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# How incubators integrate sustainability in their mission of supporting new ventures: a comparative case-study

*Research-in-Progress Paper*

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## **Abstract**

Business incubators can be catalysts for sustainable development if they integrate sustainability into their mission of entrepreneurial support to start-ups, from selection to the end of the program. The focus on supporting sustainable entrepreneurship is a new phenomenon in business incubators. Unfortunately, the risk is that the integration of sustainability goals is merely a legitimization strategy rather than an established element of the incubator's activities. Hence, this study proposes a comparative case study of three business incubators that showed interest in sustainability to see to what extent this focus is integrated into their entrepreneurial support system.

**Keywords:** Business incubators, sustainability, support programs, sustainable entrepreneurship

## **Introduction**

Business incubation is an established and important activity in the actual entrepreneurial ecosystems (Theodoraki, Messeghem and Rice, 2018), and the focus of sustainability-related challenges – such as climate change, biodiversity loss, or the fight against social inequalities – in supporting the creation and formulation of new ventures is relatively a new phenomenon. A growing number of incubation programs are related to the concept of sustainable development (Wagner et al., 2019), as a matter of personal or corporate responsibility to address key societal challenges and to contribute to the Sustainable Development Goals (SDGs) (United Nation, 2004; UN General Assembly, 2015), or to catch business opportunities coming from future rising markets (Fichter and Hurrelmann, 2021). Moreover, since incubators harbour firms in the early development stages of their business model development and formulation, they have considerable potential for influencing their tenants and boosting their sustainability impact (Klofsten, Bank and Bienkowska, 2016; Fichter and Tiemann, 2020).

However, the risk is that the sustainability focus may be more a legitimating strategy than an integrated mission in the selection and support of new businesses, which would limit the creation of new ventures with a balanced impact and of sustainable entrepreneurial ecosystems.

Despite the urgency of the theme, in the literature few studies have focused on sustainability in incubators in general (e.g., Fonseca and Chiappetta Jabbour, 2012; Bank and Kanda, 2016; Wagner et al., 2019), and on assessing the integration of sustainability in incubators' support programs in particular (e.g., Klofsten and Bienkowska, 2021).

Owing to these gaps in the literature and to the societal need for sustainable solutions, research on incubators is timely (Bank and Kanda, 2016). Hence, to fill these gaps, this research proposes an empirical study focusing on how incubators deal with sustainability-related aspects in their mission of supporting new ventures. A particular interest is devoted to the questions of to what extent and how do incubators integrate sustainability-related aspects in the selection phase and in the support for the development of new ventures. This is done through a comparative case study based on qualitative interviews and additional triangulated sources related to three different incubators operating in the same entrepreneurial ecosystem, in the region of Montpellier (France). These three incubators are considered representative for this study. Indeed, they are important actors in the regional ecosystem, and they talked about sustainability-oriented topics on their web pages, showing interest in sustainability-oriented entrepreneurial support.

## **Theory**

### ***Business incubators***

Business incubators can be thought of as hybrid organizations rising from the collaboration among university, industry, and governmental entities. They are enterprises recognized to act as catalysts for regional or national development (Rubin, Aas and Stead, 2015), as they are important components of the innovation process (Hausberg and Korreck, 2020). The primary goal of incubators is to support new ventures (van Rijnsoever, 2020), by providing several services and support to early-stage ventures (Anna Bergek and Norrman, 2008).

The typical incubation process is divided into four phases (Millette, Eiríkur Hull and Williams, 2020). First, entrepreneurs develop ideas for potential new ventures. Second, depending on the criteria adopted, the incubators choose the entrepreneurs and ideas for initial support. Third, the incubators assist the firm in developing its business model, while identifying investors. Finally, in the last phase, the projects obtain financing and prepare to face external conditions.

To help new ventures develop their business and competitive advantage, incubators typically provide tenants with tangible (e.g. space, shared equipment, and administrative services) and intangible (e.g. knowledge, network access) resources during a flexible period (Bruneel et al., 2012; Baraldi and Ingemansson Havenvid, 2016; Eveleens, van Rijnsoever and Niesten, 2017; Maus and Sammut, 2018). As already mentioned, the concept of sustainability has gained more interest in business incubation lately (e.g., Bank, Fichter and Klofsten, 2017; Theodoraki, Messeghem and Rice, 2018; Klofsten *et al.*, 2020). To provide an adequate support for the creation of sustainable business models, incubators should align their mission, selection methods, and activities of support programs to the goal of delivering a balanced impact to the environment, society, and the economy, considering the limited time and resources is not an easy task. However, in the literature few studies focus on this issue, which requires investigation.

### ***Sustainable entrepreneurship and sustainability impact***

Sustainable entrepreneurship is based on and related to the triple bottom line (Elkington, 1998), i.e. environmental aspects, taking into account long-term protection and reduction of negative impacts, (2), social aspects, where attention is paid to partners, workers and communities, and (3) economic aspects, which are based on economic performance. In this sense, sustainable entrepreneurs are nowadays considered to be agents of change who strive to seek a balance between economic profitability, social well-being, and environmental protection, also called sustainability impact. To favour the establishment and growth of sustainable businesses, public and private support organizations have been established, that connect entrepreneurs with opportunities and networks in their ecosystem. To support sustainable entrepreneurship, business incubators should provide services aimed at creating a sustainable business model and at generating sustainability impact (Velter *et al.*, 2020). For this aim, business incubators can adopt different tools and frameworks to help tenants in their sustainable business model development, which are indented to outline the sustainability orientation, extend the value creation, adopt systemic thinking, and integrate stakeholders (Lüdeke-Freund *et al.*, 2018). However, not much is known about the adoption of such tools in business creation and entrepreneurial support, since empirical and case studies are rare (Evans *et al.*, 2017).

### ***A conceptual model for evaluating the integration of sustainability***

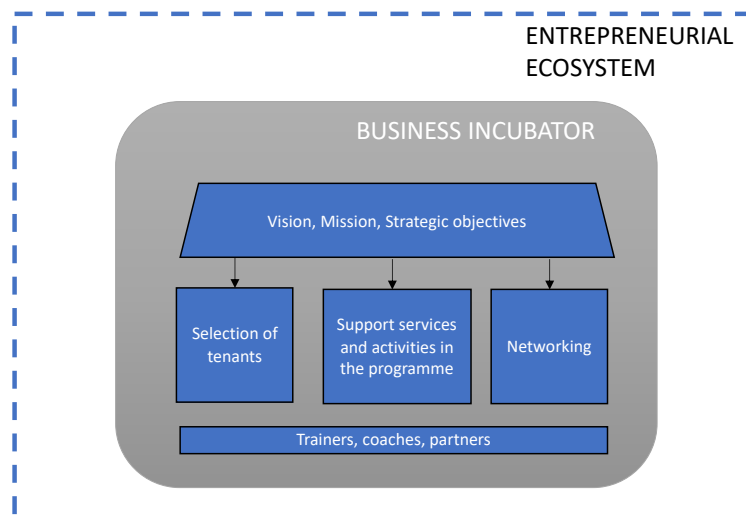
To see how incubators integrate sustainability in their mission of supporting new ventures requires a conceptual framework aimed at structuring relevant aspects and fields to consider.

Based on the literature, the proposed conceptual model differentiates the external 'entrepreneurial ecosystem' in which an incubator is embedded and with which it interacts and the internal elements of an incubator. With entrepreneurial ecosystem are meant the actors operating in the incubator local geographic community committed to facilitating the creation of

new sustainable ventures (Cohen, 2006). With regard to the internal elements of an incubator, Klofsten *et al.*, (2020) point to the importance of strategic specialization for sustainable entrepreneurship support. This relates to the vision, mission, and strategic goals as well as the culture of the supporting organization. It can be analyzed to what extent sustainability objectives are integrated into the incubator's strategic framing. If sustainability is anchored in an organization's framework, it can be assumed that it drives the activities and practices of the incubator considerably.

Business incubators can widely differ in their selection strategies, support services, and networking (A Bergek and Norrman, 2008). Hence, these three activities offer a high potentiality of integrating sustainability aspects. First, in the selection phase, the nature of the selection criteria business incubators in selecting tenants and the extent to which sustainability orientation and sustainability impact are considered to seem crucial. Support services depend on the overall design of the incubation process, and they have the objective of defining and testing the tenants' business model while providing them with resources and networks. Process design is a core element of the incubator activity and offers many opportunities for sustainability integration. For example, by systematically integrating aspects such as sustainability impact awareness, sustainability impact identification, and sustainability impact assessment into business model definition and development. In this process, also the adoption of certain tools and methods in business support are key fields for integrating sustainability in incubators. In recent years, literature on sustainable business model development has increased significantly (Lüdeke-Freund *et al.*, 2018), thus training and coaching managers can draw on these in incubation programs to ensure a systemic integration of sustainability (Fichter and Hurrelmann, 2021). Finally, networking activities are a key field of incubator activity. Considering sustainability integration, one important aspect is the matching of businesses with partners sharing the same vision and mission in relation to sustainability and the provision of access to specific sustainability know-how.

Figure 1 shows the just-described conceptual framework.



*Figure 1 Conceptual framework for analyzing the integration of sustainability in business incubators. Adapted from Fichter and Hurrelmann, (2021)*

## **Research Methodology**

### ***Research design***

Considering the aim of the study, an exploratory research design is appropriate. Therefore, a qualitative multiple case study was used as the research design methodology, as it allows us to compare the different levels of sustainability integration in business incubators, which we considered representative of the study. It is worthwhile noting that this methodological approach is common in social science and entrepreneurship, and has already been used for research in the same domain (e.g., Fonseca and Chiappetta Jabbour, 2012; Bank, Fichter and Klofsten, 2017). The research design is based on the phases defined by Yin, (2012) using qualitative data to inductively generate an investigation of the different integration levels.

For this study, we chose to compare incubators operating in the same region for a matter of coherence of institutional settings and access to resources. Hence, we selected Montpellier both because of easy access and since it is a city hosting one of the most important French entrepreneurial ecosystems (Theodoraki and Messeghem, 2017). Out of the seven public incubators operating in the region, we identified three representative incubators for this study, selecting incubators talking about sustainable development or sustainability-related topics on their web pages to compare how these actors integrate the concept in the different fields.

### ***Data collection and analysis***

Data collection was performed through the analysis of primary data (as interviews) and secondary data (as external documents and resources). For the primary data, structured interviews were conducted. Up to now, nine interviews were done with the incubators' directors and managers for sustainability impact. Each interview lasted for approximately 50 minutes. They were recorded in full; notes were taken manually during the interviews, and then they were all transcribed. Demands' formulation followed the structure of a protocol commanded by the relevance to the research questions and corresponding connected themes. Other interviews might be conducted in the next future to validate and possibly enrich our findings and contributions. Secondary data were obtained from various sources, including internal documents (e.g., presentations, framework, and reports) and external documents (e.g., news articles, and regional reports). The combination of primary and secondary data permitted triangulation of the information by cross-checking data and avoiding potential interpretation biases. All case study data are stored in a case study database in line with Yin, (2012).

To analyse the data, two stages can be differentiated. An initial round of data interpretation followed the theory consultation to verify the suitability of the case selection. This stage was essentially deductive. Then, a more inductive stage of coding was undertaken to disclose the phenomena investigated. This round required coding the collected material in multiple steps. This process leads to representing data at a higher level of abstraction, passing from three phases of data collection: first-order themes, second-order themes, and finally aggregate dimensions (Gioia, Corley and Hamilton, 2013).

## **Preliminary Results**

Preliminary results show that there are different levels of sustainability integration in the mission of the incubators, even though the incubators disclosed sustainability objectives on their web pages and showed interest in sustainability-oriented entrepreneurial support.

On the one hand, the level of integration is weak. Indeed, although the incubator of this category integrated sustainability dimensions into its mission, it did not consider stringent impact criteria in its selection and did not provide adequate support to develop and influence the sustainability impact generation of its tenants with specialized training, networking, and coaching services. The mission is limited to the awareness of the sustainability impact that a business has, without dedicating time and resources the impact identification and assessment, which deeply limits the generation of a balanced sustainability impact and the creation of a sustainable business model.

On the other hand, the level of integration is higher. Indeed, incubators integrate sustainability dimensions in their mission, while selecting tenants because of their potential sustainability impact, in stringent manner. Besides, the incubators provide, together with business support services, some support aimed at making tenants aware of their triple bottom-line impacts, while identifying the impacted stakeholders. These services make tenants aware of their impact, and they become also able to identify the impacted actors in their system, which is necessary if the start-up wants to limit the negative and rebound effects that the business might have, despite the positive contributions. However, when it deals with the sustainability impact assessment and implementation, the incubators showed a limited contribution.

Hence, notwithstanding the higher level of integration, business incubators of this category did not seem to provide comprehensive support for boosting the generation of a sustainability impact, which would limit the sustainability performance of their tenants and the creation of a sustainable business ecosystem.

## **Expected value and implication**

Studies in the literature have pointed to the importance of business incubators in developing sustainable entrepreneurial ecosystems through their support of new ventures. For this reason, some incubators have shown an interest in supporting the sustainability impact of their tenants. However, such a mission does not always seem to be supported by practical organizational routines in the selection and incubation process. This study brings empirical evidence on the difference between incubators' sustainability disclosure and organizational implementation of four French business incubators. Different levels of sustainability integration are recognized, which points to the importance of selecting the right incubators for sustainability-oriented entrepreneurs if they are to deliver the aspired impact. Moreover, it can provide managerial practices to incubators managers of the weaker category if they want to influence the degree to which their tenants generate sustainability impact. Finally, it can have some implications for policymakers. Clearly, a sustainability focus in support programs can play an important role in fostering sustainable development through the creation of start-ups with a sustainability impact.

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