

Title: **Accelerators and Liminality: a rite of passage for aspirant entrepreneurs**

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Abstract

Objectives

Accelerators have emerged as an increasingly popular means of supporting entrepreneurial activity with approximately 250 currently operating in both North America and Europe (Salgado, 2013) and there is evidence that survivorship is significantly enhanced when firms have been supported by an accelerator (Fox, 2014). Most accelerators follow a common business model in which there is competitive entry to a program providing support for a limited period (typically three months) to early-stage businesses during which time intensive mentoring and support is given and seed capital is invested in the young business. Using a theoretical framework based on liminality (Turner, 1969), participants in accelerator programs are depicted as under-going a rite of passage. Studies in liminality suggest that certain processes follow a particular ritualistic pattern in which participants divest themselves of former identities and new identities are formed. During liminal processes, guidance is normally provided to the person: in accelerators this role is taken by mentors who will assist in the formation of the new identity. Studies in liminality point to the importance of threshold concepts (Meyer & Land, 2005) which are types of knowledge that a participant is expected to acquire prior to completion. Using the lens of liminality, this paper examines identity formation by looking at the manner in which it changes during the accelerator support period. What changes occur and what induces changes of identity? The role of the mentor within accelerators is also considered: what is the nature of their relationship with participants and how do they assist in this rite of passage?

Prior Work

Accelerators are a relatively recent phenomenon and it appears that they have not been examined in peer review journals.

Approach

A qualitative design, employing secondary sources, will be employed to illuminate the underlying liminal processes existing within accelerators.

Results

This is a work in progress

Implications

Accelerators represent an under-researched phenomenon and by using the lens of liminality, the process of intense change can be better understood.

Value

Accelerators play a crucial role in developing entrepreneurial activity: this study provides value by explaining the effects of Accelerators on participants in terms of identity formation, the role of mentoring and the expectations about acquired knowledge.

## **Accelerators: an overview and a theoretical gap**

This paper aims to apply the theoretical lens of liminality to accelerators. A brief overview of accelerators will explain their importance and relevance to the entrepreneurial ecosystem. However, despite their importance, little has been written about them which has attempted to apply a theoretical focus to explaining the manner of their operation. This exploratory paper applies liminality as a means of illuminating the ritualistic nature of accelerators.

Accelerators are a form of support for early stage businesses. They represent a relatively recent phenomenon with the earliest – Y Combinator – having been created in 2005. By 2015, more than US\$10 Billion had been invested in more than 5,000 companies participating in accelerator programs has been made (Seed-DB, 2015). Accelerators have also gained in prominence due to the success of a number of major corporations, such as Airbnb, Reddit and Dropbox that have been supported by means of accelerators. Within the ecosystem of forms of start-up support within the United States, the accelerator community has arrived at a level of maturity which has been characterised by one commentator as a “key contributor to the rate of business startup success” (Dempwolf, 2014: 6). Accordingly this research is of some significance in leading to a greater understanding of their workings.

According to a database dedicated to tracking the sector, the number of accelerator funds has grown from 51 in 2009 to more than 200 in 2012 (Crunchbase, 2013). The earliest forms of accelerators were involved exclusively in the technology sector but more recently there has been a general expansion in the areas of activity covered by accelerators to include healthcare, media, and finance. Accelerators have a distinctive model for supporting early stage businesses which includes several key elements: an intensive selection process, sometimes on a global scale. All members of the cohort will begin and end the program together. The group will constitute a distinctive cohort or batch and like College students or Investment bankers they will always subsequently refer to themselves by the batch year and designation. The cohort will typically be allocated a collective descriptor( such as SB2013, meaning Summer Batch 2013 and within the cohort, the members can refer to each other as "batchmates". Seed investment into the firm will be made in return for equity being ceded to the Accelerator. Once inside the accelerator, the firm will be subject to an intense period of (normally) 13 weeks in which they are intensively mentored and advised on how best to take their business to the next level of development. The period in the accelerator culminates with a “demo day” during which member firms pitch for investments from outside investors.

The organisers of the accelerator are for profit organisations and will make an investment in the businesses entering the accelerator (which in the case of Y Combinator, a leading accelerator is US\$20,000) and in return a small amount of equity (7% in the case of Y Combinator )will be ceded to the accelerator (Dempwolf, 2014; Smith and Hennigan, 2013). The accelerator will require attendance from the participant businesses, intensive mentoring will be provided and access is offered to a substantial network of contacts of investors and advisors (Cohen, 2013). Shared work space will not normally be provided but space for meetings is made available in most accelerators (Atkins, 2011). Accelerators represent an ecosystem (Cohen and Hochberg, 2014) which improve information search efficiency by helping businesses to access funds from investors and for investing firms they are able to identify firms with potentially strong business plans.

Existing research on the emerging field of accelerators is still relatively under-developed and there is a conspicuous absence of research which has sought to apply a theoretical foundation to the processes undertaken within accelerators. Accordingly, the principal purpose of this article is to apply the lens of liminality as a means of clarifying the underlying processes of accelerators

### **Introduction to Liminality**

Studies on liminality originated with Van Gennep (1909), an anthropologist, who put forward a three-part schema for depicting social transitions in his seminal work, *Les rites de passage* (1909). However, it was from the 1960s onwards, with the contribution of Victor Turner (1967, 1975) that this schema gained wider recognition. Turner (1967) began by retrospectively

applying the lens of liminality to his own fieldwork on rites of passage within tribal societies and more recently it has been applied in the field of management studies to organizational studies (Beech 2011, Garsten 1999). The seminal importance of van Gennep's work lies in the three-part schema he put forward to describe social transitions such as those between childhood and adulthood, from a single life to marriage, and other changes of social status. These transitions represent the attainment of important human milestones, but van Gennep's central contribution was that he identified commonalities among these transitions.

According to van Gennep (1909), social transitions were made up of a three-stage process which began with a period of separation from the current social status of the initiate in which they are stripped of their current status and a withdrawal from their current surroundings. In African tribal societies, an warrior undergoing initiation would go into the bush, away from his tribal home. A period of separation depicts a metaphorical ending of their current status. It is then followed by the liminal stage, the second stage in the process. This stage is a transition stage between the current stage which has just ended and the commencement of the new status. It marks a period of ambiguity and uncertainty. During this period, identity reconstruction takes place as initiates are introduced to the requirements and responsibilities of their new role. It typically involves enculturation and guidance from elders within the society of the practices of their new role (Turner, 1967). At the end of the liminal period, the initiate is ready for the final stage of the process in which they will assume their new role and be reassimilated into their society. Academic interest in liminality has led to it being applied to gain insights into human activities related to situations characterised by ambiguity, identity changes and status-related uncertainties. Organisational researchers have applied the notions connected with liminality to the construction of identities (Beech 2011), to management consultancies (Czarniawska and Mazza, 2003), and to workers in temporary employment (Garsten, 1999). However, as noted by Beech (2011), extant research has focused on the characteristics of liminality— in the sense of just reviewing the second of the three stage process enunciated by van Gennep- without mapping out the entire three stage process.

The central purpose of this article is to apply the three stage process put forward by van Gennep (1909) to examine the activities of accelerators in order for us to gain a greater understanding of the underlying processes in operation. In particular, accelerators have a distinctive business model which represents a process in which entrepreneurial identities are formed and this article is designed to make a contribution to the existing literature in this field.

### **Theoretical Development and methodology**

In the following section, propositions are developed with a view to examining the extent to which existing theory regarding liminality can help to explain the underlying processes of accelerators. An extensive literature review of mainstream academic literature as well as grey literature such as blogs was carried out. The purpose of this section is to map out some aspects of liminality and to then examine the extent to which current practices within accelerators conform to the three part process set out by van Gennep( 1909).

#### **Stage one: accelerators and the pre-liminal stage**

A common characteristic of rites of passage is a requirement for participants to detach themselves from their existing state (Turner, 1967). This is seen most commonly in a physical detachment and a removal of their current status occurring for the initiate. In tribal societies, it is seen in young warriors withdrawing from their homes and being taken away so that they are separated from their current existence. In the context of students entering higher education, van Gennep's three part model has been applied by Tinto (1988) who sought to explain successful student integration into higher education. The process of becoming a student would, according to Tinto(1988), require an initial departure from the student's existing world before integration into becoming a student could occur (Tinto, 1988), which implied a severing of childhood ties. This aspect of separation can be a very severe experience for people as they are removed from familiar environments. Turner (1967) refers to the separation as being akin to death in the sense that initiates are consciously ending one phase in order to proceed to the liminal phase. In doing so, initiates disavow themselves of

their existing world in order to move towards another. They divest themselves of their existing identity in order to eventually assume a new identity. In some rituals this is also seen in the adoption of a new name (Cohen, 1964) as a means of leaving their prior identity behind. The following proposition is put forward:

Proposition 1: Accelerators utilise a practice of separation for participants from their existing environs.

## **Stage 2: Accelerators and the liminal stage**

The liminal stage represents the second and most important part of the process for initiates. It is a period during which the transformation process is felt most acutely by the initiate. Turner referred to this stage as “ambiguous, neither here nor there, betwixt and between all fixed points of classification” (Turner, 1974:232). All of the initiates are frequently combined into a common group with a shared lack of status (Winslow, 1999). The position of the initiates is without definition: Turner (1967: 95) describes their status in the liminal stage as : “a society’s secular definitions do not allow for the existence of not-boy-not-man, which is what a novice in a male puberty rite is (if he can be said to be anything).”

The liminal stage represents a “becoming” (Baumeister and Leary, 1995) as identities are transformed. The role of the elders within the community plays a key role during the transformation. It is the elders who will challenge and test the worthiness of the initiates. The initiates are “submitted to ordeal by initiated seniors or elders” (Turner, 1981:154). They have complete power over the initiate who is expected to behave with complete obedience and subservience. Furthermore, transgressions from the initiate are likely to be handled with severity: the worst will lead to expulsion but being chastised by elders will be a common occurrence.

The initiate is treated as “a tabula rasa, a blank slate, on which is inscribed the knowledge and wisdom of the group, in those respects that pertain to the new status” (Turner, 1967: 104). The initiates are invited “to learn from the ways in which their “wisest predecessors” have attempted to make sense of these mysteries and difficulties” (Turner, 1974:242).

Among the initiates a strong bonding and sense of community develops: Turner describes this as *communitas* (1969: 94). Initiates are undergoing a shared experience and commonly suffer from the ambiguity and uncertainty of the liminal stage. *Communitas* is the coming together of the initiates to engage in mutual support: they have a common need for sense-making of the transition they are all experiencing. *Communitas* is seen in situations where the initiates can meet among themselves in places where they can share their experiences of liminality. Opportunities for socializing, often over meals (Czarniawska and Mazza, 2003) will provide opportunities for *communitas* to operate.

The following propositions are put forward:

Proposition 2: During the liminal phase, *communitas* will develop among the members of the cohort.

Proposition 3: During the liminal phase, initiates will be instructed in threshold concepts appropriate for the completion of the accelerator program by means of mentors

Proposition 4: During the liminal phase, organisers of accelerators are seen to allow for the inversion of their status

## **Stage 3 – Accelerators and the reassimilation process**

The final stage of the process is a re-assimilation of the initiate back into their society, albeit at a more elevated position. Such occasions are associated with ceremonial activities: the

donning of particular clothing, regalia, the giving of gifts and other gestures calculated to make the event memorable for everyone attending.

Existing research on accelerators has identified several problems associated with researching this type of business. Cohen and Hochberg (2014) point to the difficulty of researching accelerators given that they represent such a new phenomenon which is worthy of longitudinal study. Furthermore, accelerators involve companies that are frequently involved in launching products with great commercial sensitivity requiring privacy in order to protect their intellectual property. The accelerators are closed societies whilst they are running and the participants are likely to be reluctant to share their experiences with anyone outside of their community. For the purposes of this article reliance has been placed on secondary sources in order to overcome some of these problems. Former participants of accelerators are sometimes prepared to explain their experiences either to journalists or on forms of social media such as blogs. Accordingly, reliance has been placed on these forms of sources in researching accelerators.

The following proposition is put forward:

Proposition 5: The liminal phase culminates with an opportunity to present themselves to the outside world as having a new identity

## Findings

The structure of accelerator programs requires participants to attend the premises of the accelerator. Given that many accelerator programs (e.g., Y Combinator) recruit both nationally as well as globally, this does necessitate a relocation away from the existing home of some participants. This implies a dislocation for the affected parties, a sense of departing from a place of some accustomed familiarity to a place with potentially a different culture and practices to those of their current abode. Participants on accelerator programs are made aware that strong commitments in terms of the number of hours spent whilst within the accelerator and the intensity of the experience implies that some measure of detachment from existing home-life commitment will be necessitated. Again, the process of accelerators implies a process of separation for participants.

Some accelerator programs require that the premises are used as a work-space but this practice is not universal. For example, Y Combinator specifically states that participants are not able to use the premises as work space; other prominent accelerator programs, such as 500 startups are willing to allow their premises to be used a workspace. However, the premises of the accelerator as depicted as the place where the transition will take place in the life of the participants. On entering the accelerator a clear hiatus occurs between their prior existence and the life they are to begin. The first proposition, which concerned the extent to which a practice of separation for participants from their existing environment took place was supported.

The second proposition concerned the period of liminality within the accelerator. In particular, the extent to which participants were initiated into a deeper understanding of the ways and means of the accelerator. In academic literature concerned with transitional students in higher education an emerging body of work has focussed on threshold concepts which are depicted as bodies of knowledge which are deemed to be essential in order for students to proceed with their studies. (Meyer and Land, 2013). Within accelerators it is possible to see that bodies of knowledge are transferred to participants in several ways. The first occurs through the mentoring process. Mentoring meetings occur regularly during the period within the accelerator and they represent an opportunity for participants to gain knowledge to help with their transition. This knowledge could relate to the practices and requirements to succeed within the accelerator. In particular, it will be devoted to assisting the participants to get a better understanding of how to successfully raise money at the pitch meeting.

Within an organisational context, Mentoring is a developmental process that supports and facilitates learning. It can be categorised into four types: cognitive, skill-based, affective-related learning and social networks (Eraut, 2004). The approach to mentoring within accelerators is a formal learning relationship (Jones 2012) where mentors are influential, highly-placed individuals with a superior level of know-how and expertise edge and provide guidance on advancement to their mentees (St-Jean and Audet 2009). During the mentoring relationship, the mentee is able to develop as both at an entrepreneurial and an individual level (St-Jean and Audet 2009). Mentorship is one of the key aspects observed across accelerators and in general it leads to positive accelerator outcomes and through them, to long-term firm success outcomes for the start-ups participating in accelerators. For example, Mejia and Gopal (2015) found that startups that participate more in mentorship events have higher likelihood of achieving short-term outcomes during the accelerator, such as the release of a prototype and generating revenue for the first time; Similarly, startups that develop more investor ties during the accelerator survive and raise capital at a higher rate; Finally, certain short-term accelerator outcomes also increase the chances of survival and investment.

The position of the organisers of the accelerator also has a role in the creation of the liminal experience. Turner points to the practice of village elders who participate in initiation ceremonies who exhibit a willingness to invert their position with respect to the initiates. Ordinarily, the elders in liminal processes are customarily very strong and demand absolute obedience from participants. Equally, the physical and emotional demands made on initiates is likely to be strong. An alumni of one accelerator described the experience in the following manner: “YC left me more scared and yet with more optimism and excitement than any other three-month period I have lived through. YC is hard. You're stressed out. You're underslept. You think your company is on the verge of collapse (and the companies of some of the people around you are). The partners' advice is brutal — brutally honest and unvarnished in its delivery. YC is relentless. Difficult. Stressful. Thrilling. Unforgettable. Worthwhile” (Townsend, 2014).

The elders have the ability to expel anyone who they deem to be unworthy of completion. However, Turner points to the widespread practice of elders allowing themselves to adopt lowly behaviour towards initiates and to behave with extreme modesty in the company of the initiates who are treated with elevated (and uncommonly high levels of respect. In social situations this is seen in situations where the tribal chief permits joking and informality with initiates.

In the context of accelerators, it is possible to draw some parallels with such behaviour. The leaders of the accelerators are people of enormous influence and power and their approval is constantly sought by participants. However, there is evidence of their willingness to adopt more modest positions regarding the participants. This is seen in particular in the context of weekly dinners. Certainly, in some situations it has been shown that leaders of accelerators have been prepared to even cook meals for the participants. The leaders of the accelerators socialise with participants at weekly dinners. There are opportunities for informality and for barriers to be lowered between the accelerator leaders and the participants. Townsend (2014) described it in the following manner: “Batchmates are always willing to offer help with a product question or support you when you're down (and there will be times when you're down). It's hard to come out of Tuesday dinners without feeling energized because you've gotten that emotional lift (and competitive spirit) from your batchmates”.

The third proposition relates to the existence of *communitas*. Turner (1967) pointed to the emergence of strong bonding among participants undergoing initiation ceremonies. In situations where participants are undergoing a shared liminal experience there are shared, common experiences. These have the effect of bringing the participants together: it leads them to jointly engage in sense-making of an experience which is characterised by uncertainty and ambiguity. In the context of accelerators there is evidence that *communitas* does develop, Participants are members of a defined cohort. They are equivalent in having to under-go a common process. They have equivalence in the sense that their prior rank and status has been stripped away for the duration of their stay in the accelerator. There are opportunities for *communitas* to form in liminal spaces. An example of the experience can be seen in the account of someone who passed through Y Combinator who described the experience in the following way: “Batchmates make fast friends who stick with you long after

YC is over. Dan, Brent, and I each invested in several companies in the batch! You go through an adventure together. Batchmates are always willing to offer help with a product question or support you when you're down (and there will be times when you're down). It's hard to come out of Tuesday dinners without feeling energized because you've gotten that emotional lift (and competitive spirit) from your batchmates (Townsend, 2014).

One such example of a liminal space is in the social events which take place on a weekly basis within accelerators. These are opportunities for participants to meet with others who are in the accelerator and to have a chance to talk about their positions within the accelerator. There is strong evidence to suggest that the bonding between team members is particularly strong. It forms a basis upon which strong and enduring networks are formed and is also the basis for social capital formation within the cohorts.

The final stage of the process is the adoption of a new identity and reassimilation back into society. Many ritualistic processes are characterised by ceremonies where initiates are publicly recognised for completion of their rite of passage. This is seen to operate in the context of accelerators. The culmination of the accelerator program is an event commonly referred to as demo day at which participants seek to gain financial investments from investors such as venture capital firms. Prior to the event occurring participants at the accelerator will spend a considerable amount of time preparing in the sense of perfecting their presentation, their new product offering and their awareness of the issues surrounding the pitching process. The demo day is an event at which a considerable amount of publicity will be generated: participants have the opportunity to gain press coverage as part of a cohort who have completed an accelerator program and who are seeking to gain financial investment. Once demo day has passed the participants are seen as alumni of the accelerator. Such alumni are encouraged both through the strong bonds which have formed during the period of the accelerator program but also through becoming members of the wider body of alumni to develop strong network which will form the basis of strong social capital.

## Discussion and conclusions

This exploratory study has provided an insight into accelerators through the use of liminality as a theoretical lens. It demonstrates that accelerators, an extremely modern form of support system for early-stage businesses is ritualistic in nature. The three stage process mapped out by van Gennep – separation, liminality and reassimilation equates to the process of accelerators. It demonstrates that accelerators are a means for rapid development of early stage businesses in which they transition from one stage to another, higher stage of development in which they are able to obtain access to funding. Accelerators have become established in a relatively short period of time but research remains limited. However, research into accelerators is somewhat more challenging than other areas of entrepreneurship research for the reasons outlined in the methodology section. Access to accelerators has been achieved via secondary sources. This has meant that the level of detail about the processes is more limited than a larger study using primary sources. There are several areas of enquiry for additional research which flow from this article. In particular, the role of *communitas* among batchmates is worthy of greater enquiry: the process of bonding among batchmates has been identified but it would benefit from closer, longitudinal study which would illuminate the underlying processes. The process culminates in the formation of strong bonds of enduring value which has clear implications for the creation and use of social capital among participants of accelerator programs.

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