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Corporate Incubators and Accelerators: A Qualitative Investigation into Their Structures and Processes

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Abstract
Large established companies face the dual challenge to exploit their current competitive advantage in the short run, while simultaneously making provisions for more radical innovation in the long run. However, as they often experience difficulties fostering innovation, an increasing number of them have initiated incubators as a tool to reach out to startups as a source of knowledge and potential innovation partner. The phenomenon of corporate incubators and accelerators has gained considerable traction in practice over the last few years, but much less so in research. We address this dearth in literature and contribute to this emergent field of research with early theory development based on a multiple-case study. We can identify and explain the predominant innovation strategic orientation of this new type of external corporate venturing units as well as the principal processes that the key actors engage in.

Jelcodes: M13, L29
Corporate Incubators and Accelerators: A Qualitative Investigation into Their Deployment as Tools of Open Innovation

Abstract

Established companies face high pressure to innovate along with high organizational inertia and resistance to change. Therefore, they increasingly establish and use corporate incubators and accelerators to reach out to startups as external sources of knowledge and innovation partners. While the phenomenon of corporate incubators and accelerators has gained considerable traction in practice over the last years, it has done much less so in research. We address this dearth of literature and contribute to this emergent field of research with early theory development based on a multiple-case study. We identify and explain the predominant innovation strategic orientation as well as the core processes taking place in the context of corporate incubation and demonstrate how they can help large and established companies to become more innovative.

Keywords:

Accelerators; Business Incubators; Corporate Entrepreneurship; Corporate Incubators; Open Innovation

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Introduction

In light of rapid technological and environmental change and increasing complexity, many large and established companies face high pressure to innovate in order to remain viable. The dual challenge is to not only exploit current competitive advantages in the short run, but also simultaneously make provisions for more radical innovation in the long run (March, 1991). However, firms often encounter difficulties in fostering radical innovation (Christensen, 1997), for example due to organizational inertia or conflicting organizational norms and structures (Hannan & Freeman, 1984, Tushman & O’Reilly, 1996).

It is only logical to conclude that if the characteristics of the current organization are hampering adaptation, corporate venturing — i.e. the creation of new business organizations by existing organizations (Sharma & Chrisman, 1999) — should be a promising strategy to address this challenge. In fact, research explored approaches like ambidexterity through structural separation (O’Reilly & Tushman, 2008), the skunkworks model (Fosfuri & Rønde, 2009), and corporate venturing units (Hill & Birkinshaw, 2014) as possibilities to increase exploration without hurting exploitation and thus overcome this dilemma by separating new ventures from the existing corporate structure.

While aforementioned approaches of corporate venturing leverage mostly internal knowledge and creativity, a considerable amount of both is located outside of the firm (Chesbrough, 2003). Recently, however, we can witness corporations increasingly trying to leverage external ventures (Becker & Gassmann, 2006). These efforts build on the adoption of venture supporting institutions previously only known as either independent firms specialized in offering venture support services or publicly funded organizations used as tools of economic policy, namely incubators and, more recently, also accelerators, as a kind of high-powered incubators.

Both corporate incubators and accelerators can be used as an instrument for both inside-out and outside-in open innovation (Weiblen & Chesbrough, 2015). Corporate incubators and accelerators are approaches at the core of the original scope of open innovation, given that open innovation emerged in the context of external corporate venturing of big manufacturing companies (cf. Van De Vrande, Vanhaverbeke, & Gassmann, 2010). In the case of corporate incubators and accelerators, startups
particularly benefit from gaining access to several kinds of company-specific resources such as industry expertise, access to a large customer base, and sometimes seed capital. On the other hand, engaging with startups can be an important approach to reach corporate strategic goals as it allows the corporation to uncover trends early on and to possibly spot potential upcoming disruption, and benefit from startups' innovative knowledge, creativity, new visions as well as entrepreneurial spirit in various ways.

Thus, the aim of this study is (1) to investigate the specific goals and/or strategic intents that firms pursue with corporate incubators and accelerators and (2) to identify which processes make corporate incubators and accelerators successful in regards to these goals.

In the remainder of this paper, we proceed as follows. First, we establish the theoretical background in which our research is located. In the subsequent section, we lay out the research design of our qualitative investigation and explain how we carried out the analysis of the data obtained. After having developed our theoretical concepts and related them to each other, we describe the structures and processes of corporate incubators and accelerators that enable them to mediate between the corporate and startup world and demonstrate the mechanisms that allow the corporation to benefit from startups as an external source of knowledge. Finally, in the concluding section, we summarize our findings and highlight their theoretical as well as managerial implications before discussing the limitations of our study and providing an outlook for future research.

**Theoretical Background**

*What are and do Incubators and Accelerators in general*

Incubators have been important players in the entrepreneurial ecosystem since the 1950s, when the first incubator opened (Lewis, 2001). Since then, the incubator landscape has evolved continuously (Hackett & Dilts, 2004). Initially, most incubators were publicly funded and aimed primarily at economic development objectives and, to this end, provided incubatees with affordable office space and shared services (Mian, Lamine, & Fayolle, 2016). In the 1980s and 1990s the number of incubators, many of them now university-based incubators, increased significantly (Etzkowitz, 2002;
Hackett & Dilts, 2004). These incubators offered an expanded range of value-added services that included mentoring, networking and commercialization enablers. From the late 1990s a new breed of incubators emerged, which comprised private independent or corporate for-profit incubators that had a focus on start-ups in the ICT and other high-tech sectors (Aerts, MatthysSENS, & Vandenbempt, 2007; Becker & Gassmann, 2006; Hackett & Dilts, 2004). Their services put stronger emphasis on the provision of direct access to capital and specialized services in order to speed up the startups’ time-to-market and to bring start-ups, technological and commercial big players into a common network (Grimaldi & Grandi, 2005).

While over time a plethora of definitions emerged that attempted to clarify what incubators are and are not, none of these definitions gained universal acceptance (Albort-Morant & Ribeiro-Soriano, 2016). However, almost all definitions overlap on one essential feature that clearly is the most basic characteristic defining an incubator on a very general level. This feature is that incubators are organizations with the principal goal to support the establishment of new businesses. Beyond this, the disagreement on definitions starts. In part, this is due to the large heterogeneity in incubation approaches. This becomes evident, once considering the likewise rich typologies on incubators. In the most recent review on the literature regarding business incubators, Hausberg and Korreck (2017) distinguish at least 17 different typologies.

In recent years, the term accelerator has appeared more often (Pauwels, Clarysse, Wright, & Van Hove, 2016). Typically, accelerators (are a specific form of incubators. While accelerators provide education, monitoring, and mentoring to startups as also other forms of incubators do, accelerators usually support startup teams instead of single entrepreneurs and do so in a fixed-term, cohort-based manner. A very important feature for the accelerator approach to work is that accelerators connect their startups with experienced entrepreneurs, venture capitalists, angel investors and corporate executives and prepare their startups teams for public pitch events in which they pitch to potential investors (Cohen, 2013; Cohen & Hochberg, 2014; Hochberg, 2016). Although the aforementioned characteristics of accelerators appear to set them clearly apart from traditional incubators, there still seems to be confusion how to differentiate between incubators and accelerators. Hausberg & Korreck (2017) found that academia and practice uses the term accelerator often inconsistently or
synonymously with the term incubator. Hochberg (2016) notes that some organizations meeting Cohen’s (2013) definition of accelerators regard themselves as incubators and vice versa.

**From Public and University Incubators to Corporate Incubators**

Core components of incubation include selection, provision of infrastructure, business support and mediation, as well as graduation (Hackett and Dilts 2004; Bergek and Norman 2008). In order to attract applications, incubator staff must engage in marketing activities to build awareness and establish a name within the targeted industry (Aaboen, 2009). Selection criteria are then applied to filter suitable startups from a pool of candidates; these typically focus on personal experience and characteristics of the team, financial ratios as well as market factors (Lumpkin and Ireland 1988; Aerts et al. 2007). For-profit seem to review candidates rigorously by applying criteria that are similar to those applied by venture capitalists (Ford, Garnsey, & Probert, 2010; von Zedtwitz, 2003). Beyond these criteria, however, corporate incubators consider strategic alignment between their startup portfolio and their parent company as a relevant selection criterion, which is often more relevant than expected immediate financial returns.

While incubators usually offer shared office space (and other facilities) for a small rent and without a priori fixed time horizon, accelerators typically take startups in fixed-term programs in exchange for equity (Cohen, 2013; Cohen & Hochberg, 2014).

Incubation involves monitoring of performance (to prevent startups from making mistakes) and to match them with the right support as needed (Hackett and Dilts, 2004, Patton, Warren, & Bream, 2009). //To this end: Business assistance is (most effectively) provided through frequent counseling interactions; whereas such interaction between incubator managers and incubatees is (found as) fundamental for success (Rice 2002, Scillitoe & Chakrabarti, 2010). Not only relationship to incubator staff is important but also relationships among the startups: incubators should facilitate networking and cooperation among startups, which support the development of knowhow as well as the companies’ growth (Bøllingtoft 2012).

When the incubator (itself) lacks the specialized knowledge or resources required, they can assist
the startups through networking activities (Scillitoe and Chakrabarti, 2010). Externally, the incubator connects their incubatees to outside firms, government agencies, and other sources of commercial relevance (Weinberg, Allen, & Schermerhorn, 1991). Finally, the incubator helps the startups to develop appropriate exit strategies for leaving the incubator (Patton et al., 2009).

Meanwhile, corporate incubators leveraging external ideas and entrepreneurs increasingly complement (or substitute) these inward-focused ones (Kohler, 2016). Corporate incubators hence are means of both outside-in and inside-out open innovation in corporate entrepreneurship (Weiblen & Chesbrough, 2015). Corporate venturing is described as internal or external depending on whether the entrepreneurial activities result in a new organizational entity within or outside of the firm, respectively (Sharma & Chrisman, 1999), that is without specifying the origin of the entrepreneurial initiative. Research in this tradition of distinguishing internal and external corporate venturing does not explicitly consider the origin, but rather assumed implicitly corporate venturing was necessarily internal.

By contrast, another stream distinguishes between internal and external as a dimension of orientation and final placement, assuming corporate venturing always as creating new businesses from within the firm, although potentially with external partners. Hence, research from this tradition refers to internal CV in cases where the corporation creates new businesses based on own R&D and entrepreneurial effort (internal) (Burgelman, 1983) or based on entrepreneurial initiatives initiated outside the firm’s organizational boundaries (external) (Keil, 2002). While there are several studies on corporate venturing units (e.g. Basu, Phelps, & Kotha, 2016; Hill & Birkinshaw, 2014), these cover principally corporate venture capital units. Corporate incubators and accelerators, however, implement a different approach to corporate-startup engagement that often does not involve taking equity in startups. There is even less research explicitly on corporate incubators and accelerators (Becker & Gassmann, 2006; Kohler, 2016; Weiblen & Chesbrough, 2015) and no literature on the inner workings of these organizational arrangements and how they relate to innovation strategic orientation.
Methodology

Research Design and Sample

Our research addresses the ‘how’ and ‘why’ of corporate incubators and accelerators. Therefore, we applied a qualitative and explorative research design to gather answers and provide theory inductively in a way most appropriate to such type of questions (Eisenhardt and Graebner, 2007). We chose to conduct a grounded theory approach in order to support a stronger basis for theory building and gain grounded knowledge (Corbin and Strauss, 1990; Glaser and Strauss, 1967).

For our study, we adopted corporate incubators and accelerators as the unit of observation. Despite some differences (outlined above), we decided to include both types of organizations into our sample, because they are both operated in a comparable manner and initiated with the similar mission to reach out to startups for enhancing corporate innovation. The sine-qua-non requirement for an incubator or accelerator to qualify as “corporate”, and thus to be included in our sample, was that at least one corporation has considerable stake in the activities of incubator or accelerator.

We identified and collected data on corporate incubators and accelerators (e.g. via websites such as www.corporate-accelerators.net/database/), which are active in different industry sectors and in different countries. We observed heterogeneity regarding (a) the ownership structures, (b) the roles that corporations play regarding management, as well as (c) their business models. To account for heterogeneity and foster robustness, we sampled corporate incubators and accelerators that were either initiated by a single corporation or set up by a group of corporations so as to serve the needs of one particular industry sector. Moreover, we included both corporate incubators and accelerators operated by corporations themselves and incubators and accelerators operated by third parties, who have won corporations as their clients or as additional sponsors. Thus, our selection of cases aimed at increasing the variance (Miles and Huberman, 1994).

As we analyze how startups can be a source for outside-in innovation, the sample includes only corporate incubators and accelerators that scout and work with external startups. Corporate incubators or startup programs that aim to bring ideas that were born in the corporate environment and do not fit to the current core business or business model to the market as part of their inside-out open innovation
strategy (Weiblen and Chesbrough 2015), are not within the scope of our research question and were therefore not included in our sample. In total, we conducted nine interviews with nine different corporate incubators and accelerators. We present details of our sample in Table 1.

--- Insert Table 1 here ---

We summarize the different business models of the corporate incubators and accelerators that we sampled and analyzed in Table 2.

--- Insert Table 2 here ---

Data Collection

We contacted potential interviewees via email and provided them with basic information about the purpose of our research. We asked whether they were willing to participate in our study. If they agreed, we made appointments for the interviews. In most cases, we visited the premises and conducted the interview there. This allowed us to be more immersed and gain a better understanding of what it means to work in the specific context. Moreover, meeting interviewees on site helped establish a trustful atmosphere and observing body language and nonverbal communication enabled us to interpret some of the interviewees’ comments. In those cases where on-site visits were impossible, we conducted the interviews via phone or Skype. The interviews were held partly in German, partly in English, depending on the interviewee's preferences and background.

The interviews were semi-structured, i.e. based on our research questions we developed an interview guideline with starting questions for each topic section. Thus, the interviews were rather guided conversations allowing interviewees to answer openly and potentially helping us discover novel aspects that we had not considered before. As commonly advised for inductive, qualitative studies, we reviewed and — where necessary — adjusted our interview guideline questions. Finally, we stopped our data collection when we noticed that no new insights emerged and we had reached a point of theoretical saturation (Glaser and Strauss, 1967).

The interview guidelines consisted of different sections. After explaining the research purpose, we first started exploring the interviewees’ background as well as information about the relationship
between the corporation and the corporate incubator or accelerator as well as how and why it was initiated. Second, we asked the interviewees about a description of their operational processes, i.e. how they define and search suitable startups and what they do within incubation or acceleration period. Third, we moved towards questions on how the corporate incubator or accelerator mediates engagement between startups and the corporation. Our last section dealt with the use of incubators as a tool for external knowledge search.

We conducted the interviews within the period from June to December 2016. In six out of the nine interviews, both researchers participated in the interviews. With the interviewees' prior consent, we recorded the interviews and transcribed them. All interviews ranged from 0:40 hours to 1:45 hours with a mean of roughly 1:15 hours. For the purpose of triangulation, our research also included analysis of further documents such as field notes on observations and informal discussions, presentation slides provided by the interviewees, press releases, information from their websites, as well as relevant articles in public media.

The cases of our multiple-case design are the different corporate incubators and accelerators, each unit being one case as indicated in the pertinent literature (Miles and Huberman, 1994). Below we describe in detail the different steps and the coding that we carried out as suggested in literature (Eisenhardt & Graebner 2007). In practice, we followed a rigorous qualitative coding approach (Gioia, Corley and Hamilton, 2012) applying the open and axial coding as suggested by Corbin and Strauss (1990). This approach to qualitative empirical investigation and analysis was successfully used also in previous studies on similar topics (e.g. Basu et al. 2016). In a first step, we conducted a within-case analysis in order to understand motivations and discern the variety of interactions and processes happening between the major actors involved, i.e. the corporate incubator or accelerator itself, the corporate parent, the incubatees, as well as other actors in the ecosystem. Relevant quotes within the transcripts were labeled with open codes. In a second step, we related these codes to each other and identified first-level categories. Finally, related categories were aggregated into second order concepts.
Results

Why do corporations found incubators and accelerators?

We asked all interviewees about the motivations of the corporate parent to initiate or fund the incubator and found their intentions mainly strategic in nature. That means that in most cases financial goals played a less pronounced, rather secondary role. Typically, the expectation was merely that the amount of money invested flows back over a certain period of time, if at all. Very much in line with previous research, the main intention when setting up incubators is to foster corporate innovation. In addition, some corporations use their engagement with startups as a chance to present themselves as more innovative towards their customers and the general public. Even though marketing goals are not the primary purpose of setting up a corporate incubator or accelerator, companies embrace the opportunity to generate a positive, innovative image for the company, for example through references to these activities by top management staff in interviews or through press releases. For example, one interviewee described this benefit as follows:

“It's kind of a way for [corporation] to showcase (...): 'Look what we're doing! We're doing something innovative! We're involved with the startups!'”

Beyond these general objectives, we could identify subtle distinctions within the orientation of corporate incubators and accelerators. Some are more oriented towards the exploitation of existing knowledge, while others were following a more explorative approach. Moreover, some corporate incubators appeared to act more alike to early-stage investors with a strategic component.

Corporate incubators and accelerators following a rather exploitative orientation seek to collaborate with startups and build up relationships to make them future suppliers or customers. Integrating products and services of startups amplifies the established firm's own product-market range and improves their offer. Moreover, it can help a large and established corporation generate leads and additional revenue. When such corporate incubators search for startups, they tend to have a rather narrow topic focus.

By contrast, corporate incubators and accelerators with a rather explorative orientation recognize that their sector is subject to fast, possibly even disruptive, changes. Activities of these kinds of incubators and accelerators allow the corporation to find out what is happening in their environment
and to possibly spot disruption, which could have a dramatic effect on their core business by, for instance, making their own products and services redundant or cutting them off from customers or suppliers. Therefore, corporate incubators and accelerators following an explorative approach take a broader perspective and seek to understand trends and upcoming changes at the periphery of their sector. Such incubators would even engage in collaboration with startups that might attack their own business model. As one interviewee indicated:

"If tomorrow a startup comes and says "We'll make [corporation] superfluous". If all criteria are met, I will say "Of course we'll do that!" And the chance for [corporation] is to look at it and talk to them and see if it is really possible and to perhaps draw early conclusions. But stopping it is not an option."

The inner workings of corporate incubators and accelerators

After the decision to initiate or sponsor an incubator has been taken, the initial setup involves establishing interfaces, which ensure accessibility, and connectivity to allow for exchange and interactions between the corporations and startups to take place. Metaphorically speaking, one interviewee said:

“So it's like in space, you have a spaceship and then you have the satellite and it should make ‘click’.”

One of the first steps involves hiring staff that is responsible for the management of the corporate incubator or accelerator. The main task involves communicating with both sides, the corporation as well as the startups. However, this task does not appear trivial since there seems to exist a significant cultural gap between both large established companies and young startups. This cultural gap manifests itself in different ways of problem solving, different mindsets, or colliding thought worlds (Dougherty, 1992). Several interviewees mentioned that corporations as well as startups speak different languages, making it difficult to understand each other. Overcoming these deeply rooted differences is very hard and takes time.

We found that therefore managers working in a leading role for the incubator often have a simultaneous affiliation with the corporation. For instance, incubator managers are often members of the corporation’s innovation management team or work as one of the corporation’s technology scouts, or even as the corporation’s chief development officer (CDO). Such a double function is somewhat...
similar in its effects to that of gatekeepers and boundary spanners (Leifer and Delbecq, 1978; Tushman and Katz, 1980). Members of organizations learn such organizational peculiarities through a process of socialization, which creates joint history and shared experiences that play an important role for successful bridge building and cooperation (Nonaka, 1994; Pascale, 1985).

Beyond the aspect of such double affiliations, staff needs to be qualified to moderate between the two worlds. As described by one interviewee, this requires understanding for the characteristics of both corporate and startup actors:

“The [corporation] looked for someone who was able to build a bridge between these two worlds, between the startups on the one hand and the established corporation on the other, who both have their culture, history, peculiarities.”

We found that incubator managers have very similar professional profiles and experiences that qualify them for this role. On the one hand, they have often worked for many years in the corporate parent or in the relevant sector in order to be able to speak to a large and established corporation. Building on such extensive experience, they are not only familiar with the "pain points" of the corporation, but already have established relationships to contacts in-house and within the corporate network. Thus, incubator managers with such qualification know whom to contact and how to talk to them if startups need corporate support.

On the other hand, incubator managers seem qualified to speak to startups if they themselves had successfully founded their own business, engaged as intrapreneurs, or managed another incubator before. Hence, they themselves have an entrepreneurial mindset and are familiar with typical problems of entrepreneurs and ideally know how to tackle them or where to find help. In addition, having a background in strategy consulting or communication appears to be a useful qualification for successful work as a corporate incubator or accelerator manager.

At another level, incubators interface with the corporation through institutional links to internal units. In most cases, incubators are institutionally connected to strategy, innovation or business development units of the corporation. This means that corporate incubator managers report to, and work closely together with, internal staff working within these units. In some other cases, the incubator was connected to corporate units responsible for digitalization or alliance management.
In addition, we found that often other corporate units or initiatives exist, which complement the incubator’s activities. They include, for instance, related incubators and accelerators in other locations or with different thematic focus, internal units scouting for cooperation partners in other areas such as academia or corporate venturing vehicles, which select suitable startups for investments. Finally, incubators are often in exchange with other innovation initiatives or even informal “innovation hubs” that share a similar mission.

While corporate incubators benefit from close personal and institutional connections with the corporation, being legally tied to the corporation does not always appear useful. Corporate incubators and accelerators are either set up as units or projects within the existing organizational boundaries or established as independent legal entities. However, the fact that many interviewees stressed the need for flexibility and the requirement to run the incubator itself like a startup, provides an argument in favor of founding corporate incubators and accelerators as separate legal entities. In particular, interviewees argued that as independent entities, corporate processes (e.g. requiring approval from legal or controlling departments) do not interfere with or hamper the operations of the incubator or accelerator. However, the case may be different for medium-sized companies. In particular, if the company is run by its owner, s/he can grant more autonomy and freedom to operate and shield the corporate incubator or accelerator against organizational inertia.

Altogether, the picture that emerges is that interfaces between corporation and incubator should be carefully designed as to allow for operational and legal autonomy while maintaining smooth interaction through informal and formal connections to internal units and through incubator staff fulfilling a double function in knowing both the corporate and the startup needs.

Before the corporate incubator or accelerator can resume its work, it must be clear what themes and technologies are relevant and which kind of startups the corporate incubator or accelerator is supposed to search for. Thus, a common understanding of the needs of the corporation that is initiating or sponsoring the incubator or accelerator is required. For instance, one interviewee told us that they regularly meet with responsible business line managers to discuss and together search for themes and specify which startups to search for. In another case an incubator manager and a corporate manager jointly went on a field trip to the Silicon Valley:
"I convinced my CEO to make a little study tour to the Silicon Valley, which was something that we very much shaped to our needs. So we only met people and talked about the future of news and information."

However, this does not happen as a one-off activity, but needs to be conducted on a continuous basis as new trends come up, as new actors and new technologies emerge and new developments in the market as well as the broader business environment occur. Thus, not surprisingly, all interviewees emphasized the importance of staying informed about trends and developments in the market as well as their external environment. Doing so involves absorbing a lot of insights and pieces of information from different information sources. These include, for instance, online and print magazines, social media feeds, and online communication channels, where also corporate employees and investors are invited to share their opinions. However, networking appears to be the most effective channel for getting new information and incubator staff frequently joins all kinds of events or engage in online communities with peers. One interviewee stated:

"You try to be present in the ecosystem, talk to people, also informally, about things you won't find online. So you hear what people are planning to implement and sometimes you discover exciting things that will be implemented. In this case, we of course play that back to the [corporation]."

In this sense that corporate incubators and accelerators pass back valuable information to the corporation, they fulfill a valuable corporate foresight function. They are on the edge of what is happening and they recognize early which new startups, which new technologies, what kind of new business models could affect (possibly even in a disruptive manner) the core business of the corporation in the future. The activities of the incubator can be seen as an early warning system, which may help the corporation draw strategic conclusions and act early on emerging threats as well as opportunities.

Moreover, we discovered differences in the strategic orientation practices of exploratively and exploitatively oriented incubators. Corporate incubators and accelerators with a more explorative orientation tend to engage in a more intense strategic orientation process and take a rather holistic perspective as to consider developments in the broader political, social, or regulatory environment. For instance, a corporate accelerator, which is active in the media sector but is keeping an eye on startups in areas quite distant from its own sector:
"We come of course from the media, because these are our strategic investors. We see their interest and their needs and from there we look of course to the right side and to the left side as well, not only media. And then we suddenly see, well, there is maybe something that comes from the hardware side or from the fintech side or whatsoever. If we see there is a bridge or a contact to what we regard to be the future of media models then it could be interesting."

Another interviewee, who manages a corporate incubator/accelerator with an explorative focus, indicated that they preferably target startups, which open up entire new trends. In contrast, we found that exploitatively oriented corporate incubators and accelerators rather search for startups, which are active in fields in which the corporations seek to enter.

When it is clear which startups, ideas and technologies are relevant to the corporation, the incubator team can gear its marketing efforts to directly address and scout for suitable applicants. In order to promote their offering, corporate incubators prepare communication campaigns, which, for instance, include sending mailing lists, placing articles in relevant classic and social media, holding presentations at coworking spaces or various kinds of events (conferences, lectures, meetups, hackathons, etc.), or asking mentors and previous incubatees to promote the incubator within their personal networks. Using these different channels incubators seek to encourage a high number of quality applications, which has been identified by Patton et al. (2009) as a key success factor. In addition, most incubators also proactively scout and contact additional startups that appear to fit the previously identified search profile.

Some corporate incubators expect all interested startups to enter into their formal application procedure, while others conduct rather informal talks when meeting interested startups at conferences. Either way, the corporate incubator staff carries out a first filtering to sort out applicants with little potential or where a potential for collaboration is clearly not given. In the next step, incubator staff often invites startups to initial talks or phone calls, where the aim is to get a better understanding for the product and problem, to see if the team is manageable and to evaluate possible collaboration opportunities with the corporation. The main criterion during this evaluation, the fit, was described as follows by one interviewee:

"Then of course the question is: Does it fit? Do they have an idea, a product, a problem to solve that fits to our target direction? So does it make sense if they are here in the [corporation] accelerator or should they go elsewhere? It may be a good team, but if it doesn't fit their focus, then it doesn't make sense if they're here with us."

Afterwards, a shortlist of applicants that appear most qualified to work with the corporation is
drawn up. These startups are evaluated by an extended group of people, who typically involve corporate employees from operative units or experts (e.g. software, media, user experience) and sometimes even corporate customers. For instance, corporate employees are asked to evaluate the startups’ business model for regulatory obligations or to provide technical assessment on the product. Final decisions regarding the selection of startups are taken by a committee, in which corporate managers usually participate.

In some cases, incubators and accelerators organize pitch events, where corporate representatives are invited to attend. While startups pitch, the audience evaluates (sometimes using online tools) startups regarding their financials, team, market and product. In case of an incubator/accelerator, whose focus was more on scouting the suitable startups on behalf of corporations, a core task was to give feedback to participants, follow up on contacts established there, and make sure that contact will continue. The interviewee stated:

“That's a big part of our job: making sure that we're staying on top of relationships and so that nothing gets dropped. So that [corporation] doesn't come to us and say "I don't know, I met him, but it didn’t go anywhere". That's our job to say, you know, to keep pushing them and say "What did they ask you for? What's something you can improve on? Where you supposed to send him a deck?" So, managing those relationships is a big part of our actions with startups.”

Summarizing these findings, we found that large and established corporations exert strong influence on the decision which startups to finally select for intake to the incubator.

After eligible startups have been selected, we found that corporate incubators and accelerators provide them with the same core components as identified by Bergek and Norrman (2008), which include provision of infrastructure, business support and mediation. However, in the case of corporate incubators and accelerators these components tend to be more company-specific.

Most corporate incubators or accelerators provide startups with office space either at the site of the corporation or in a separate building or a coworking space. In the latter case, incubated startups may benefit from being close to peers who face similar problems. Corporate incubators and accelerators are often located close to the ecosystem that is closer to, for instance, other actors within the startup scene, universities and research institutions. The advantage is that they can more easily attract talent and attention from potential third party investors or benefit from resources and infrastructure that is already available there. In addition to office space, we found that corporations
often grant access to resources such as technical equipment (e.g. hardware, software, access to laboratory devices) or data owned by the corporation. Moreover, some corporate accelerators also provide startups with seed funding (partly in exchange for equity).

A key task of incubators and accelerators is to monitor the performance of startups and provide support as needed. Thus, staff meets and talks to the startups regularly, to hear their needs and find out what they need. Corporate accelerators usually have a strong focus on education and mentoring, either as part of a fixed program or to work with the startups in individual sessions. In some cases we corporate top managers acting as mentors. In some instances, corporate incubators or accelerators partner with third parties who are in charge of implementing the mentoring program.

Another big part of incubation is managing relationships, which include relationships of startups among each other, relationships with the external network (which includes, for instance, service providers for tax and legal issues or other investors) as well as the network within the established corporation. Corporate incubators and accelerators host several or a batch of startups, and creating an open environment and fostering a trustful atmosphere among each other is helpful as they can learn from each other. When startups need additional support, they can approach incubator staff to help them open doors and bring startups in contact with corporate people with relevant knowledge. This is particularly valuable because it provides shortcuts, since it is otherwise very difficult to find and connect with the right people inside the corporation. On the other hand, incubator and accelerator staff can connect startups with knowledgeable employees or technicians within the corporate business units, who can provide relevant industry expertise or technical feedback. Another important part of mediation done by corporate incubators and accelerators is to connect the startups with their own customer base.

In addition to infrastructure, business support and mediation we identified corporate-startup engagement as an additional component, which is specific to corporate incubators and accelerators. Different kinds of interaction and collaboration take place, which do not only benefit startups, but also enable established companies to benefit from the creativity, new visions as well as entrepreneurial spirit of young ventures as part of an open innovation strategy. Within the context of such startup-corporate engagement, the task of the corporate incubator or accelerator is to manage expectations and
to make sure that activities run smoothly.

One possibility to bring both "worlds" together is through fostering informal exchange and offering platforms for them to connect and start mingling. One obvious way of doing so is through locating startups on the site of the corporation. Even in case no formal collaboration takes place (yet), informal exchange is likely to occur due to physical proximity. As corporate and startup employees bump into each other at the coffee machine or while smoking, they often start talking. This sometimes leads to conversations about their work, which can help employees from both startups and large corporations get valuable input:

“In the breaks, when they go out to get a coffee or to smoke, whatever, they exchange with our engineers and then certain approaches to solve problems emerge. That is not only a benefit for the startups, but also a clear benefit for us. Because new ideas and approaches are instilled in the heads of our settled engineers as well.”

Beyond the provision of offices and coworking space, corporations can afford social rooms or recreation areas (such as volleyball fields or ping pong tables) where corporate and startup employees can come together and intermingle.

Moreover, some corporate incubators and accelerators organize events such as socializing or topic-specific events as a platform for startups and corporate people to meet each other and start dialogue. For example, one interviewee told us that they frequently host events, where they invite sector experts to hold presentations on topics that are of interest to both corporate and startup personnel. Sometimes connections established at these kinds of events provide the basis for new projects or new collaborations are initiated.

Moreover, some corporate incubators and accelerators organize visits for corporate employees and managers to come over and to get to know and discuss with startups.

Even before startups are selected as participants of a corporate incubator or accelerator, they can participate in event formats which are, for instance, called hackathon, startup weekend or bootcamp. During one or a few days, they can work together with corporate staff on a certain theme or challenge that reflects a corporate need or problem, which has been specified in advance. At the beginning of the event, participants present their ideas and form teams to elaborate on these to develop innovative solutions and prototypes. During the event, which the corporation may want to host at its premises,
corporate employees can provide support to the teams. At the end of the events, teams pitch their results and can win prices and perhaps continue their collaboration afterwards.

For instance, one interviewee told us they regularly organize hackathons, where classical engineers of the IT department of established firms work together with young hackers together in a team to develop prototypes. He referred to these events as "an icebreaker for the digital transformation" of established companies and described the impact of working together as follows:

“They see what could we all achieve if we would permanently work with these people that have no legacy, that have an open view on problems. Whilst the old people from the classical organizations are always in these very narrow way of viewing the world.”

While startups often face difficulty finding an environment for testing their products or services, corporate incubators and accelerators can help them acquire partners for test runs or to arrange possibilities for testing their products or services within the company as a real-life environment. While the startups receive valuable feedback for continuous improvement, the corporate staff gets in touch with startups. One interviewee stated:

“This is a process (...) from that both sides profit extremely. Because the startup needs this feedback in the testing process as badly as the company needs the feedback and the experience to work with the startup. So it's a real win-win.”

If successful, a test scenario can possibly be enlarged and more projects may follow. At a later stage even external corporate customers may be integrated to test the startups' product or service or to participate within focus groups.

Another possibility is to engage in co-creation, where staff from both corporation and startup collaboratively builds something together. When startups start co-creating, staff from corporate incubators or accelerators is responsible for overseeing the project and making sure that, for instance, deadlines are met. Project management also involves standup meetings, feedback talks and finally a lessons learned session at the end for evaluation.

At the end of the incubation or acceleration period, startups graduate and move out of the incubator or accelerator. However, corporations can exert significant influence on the further path of the startups. Being part of a corporate incubator or accelerator can provide a stage for the startups, and if startups successfully present themselves during the incubation or acceleration period, it can be the start for further collaboration. One interviewee expressed it at follows:
“When the startups find a good use and fertile ground in [corporation], then there is the possibility to continue. (...) But there is no guaranty for that. That’s to say: there’s a chance for that.”

Thus, under certain circumstances, the collaboration between corporation and startup can be continued and take further steps.

Corporate accelerator programs usually end with a pitch event, which is often called a "demo day". Here, startups demonstrate what they have accomplished in previous months. Corporate stakeholders are in the audience and decide on the further possibilities to fund or work together with the startup. In incubators resembling more the early VC model with strategic component and where the incubation period is used to do the due diligence, investors will decide about potential investment. Moreover, corporate incubators and accelerators can bring incubatees in contact with additional funders.

--- Insert Figure 4 here ---

Discussion and Conclusion

The aim of this study was to describe and analyze the inner workings of corporate incubators and accelerators. These very recent organizational forms are chimeras between external corporate venturing units like company builders and independent private or public incubators and accelerators. Many corporations today routinely use external corporate venturing units, as we discussed above, with the intention of strategic renewal, in order to overcome the innovator’s dilemma, or simply the own organizational inertia. However, while for the most common approaches to external corporate venturing, research investigated the processes and their performance effects, no study so far investigated in detail the structures and processes underlying this most recent phenomenon of corporate incubators and accelerators.

Our contribution therefore is timely and highly relevant to the field of innovation management in general and corporate entrepreneurship in particular. An initial finding is in line with the very scant previous literature, namely that in most cases direct financial goals play a secondary role at the level of the incubator or accelerator and the focus is clearly on strategic goals to further the agenda of the corporate parent (Kohler, 2016). Additionally, however, we find that most corporate incubators and
accelerators are rather exploitative in nature although they explore ventures outside the core competencies of the incubators’ corporate parents. This is because in most cases, corporations establishing such units try to leverage their current core competencies with complementary solutions offered by innovative startups. Moreover, we identify several broad processes that the major actors carry out in the context of corporate incubation and show how these interrelate.

Beyond these contributions to early theory development regarding this very recent phenomenon, drawing any managerial implications at this point would be unreliable. In fact, the phenomenon is so new, that only very few active corporate incubators are older than a few years. This limited sampling considerably. What is more, only two of the sampled incubators had explicit criteria and measures for their own success in form of key performance indicators. This made an investigation of the effectiveness of the identified processes impossible. However, in order to provide more complete picture of the phenomenon as well as the possibility to choose the right processes or improve the processes in place, it is fundamental to connect them empirically to performance measures. This is, hence, the most urgent and relevant direction for future research.
Bibliography


Tables and Figures

Table 1: Incubator sample

<table>
<thead>
<tr>
<th>CI/CA</th>
<th>Sector</th>
<th>Region of Incubator</th>
<th>One or many parents</th>
<th>What is the role of the corporate/s?</th>
<th>Independent or integrated</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Media</td>
<td>Northern Germany</td>
<td>many</td>
<td>Incubator was initiated for a group of corporates from targeted sector</td>
<td>independent, integrated</td>
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<tr>
<td>2</td>
<td>Pharma</td>
<td>Northern Germany</td>
<td>one</td>
<td>Corporate is single initiator</td>
<td>integrated organizational entity, integrated organizational entity</td>
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<tr>
<td>3</td>
<td>Electronics</td>
<td>Germany</td>
<td>one</td>
<td>Corporate is single initiator Corporates within targeted sector are incubator's clients</td>
<td>independent, integrated organizational entity</td>
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<td>4</td>
<td>Aerospace</td>
<td>CA, USA</td>
<td>many</td>
<td>Corporate is initiator, runs program with partner</td>
<td>integrated organizational entity</td>
</tr>
<tr>
<td>5</td>
<td>Tech</td>
<td>Northern Germany</td>
<td>one</td>
<td>Corporate is single initiator</td>
<td>independent organizational entity</td>
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<tr>
<td>6</td>
<td>Banking</td>
<td>Southern Germany</td>
<td>one</td>
<td>Corporate is single initiator</td>
<td>integrated organizational entity</td>
</tr>
<tr>
<td>7</td>
<td>Digital</td>
<td>Israel Northern</td>
<td>many</td>
<td>Corporates are sponsors/founding partner</td>
<td>independent integrated organizational entity</td>
</tr>
<tr>
<td>8</td>
<td>Banking</td>
<td>Germany</td>
<td>one</td>
<td>Corporate is single initiator</td>
<td>integrated organizational entity</td>
</tr>
<tr>
<td>9</td>
<td>Commerce</td>
<td>Germany</td>
<td>one</td>
<td>Corporate is single initiator, runs program with partner</td>
<td>integrated organizational entity</td>
</tr>
</tbody>
</table>

Table 2: Business models of corporate incubators and accelerators

<table>
<thead>
<tr>
<th>CI/CA</th>
<th>Cohort-based</th>
<th>Strong focus on mentoring</th>
<th>Office space</th>
<th>Funding</th>
<th>Primary source of funding</th>
</tr>
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<td>yes</td>
<td>yes (external)</td>
<td>yes</td>
<td>Equity</td>
</tr>
<tr>
<td>2</td>
<td>no</td>
<td>no</td>
<td>yes (at corporate site)</td>
<td>no</td>
<td>Rent</td>
</tr>
<tr>
<td>3</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>Rent</td>
</tr>
<tr>
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<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>Subscription fees</td>
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<td>yes</td>
<td>yes (external)</td>
<td>yes</td>
<td>No equity, rent, etc.</td>
</tr>
<tr>
<td>6</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>Equity</td>
</tr>
<tr>
<td>7</td>
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<td>yes</td>
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<td>yes (at corporate site)</td>
<td>yes</td>
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</tr>
<tr>
<td>9</td>
<td>yes</td>
<td>yes</td>
<td>yes (external)</td>
<td>yes</td>
<td>Equity</td>
</tr>
</tbody>
</table>
**Figure 1: Initialization and Incubation Codes and Concepts**

- **Underlying codes**
  - Advertising in (social) media
  - Presenting at events, conferences
  - Networking
- **First-order categories**
  - Contact formation
  - Filtering & Selecting
  - Monitoring & Mentoring
  - Managing own network
- **Second-order concepts**
  - Incubation/ Acceleration
  - Initialization
- **First-order categories**
  - Ramping up the unit
  - Sense making
- **Underlying codes**
  - Giving permission for setup
  - Decisions on where to locate
  - Hiring management team
  - Building awareness of corporate needs
  - Scouting + evaluating new trends
  - Exchange over new ideas
  - Specifying strategic orientation of the program

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**Figure 2: Corporate Engagement and Controlling Codes and Concepts**

- **Underlying codes**
  - Providing technical support
  - Acting as mentor/sparring p.
  - Getting to know corporate vs. startup culture
  - Providing seed capital to startups
  - Providing office or lab space
  - Providing access to data, technical equipment, etc.
  - Doing test runs
  - Focus groups and test customers
  - Joint development
- **First-order categories**
  - Knowledge exchange
  - Resource/Network provision
  - Co-creation Testing / POC
- **Second-order concepts**
  - Direct Corporate Engagement
  - Corporate Controlling
- **First-order categories**
  - Controlling search
  - Controlling selection
  - Controlling graduation
- **Underlying codes**
  - Specifying selection criteria
  - Making specific requests what to look for
  - Staffing selection committee
  - Grading/commenting applications
  - Attending pitch events
  - Deciding about continuation of collaboration
  - Attending demo days
  - Doing due diligence
Figure 3: Mediation and Interfacing Codes and Concepts
Figure 4: Actors in the Corporate Incubation Process