Why are small public incubators "lagging behind"?

Learning from disability in the selection practices of a French incubator[1]

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Abstract

This research examines the selection practices used by a small public incubator (SPI) and its strategic implications. SPIs generally depend on small cities and often face difficulties due to a lack of resources and inadequate competitiveness in comparison with well-equipped and more reputed incubators. The selection of projects is the keystone in the development of these small structures. We develop a qualitative approach based on a single case study. Representatives from all the incubated projects were interviewed, as well as all the managers, and we performed a thematic analysis of the discourses. The in-depth study of the selection practices and the project portfolio reveals a paradox regarding the incubator's strategic positioning objectives and the availability of resources. We conclude by discussing the strategic positioning of SPIs regarding in-house resources and the selection practices.

Keywords

Small public incubator (SPI), Selection practices, Entrepreneurial support, Resources, Entrepreneur, Paradox, Strategic positioning.

INTRODUCTION

Interest in entrepreneurship and business creation has grown substantially in recent years. One explanation for this phenomenon is the proliferation of public policies that support business creation, provide for new and more flexible legal status, strengthen technology transfer, protect intellectual ideas and, more specifically, establish business incubators. The incubation process is indeed at the heart of many recent studies seeking to better define the role of business support and capture the broad the diversity of the actors (Messeghem et al., 2013).

Incubators are politically embedded structures that guide the development of new businesses (Hackett and Dilts, 2004). Moreover, they provide access to multiple resources (managerial, relational, financial, legal, rental, etc.) and, as new projects often lack resources and skills, this assistance helps to improve survival rates.

Aernoudt (2004) and Bollingtoft (2012) point out that the word 'incubator' is a generic term that covers several realities. The names and labels given to these structures, such as technological incubator, pre-incubator, regional incubator, and so on, generally reflect the strategy that has been selected. In France, there is a distinction between 'incubator' and 'pepinière' that separates the structures dealing with projects before and after administrative creation. However, this distinction is not always very clear and depends on the sponsor's objectives.

The literature recognises several generations of incubators (Bruneel et al., 2012). The first generation, which appeared in the early 80s, provided non-value-added resources (such as office space, secretarial services, and office equipment). The second generation, which appeared in the early 90s, had a qualitative range of services (consulting and training) and also provided funds for tenant companies. The third generation appeared in the early 2000s and focuses on technology projects (Bollingtoft, 2012) and the provision of resources through

networks (Bruneel et al., 2012; Tello et al., 2012). The work of Bruneel et al. (2012) shows the differences between incubator modes of operation through the generations. In the first-generation incubators, projects were hosted for long periods of time (over five years), in contrast to the latest generation where projects are hosted for shorter periods. Another difference concerns learning: Van Geenhuizen and Soetanto (2005) suggest that learning curves are shorter in the latest-generation incubators (they learn from their elders).

From a strategic point of view, incubators can implement several types of actions (Carayannis and Von Zedtwitz, 2005; Schwartz and Hornich, 2010). An incubator's strategic choices will influence its operations (admission criteria, business support, exit criteria) and determine its value (Aernoudt, 2004; Allen and McCluskey, 1990; Brooks, 1986; Grimaldi and Grandi, 2005; Vanderstraeten and Matthyssens, 2012).

Small public incubators (SPIs) are small structures with few incubatees; they generally depend on small cities and often face difficulties due to a lack of resources and inadequate competitiveness in comparison with well-equipped, more dynamic incubators that may sometimes be geographically close by. The selection of projects is the keystone in the development of these small structures. Indeed, the choice of hosted companies and entrepreneurs is one of the principal factors in the survival and sustainability of SPIs.

The developmental stage of an incubator also has a direct influence on the services and resources it can offer (Lalkaka and Abetti, 1999). Incubators that are just starting out may suffer from the 'liability of newness' (Stinchombe, 1965). New incubators, like other small organizations, may have limited resources (Clarysse et al., 2005) and face a complex political environment (Alsos et al., 2011; Hackett and Dilts, 2004). In this situation, the team, the availability of resources and the relationship with sponsors are of great importance (Rice and Matthews, 1995). The literature indicates that small incubators are not capable of the same

economies of scale as large structures, but they can propose personalised services (Aerts et al., 2007).

What is the most appropriate strategy for an SPI with large competitors? To investigate this central issue (Vanderstraeten and Matthyssens, 2012), we conducted an extensive exploratory study of an SPI. Our objective was to better understand the difficulties faced by the structure given its lack of resources and the competition from large incubators. This research aimed to analyse its selection and support, as well as its evolution and formalisation, including a change in the management team.

We developed a qualitative approach based on a single case study (French SPI). Representatives from all the incubated projects were interviewed, as well as all the managers, and we performed a thematic analysis of the discourses. The in-depth study of the selection practices and the project portfolio revealed a paradox regarding the incubator's strategic positioning objectives and the availability of resources. We conclude by discussing the strategic positioning of SPIs regarding in-house resources and the selection process.

LITERATURE REVIEW

Strategic adaptation of incubators

Incubators can specialise in a particular geographical area (regional or national) and in one or more sectors (specialised or diversified), or they can decide to focus on a particular segment, such as technology transfer, or a particular population of entrepreneurs (Aernoudt, 2004; Colombo and Delmastro, 2002; Schwartz and Hornych, 2012). Each incubator will set up admission and exit policies in line with their objectives (Allen and McCluskey, 1990). For instance, for-profit incubators searching for financial autonomy will look for companies able to pay rent after a short period of incubation (Grimaldi and Grandi, 2005), while incubators with innovation-oriented strategies will require strong relationships with universities and

laboratories and will need to be located in urban areas to have better access to consultants, intellectuals, etc.

Incubator managers can adapt the strategies as needed. Lumpkin and Ireland (1988) and Mian (1996) show that selection criteria vary depending on how crucial it is to have the incubator filled and how much importance is given to this need. Alsos et al. (2011) indicate that to meet the expectations of various stakeholders, the incubator manager can implement several strategies. He can reinterpret goals and choose those corresponding to the stakeholder most critical for the incubator's survival. The incubator's capacity for value creation stems from its talent for coherently combining the available resources and competences with the objectives given by its sponsors.

The need to solve two problems justifies the adaptation of strategies. The first problem is internal to the incubator: the gap between public policy or sponsor objectives and the incubator's actual skills, competences and available resources (Von Zedtwitz and Grimaldi, 2006). This problem arises when an incubator is created by imitation, as when a model is transferred from another culture (Abetti, 2004), or when the defined objectives exceed the in-house expertise (Clarysse et al., 2005).

An incubator needs time to develop its resources. This can be a major limitation to the effectiveness of the structure at the beginning (Rice and Matthews, 1995). Another limitation may be the lack of experience of some of the business managers (Versino and Hoeser, 2005).

The second problem, which is external to the incubator, arises from the complexity of the environment and the clarity with which the incubator manager perceives the sponsor's objectives. The adaptation of strategy is more likely when the environment is politicised or when the incubator must meet the expectations of various stakeholders at the same time (Alsos et al., 2011).

Selection as leverage for strategic adaptation

Project selection is one of the main levers that the incubator can use to deal with these two constraints (resources and goals). The incubator can determine its project portfolio to rationalise the use of resources. For example, the incubator might decide to specialise in a particular industry, which means that the hosted projects will share similar needs (Schwartz and Hornich, 2008). In contrast, the grouping of several competing companies within the incubator may restrict exchange and learning between companies (Chan and Lau, 2005; McAdam and Marlow, 2007).

Bergek and Norrman (2008) distinguish the selection process along two dimensions: the selection criteria (selection of an idea or an entrepreneur) and the intensity with which these criteria will be applied (strict or flexible). The latter dimension refers to whether the incubator will be highly selective by favouring few projects with a high potential for success (strict selection) or more willing to select a large number of projects (flexible selection). This choice will influence the characteristics of the projects that will be hosted, the assistance they will receive and the added value for the incubator (Brooks, 1986).

Strict selection requires the establishment of many levels of control to ensure the recruitment of projects that are in line with the incubator's development strategy (the search for ideal projects). This kind of selective recruitment allows the incubator to host, for instance, technological companies (Van Geenhuizen and Soetanto, 2005), which are likely to create more value, although they also consume more resources (Rice and Matthews, 1995). With a policy of flexible selection, the incubator agrees to recruit a wide range of companies and trusts the market to distinguish the most promising projects, both during incubation and once the company has left the incubator. Flexible selection builds a portfolio of diversified

companies. However, as they are not acting specifically in technological sectors, the value added per project will be lower than that achieved by strict selection.

Several authors have discussed the ideal composition of a project portfolio. For example, Alsos et al. (2011) distinguish two types of projects: ideal and actual (i.e. non-ideal). Ideal incubatees are firms that the incubators target and primarily wish to have as tenants; examples include projects that are technology-based, with innovative or research-based ideas, and high growth potential. These projects will benefit from the best services of the incubator. Because of their rarity, ideal entrepreneurs have negotiating power at the recruitment stage as they are scarce resources. An incubator with a modest reputation will have less bargaining power (Aaboen, 2009). Other factors, such as problems filling the incubator, may increase the bargaining power of the ideal project and change the incubator's selection criteria (Lumpkin and Ireland, 1988; Mian, 1996).

However, selecting only ideal projects is not a sufficient condition to properly operate an incubator. To create an attractive pole (critical mass), incubators also require non-ideal (or 'actual') projects (Alsos et al., 2011). Networking within the incubator is a benefit that incubators provide, and without other firms this is impossible. Consequently, many incubatees do not fit the required ideal image: no motivation or potential to grow or low technology specification. For Rice and Matthews (1995), a good portfolio should include several types of projects as they assume that a mix of projects will improve incubator functioning. Rice and Matthews (1995) propose a classification of hosted projects based on the degree of maturity and their potential for growth (Table 1 below).

Table 1. Matrix of Growth Potential/Level of Maturity

		Level of maturity of the firm	
		High	**Low**
Growth potential of the firm	**High**	Superstars	Up-and-comers
	Low	Anchor Tenants	Long Shots

Source: Rice and Matthews, 1995.

Superstar firms are attractive because they are more developed than others. They require less assistance from the incubator and at the same time they improve the incubator's reputation and provide role models for other hosted companies. Up-and-coming companies need more assistance from the incubator and more time to develop. They may at some later date move on to the superstar category. Long-shot companies need a supportive environment and much more time. They do not require proactive assistance from the incubator. Anchor tenants are interesting because they can pay rent and provide service to others tenants, and they do not require assistance from the incubator (Rice and Matthews, 1995).

The literature shows that selection is the keystone for incubator functioning. This research explores the selection practices in a SPI, the portfolio composition and its consequences in terms of resources, support and strategic positioning regarding the competition.

METHODOLOGY

This research was designed to be comprehensive and exploratory. We developed a qualitative approach based on the case study method. The choice of a single case study is justified by its purpose: to reveal a phenomenon, not exceptional, but not yet available to the scientific community (Yin, 1990). Cases are defined as a contextualised and contemporary phenomenon in a real life context where the boundaries between phenomenon and context are not clear (Yin, 1990). The relevance of the single case study was demonstrated by the French anthropologist Marcel Mauss (1966, p.391) for whom 'when a relationship has been demonstrated in one case, even if this case is unique, but it has been methodologically and thoroughly studied, the reality is as certain as when, in order to demonstrate it, we illustrate it with numerous but disparate facts'. Indeed, a case study provides a qualitative reading of the studied phenomenon and allows for abductive theorisation embedded in empirical data (Eisenhardt and Grabner, 2007). These authors note that the single case study method is

insufficiently known in academic research, whereas it can contribute greatly to new theory construction.

According to Siggelkow (2007), the case study method usually describes a new phenomenon that merits investigation. This approach is relevant for our research because the problematic of SPI strategy has been underexplored in the academic literature to date. Interviews are thus considered as a good research tool (Fontana and Frey, 1998). Nevertheless, this method provides limited external validity, which reduces statistical generalisation. Thietart (2007) notes that this method also limits the reliability of the data produced. Yin (2012) speaks about analytical (or theoretical) generalisation, by which he means 'using a study's theoretical framework to establish a logic that might be applicable to other situations' (Yin, 2012, p.18). Dumez (2013) indicates that one of the main theoretical results of a comprehensive study is the identification of social mechanisms (constituting a link between the observed phenomenon and the possible causes). Our choice is justified by our intention to understand the selection practices and the stakeholders' perceptions of SPIs.

Case study

This work was conducted in a small public incubator in the south of France. For this study, we named it 'IncubLR'. This local incubator was established in 2003 in a geographical area between two major cities, each having its own incubator (larger structures). IncubLR is a public non-profit structure, funded by the city in which it is domiciled with no participation of private investors or venture capitalists. The city is the only sponsor. The incubator director is quite free to choose the strategic directions for the incubator, although the sponsor's objectives are to develop local companies that create value and innovation and to keep them in the territory. IncubLR proposes several services in the same building: pre-incubator, business incubator, Chamber of Commerce, financing platforms, accountants, etc. The

incubator also offers rental offices at very competitive prices. Twenty-five offices and eleven workshops are available to entrepreneurs.

IncubLR is a small incubator with limited resources that has developed in two stages. The first stage (2003-2008) was characterised by a very small team (one director and one manager), the need to fill the incubator (implying very low selection), and personal relations between entrepreneurs and managers in a very informal organisation. The second stage (2008-2012) was characterised by a renewal of the support team and formalisation of the selection practices in 2011.

The current selection practices are composed of an initial interview with an incubator manager, followed by a second one two weeks later (with a dossier showing the advancement of the project). The entrepreneur then presents his/her project to a committee composed of the four managers, one or two 'older' incubatees, and sometimes an external partner. This committee will decide whether the entrepreneur can join the incubator for a 'test-phase' of four months. During this period, the entrepreneur benefits from the technical support of the incubator, as well as advice and other exchanges with the other incubated entrepreneurs. A presentation at the end of the four months determines whether the project will be incubated. If yes, a convention is signed by both parties and regulates the incubation period: two years before creation, and three years after. The incubatees are required to stay at least five years on the territory at the end of the convention.

When the new director arrived in the incubator, several projects that had been incubated since the beginning of IncubLR were still in the building; there were few exchanges with these incubatees and limited monitoring. The new director (A1) is currently trying to create a clear strategic position, but he faces two problems. The first problem is that the internal (human and financial) resources of the incubator are limited. Given that the managers' technical

competences cannot cover all the domains of the incubated projects, IncubLR tries to develop networks and synergies among the incubated entrepreneurs. Consequently, the 'older' entrepreneurs, with their greater experience and acquired competences, are expected to provide 'peer support' (or mentoring) to the newer tenants. The second problem is the strong competition from the two bigger incubators in the neighbouring cities. The main competitor has a 6M€ budget, the second has 1.4M€, whereas IncubLR has only 200K€. The best projects therefore tend to try first to be accepted by one of these competitors and come to IncubLR only after having been refused by them. We investigate these issues in our study.

Data collection

We conducted 20 semi-directive face-to-face open-ended interviews with all the incubator actors (16 entrepreneurs and four incubator managers) with the objective of gathering discursive data reflecting the conscious or unconscious mental universe of the entrepreneurs and the managers (Miles and Huberman, 1994). Secondary data were also collected from websites, firm brochures and catalogues.

We elaborated an interview guide for both types of actor, using a "mirroring" technique to cross-validate the discourses (Klein and Myers, 1999): when possible, each question was asked to both the entrepreneur (e.g. what kind of selection process did you follow?) and the incubator manager (e.g. what kind of selection process did you use for this project?). We divided the pre-structured interview guide into seven themes for entrepreneurs and eight for incubator managers:

- *Entrepreneurs*: personal history, entrepreneurial motivation, professional career, selection process to enter the incubator, type of support received, overall satisfaction, perception of the evolution of the incubator.

- *Incubator managers*: professional career, competences, seniority within the incubator, type of projects hosted, selection practices and methods, provided support, perception of the evolution of the incubator, exit policies for 'old' projects.

The interviews were tape-recorded to ensure that the collected data were exhaustive and reliable. The interviews were transcribed within 24 to 72 hours.

Table 2 presents all the incubated projects of IncubLR. Each entrepreneur was interviewed. Eight hosted companies can be considered as having a significant degree of maturity and form Group 1: E1, E2, E3, E4, E5, E6, E7 and E8. By degree of maturity, we mean that the incubator considers that they do not need any more support, are able to leave the structure, and generate sufficient value to be sustainable. Eight other companies present a low degree of maturity and comprise Group 2: E9, E10, E11, E12, E13, E14, E15 and E16. These companies still need support.

Table 2. Characteristics of the Incubated Projects

Group	Company	Sector	Entrepreneur age	Beginning incubation	Company creation
1	E1	Development of video games and serious gaming simulation, 3D representation, artificial intelligence...	41	2005	2007
1	E2	Software for automatic layout of catalogues, product information management and crossmedia	53	2006	2005
1	E3	Development of management software for SMEs (management control, reporting, budget estimates, margin analysis and cost)	59	2005	2006
1	E4	Building solutions for web 3.0 security	46	2006	2007
1	E5	Temperature traceability for tracking vehicles and parcels	40	2010	2008
1	E6	Creator of the concept of 'oléoactifs', a new generation of bioactive complex oil for cosmetic use	52	2009	2010
1	E7	Travel agency for photo travel	33	2005	2006
1	E8	Patents for multiple emulsions for natural cosmetics	35	2005	2007
2	E9	Artistic label designers, artistic decoration of living spaces, especially for children	36	2006	2006
2	E10	Sale of anesthetic gases for veterinary use	39	2011	2011
2	E11	Solutions for organic waste management	45	2010	2009
2	E12	Improvement of image resolution, processing of infrared images	44	2005	2004
2	E13	Agricultural sensor	35	2006	2008
2	E14	Web platform for associations	25	2012	Not yet
2	E15	Platform for pharmacies, sale of OTC products via the Internet	23	2012	2012
2	E16	Creation and sales of organic cosmetics	45	2007	2008

Table 3 presents the support team of IncubLR, which consists of four managers. Most of them joined the team only recently.

A1, the director, was previously a commercial manager in several structures and then created his own company in marketing consulting. He joined IncubLR in 2008. He manages the oldest projects (i.e. those selected by the previous team) and intervenes according to need in all the projects that have marketing issues.

A2 worked for ten years in a '*Boutique de gestion'* (i.e. French support structure for necessity entrepreneurs or small and low-innovative activities) and joined IncubLR in 2010. A legal assistant with competences in both law and accountancy, she is in charge of cosmetic and 'green tech' projects, without specific training in these fields.

A3 recently received a Master degree in 'Entrepreneurship Support' and was recruited by A1 in 2011, after two six-month internships. She is in charge of the initial contacts with the entrepreneurs, the administrative part of their projects, and she offers generalist support.

A4 was previously an incubated entrepreneur in IncubLR. His web project was created with an associate, but a problem of divergent vision led him to withdraw from the project. At that time, A1 (the IncubLR director) needed a manager with good competences in web development and web marketing, and A4 was recruited in 2012. A4 has the profile of a (previous) entrepreneur but has no specific training in commercial, financial or legal support.

Table 3. Incubator Managers

Person	Function	In the incubator since	Age	Specific competences
A1	Director	2008	44	Management, Strategy, Marketing
A2	Manager	2010	39	Law, Accounting, General support
A3	Manager	2011	25	General support, Administrative tasks
A4	Manager	2012	28	Web marketing, Social media, Web development

Data analysis

We performed a content analysis (Bardin, 1977) centred on the thematic analysis of speech (Evrard et al., 1997). This approach, which interprets discourses to find meaning in order to discern what is important for the interviewee, seems particularly appropriate in this context. We developed a multinomial encoding method (Dumez, 2013), and an extract of the data encoding process is given in Table 4.

Table 4. Extract of the Multinomial Encoding Process

Code	*Code definition*	*Sub-codes*
SEL_PROC	Selection process	FORM_SEL_PROC (Formalisation of selection) PERC_SEL_PROC (Perception of selection)
SUPP_REC	Type of support received (for entrepreneurs)	DOM_SUPP_REC (Domain of support) FREQ_SUPP_REC (Frequency of support) RES_SUPP_REC (Available resources of the incubator)
PERC_SUPP	Perception of the support received (for entrepreneurs)	SATISF_SUPP (Satisfactory factors) UNSATISF_SUPP (Unsatisfactory factors) COMP_SUPP_REC (Competence level of the managers)
SUPP_GI	Type of support given (for managers)	NETW_SUPP (Network support) TECH_SUPP (Technical support) MARK_SUPP (Marketing support) WEB_SUPP (Web support)
INCU	Type of incubated projects (for managers)	POT_INCU (Value, innovation or growth potential of incubatees) SECT_INCU (Sector of incubatees) TECH_INCU (Level of technology)
PERC_EVOL	Perception of the evolution of the incubator	STRAT_1_INCU (Strategy in the first period) STRAT_2_INCU (Strategy in the second period) EVOL_RES_COMP (Evolution of the incubator resources and competences)

First, the gross database was analysed through thematic coding. For each category (entrepreneurs and managers), this analysis consisted of determining the units of meaning (words, sentences or phrases related to one of the seven pre-determined themes) and counting the respective occurrences (to measure the weight of each in the discourse). The occurrences were noted in matrices that included personal observations and certain particularly striking or illustrative remarks by the interviewees. Second, we grouped the occurrences into subthemes via subcodes. The aim was to compare the discourses concerning each theme and to identify the constants and differences. The data were analysed by the authors separately. Then, the analysis

and categories were discussed jointly. This contributes to the reliability and validity of the data and findings (Grant and Perren, 2002). The next section provides a detailed summary of our results.

RESULTS

The in-depth study of this SPI generated several results. First, certain problems were linked to the first developmental stage of IncubLR and the change in the management team. These elements generated a highly heterogeneous project portfolio, which is analysed in the second section. We also identified dysfunctions, such as the lack of synergy among the incubatees. Last, we found that the strategic positioning of IncubLR (specialisation) created a paradox regarding the available resources.

The consequences of flexible selection and a 'full-house' strategy

Several problems were identified. Some of them were the consequence of the first development stage of IncubLR. During the starting phase (2003 to 2008) with the first team (which has been completely renewed since), the strategy had been to 'fill' the incubator. The incubator was young and unattractive compared with the bigger competitors, so the selection process was intuitive, short, flexible, not selective and based solely on the profile of the new entrepreneurs: '*Entrance into IncubLR was fast. I had only one interview with the director' (E4).* E11 also explains: *'I arrived at a time when there were no new projects, so my project was interesting to them. They gave me the opportunity to stay and think about my idea'.*

No formal contract was proposed to the entrepreneurs, especially concerning the exit conditions, for which no clear rule was established. One of the current managers explains: '*For almost 5 years, all projects first went to* [the big incubators]. *Here, there were not many projects, so we needed to "fill up". This was really the expression used by the former*

director' (A3). The structure was informal and the relationships between the entrepreneurs and incubator managers were highly personalised.

Consequently, the new director faced several difficulties when he arrived at IncubLR. First, the 'full-house' strategy had created a highly heterogeneous project portfolio, with little complementarity among the projects. Second, the absence of clear exit conditions had generated problems. The 'oldest' incubatees had negotiated not to leave or explained that they still needed the incubator to survive. Thus, space was unavailable for new tenants. Third, the former management team had developed very close relationships with the incubatees, and the arrival of the new team created a feeling of resistance to change. Communication became difficult between the managers and these entrepreneurs. The team had little information, for example, on the financial health of some of the incubatees because of the lack of feedback or regular meetings. The newest managers (A3 and A4) did not know the oldest incubatees. Worse, the newest tenants who would have liked to have offices or workshops had no access to them because they were occupied by the oldest projects. This created tensions and conflicts among the incubatees recruited by the first and the second teams. '*You have divisions between the entrepreneurs, and when you are with "one group", you're not necessarily well perceived by the "other group".* […] *And this incubator has lived through a lot of very strong divisions' (E9).*

The new manager and his team arrived five years after creation and inherited a situation in which they need to find legitimacy. This is even more complicated because the new team has different skills from the first one. They tend to focus on the recruitment of projects that best suit their skills. This creates misunderstanding and dissatisfaction for some of the older hosted projects. As a result of these changes in the life of the incubator, the incubator today is composed of a variety of projects. We will now analyse the composition of the portfolio and the interactions between the tenants, using Rice and Matthews' typology (1995).

Diagnosis of the project portfolio

According to Rice and Matthews (1995), a good portfolio should include a mix of projects to improve incubator functioning. Using their typology, the portfolio of IncubLR is as follows in Table 5.

Table 5. Portfolio of Incubated Projects

		Level of maturity of the firm	
		High	**Low**
Growth potential of the firm	**High**	Superstars E2 (#1) E5 (#1) E6 (#1) E8 (#1)	Up-and-comers E10 (#2) E11 (#2) E14 (#2) E15 (#2)
	Low	Anchor Tenants E1 (#2) E3 (#1) E4 (#1) E7 (#1)	Long Shots E9 (#1) E12(#1) E13 (#1) E16 (#1)

(#1) recruitment by the 1st team; (#2) recruitment by the 2nd team.

The analysis of our mature sample (companies E1 to E8) shows the presence of two mature types: superstars and anchor tenants. *Superstar* businesses are successful projects that no longer need the incubator. Their function is to improve IncubLR's reputation and visibility, and they also have an exemplary role for other hosted projects. Two of them can be considered as 'ideal' according to Alsos et al. (2011). Their activity is at the heart of the target project sought by the sponsor (i.e. cosmetics). They are not seeking resources and are in a position to help the other hosted projects. Their viability and stability are beneficial for the incubator, not only in terms of legitimacy, but also because of their capacity to coach their peers, which is recognised as a real success factor for young companies (Jaouen et al., 2006). Because they are already successful, projects in this category (E2, E5, E6, and E8) do not have much real interaction with incubator staff. E2 explains: *'With the managers, we bump into each other from time to time […] there's no real monitoring in the strict sense of the term'*.

Anchor tenants should help the incubator to achieve financial autonomy (by paying higher rent) and provide other projects with access to various services. As they are already developed, they do not require assistance from the incubator. In our sample, a group of developed companies fell into this category (E1, E3, E4, E7). However, they do not pay higher rent and do not provide services to other hosted companies. On the contrary, their presence is motivated strictly by the low rent of the incubator. '*They accepted me in specific circumstances but I did not need them; I really needed an office and to overcome the crisis' (E1).*

The less developed projects can also be divided into two categories. The first category consists of promising projects (*Up-and-comers*). They have been accepted by the second incubator team (E10, E11, E14, E15) with more formalised contracts. The Up-and-comers were the last to be recruited and their projects were carefully selected by the new SPI staff. Their potential for development is unknown and their need for assistance is high. They have no pressure to leave the incubator and their legitimacy within the incubator is strong.

The second category in this group of less mature projects (*Long shots*) appears to be high risk (E9, E12, E13, E16). They are characterised by a longer incubation time (over five years) and they have to leave the incubator. Three out of four are not ideal projects because they are not in the cosmetic sector. Although they continue requesting assistance, these companies are rather opposed to the new team, as they were recruited by the first team. For this group of projects, leaving the incubator represents failure and closure. '*There are people that have been there for six, seven years, languishing' (E2).*

Our first observation is that there is a limited presence of the target population in the IncubLR portfolio (i.e. cosmetics). Second, half of the incubated projects in our sample do not fulfil their roles (Anchor tenants and Long shots). Anchor tenants should help the managers by

providing peer support (mentoring) and paying higher rents, but they don't. Long shots are even more problematic because their very survival is dependent on their presence in the incubator: despite high pressure from the new incubator manager, most of them refuse to leave, arguing the fact that they are ill-prepared to survive outside the structure. Their main argument is the lack of an exit clause in their contracts, and some of them have been incubated for more than five years. The bond between the IncubLR managers and these tenants seems to be irreparably broken. Others, like the Superstars, are sufficiently developed and no longer need the incubator, but they will remain in the incubator until the construction of a new industrial site in the neighbourhood is completed. Indeed, the incubator sponsor is building this new site in line with the objective of keeping companies in the local area (for at least five years).

The project portfolio of an incubator is both a reflection of the strategy that has been implemented and the constraints it faces: competitors, available resources and competences.

Paradox between resources and strategic choices

The project portfolio contains two Superstar projects in cosmetics: E6 and E8. The IncubLR director seems to be oriented towards a strategy of specialisation in this industry, which would help the incubator to differentiate from its competitors. Nevertheless, several constraints limit this strategy: the high proportion of incubatees with no complementarity with cosmetics, few available offices, limited financial resources and few adapted competences.

Indeed, implementing a strategy targeting the cosmetic industry is intimately related to the incubator's competitive position. This SPI is facing increasing competition from large incubators, which benefit from substantial and very competitive financing and tend to capture the best projects. Thus, several entrepreneurs have come to the small local incubator only after being rejected by the bigger ones. IncubLR is thus considered as a second choice. *'I had*

two interviews with X (big incubator), and I was not invited to continue the selection process. It was not a problem with the project; I think it was because they were already hosting a similar company' (E5); *'I went to Y (big incubator), I had a first contact, then I came here because it (big incubator) was not interested'* (E13); '*When we went to see X (big incubator), they were not interested because our project was not high tech, nobody was interested'* (E7); '*I went to Y (big incubator), there was no office available at that time, so I came here'* (E2).

IncubLR needs a clear position with regard to its competitors (high selectivity) but it lacks the resources and skills for in-depth monitoring of technical projects and cannot meet the demands for financial and legal assistance. Normally, specialisation requires specific technical resources such as new adapted spaces, a network of specialised contacts, and expertise in monitoring such companies (Vanderstraeten and Matthyssens, 2012). However, the new team is only able to provide generic support (marketing and web) and is oriented towards 'laissez-faire' support (Bergek and Norrman, 2008), as we can see in several discourses: '*Having regular meetings with an incubator manager to give an update the business plan, the project, the progress on the project, clients, this is something that doesn't really happen today*' (E2); *'We don't have regular support, we have support on demand' (*E9*); 'In general, support is only when you ask for it" (*E5*); 'In general, it's the entrepreneurs who seek assistance. When we have no news, we send them an e-mail' (*A2*).*

In the typology of Bergek and Norrman (2008), 'laissez-faire' support is the opposite of the strong intervention needed in the case of specialisation. This strategic adaptation can be explained by the new team's lack of experience and the low pressure from sponsors: *"A1 is marketing, A3 is web and A4 is supposed to coach the cosmetic industry and on sustainable development. My specialty, I don't really have one, I take care of the website and organize events'* (A2); '*Even the incubator managers are sometimes a little disconnected from what the creation of a company really is*' (E1).

Today, the incubator is facing a paradox: the director wants to select targeted, innovative projects, without being ‘equipped’ to provide services that are ‘good enough’ to meet the expectations or needs of these specialised projects.

DISCUSSION

This research contributes to the knowledge on SPIs by identifying several key issues for these organisations: support, relevant project selection and making strategic decisions in line with incubator capacities (internal skills, available resources, etc.). Moreover, the change in the director and the management team provided us with an opportunity to look closely at how these changes affected the selection practices and strategic positioning.

Support issues of SPIs

Our results show several internal issues that SPIs are likely to confront. SPIs have limited resources and often lack the necessary skills to cover all the incubatee needs. In response to these problems, IncubLR tried to encourage the development of networking and ‘peer support’ among the incubatees. Nascent entrepreneurs view the incubators as a nexus of resource networks (Tello et al., 2012). But our results suggest that trying to involve the most mature tenants was insufficient, as overall IncubLR had no real internal network and little cooperation among the tenants, despite the director’s decision to develop internal and external networking. The lack of synergy among the entrepreneurs is accentuated by the heterogeneity of the selected projects.

Moreover, the lack of regular meetings between the oldest incubatees and the managers indicates minimal support, possibly due to two factors: (a) the very close relationship between these ‘older’ incubatees and the previous management team, which created a feeling of rejection of the new team, and (b) the incompatibility between the managers’ skills and the

tenants' expectations. The new management team has different skills focused mainly on marketing innovation and web marketing, and this choice to recruit young employees with general skills (and no specific skills in finance, accounting or cosmetics, for example) seems to limit the capacity of the incubator and its fields of support. The managers declare that their support is based mainly on networking, coaching and sometimes 'laissez-faire'.

In addition, our research highlights that some tenants think that they do not receive adequate support, as well, which suggests that the incubator staff are under-informed about the expectations and satisfaction of their incubatees. Undeniably, tenant feedback on the offer of support is inadequate or overlooked. Yet such feedback seems vitally important for incubators (Allen and Rahman, 1985; Bakkali et al., 2013; Cooper, 1985; O'Cass and Ngo, 2011) as a good understanding of entrepreneurial support needs would help to customise the support offer and build closer relationships between the SPI managers and the entrepreneurs. Closer relationships would in turn be likely to promote greater incubatee involvement in the daily life of the incubator and might prompt 'older' entrepreneurs to share their knowledge, experience and competencies with the newer tenants (Jaouen et al., 2006).

In conclusion, the management team needs to create personalised and adapted support, which requires a better combination of individual, collective and inter-organisational resources (Clarysse et al., 2005; Li and Tsai, 2009; Newbert, 2008; Newbert et al., 2008; Srivastava et al., 2001). Bruneel et al. (2012) also underlines the risk of an incoherent strategy. Offer a not adapted support, without clear turnover rules (linked to entry and exit policies) could be problematic. The management team need to put into place a means to assess tenant satisfaction on a regular basis (Abduh et al., 2007), as well as the advantages and disadvantages of the offer of support (McAdam and Marlow, 2007). In this sense, authors like Bruneel et al. (2012) suggest that the tenants should evaluate the incubator's value proposition and strategy (Vanderstraeten and Matthyssens, 2012).

Strategic positioning of SPIs

Another interesting finding concerns the importance of strategic positioning in SPIs: in our results, we identify a paradox in decision-making that impacts the strategic positioning of IncubLR. On the one hand, the director wants to implement a strategy of specialisation, with a focus on cosmetics. This decision is motivated by the success of two cosmetic companies formerly hosted by the incubator. On the other hand, some of the organisational decisions do not fit this strategy.

The first ill-adapted organisational decision concerns the selection process. The director oscillates between recruiting 'available' projects and specialised projects in the targeted industry (cosmetics). We know that SPIs are sometimes forced to recruit 'actual' incubatees (Alsos et al., 2011) in order to reach critical mass. Consequently, IncubLR plays a 'social role' by recruiting the 'excluded entrepreneurs', or those who have been rejected by other incubators. But, by filling the incubator with actual projects without a formalised strategy for rooting out the oldest projects (Adegbite, 2001), no new space is available for new, ideal projects.

The second organisational decision that seems paradoxical concerns the limited and inadequate resources with regard to the support requirements in the cosmetic industry. Thus, we observe an incompatibility between the available resources (human and financial) and the requirements dictated by the strategic choice. This echoes the findings of Von Zedtwitz and Grimaldi (2006). The authors found that cognitive gaps could exist between sponsors that evaluate the incubator and managers who implement the actions. For example, little knowledge about incubator's environment or incubatees' needs creates misunderstandings that could lead to strategic adaptation (Alsos et al., 2011) or tenant's dissatisfaction (Von Zedtwitz and Grimaldi, 2006). Incubators are black boxes that are difficult to understand

(Hackett and Dilts, 2008). Vanderstraeten and Matthyssens (2012) highlight the lack of connection between strategy and internal aspects of these organizations. Incubators in the position of IncubLR thus need to readjust and recombine resources and competencies by developing new skills. For example, IncubLR could invest in training (Campbell, 1989; Mian, 1997; Rice and Matthews, 1995) (or change employees) to acquire new competencies and expertise in the cosmetic industry. These internal limitations also restrain the competitiveness and legitimacy of the incubator.

How to develop new resources for SPIs?

Reputation

Another implication of this research is to underline the importance of reputation of SPIs. Several studies (see, for example, Fischer and Reuber, 2007; Schwartz and Hornych, 2012) have shown that new organisations lack reputation. With increasing competition from big incubators, IncubLR's top management is aware of the need to differentiate by specialising in order to enhance its legitimacy and its reputation among competitors (Rao, 1994).

In fact, this SPI has not been able to attract the best projects because it lacks a sufficiently good reputation. Yet recent research has shown that companies that are hosted by 'specialised business incubators' have a better image in the eyes of potential partners and investors (Schwartz and Hornych, 2012). The choice of the tenants is thus logical: they prefer to be hosted by prestigious regional and/or national incubators that provide better support, easier access to financing and more powerful networks (internal and external).

A specialisation in the cosmetic industry would attract not only regional projects but also national and even international projects. IncubLR could thus become a reference in this industry and highly visible to stakeholders. However, the director of this SPI needs to be

careful because such repositioning requires a deep knowledge of the internal and external environment (Brax and Jonsson, 2009; Li and Tsai, 2009).

Coopetition

In addition, some of the incubatees expressed doubts about being incubated with projects in the same industry. This reluctance is due to fears about competition and the risk of losing their technologies, customers, etc., but it also reveals the lack of confidence and communication among the tenants. Yet, trust is the key to establishing a strong internal network and cooperation and it can reduce opportunistic behaviour (Tötterman and Sten, 2005; Uzzi, 1997). Tötterman and Sten (2005) indicate that cooperation between tenants is linked to a trustworthy environment and this is mainly obtained by the incubator manager's choice to incubate tenants in the same place (same building, same roof). Many studies (e.g. Gnyawali and Park, 2009; Lado et al., 1997; Loebbecke and Powell, 2003; Vanderstraeten and Matthyssens, 2012) highlight the benefits of coopetition between organisations. Gnyawali and Park (2009) show that small businesses engaged in coopetition improve their level of technological innovation. Similarly, Schwartz and Hornych (2008) show the beneficial effect of technology transfer between companies in the same sector and incubated nearby. The idea of building a centre dedicated to cosmetics may therefore be a promising strategy for this SPI. The director and managers should act as 'facilitators' in the interactions between companies (Salvetat and Géraudel, 2012) to overcome the SPI's lack of resources.

CONCLUSION

This research analyses the selection practices in a SPI, the portfolio composition and its consequences in terms of resources, support and strategic positioning regarding the competition. Our results show that the incubator faced a paradox that affected its operations and strategic positioning. From an internal point of view, the selection practices and the

available resources do not fit the strategic choices. The results also indicated that the SPI lacks the networks and influential partners to further boost its development. This makes it less attractive in terms of the funding and investment that the hosted entrepreneurs require. SPIs are characterised by a lack of reputation even at the regional level. This might explain why they are not composed of only small but promising companies and why they have difficulties in attracting ideal projects.

Our findings also raise a key question about the purpose of SPIs. Is it to promote a specific industry in order to create a competitiveness cluster in the region? This would increase the incubator's attractiveness as long as it can count on a related infrastructure and develop a recruitment strategy of specialised managers. The policy adopted for project selection can also be a strong lever for the strategic fit.

This research has two main limitations. The first concerns the generalisation of our results to other small public incubators. Our case displayed several specificities (e.g., change in the management team, geographical proximity of big incubators, young age of managers), and future research to replicate this study would do well to multiply the number of cases. A quantitative study on a larger scale would also enhance the robustness of the findings. Moreover, we chose the French context to explore our research question. Cross-national study to compare the strategies of small business incubators in different contexts would determine whether our findings are applicable to other countries.

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