

Museums, Startups and Accelerators... Oh, My!

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On the emergence of museum-led incubators and accelerators, and whether museums should invest in startups.

Startup accelerators have become an integral part of helping early-stage companies build, fund and bring to market new products and ideas. Countless startups wielding unicorn-status valuations can credit their rapid progress and success to programs like Techstars, Y Combinator and other seed accelerators. These programs run early-stage teams through a three-month bootcamp, infusing them with capital, space, resources and expert mentors to push them to “do more faster” and “make something people want.”

Recently, we’ve come to see museums, such as the New Museum, ACMI, and Te Papa, look to the models of accelerators, incubators and coworking spaces to bring together entrepreneurs, hackers and cultural practitioners in hopes of driving innovation and generating new ideas.

While still in the early days, the question stands: Is this an experiment, a fad or a new trend?

Who’s doing it?

In 2014, the New Museum in New York City opened its doors to NEW INC. Dubbed “the first museum-led incubator,” this coworking space is home to more than 100 tenants in the areas of art, design and creative technology. Under the innovative leadership of Lisa Phillips and Karen Wong, and with \$2 million in funding, New Museum was the first museum to bring an experimental coworking aspect to their institution. Members apply, pay for membership and have access to a community of like-minded peers.

In an official statement, the museum emphasized that “the incubator is the latest in a series of programs developed by the institution to challenge the boundaries and expand the relevance of museum practice in the twenty-first century, foster creative cultural production, and reinforce the Bowery as a place of meaningful innovation.”

NEW INC’s advisory council includes heavy-hitters like John Maeda, Neri Oxman, IDEO’s Fred Dust, Kickstarter’s Yancey Strickler and USV’s Andrew Weissman. Art/tech rock star Julia Kaganskiy runs the operation and continues to grow its partnerships and impact. While most of the residents are artists and agencies, startups such as NewHive, Monegraph, SIREN and Niio have called NEW INC home over the years — and have collectively raised millions in seed funding.

That same year, Minneapolis Institute of Arts, one of the largest art museums in the United States, started to experiment with the concept of coworking with its pilot of Hothouse. The museum even had an “Entrepreneur in Residence” program! Although both programs seem to have faded away, the museum has a “Venture Innovation Director” — a first-of-its-kind role, and one that lives on the leadership team.

In 2016, Australian Centre for the Moving Image launched acmi X to bring together Melbourne's creatives and encourage collaboration between tenants and museum staff. And Contemporary Arts Center, New Orleans recently announced plans to launch a coworking space called The Shop.

Now, here comes the accelerator

In 2016, Te Papa, the national museum of New Zealand, launched Mahuki to accelerate local startups focused on the cultural sector. From the 34 applications, 10 companies were selected to take part in the museum world's first-ever accelerator program. One of the museum's goals is that these batches of creative teams could help Te Papa address and solve some of their challenges. Each company received NZ\$20,000, as well as access to the museum's experts, collections and visitors in exchange for a 6 percent equity stake.

"Te Papa has always been a creative powerhouse, and working with these exciting companies will bring new ideas into the mix. We have done our homework and we know there is a need to support innovations for the cultural sector, both globally and locally," proclaimed the museum's CEO, Rick Ellis in his statements around the launching the accelerator.

Beyond the coworking model, museums investing in startups is very new and extremely experimental.

Why it's compelling

Rather than spending funds on home-brewed one-off initiatives that will never become sustainable or hit critical mass, this concept puts money into the hands of uber-lean companies or groups of developers who will build at a steep discount, independent of traditional museum pace, process and protocol.

It could be interesting for museums to invest in companies that help solve a unique problem they face, with a financial stake in the solution being shared and supported globally.

There are obvious synergies between museums and tech companies like Artsy, Cuseum, Electric Objects and Estimote. These startups all have some level of alignment and already have deep partnerships with art museums. A museum that invested in Artsy would likely be ecstatic to see an art-focused company that went on to raise more than \$50 million and become a market leader. And, with hundreds of museums around the globe using hardware from Y Combinator-based Estimote, is the idea of participating in their next round of funding that far-fetched?

Universities and foundations are already investing in startups; it's not that radical of a concept. Dozens of universities, including Stanford, MIT, NYU, Purdue and University of California, have all elected to invest their endowments in early-stage companies.

Stanford has been investing for more than a decade, and their portfolio includes SeatGeek, Zipline and more than 50 others. NYU's Innovation Venture Fund, a \$20 million fund founded in 2010, has put money into Clarifai, numberFire and Framed Data. Foundations like the Gates, Ford, Knight and Thiel foundations actively invest in startups, as well.

This is yet another way that museums can diversify their endowment investments, many of which are already invested across stocks, mutual funds, hedge funds, private equity and real estate — but with more skin in the new game.

Proceed with caution

None of this is core to the museum's mission. Straying too far from the basics, conceptually and financially, can have a negative impact.

In 2009, The J. Paul Getty Trust, the world's wealthiest arts institution, took a gigantic hit. The value of their endowment declined more than 25 percent in a single year. Their "alternative investments," including that of venture capital, faced criticism and management shake-ups; layoffs and budget cuts ensued.

Just look at the recent actions of the Metropolitan Museum of Art, the largest museum in the United States. Over the past few years, the museum significantly expanded their staff and overexerted itself in a variety of areas, including emerging technology. "Digital investments" were one of the areas facing scrutiny; this summer, The Met abruptly slammed on the breaks in the face of an estimated \$10 million deficit.

Museums don't traditionally have much access to early-stage investment expertise. Unless led by experienced startup investors, what is already risky becomes even riskier. With some asserting that an estimated 90 percent of startups fail, that's a tough pill to swallow. To exaggerate the point, now imagine the flavor of an investment going into a company like Theranos — ouch! Despite the hype and allure of venture investing, it's been widely reported that the majority of VCs underperform the market.

There are plenty of companies already addressing the needs of museums, and the overall downside might be too much for most institutions to bear.

Museums should lead in education but not in investment rounds, right?

There are countless seed funds that do not "lead" investments in early-stage companies. If Knight Enterprise Fund, a focused \$10 million investment vehicle under the Knight Foundation, which has a dedicated manager and advisors like Joi Ito and Facebook-founder Chris Hughes, is rarely the "first money in," why should museums be?

A \$20,000 investment from a museum could be better suited as the last \$20,000 in a \$1 million round, but even better suited for later-stage growth rounds. There are many investors that won't invest in companies unless that company has already raised more than \$500,000 or even \$1 million — it always takes way more than a founding team estimates to build, market and sell their product. Why take on the risk?

If a museum is determined to invest in startups, for the sake of financial returns, it could invest in an existing seed fund managed by experts with a track record and the resources to assist the company in its growth, or co-invest alongside them. If the institution's investment interest is driven solely for the sake of solving a problem, it would be most sensible to invest in companies that already secured significant funding and have shown notable traction and market validation.

My take on the topic

As a startup founder who is deeply passionate about museums and the arts, naturally, I'm intrigued by this movement. I'm an advocate for anything that promotes advancement, experimentation and digital evolution in the cultural sector. Stronger partnerships between startups and museums, and cause-based organizations, would have great impact. The idea of museums investing in startups represents a paradigm shift — good or bad remains to be seen.

On the less radical side of the spectrum, I think what the New Museum and others are doing around coworking is an attractive way to capitalize on a few of their “assets” (space, location, inspirational value) and foster a creative “hub” to share mutual benefits. Beyond the new stream of revenue, museum staff have access to innovators they'd otherwise be siloed off from, and the innovators have a creative environment to feed off. It goes without saying, Richard Florida would be proud. Museum-led coworking spaces promote collaboration and diverse thinking, and showcase a new type of value I'd like to see more museums exercise and take credit for: “industrial” value to the outside world.

Keep your eyes on the new ways cultural institutions are looking to spur innovation, forge partnerships and create additional revenue streams, all while highlighting their role as hubs for creative exploration into the 21st century.

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