products or create new digital solutions, can the accelerator program be considered as failed if it is not provide those? If everything goes wrong, it's also an opportunity to learn what didn't work and why. Instead of ready solutions for their business challenges, the corporation has probably then learned something else about how startups are working and what is their way to do product development.

#### 2.3.4 What makes a successful accelerator program

The success of an accelerator program depends first of all on the goals that are set for the program and the way success is defined. For a big company the benefits that accelerators can provide are typically varied. Reasons to participate in an accelerator program can, for example, be outsourcing the product development process or a willingness to speed it up.

To benefit from the collaboration, it's good for the big company to focus on selecting companies that are on the right development phase. In other words, not starting the collaboration too early or too late. In addition to successful timing, it's also important to help startups to get funded also after the accelerator program. Otherwise there is a significant risk that startup will run out of money. Additionally for the big company it's important to involve the right people in the accelerator program. For example, at Y-Combinator all partner

companies have entrepreneurial background and they have seen the potential risks realizing and they have learned their lessons. That makes it easier for them to help new companies to get started and avoid making the same mistakes.

From an investor's point of view investing in early-stage startups is very risky, but those few investments that are successful are usually profitable enough to cover the losses from unsuccessful investments. For example, the seed fund model of Y-Combinator has so far been relatively successful. It combines a high-quality filter with a broad portfolio that has discovered a few breakaway companies and it has provided big returns to investors. For example, during the year 2014 Y-Combinator provided funding for almost 200 companies. Another example is YouWeb incubator, which since its founding in 2007 has relied on the "high-quality tech founder" and the "constant pivot" models. They don't accept teams into their programs, but talented hackers, developers and technologists. Those individuals spend time building a product and launching it. If the product doesn't work, they will pivot to a new idea. (Relan 2014.)

Accelerator programs can be run in many different ways depending on the needs of each individual company. According to McConomy (2014), a successful corporate accelerator program consists of several elements. First of all, the program has to be backed by a clear strategy - and not just adding the coolest startups to a portfolio. Instead, she emphasizes that goals should be set and outcomes should be anticipated before choosing the appropriate startups. Second, companies should think about location. Instead of keeping startups inside a company's premises, it would be good an idea to let them freely innovate and get inspired from the outside world. Third, the decision making process should be fast enough. In a startup, there are multiple decisions to be made daily and these decisions should be made effectively. When programs are done correctly, they can increase brand awareness and open the door to potential partnerships and investment opportunities for corporate brands. Both corporations and startups can benefit from programs when opportunities align with long-term business objectives. (McConomy 2014.)

Romo (2014) raises a question: Should companies run their own corporate accelerator programs in-house or should they hire professional and renowned accelerators to manage these programs? According to him, startup acceleration should not become a "zero-sum game where established companies and accelerators fight against each other for deal flow, especially now that corporate-run accelerators start to outnumber privately-run accelerators." He calls the

current time period as a golden age for entrepreneurship and venture capital when corporations are willing to run their own accelerator programs and include startups as a part of their business.

However, there is no exact recipe to make an accelerator program a success. In an optimal case, all parties, including the accelerator provider, the partner company and the startups, are going to benefit from the program.

### 3. Methodology and data collecting

In this chapter the research method, research case, selection of the viewpoint and research units and the theoretical framework will be presented.

This research is based on qualitative research methods. Qualitative business research gives a researcher an opportunity to focus on the complexity of business-related phenomena in their contexts. It produces new knowledge about how things work in real-life business contexts, why they work in a specific way, and how we can make sense of them in a way that they might be changed. Qualitative business research can also be used to provide a critical and a reflexive view about the social world of business and its core processes. This means that, as a qualitative researcher, you are willing to ask yourself what you are doing in your research, for what purpose, and with what kind of presumptions. Furthermore, as a critical and reflexive researcher, you are interested in how the decisions that you make during the research process shape what you see and find. (Eriksson & Kovalainen 2008.)

There are different types of qualitative research approaches, such as case study, grounded theory, ethnographic research, focus group research, action research, and many others. One of the major interests of many qualitative research approaches is to understand reality as socially constructed: produced and interpreted through cultural meanings. In qualitative research, the way of collecting the data may affect the final results more than in quantitative research. Qualitative research is flexible because of 'unstructured' problems (Ghauri & Gronhaug 2005, 202)

Eriksson and Kovalainen (2008, 4-10) claim, that qualitative research is often used to provide a

better understanding of research issues that would remain unclear by using only numerical data or other quantitative methods. Qualitative and quantitative methods are often combined. In social sciences and in business research the first phase of a study can be qualitative, followed by a quantitative phase (Silverman 2001, 32). In contrast, Eriksson and Kovalainen encourage researchers to use qualitative methods in business research also without any link to quantitative research.

### 3.1 Introduction of the research case: The Media Startup Accelerator Program

This research is based on the Media Startup Accelerator program that was executed in 2014 by Nestholma in collaboration with YLE (Finnish Broadcasting Company). The purpose of the program for Nestholma was to invest in potential early-stage startups, accelerate their businesses, provide mentoring and networks as well as building bridges between startups and big companies. Yle became interested in participating in the accelerator program after several discussions with Nestholma in early 2014. After agreeing on collaboration, Yle became an official partner for the program and together with Nestholma they started to develop operational matters for the upcoming project. The accelerator program itself was executed during the autumn of 2014 and it lasted three months. I worked in the project as Nestholma's project coordinator.

There have not been many accelerators in Finland yet, so big companies may not yet have the knowledge to run successful accelerator programs. The lessons from this case may not apply to all similar accelerators and different results could be achieved from different cases. The toolkit presented at the end of this study may be adapted to upcoming innovation processes in big companies.

From around one hundred applications from all geographical areas a total of eight media-related startup teams were selected to participate in the program. Most of the applied teams, as well as the selected ones, were from Finland, but almost every team had at least one team member with international background. Some of the companies were already established while some just had promising business ideas. A common factor was that the teams required essential resources and capabilities to start the business and to develop their minimum viable products.

For Yle the program offered a unique possibility to work with startups and to utilize their

capabilities to come up with new innovations and to get help to develop their unused ideas. It was also a great branding occasion to be seen as an innovative organization willing to involve startups in their business operations. Yle offered the program premises from Loft Helsinki, their new creative co-working space located inside the Iso Paja building. In addition to free premises, Yle involved their key executives and managers in the program as mentors to help the startups and to describe Yle's business for them. Yle nominated one specific mentor for every startup team. The nominated mentor was supposed to meet regularly with his/her startup and help them with their challenges. Every team got the possibility to discuss their business with all mentors at least once.

Nestholma's interest to run the program was the possibility to invest in promising startups, buy equity and to help startups to grow their business with the help of big companies. Nestholma invested 17.000 euros in every team that was accepted into the program in exchange for a share of their equity. Because of the equity stake, Nestholma has an incentive to support the startups also after the program and continue to provide their own mentor and contact networks for them.

During the accelerator program startups were using the same co-working space at Loft Helsinki and got the possibility to be in contact with Yle every day. Every week Nestholma arranged workshops with different themes, guest speaker sessions and the possibility to book meetings with Nestholma founders to discuss about actual matters. The startups also set themselves weekly goals and reported their progress and achievements at the beginning of every week. The weekly structure was designed to support the startups' development and to help them to stay concentrated on their goals.

### 3.2 Selection of the research method, viewpoint and the research units

The aim of this study is to analyse and understand the selected case, the collaboration process between Yle and Nestholma (Media Startup Accelerator Program) and identify and discuss the success factors in corporate start-up accelerator projects. Due to the character of this subject, a single case study is the most relevant option to analyse this case comprehensively. I am using holistic design for the case study (Yin 2003, 40) where all three research units, the big company (Yle), the company that organized the accelerator program (Nestholma) and startups that participated in the program, are selected for the analysis.



Single case study is especially useful when there is relatively little previous research and when the goal of the research is to get a holistic understanding of certain phenomena, which are strongly related to a specific context. Case study itself is the most suitable way to understand complex social phenomena and for example managerial processes. It has an ability to deal with a full variety of evidence, such as interviews and observations. (Yin 2003.) Because there are no possibilities for laboratory settings, the investigator or researcher should always choose an event where he or she has only little or no control at all for manipulating the situation, people's behavior or influencing the direction of findings and conclusions. According to Yin (2003) case studies have a lack of rigor and moreover can be confused with case study teaching, which is not the same as case study research. It's also known that single-case studies are not providing relatively much basis for scientific knowledge.

### 3.3 The theoretical framework: stages of the collaboration process

For the theoretical framework, a 5-stage process model by Averett (et al. 2000) will be used. The collaboration process between two actors can be divided into five stages (Averett et al. 2000). The first stage of the process starts by introducing the process and planning the first steps. The second stage is about setting up the teams and building up common understanding. This includes for example establishing representative membership and determining the ground rules for communication. In the third stage it's time to agree on a vision, identify and prioritize issues and set up goals. In the fourth stage common strategies will be developed, necessary tasks determined and evaluation methods established. In addition to these, it's time to monitor the whole process and expand network opportunities. On the fifth and last stage the team effectiveness is evaluated and impact will be increased.

Table 3. Stages of a collaboration process. (According to Averett et al. 2000.)

<p>Stage 1 - Getting started</p>	<p>Introducing the process          Planning the first steps          Creating a vision          Identifying the starting points          Getting together          Building trust</p>
<p>Stage 2 – Mobilizing the team</p>	<p>Building common understanding          Determining the ground rules          Finding the resources          Identifying the key roles</p>
<p>Stage 3 – Setting the direction</p>	<p>Agree on a vision          Identifying and prioritizing the tasks          Developing a mission          Setting the team goals          Communicating the message          Finding and developing the resources          Developing a strategic plan</p>
<p>Stage 4 – Taking the action</p>	<p>Determining the tasks          Continue developing the strategies          Expanding the project network          Managing the work and monitoring the process          Planning and implementing the activities          Staffing          Establishing the evaluation methods</p>
<p>Stage 5 – Reviewing and refining</p>	<p>Increasing project effectiveness and impact          Taking the next steps to expand          Evaluating the team effectiveness          Creating visibility and involving the community          Engaging the audience</p>

### 3.4 Data collecting

The study was conducted in 2015 by interviewing three representatives of Yle, two of Nestholma and one startup that participated in the program. In total, five semi-structured interviews were done that were the primary source of data. The goal of the interviews was to build a comprehensive image of what happened during the accelerator program, what kind of roles were the key actors taking and what made the program successful or unsuccessful from the interviewees' point of view.

The interviewees were selected based on their working status during the program. Both founders of Nestholma were interviewed. From Yle the chief partnership officer and chief operations officer were included, as well as one of the mentors, who currently worked as the head of development at Yle. In addition to Yle and Nestholma, a founder of one startup was interviewed. The startups entered the process during the third and the fourth stage in Averett's collaboration model, so evaluating the earlier stages of the process was not possible from their side.

### 3.5 Conducting the interviews

The interviews were semi-structured and based on the 5-stage process model (see table 1). During the interviews the aim was to go through the collaboration process, starting from stage one, and on every stage identify the key roles evaluate the success of the program and talk about possible ideas for development. The questions made during the interview (who did, what they did, when they did, what went well and what should have been done differently) were repeated in every interview and in some cases the interviewees were asked to comment on a specific statement by previously interviewed persons to get as rich data as possible.

The viewpoint in this research is mostly to look at the collaboration process from the viewpoint of a big company. That is why among the interviewees there are three persons from YLE and only one from the startups. An interview from the startup's point of view might provide a different perspective.

Table 4. The interviewed persons in this case study.

<b>Organisation Position</b>		<b>Date</b>	<b>Duration</b>
YLE	COO	30.4.2015	35min
YLE	Chief Partnership Officer (accelerator project manager role from Yle's side)	17.4.2015	39min
YLE	Mentor	5.5.2015	31min
Nestholma	CEO	21.4.2015	42min
Nestholma	Co-founder / Chairman of the board	21.4.2015	23min
Startups	COO of one startup	15.7.2015	67min

At the beginning of the interview, the interviewees received information about the research topic and the purpose of the research. They were told that the aim of the interviews was to build a holistic picture of the program, to identify the roles of key actors in different stages of the collaboration process between Nestholma and Yle and to try to point out the key factors that made the program successful or unsuccessful. At first, the stages of a process were introduced, and a short description of the stages was left on the table for the interviewee to look at during the interview. Then, starting from the first stage of the process, the interviewees told about the key person involved in a specific stage of the process and described what they did and which responsibilities they had. In every stage the interviewees were asked if they felt that something in the program worked extremely well and if something could have been done better. In addition to this, they were asked if they felt that some important roles were missing during some stage of the process.

The interviews were recorded and short summaries were written after every interview. The interviewees were told that their names will not be published in the research, but that they might be identifiable based on their positions in their companies. Because there were no sensitive or confidential issues discussed in the interviews, this would not be a problem. The interview summaries are not published in this study.

## 4. Findings

During the interview process I was able to hear five different recapitulations of the Media Startup Accelerator program. In general the interviewees were repeating the same issues concerning key actors and their roles during the process. But when they were asked about the problems, they often mentioned different factors.

### 4.1 Expectations of the outcomes

Because I was involved in the accelerator program and collaboration process during the whole autumn, I had several expectations of outcomes. I felt that Yle probably didn't know exactly what they actually wanted from the program. They maybe felt that the project was interesting and worth trying, but forgot to set goals and measure the success of the project. From Nestholma's perspective I felt that the project was pretty much what they expected, except that Yle didn't take any responsibility for marketing the program outside their company.

### 4.2 The Media Startup Accelerator – Combining the stories of interviewees

In this section I briefly summarize the most essential and frequently repeated issues in the interviews. The process was divided into five stages and the results of the interviews are presented stage by stage (see table 1). The aim of the interviews was to determine what roles there were between the key actors during specific stages of the program. To learn as much as possible about the case, the interviewees were also asked to describe what worked well during the program and what could have been done differently if a similar project would be done again.

#### **Stage 1 – Getting started – Introductions and first sketches**

To approach Yle successfully, Nestholma decided to introduce their accelerator to Yle's chief operations officer who they knew personally, and who also had knowledge about startups. Because of this relationship, the trust between the parties was already strong from the beginning.

According to Yle's chief operations officer, it was relatively easy to get started with the project when Nestholma presented their idea of the upcoming accelerator program. For them, the program was well-structured and clear, mostly because they already had one accelerator collaboration project a year earlier. At the same time, Yle was looking for new opportunities to open its operations a bit more. For example, some years ago they started the LoftHelsinki project in order to attract new small companies and creative people to work in the same building as Yle. However, they didn't consider participating in an accelerator program before Nestholma introduced the idea of the program for them. Still, concrete goals were missing or were not discussed in the beginning.

*"It was a very good timing for this kind of project proposition. Yle has just started to open its operations and this accelerator project was a very interesting proposal." Yle chief operations officer*

*"The role of Yle in the beginning could have been a bit more active. It seems that they didn't know how they should behave, because this was relatively new for them." Nestholma CEO*

When Yle's management was convinced and got rid of their uncertainty they started to talk about the program within Yle's organization. According to the interviewees, the operative level workers seemed to be very interested about the program, even though some believed that this kind of program would set too high expectations and lead to disappointments.

## **Stage 2 – Mobilizing the team**

When Yle decided to become a partner in the accelerator program, they nominated their chief partnership officer as a project manager for the upcoming program. That person had no previous experience about startups, but had a strong interest to work with them. He also was familiar with Yle's organisation and was well connected in the organization.

The key issue during the second stage was communication. Some interviewees claimed that there was too little communication, while some were satisfied. According to the interviewees, the project planning in the beginning was unstructured. For Yle's chief partnership officer, who was in a project manager role from Yle's side, the goals and the context of the project remained

a bit unclear. It was relatively hard to decide who to involve in the project as mentors, because no one at Yle knew what the startups were going to be. It was also a bit unclear for Yle what kind of rules and practices there would be during the program and what Nestholma was expecting from them. Because of the unclear situation, Yle divided tasks and responsibilities individually.

*”It was a bit unclear what kind of rules and practices there would be during the program, and what is Nestholma expecting from us” Yle chief operations officer*

*”There should have been more communication and more structured plans in the beginning of the project.” Yle chief partnerships officer*

*”In general it felt a bit strange that we continued planning the project with Nestholma without any written agreements” Yle chief partnerships officer*

*”To start the project was relatively easy, because we knew one key person from Yle and we had no need to rush with written agreements” Nestholma CEO*

In addition to the agreed partnership with Yle, Nestholma started to search for additional partnerships together with Yle. For Nestholma it was a good opportunity to get doors opened for next partnership negotiations and for Yle it was above all a learning experience and a way to do things in a new way. According to Yle’s chief partnerships officer, it was very interesting to plan together this kind of a project. The common wish was that Yle would select the specific business areas and then Nestholma would select the startups. In the end, Nestholma suggested the business areas themselves, based on the impression they had from discussions with Yle.

### **Stage 3 – Setting the direction – Final preparations for the program**

After confirming the deal with Yle, Nestholma was careful to ensure that Yle wouldn’t back off. Especially after The Federation of the Finnish Media Industry (Viestinnän keskusliitto) made a public inquiry about Yle’s role in the program, there was a potential risk that Yle would reconsider its participation in the program. However, Yle decided to continue in the project as planned. The interviewees said that actually Yle could have avoided these kind of issues by communicating more clearly what they actually were doing and the reason why a public organization should participate in

a program like this.

The lack of marketing effort from Yle was a clear disappointment for Nestholma. Yle has great distribution channels, but in this case they used them very selectively to market the program. There were some articles on Yle's website about the cooperation project and the upcoming accelerator program, but a lot more visibility could have easily been achieved. Inside the organisation there was some communication about the program and several people got interested and wanted to know more about what was going on. According to the interviewees, in general everyone were curious about the program in a positive way.

*"Nestholma seemed to be disappointed that we didn't do that much marketing from Yle's side" Yle chief partnerships officer*

The matchmaking between mentors and startups could have been done better. There were several experts from Yle who invested their time relatively much in this project. Because of this, more attention should have been paid to make sure that the needs of every startup really met with the help that a mentor was able to provide.

From Yle's side the goal was to familiarize their own people to work with startups and to let them see how things actually are done in a startup environment. Yle also wanted to form relationships with media-related startups that probably could help them to improve their product development processes, but also to help startups enter the field of media business.

The selection process of the startups was divided into two sections. First, every team filled an application at F6S, which is a widely-used adjustable platform for different kinds of program applications. After receiving around 100 applications for the accelerator program by the deadline, twenty best teams were shortlisted based on application evaluations made by Nestholma, Yle and some mentors outside these organizations. Those twenty teams came to pitch their ideas in the front of a jury that consisted of people from Nestholma, Yle, Tekes and Elisa, which was the other partner company in the accelerator program. The final decisions regarding the selections were made based on a two-minute sales pitch. In the end, twelve teams were invited to participate in the program and eight of them decided to use the opportunity. Four teams backed off, mostly because they were unable to engage all their time for the program during the upcoming three months. The interviewees felt that the recruiting process of startups was very successful from all perspectives, even though every team did not want to participate.



#### **Stage 4 – Taking action – Running the accelerator program**

Already before the startups were chosen and the accelerator program started, Yle recruited an external coordinator to run the operational work for the program. This also helped Yle's chief partnership officer to focus on other work instead of managing daily operations. The new project coordinator did not know people at Yle, which turned out to be a little bit problematic. For example the project coordinator was unable to identify suitable people from Yle for different needs, because she wasn't familiar with their background, work history or capabilities well enough.

The first mentors for the program were selected already before the accelerator program startups were chosen. This resulted in unsuitable matches in some cases. However, Yle was flexible and made some changes whenever they realized that interests were not matching or that the mentor has very limited time and resources. There was a lot of discussion about how much time Yle's employees could use for mentoring startups and to work with them. No strict guidelines for time issues were given.

The program would have needed a lot more visibility both inside and outside Yle's organisation. People who worked at Yle, but were not personally involved in the program, surprisingly often didn't know at all that there was a startup accelerator program in their company. According to the interviewees, there are always many different projects going on at Yle, but an innovation project like this would have deserved more visibility. Three of the five interviewees felt that Yle was communicating too little about the program.

*"There should have been a lot more communication and visibility both inside and outside Yle during this stage. There is no clear reason for the lack of communication. No one just did that, because it wasn't anyone's task." Yle chief operations officer*

*"Inside Yle's organization they had sometimes too little information about what was happening. More communication would have been needed" Nestholma CEO*

Yle project coordinator's responsibilities increased when she started to know the organization better and, accordingly, the chief partnership officer's responsibilities decreased and he was able to

concentrate more on other tasks not related to the program. However, he continued to be the link between the startups and the mentors. Some mentors who were excited in the beginning of the project left the project in quite an early stage. Some mentors lost their interest and some did not have enough spare time from their other tasks to participate in the accelerator program for a period of three months.

During the three intensive accelerator months (16.9 -11.12.2014) everything was proceeding roughly as planned. Nestholma was expecting a more proactive attitude from some of the startups and more marketing and communication investments from Yle in compliance with the marketing responsibilities that were agreed at the beginning of the program.

The accelerator program included weekly workshops with different themes, guest speaker sessions and the possibility to book meetings with Nestholma founders to discuss actual matters. During the program there were also some bigger events (startup day, mentor day and demo day) where mentors and startups were able to meet with each other and network. Demo day at the end of the program gave startups a possibility to meet potential investors and to be seen by Yle's executive committee. During the day, every startup pitched their ideas in the front of the audience and had their own stand for presenting their products.

*"Demo Day was great, and helped us to show the other people in Yle concretely what was achieved during the program." Yle chief operations officer*

## **Stage 5 - Reviewing and refining**

When the program was over, there were some meetings between key actors where they evaluated the whole program, how it worked and if something similar should be done again. However, there was not a systematical evaluation on how successful the project was and if it met its goals. The problem with the evaluation was that the goals that were set were too abstract and there were no tools to measure how well the goals were achieved.

*"Now it would have been time to look back and evaluate if the project met its goals. The problem was that the goals that were set were too abstract"*  
*Nestholma CEO*

*”After the program everything just dissolved, without doing proper analysis of what actually was done.” Yle chief operations officer*

At the end of the accelerator program the interviewees told that Yle realised that they should have communicated more about the program within their organisation to make their key people aware of it. In order to spread the word Yle invited the whole executive committee to participate in the Demo Day, the pitching event that was held on the last day of the accelerator program. For some of them, that event was the first time that they had heard about the accelerator that was started half a year ago in cooperation with Nestholma.

*”Anssi had the key role from Yle’s side and he did an excellent job.”  
Yle chief operations officer*

After the program the hottest question for Yle was if they should do something like this again, and if yes, with whom and when.

## 5. Discussion

In this section the learnings from this accelerator case will be identified and suggestions on what could be done differently next time will be offered. Most importantly, a successful project has a linear structure and ongoing communications for all stakeholders, especially inside the large organization that participates the program. Because the process is also a learning project for everyone, participants should be open-minded enough to adapt different ways of working and learn from those.

### 5.1 Collaboration with an accelerator as an innovation process

Large corporations and startups typically have very different resources. While the corporation has financial resources, power, and the routines to run a proven business model efficiently, the startup has none of those, but typically has promising ideas, organizational agility, and the willingness to take risk and grow fast (Weiblen & Chesbrough 2015, 66). The aim of the collaboration with startups should therefore be to match these missing pieces together and to create promising innovations that immediately have access to corporate resources and business

knowledge. In this research, an accelerator has created the basis for the big company and the startup to meet and collaborate.

## 5.2 The clash of working cultures

In participating in the accelerator program, Yle wanted to try what this kind of program could have given for them. Based on the interviews, they did not set clear goals for the program. I got very diverse answers when asking about the goals for the program. Because of this I could assume that there actually were no clear goals for the program, or if they were, they were not communicated clearly between the key actors. After the program, the interviewees from Yle told that the program was a learning process for their employees. Of course this is a relevant and an essential goal for a big company, but should they also try to achieve some other goals? On the other hand, whatever the big company is satisfied with in the program, they probably are more willing to continue to cooperate with the startups also after the program.

For Nestholma this was not the first time they were running this kind of an accelerator so they knew a bit better what they wanted for the program. Nestholma's goal was to reach potential startups, get visibility as an accelerator provider and to make successful investments. To achieve these goals, they needed to match them with relevant goals for the startups and the big companies. Nestholma wanted to bring together big companies and startups, help them to collaborate and to share knowledge and resources. For startups they offered mentoring, advice and a possibility to expand their network and access investors from abroad.

Weiblen and Chesbrough (2015, 66-67) describe how many past efforts of putting together startups and big corporations have not lived up to their expectations and were quietly abandoned. According to them, the gap between the corporate and startup ways of working poses real challenges to getting both sides together. Based on their research, the major problem seems to be that the cultural differences often lead to misunderstandings and also the rhythm of the work in startups and big corporations is often very different.

The way Yle as a company worked was totally different to Nestholma's way of working. Nestholma was also more like a startup company itself, while Yle had established ways of working. For example, Nestholma was able to continue discussions with possible partners without written contracts, but for Yle that would not have been possible. For Nestholma it was

important to help startups to grow and scale up their businesses, because they invested in every startup, whereas Yle as a public organization was not looking to profit or to grow their revenues.

What big companies could maybe learn from startups would be the way to utilize ideas and innovations quickly. Almeida, Dokkob and Rosenkopfb (2003) demonstrated in their research how startups, when they grow, may have increasing opportunities to access and exploit external knowledge, but at the same time their motivation (and hence ability) to learn from more informal sources may decrease. In general, it would be interesting to see if organizations exploit technological opportunities differently based on their size.

### 5.3 Planning and communicating the process

Some interviewees from Yle felt that there was no linear structure for the accelerator program. However, it's also possible that these opinions resulted from a lack of communication, because Nestholma had a very clear structure that covered at least stages 3 and 4 (picture 6). However, early-stage planning and program follow-up was not covered in these plans.

	1	2	3	4	5	6	7	8	9	10	11	12	
Required events	★	Startup day		★	Mentor day						Demo day	★	
Workshops	★	Media: what's next and what's needed			★	IPR		★	Legal for startups		★	Pitching and presenting	
		★	Validating customer need			★	YLE workshop with startups (topic TBD)					★	Funding
			★	Iterating business models									
Optional program meetings			★				★				★		
Guest speakers, discussion, food													
Mentoring													
Every startup has at least one mentor from YLE. Additionally, Nestholma mentors available as needed.													

**LEARN** → **DO** → **PITCH**

Picture 6. The structure of Yle Media Startup Accelerator Program. Source: Nestholma.

## 5.4 Matchmaking between mentors and the startups

Yle provided the accelerator program an access to their personnel and allowed the accelerator to access one person from Yle per team as mentors during the program. Yle, mostly based on their own interest and possibilities to participate, selected the mentors. All the selected mentors were working in top-level positions in Yle. Besides mentors from Yle, Nestholma offered their personal contacts for startups. The aim with that was to expand the network of every startup as much as possible. Elisa, the other company that also participated in the accelerator program was also doing mentoring, but they only involved a couple of their employees in the project.

According to the feedback that was collected at the end of the program from the startup teams, the mentors were motivated to help and most of them had relatively good time resources for arranging weekly or monthly meetings. However, some startup teams thought that the help that the mentors provided was not exactly what they needed. The startups were mostly looking from their mentors for connections to key people in their field, to potential partner companies or to customers. Sometimes the mentors were able to provide new ideas or other useful information that helped startups to develop their actual products.

The mentors were given guidelines on how to proceed with the startups and what kind of support they're supposed to provide, but despite of this, some of them felt that they did not really know how they could have helped. According to the startup teams, some of the mentors felt that they didn't know enough about the business that the startups were doing.

The best mentors don't necessarily have to be top-level workers in the organization. It's possible that those people might have larger networks in the organization and possibilities to make independent decisions if needed (for example related to possible collaboration projects), but their working environment is often completely different from the startup companies' hands-on culture. The best solution for mentoring, according to the interviews made for this research, could be mentoring in pairs. The mentoring pair would consist of one mentor working in the mid-level of an organization and one working in the top level. That could be an optimal combination in order to share different viewpoints.

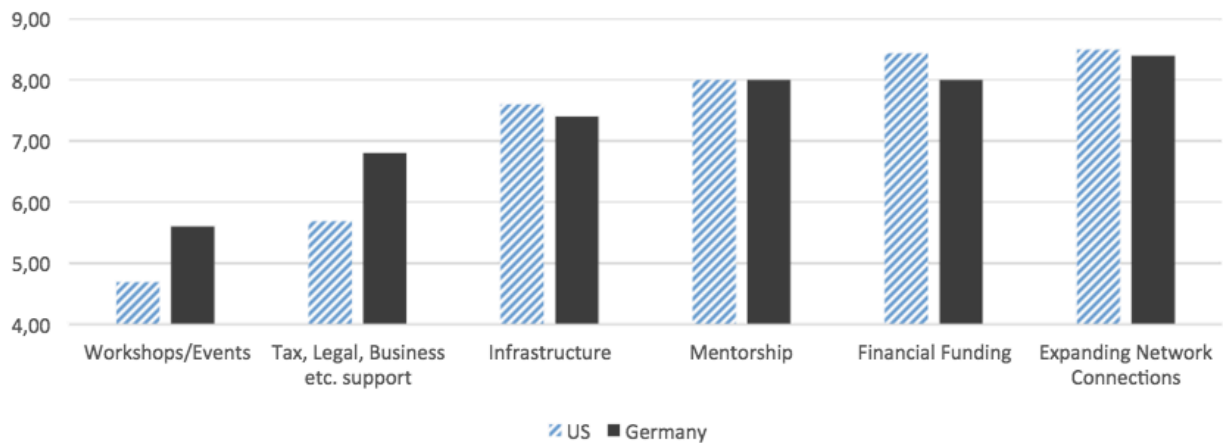
*"Mentors don't have to be top-level executives. Operational-level workers could have more practical support to give for the startups." Nestholma CEO*

One solution could be to form mentoring pairs from top-level and operational level workers. That could give possibilities for all three parties to learn more and form new relationships and collaborative projects. It could lead to a win-win-win situation both inside the bigger company and regarding the relationship between startups and mentors. Another way to improve the mentoring system could be the mentoring of mentors, or just sharing thoughts with other mentors during the process and learning from each other. Alternatively, very detailed guidelines for the mentoring process could be provided, but that could easily lead to sticking to them instead of focusing on the most relevant problems.

In general, the mentoring relations in this program worked quite well and were logically planned. In some cases the mentors were not sure, how they could help and what exactly was expected of them. Due to this, everyone was not that active or was not able to provide the kind of help that would have been needed. A driving force for mentoring relations could be a good idea in the future. What Nestholma asked the mentors to do was pretty much just opening the door to startups and providing them with market and customer insights. Mentors were not asked to provide any new ideas.

A successful mentoring relationship requires loyalty from the mentees and provides self-satisfaction in exchange to the mentor, when he/she can see ideas grow and succeed. Mentoring also increases the mentor's own knowledge. In addition to this, a study that focused on the benefits of mentors in mentoring process revealed that after a mentoring period the group with mentoring experience reported better career success and higher salaries than their non-mentoring colleagues. (Bland et al. 2009.) According to Koskinen and Tossavainen (2003), a mentoring relationship can be both a rewarding and a frustrating experience from a mentor's point of view.

Richard Geibel (2015) researched the factors that startups consider being critical for their success. He researched several startups in Germany and in the US and identified 25 success factors that he grouped into 'internal factors', 'external factors' and 'support from incubator/accelerator'. According to his research, mentorship was valued as one of the most important takeaways from an accelerator program.



Picture 7. The most important types of support from incubator/accelerator for a startup (Geibel 2015).

What makes a good mentor? An experienced mentor should be able to help the startup to avoid general mistakes that less experienced entrepreneurs are likely to make (Geibel 2015). The mentor should support the founding team to learn and identify the most successful business models as fast as possible. Sometimes mentors could also provide startups with connections to venture capitalists or possible partners.

### 5.5 Measuring the success and recalling the goals

According to the interviews, Yle did not set very clear common goals for the program, but at least two issues mentioned during the interviews are worth noting. In collaborating with the accelerator program and getting to know several startups, Yle thought that they could continue to collaborate with startups if they would find something that fits their business well. However, they did not very actively participate in the selection of startups.

The other goal for Yle was to educate their own people and to give them a possibility to try and learn something new. For most of them, the world of early-stage startup companies and their ways of working was completely new. The problem is that these goals can't be measured easily. After the program, Yle could evaluate if they found something interesting or if someone learned something,

*"We had no previous experience from startups"*

*Yle chief partnership officer & one of the mentors at Yle*



*”Now I have a possibility to utilize the knowledge of mobile application development process in my own work at Yle, if I want to.” One of the mentors at Yle*

Nestholma instead had a very clear list of benefits and goals they presented in the beginning of the program (picture 8) that covered the benefits for the big company as well as the benefits for the startup. However, some of the interviewees had very big difficulties to recall these goals in the interview. Probably the problem was that the goals offered by Nestholma were too abstract and difficult for Yle to integrate to any specific project or problem. In the end, it seems that Yle was setting slightly different goals for themselves than these suggested goals and benefits that were supposed to guide the whole accelerator program.



Picture 8. Accelerator program goals and benefits by Nestholma.

One of the major problems in the accelerator was the lack of common activities. According to some of the interviewees, there was no point to build an accelerator program if there were no concrete projects to do together or specific problems to solve. On the other hand, some interviewees argued that it's more important to learn together and get to know each other before making any bigger projects to happen. Most of the key people from Yle who were involved in the project said afterwards that it was a very good educational experience for them. In that case it's very relevant to ask if an accelerator program would be the best way to educate corporate employees to adapt new kind of innovation and product development mindset or would there be lighter ways to get started.

*“Sometimes a big company doesn’t know immediately what to do with startups”*  
*Nestholma CEO*

Some of the people interviewed were also asked how they personally feel about measuring the success of an accelerator program. The suggestions for measuring were, for example, counting the number of pilot project executed in collaboration with the startups that participated in the accelerator or the number of startups acquired by the corporation. For startups, the key to success can be obtaining financing or a valuable contact provided by the partner company or the accelerator. For the accelerator provider, the most important indicator of success is probably the amount of startups that will stay alive also after the program and, ultimately, the number of profitable exits the accelerator makes.

However, making a successful exit can take many years. Before that, the accelerator success could be estimated, for example, based on the valuation of its portfolio companies. For relatively new accelerators it’s however too early to evaluate their success based on this, because the companies could be difficult to value (Fankhauser 2013). Still, accelerators can’t guarantee success for every startup. The accelerator, including all the networks, mentorships and contacts, can help the startup to stay alive, but the hardest work, running the business and making it successful, remains for the startup.

In Yle Media Startup Accelerator case, it could be relevant to find out if this accelerator program has encouraged any other companies to collaborate with startups, accelerator providers or to start internal accelerator programs.

For Nestholma as a small and relatively unknown company it was a great opportunity to partner with Yle, because Yle with its well-know brand and excellent resources was able to “open doors” for a smaller company that tries to get next deals with big companies. Yle also has good communication and marketing channels as well as wide networks that would have been a great advantage for Nestholma if those communication and marketing channels would have been used.

## 5.6 Roles of key actors in the accelerator program

Most importantly, a successful project has enough key actors involved during the whole process, starting from first scratches, continuing through various events and finally summarizing the whole project and planning the next steps. The other element that is needed is a linear structure and an ongoing communication for all stakeholders, especially inside the participating organisation.

Table 5. The key actors in Media Startup Accelerator

<b>Organisation Position</b>		<b>Work time used for accelerator*</b>
YLE	COO	Very little
YLE	Chief Partnership Officer (accelerator project manager role from Yle's side)	10-20%
YLE	Project coordinator	30-50%
YLE	Mentors (in total 12 mentors from Yle)	5%
Nestholma	CEO	70-90%
Nestholma	Co-founder / Chairman of the board	70-90%
Nestholma	Project coordinator	100%
Startups	(in total 8 teams)	40-80%

\* = The amount of the working is based on personal evaluations and discussions during the program

To get started with the project, there has to be at least one key actor from the participating organization who has a strong motivation to execute the project, possibility to make decisions and access to the right people within the organization. To get this project started, Nestholma first approached Yle's chief operations officer. He was already familiar with Nestholma and their accelerator concept, which helped to build trust between parties during this stage. In the beginning Yle's chief operations officer had a very important role in taking the idea forward to the right people at Yle that he had access to.

One important success factor has definitely been Yle's chief partnership officer's comprehensive role and his own interest to make the program run as fluently as possible. All interviewees repeated that his role was the most important during the program, from a very early stage (practically from stage 2) until the end of the program. He was personally very motivated to push the project forward and he helped to find just the right people from Yle's

organization to get involved with the project. He tried to predict possible conflicts and prevented them before they occurred.

Yle's chief partnership officer had responsibility for being the key contact person for the project, but he was not officially nominated as project manager. Instead, Yle recruited a new project coordinator that came outside Yle's organization during the planning stage of the program. It was not the best choice to choose someone who wasn't familiar with Yle and its human resources in the organization, because often it was essential to know the key people and their capabilities personally. In the beginning of the program Yle's chief partnership officer had the biggest responsibility to run even some operational level work but during the program a great amount of responsibilities was moved to the project coordinator.

There were big differences between mentors on how they participated in the program. Some of them were active in the beginning of the program and wanted to participate in the planning stage, while some of them became active when they met their startups teams and only wanted to focus on helping them.

In Nestholma there were three different roles during the program: the founders of Nestholma invested in the startups and concentrated on helping them and at the same time they developed the accelerator program operations further. They also started the cooperation process by asking Yle to become a partner for the accelerator. When the program was confirmed, Nestholma recruited a project coordinator to market the program, run everyday operational level processes and take care of the startups. In addition to these, Nestholma provided their contact network for the startups, for example by organizing guest speaker sessions and introducing teams to potential investors.

During the planning stage of the program there were several people from Yle wanted to get an introduction and to hear more about the program. Even though quite few of them finally got involved, it was good to introduce the project to as many as possible.

*“There has to be someone from the executive level to push the project forward and talk to the right people in a big company.” Nestholma CEO*

When executing a new innovation process, there are some roles that key actors in the project have to take. Koch, Kautonen and Grünhagen (2006) have identified some key tasks that are

essential for a successful collaboration project. There are six different tasks, two external and four internal. The two external tasks include the acquisition of funds and maintaining a positive public image for the network. The first two internal tasks concern facilitating and managing network operations and processes as well as maintaining relationships within the network. The third internal task involves managing entries to and exits from the network. This task was considered especially important because it has an important role in monitoring the network structure in order to avoid overlap and internal competition. The fourth task includes the responsibility for intervening when critical situations in the project occur.

According to Yamada (2004, in Koch 2006), heterogenous actors are needed in this kind of cooperation to make it more successful, because partners also have different interests and they have to be able to rely on the relevance of cooperation.

It's difficult to say if any important roles in this project were missing. My own suggestion would have been to hire a project manager not connected with the three parties (Yle, Nestholma and startups) to make sure that communication worked and that the program met it's goals from everyone's viewpoint. In this case, there were two project coordinators, one from Yle and one from Nestholma, with limited common working time and with totally different briefings to their tasks. The project coordinator/manager however would probably have the best overview of the whole process, so it would be extremely important to make sure that everyone working in those positions are aware of the goals for the program. In this case, both project coordinators should have been involved much earlier in the program in order to become more familiar with the goals and the project's structure.

Nestholma's role in this accelerator was to bring together big and small companies, in this case Yle and eight media-related startups. One of the reasons for matchmaking was to help startups to get started with their businesses and to speed up their product development processes with the help of a big company's knowledge and experience. Also, Nestholma helped startups develop new ideas, take them to the next level and enter the market successfully.

*"It is important that the collaboration will not remain just between the startup and the big company. The network should actively be expanded all the time."* Nestholma CEO

*"Small companies don't know how to grow, and the big ones are not interested enough to help."* Nestholma CEO

*”Startups are not ready packages and it takes a lot of resources to develop them into successful companies. That is not the big company’s responsibility, but collaboration could give something to both.” Nestholma CEO*

It is also important that these activities get visibility inside the organization. A big company that participates in the program should communicate the project both inside and outside their organization and make everyone know about what is going on. It is especially important to keep the key actors updated while not forgetting the other stakeholders or those who are working in the same organisation, but who are not involved in that specific project.

### 5.7 What happened after the program?

After the program, no mutual evaluations about what went well and what should have been done differently. In order to get the most out of the program, it would probably have been a good idea to gather the key actors from both companies around same table and to summarise the project and to evaluate if the project met its goals. Nestholma and Yle did meet after the program, but the discussions covered mostly their future cooperation possibilities.

If Yle was interested to participate in the accelerator program, why didn’t they carry out a public bidding process to find the best possible accelerator available on market? The reason for choosing just Nestholma can be very simple: personal relations between key actors that built on a strong trust between the parties in the beginning of the program. Trust is something you can’t create from scratch when starting new projects with new partners, which makes it an extremely difficult factor to value.

When big companies are collaborating with accelerators they are most likely looking for partnerships, new innovations to apply in their own business operations, or even acquisitions. In Yle’s case, the main reason to collaborate with the accelerator was to get to know each other and to learn from different working cultures. Yle was interested in new partnerships, but they weren’t really looking for acquisitions. New innovations were a bit difficult to integrate in their existing business, because Yle did not have specific enough problems to solve.

For Yle the program was a possibility to try something new and to look for alternative ways of working and collaborating with innovative companies. If an accelerator helps startups to focus on their current innovation process, in this case the accelerator also pushed Yle to constantly talk about their development work and to face the areas of their business that are under development.

When analyzing the benefits of the program in general, we should evaluate quality and systematicness. Are the benefits generated randomly or are they in line with the goals? When executing any kind of project, it's likely to generate at least some benefits for everyone but those benefits may not guarantee the next similar project.

### 5.8 When to consider an accelerator?

Based on the results of this research, it might be possible that a startup accelerator is the most profitable way of collaboration when the corporation has done its SWOT-analysis carefully. In other words, they have to be well aware of their weaknesses and current threats, but also be able to identify their existing strengths and some possible solutions to their problems.

Knowing the weaknesses and threats of a corporation will make the basis for a collaboration process. The weak spots in existing businesses could be strengthened by innovative startups who can provide their ideas and solutions for the corporation to use. Also knowing the opportunities in the business environment is important for finding the most relevant innovations for the corporation. Identifying existing strengths is something that the corporation can offer to the startups in exchange.

For example, let's assume that a traditional corporation has difficulties to utilize new digital opportunities. They still have a strong market position, stable cash flow and good market insight. However, there is a risk that a new innovative company can take over the market. Also, customers might change their consumption habits. The corporation has recognized that they lack knowledge about digitalisation and their innovation and development processes are too slow and expensive. However, they see several possibilities in digitalisation for the future. Also, new products should be developed to prevent losing customers in case their consumption habits change. This scenario is presented in table 6.

Table 6. SWOT-analysis of an example corporation.

Strengths	Strong market position Cash flow, financial resources Market insight and knowledge
Weaknesses	Lack of digital knowledge Slow innovation processes
Opportunities	New products or product categories Digital opportunities More effective or automatized business
Threats	New competitors with innovative products Customers' consumption habits change

Knowing the current market situation and being able to position the corporation is a good starting point for a successful project. To make the project happen, some other important resources are needed. A more detailed toolkit for big companies that are considering participating in an accelerator program is presented in the next chapter. As a summary, based on this research the most important resources are presented in table 7.

Table 7. The most important resources for startup collaboration from the corporation's viewpoint

1. Financial resources and talented key people who can invest time in the project
2. Excellent project management knowledge, including marketing, communication and time management.
3. Strong motivation for everyone who participates in the program and a clear vision on why the collaboration project is done and what the goals are.
4. Successful matchmaking between the key people in the corporation, the startups and the mentors.

### 5.8.1 Lessons learned - How to build a successful accelerator

Before going to the list of general advices for running these kind of projects, I would like to highlight a couple of specific findings from the Media Startup Accelerator program. The interviewees said that in the beginning of the program, the common trust and personal relations



were the most important things with getting started. Also during the whole program, the accelerator providers said that the trust in general is more valuable than legal agreements. At the same time, some interviewees from Yle felt that they would have needed more communication and a more clearly written plan. One possible solution for this problem would have been more frequent meetings with all the key people involved in the accelerator program in which issues would have been discussed and settled together with written memos produced from those meetings.

This toolkit is based on the interview summaries and it offers some guidelines about the key roles, responsibilities, and things to consider in different stages of the program. The learnings presented here are mostly based on this case study, the Yle Media Startup Accelerator Program, and the interviews I made with the key people involved. Therefore, these guidelines may not apply to all startup collaboration projects, because every company is different and has different goals. However, these learnings may provide a very good starting point for planning a collaboration project and evaluating the possible outcomes and helping to avoid some mistakes.

#### 5.8.2 The toolkit for getting started with corporate accelerators

##### *The selection process*

To get the most out of a program, a lot of attention should be paid to the selection of startups and to evaluating how their innovations match with a corporation's needs and the accelerator program's goals.

##### *Communication inside the corporation*

It's important to keep everyone in the organization updated about what is happening, including those who are not participating in the project. However, it is most important to constantly communicate with the persons who are involved, such as mentors, project managers, startup teams, other stakeholders, etc.. If the key people are confused about what is going on, the project is unlikely to be very successful. Everyone should stay aware of what actually is supposed to happen, when and what kind of responsibilities each key actor has during the process and what is expected of them.

##### *Setting the goals*

The big company should be very clear on how they're willing to benefit from an acceleration program. Defining the reasons to participate in the project and setting relevant goals for the

program is a crucial step for succeeding. In addition to this, make sure that everyone understands them. And again, communications inside the organization, to stakeholders and other possible interest groups, should not be forgotten. Make it clear for everyone why the company is participating in the program.

### *Structuring the program*

Deciding the accelerator program structure (lengths, daily schedules, checkpoints, etc) together with the key people might be a good idea. During the program it's important that everyone is able to understand what the program contains, what happens, when and where. It's also good to agree beforehand if attendance for startups is mandatory or not. In case that the accelerator program is very intensive, for example if it contains workshops and guest lectures every day, the startups can concentrate less on their core business.

### *Agreeing on practical issues*

When working with a startup accelerator that is powered by someone else, agreeing on practical issues is important. For example, who pays running or additional costs (such as events), who does marketing and how the marketing is done (which channels are used, budget etc.) and who has the major responsibility of communication.

### *Involving the right people*

Make sure that there are enough resources for the project in the company. Running an accelerator takes time and also a bit of knowledge about startups, or at least a very curious mindset. Involving right people with suitable skills, time resources and motivation is not the easiest task, but probably the most important one. The selected people should be given specific roles and responsibilities so that they know what they're supposed to do during the program.

### *Marketing activities and visibility*

Before any program starts, the partner company should actively participate in the planning of marketing operations. This ensures that already the applying startups are aware of what kind of ideas and teams the program is looking for. The marketing material, communication and communication channels during the startup recruiting process should be designed according to the teams that are the most wanted.

Also, make sure that the corporation knows what is going and how they could be involved, if they're willing to.

### *Finding the excellent startups*

The first thing to think about before taking a look into startups is to define what kind of startups the company is looking for? Would it be enough to just have teams with brilliant ideas, or would it work better with early-stage companies with first prototypes. Or should the company skip the seed phase and collaborate with growth seeking, already established companies? Who could potentially best solve the company's problems? After making these decisions, the program should be tailored to the target group's needs. If potential startups are not contacted directly, it might be good to pay some attention to making suitable marketing material and choosing suitable marketing channels.

Bonus: it's often better to choose a good team than a good product.

### *Investments*

Risk-investments in startups are often the driving force for accelerator managers. Sometimes big companies are managing these accelerators without an external accelerator provider. In this case, Yle used Nestholma to run the Media Startup Accelerator Program. During the program Nesthoma invested 17.000 euros in every team that was accepted into the program. By making investments and taking shares from startup companies, the accelerator manager stays motivated to help startups and follow their development after the program. It could as well be the partner company that invests in startups, not necessary the accelerator, but investments in some form are likely to make the program more successful and engage parties in it.

*"This kind of accelerator should give tools and templates both for big companies and startups – not only facilitating, we should push startups forward" Nestholma CEO*

### *Macthmaking with care*

Making it easy to help will help mentors to provide the best possible value for the startups: tell them in as much detail as possible what they should do and how they could cooperate with the team or startup they're mentoring during the program.

### *Sharing company cultures*

Big companies and startups usually have different working cultures. Because there is not only one right way to do things, everyone involved in the project should keep their eyes open and learn from each others' cultures, evaluate them and pick the best practices for themselves to use. Learning the entrepreneurial startup-mindset can be one of the most valuable things for a

big company that a startup accelerator can provide. For startups the most valuable thing can be for example a relationship with a mentor from a big company who is able to share his/her experience.

### *Doing things together*

What really brings small and big companies together is doing things together. It's good to have concrete collaboration projects, try different prototypes and test as many things as possible. The big company should be lean and also involve customers in development projects, if possible. After the accelerator, a big company can integrate successful innovations in their existing business operations.

### *Setting milestones for startups*

It's a good idea to decide already in the beginning of the program what should be achieved, by whom and by which date. If the milestones are not directly measurable, agree on how they should be measured. For example, a startup should have at least 1000 downloads for their new app within one month of their launch. Also agree what happens if the milestone will not be achieved. However, it's good to be flexible if needed. Sometimes a pivot is better alternative than achieving goals that don't matter.

### *Summarising*

After the program, all participants or at least the key people in the projects should sit down and summarise what was good, what was learned and what could be done differently next time. Too often projects end without proper feedback discussions. To maximize learning, those are one of the most important parts of the process.

## 5.9 Evaluating the quality of the research

Evaluating the research quality should be a continuous process from research design to data collection and analysis. The quality of the research process can be evaluated with several tests. Yin (2003, 33-37) introduces four most common used tests that are also relevant for case studies. These tests are measuring construct validity, internal validity, external validity and reliability. In case studies, evaluating the construct validity is especially problematic, because measuring the data and having objective judgements while collecting the data is not automatically guaranteed (Yin 2003, 35). In other words, the results always more or less

depend on the researcher but in a high quality case study the researcher is eliminating its personal influence as much as possible.

Also, relating different parts of the study to each other in a relevant way makes one of the challenges for a case study. For example, in this case study the accelerator process was observed from the viewpoint of a big company to find out the most critical issues that makes the project successful for them. That included evaluating the key people involved, the collaboration model and the structure of the project, and the results that the project had. All evaluation was based on the interviews I made within six months after the accelerator program was over.

Yin (2003) highlights that when evaluating the external validity of the research, attention should be paid especially to considering if the results of the study are generalizable beyond the immediate case study. For example, in this case, a relevant question is if the results apply to other startup collaboration projects or to other startup accelerators. Is the list of key learnings applicable for all corporations planning to get started with startup collaborations? It would need several other researches to prove the feasibility of the “toolkit” this research provides for big companies, but because every company, startup and collaboration project is different, it might be impossible to create a 100% valid and satisfaction-guaranteed guide to execute startup collaboration projects successfully.

#### 5.9.1 The amount of the data

This study is based on one case, which doesn't make it very comprehensive. Instead of trying to test any hypothesis or to make general conclusions, the case is used as an illustrative example of an accelerator program that is executed with a big company. This accelerator program is only a single case among other accelerators worldwide. I'm focusing on discussion about the key factors that can affect the successes or failures in accelerator programs based on this case and other existing theories about accelerators.

Yin (2003) recommends using multiple sources of evidence. In this research case all three parties of the program (big company, accelerator provider and startups) are represented. However, there is only one interview with a representant from startups, but the main focus has been to clarify the process from company's perspective.

### 5.9.2 Selection of the key informants

One issue to critically evaluate in the discussion part is the selection of interviewees. Because the amount of time resources was limited, I needed to pick some persons that I subjectively assumed to be most relevant for the research. Koch, Kautonen and Grünhagen (2006) solved the selection problem by doing pre-interviews, where they asked the interviewees to point out some key persons to interview. In addition to the selection of interviewees, I had to evaluate how it might have affected the results that I more or less personally knew everyone that I interviewed, because they were working in a same project as I worked for six months. Could the interviewees, for example, answer the questions differently to me because they know me? Or can I trust those answers more, because they know that they should be honest, because I'm familiar with the accelerator program? The access to key people in the process was relatively easy, as well as identifying the most potential interviewees.

I'm also going to discuss, if the research method was suitable or if I should have used some different research approach instead. I'll also reflect the answers to the hypothesis and evaluate if they were something that I expected. Because I personally worked as a part of the accelerator program, it's difficult look it from outside now. It's possible that I've had strong expectations regarding the outcomes of this research, which may affect the reliability of the research. On the other hand, knowing the process personally can provide added value.

### 5.9.3 Replication logic

After interviewing the key actors and writing the research report I went through the results with one person from Nestholma, who also was one of the interviewees, and one person from Yle, who was not one of the interviewees, but participated actively in the process in the beginning and also later as a mentor. Both of them mostly agreed with the results, but also provided several additional viewpoints to the research.

Because I personally was involved and worked in this accelerator project, I have my own subjective viewpoint to the process. On the other hand it is a huge advantage, because I was able to follow the whole process from the planning stage to the end, but on the other hand, I

can't completely get rid of some expectations that are based on my own experiences and perceptions. The research was based on interviews of five key actors of the program (not including myself), so only the way I set up and asked the interview questions could have influenced the results of the research. If the research would be repeated, I assume that the results would be the same.

## 7. Conclusions

If big corporations recognize problems in their product development processes, an accelerator might be a potential solution to try. If the corporation has enough resources and knows their weaknesses and possibilities, a startup accelerator collaboration could be recommended. A collaboration process with an accelerator can provide very specific solutions for specific problems, but if the problems are not identified, it can be a waste of time. It can be a big risk to begin the startup collaboration as a first step of improving corporational product development processes, but if the program is executed well, it can also offer the corporation a lot. The key takeaways from startup collaborations for a big company are presented in table 8.

Table 8. The key takeaways from startup collaborations for a big company

Improving the internal product development processes
Educating corporation's employees to adopt the startup mindset
Learning to collaborate with different companies and expanding networks
Eliminating possible competitors
Being able to develop several new solutions/products/technologies fast
Possibility to do radical innovation and product testing without risking the corporation's brand

It seems that a successful accelerator has to have specific problems and clear targets. Most likely the lessons learned from this accelerator program and identified in this research would help the next accelerator provider or corporation to get started with their accelerator. By considering several of the key issues listed in "lessons learned", a company might get some help in order to avoid the worst mistakes.

With mobile resources and suitable finance, entrepreneurs can start companies and bring new products to market relatively quickly (Freeman 2007). The challenge with corporate accelerators in general is the match between a company's current product development challenges and the startups' abilities to solve those with their own products or technologies. It easily happens that products and solutions match almost, but not perfectly. If the companies would like to find perfect or tailored solutions to their problems, they should collaborate with innovative teams instead of external startups, who already work on their own products. Having nice additional features to a corporation's product selection produced by startups doesn't solve any existing problems but, on the other hand, it can create new market segments and product categories.

When collaborating with innovative teams, the company can introduce their problems and ask the teams to find solutions to a very specific task. The challenge in this model is to keep the team motivated. Startups in general are very motivated to develop their own products without any additional incentives, but other teams need to have other reasons to work.

#### 7.1 Suggestions for future research - The impact of the accelerator program?

The aim of this research was to identify and discuss the success factors in corporate startup collaboration projects. The suggestions I have made based on one case study and existing literature might give a good starting point for corporations planning to execute collaboration projects. However, every upcoming collaboration case is different and guidelines provided in this research may not apply in all cases. In many corporations, the business field is changing so fast and dramatically that innovation management and product development processes might be done completely differently in some years. No one knows if startup collaboration suddenly becomes outdated.

Probably most of the companies that participated in the media startup accelerator will die, but how many of them will continue developing new ventures in other companies after the accelerator? The teams or individual entrepreneurs and their willingness to create successful products will not disappear, even if their first (or second) project would fail. For investor the situation is tricky, because the seed money that is invested in one company is gone when the team decides to quit the project and focus on the next one.



But the big question is – has the accelerator selection process been so comprehensive that only the most entrepreneurial teams are getting into the program or does an accelerator have an impact of making those teams more entrepreneurial and pushing them forward to come up with new ventures also after then program? Of course no one knows if also those teams that did not get into the accelerator program are continuing as entrepreneurs or developing new ventures, but I assume it is not likely.

One suggestion for future research is to try to find out how the startup teams, or people involved in those teams, changes during the accelerator program? What elements in the accelerator are those that possibly make the team members to become entrepreneurs also after the accelerator? Is it actually possible to see the accelerator as a school, where a side project or a hobby becomes a serious business?

Another viewpoint for future research would be to find out what kind of impact a startup accelerator has on big corporations. For example, how corporate cultures, product development processes or corporate business models have changed after a startup collaboration? Is startup collaboration even more important for the business than listening to their customers? Are startups even closer to customers?

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Appendix 1. A simplified model of the 5-stage model used in the interviews.

Stage 1 - Getting started

Stage 2 – Mobilizing the team

Stage 3 – Setting the direction

Stage 4 – Taking the action

Stage 5 – Reviewing and refining

*Interviewee:*

*Date and time:*

*Location:*

*Duration of the interview: \_\_\_\_ minutes*

### **Introduction**

The interviewee received information about purpose of this master's thesis topic and goals before the interview. The interviewee was told that the aim of this interview was to identify roles of key actors in different stages of the collaboration process between Nestholma and Yle. He was asked to describe the process and roles from his own point of view.

The stages of a process were introduced, and a short description of stages was left on table for interviewee to see during the interview.

## **Stage 1**

**Key persons involved:**

**Main activities done during the stage:**

**What was done well, what should be done better next time:**

**Key learnings:**



## **Stage 2**

**Key persons involved:**

**Main activities done during the stage:**

**What was done well, what should be done better next time:**

**Key learnings:**

## **Stage 3**

**Key persons involved:**

**Main activities done during the stage:**

**What was done well, what should be done better next time:**

**Key learnings:**

## **Stage 4**

**Key persons involved:**

**Main activities done during the stage:**

**What was done well, what should be done better next time:**

**Key learnings:**

## **Stage 5**

**Key persons involved:**

**Main activities done during the stage:**

**What was done well, what should be done better next time:**

**Key learnings:**