

Forbes



J.J. Colao, Forbes Staff

All of the blood, sweat equity, and tears of entrepreneurship

ENTREPRENEURS | 3/13/2012 @ 12:03PM | 1,228 views

MassChallenge: A Colossal Startup Accelerator That's 100% Free

John Harthorne and Akhil Nigam make their living by giving things away; things like office space, mentorship and millions of dollars. As the founders of [MassChallenge](#), a [Boston](#)-based startup competition and accelerator, Harthorne and Nigam nurture 125 young companies and dole out \$1 million in grants each year. They do not take any equity in return.



SmarterShade, a company that sells electronic window-darkening technology, accepts \$50,000 in grant money.

With help from a high-powered roster of sponsors (including Blackstone Group, [Microsoft](#) and Verizon), a network of 200 mentors and one very generous commercial real-estate developer, MassChallenge hosts all 125 startups gratis for three months each summer in its 27,000 square-foot office. Along with access to the longest continuous writable service in the world (as verified by the Guinness Book of World Records), companies working out of One Marina Park Drive receive free legal counsel, PR support and targeted introductions to customers and investors. Each October, those who show the most promise get a piece of \$1.1 million in grant money.

Launched in April 2010, MassChallenge began in earnest in June 2009 when Harthorne, 37, and Nigam, 34, quit their jobs as consultants at Bain & Company to pursue their idea for a startup competition. With the U.S. economy in crisis mode, the two decided that their talents – and the country – would be better served by helping entrepreneurs than by advising big multinationals.

“We saw that entrepreneurs are the major value creators in society and we wanted to put them back at the center of the equation,” says Nigam, “The whole country was thinking about value capture. We said, ‘Why don’t we think of value creation?’”

With guidance from [Desh Deshpande](#), the former billionaire founder of Sycamore Networks, Harthorne and Nigam collected their first check in June 2009 from Greg Bialecki, the Massachusetts Secretary of Housing and Economic Development. To Bialecki, the program sounded like a great way to create jobs and strengthen the startup community in Massachusetts.

Deshpande matched the check with \$100,000 of his own and subsequent donations from Blackstone, Microsoft, the Kauffman Foundation and others helped the two to reach their goal of \$1 million in grant money by April of 2010. Joe Fallon, a local real estate developer, later donated the fourteenth floor his new high rise overlooking the Boston Harbor.

At each crossroads in the formation of the program, Harthorne and Nigam chose the path that helped more entrepreneurs, for less in return. Instead of serving as an investment vehicle for the founders, MassChallenge is free. It welcomes companies – even those in the idea stage – regardless of industry and incubates more startups than any other comparable program in the world. Those that don’t get a piece of the \$1.1 million still get three months of free perks and mentorship. According to Nigam, 2010 participants raised \$100 million and added 500 new jobs since completing the program.

“I would recommend that every startup try and get into MassChallenge, regardless of their state of development,” says alum Leonide Saad, CEO of [Alkeus Pharmaceuticals](#), a company that is studying treatments to cure blindness. “There’s just a tremendous amount of value there.”

MassChallenge applicants are judged on their potential to become “high-impact” businesses. The term is intentionally vague. Companies can invoke societal impacts, revenue, job creation, or any other metric to make their case. Previous “high-impact” businesses range from [Sanergy](#), a company that’s



Massachusetts Senator Scott Brown addresses the crowd at MassChallenge headquarters.

improving sanitation and energy access in the developing world by converting human waste into electricity, to [Abroad101](#), a website that helps college students choose study abroad programs. After submitting a two-page summary, the 300 applicants that make the first cut are invited to Boston to present a 20-minute pitch in front of a panel of local angel investors, venture capitalists and CEOs. The best 125 spend the summer at MassChallenge

headquarters, a raw, sprawling space affectionately known as the “fun floor” by the building’s corporate tenants. (For those interested, the program is accepting applications [until April 11](#) this year.)

After the October awards ceremony, graduates are invited to continue using MassChallenge’s “concierge service” as if they never left. This means that Harthorne and Nigam will harness their spidery network to connect alums with almost any figure in the Boston area, even those not directly involved with the program.

“Since it’s a non-profit, when MassChallenge reaches out it’s very difficult for an executive to say no,” says Saad. With endorsements from the governor of Massachusetts, the mayor of Boston, President Obama and a slew of corporate sponsors, busy executives rarely stand a chance.

Though there are whispers of opening a new location in [New York](#), Nigam says that for the moment, MassChallenge is focused on marketing its current program and gauging interest in other cities. By working with partners like the [Startup America Partnership](#), a privately-funded initiative to promote entrepreneurship headed by AOL founder [Steve Case](#), the founders hope to bring the MassChallenge brand on par with other, more expensive accelerator programs. MassChallenge is also working with the Russian Venture Company, a government-sponsored venture capital fund, to design similar competitions in St. Petersburg and Moscow. The fund donated \$100,000 to the program last February.

Cynical reporters like to ask if Harthorne and Nigam plan to personally invest in MassChallenge companies in the future. Though Nigam says that the two don’t presently have enough money to even consider the thought, he also notes, “At this point we’re building a very important program. We have fun and wake up excited every day.”

“We’re going to focus on that for now.”

This article is available online at:
<http://www.forbes.com/sites/jjcolao/2012/03/13/masschallenge/>