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# Social and commercial enterprise interactions: Insights from UK business incubators

Browne, Eleanor

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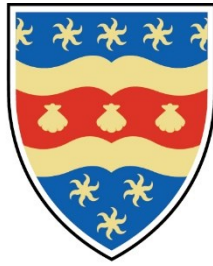
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# UNIVERSITY OF PLYMOUTH

**SOCIAL AND COMMERCIAL ENTERPRISE INTERACTIONS:**

**INSIGHTS FROM UK BUSINESS INCUBATORS**

By

**ELEANOR BROWNE**

A thesis submitted to the University of Plymouth

in partial fulfilment for the degree of

**DOCTOR OF PHILOSOPHY**

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## Author's Declaration

At no time during the registration for the degree of Doctor of Philosophy has the author been registered for any other University award without prior agreement of the Doctoral College Quality Sub-Committee. Work submitted for this research degree at the University of Plymouth has not formed part of any other degree either at the University of Plymouth or at another establishment.

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# **Social and Commercial Enterprise Interactions: Insights from UK Business Incubators**

Eleanor Browne

## **Abstract**

With numbers of social enterprises in the UK continuing to grow and innovate, this research responds to the scarcity of information surrounding social and commercial enterprises co-located in business incubators, and asks: how and why do social and commercial enterprises interact in a business incubator? The research provides qualitative insights for a rich understanding of the network dynamics, subtle interactions and influences that occur amongst peer groups of mixed social and commercial enterprises during business incubation.

Drawing on social capital theory, the study utilises multiple methods through a practice-led, qualitative methodology. Employing novel observation techniques in business incubation and semi-structured interviews with social enterprise founders, themes of learning, interaction, and identity are explored. The themes are analysed in the context of new evidence on the scale of social and commercial enterprises co-locating in UK business incubators.

This thesis contributes to the business incubation literature with an enhanced incubator typology and a narrative of social enterprise in a business incubation context that has not previously been addressed, revealing a complex reality of factors that influence their selection of and engagement in business support, environment, and network. A novel observation technique was adapted from the cultural sector and tested in a business incubator for the first time. Findings revealed that many of the social enterprise startups were adopting a bricolage

approach to their sourcing of business support and using a combination of strong and weak ties to strengthen and extend their network and access to knowledge. The importance of their incubatee peers fluctuated depending on the level of maturity of the enterprise. This exploratory study indicates the potential for an emerging research agenda within the real-world mixed ecosystem where social and commercial startups co-exist.

While the incubation sector and other startup programs continue to offer specialist social enterprise support, this research concludes that incubators supporting both social and commercial enterprises enable social enterprises to address the significant challenges associated with balancing their commercial and social objectives. In so doing, the outcomes are of importance to policymakers, social enterprise support organisations and incubation managers in the planning and development of business incubation and support for social enterprise.

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# **Chapter 1 Introduction**

This thesis is positioned at the intersection between the fields of business incubation and social enterprise, exploring the phenomenon of interactions between social and commercial enterprise startups in the context of business incubators. This chapter outlines the rationale for the study in the current landscape, the research aims, its niche position in the extant literature and the expected contribution. The delimitations and defining terms are clarified before providing a summary of the thesis structure.

## **1.1 Rationale for the study**

Following the 2008 financial crisis and economic recession, the last decade has seen a rapidly developing environment for startup business support in the UK (Lord Young, 2012). Austerity measures led to growing gaps in public services and a Big Society ideology (Cabinet Office, 2010) that pushed for social enterprise to fill them (Seanor et al., 2014). Before the financial crisis, mainstream business support in the UK was struggling to meet the needs of an increasing number of social enterprises (Hines, 2005; Nairne et al., 2011). Formal business support for social enterprise mostly became the domain of specialist services and specialist advisors, able to demonstrate an understanding of the importance of social impact over private profit and provide tailored support. After significant investment in social enterprise-specialist support and increased awareness of social enterprise amongst mainstream support providers and entrepreneurs, it is time to revisit business support for social enterprise in the UK.

This thesis highlights and examines the business incubator environment where social enterprises and commercial enterprises come together for startup support.

Business incubators provide office space and support services for startup businesses (Hackett & Dilts, 2004). The significance of combining both social and commercial startups in this study is the difference in the purpose of these two types of business. Commercial enterprises transform the value they create into profits that benefit those that own part of the business through equity, and they seek to maximise profits for that return on investment. Social enterprises transform the value they create to benefit their social purpose (Amini Sedeh et al., 2020; Zahra et al., 2009).

These fundamental differences between social and commercial enterprises may suggest significant differences in ethos and practice. Yet, there are many shared commonalities of nascent enterprises seeking to navigate substantial hurdles to create value, achieve legitimacy, and be part of a startup community. Many entrepreneurs now consider the social and environmental impact of their startup; doing social good is becoming mainstream (Groom, 2018). This thesis explores this nuanced area of contrasts and similarities in the startup stage of social and commercial enterprises through a practice-led study to inform practical outcomes in social enterprise and business incubation practice.

## **1.2 Aims and objectives**

The overarching aim of this research is to improve business incubation. The objectives of this study are to:

1. describe the scale and importance of the phenomenon of social and commercial entrepreneurs together in business incubators, and
2. analyse qualitative insights to provide a rich understanding of the network dynamics and subtle interactions that influence the incubation process.

The study takes a qualitative, practice-led methodological approach to achieve a depth of understanding and practical outcomes.

### **1.3 Research niche**

The research fields of business incubation and social enterprise rarely come together. Few published works connect the support of social enterprises with business incubation or connect business incubation with social enterprises. The gap identified in the literature review in the following chapter is at the intersection where social enterprise startups interact with commercial startups in the context of business incubators. The lack of research in this overlapping and fluctuating space means that there is virtually no real-world understanding of social enterprises in business incubators in the literature.

### **1.4 Expected contribution**

This study is expected to indicate the extent of the phenomenon where business incubators support both social and commercial startups. This data would add further detail to the current picture of UK business incubators and may give cause to enhance incubation typologies. Through the exploration of interactions between social and commercial startups in mainstream business incubators, the study hopes to reveal underlying motivations, tensions, and subtleties that influence this process. These insights through a social enterprise narrative would contribute to current conversations on the human aspects of networks in business incubation literature.



## **1.5 Delimitations**

The period of the study runs from 2014 to 2019 and examines business incubators in the southern half of England. Specifically, a sub-set of incubators that are affiliated to higher or further education institutions. The scope of the study is limited to startups, as new, growing businesses are the subject of business incubator support services.

## **1.6 Defining Terms**

A 'business incubator' is an office space combined with business support and shared services to support early-stage businesses (Hackett & Dilts, 2004).

'Business incubation' is the process of providing support to early-stage businesses through business support techniques, infrastructure and people (Miller & Stacey, 2014).

'Incubatee' is the name given to an individual or business that accesses the business incubator's services (Hackett & Dilts, 2004).

'Startup' is a term that describes a new business aiming to grow (Hansen et al., 2000).

A 'commercial enterprise' is a business that maximises the value created through trading for private profit (Estrin et al., 2016).

A 'social enterprise' is a business with a social or environmental mission. Social enterprises are trading to generate the majority of their income and reinvesting the profits back in to support their mission (Mansfield & Gregory, 2019). Social enterprises can create social value in one or more stages of the business process: in the way that they procure products or services, through their activities directly

addressing a social need, or through the product or service that they sell. These three types have been described as: 'social-input', 'social-process', and 'social-output' (Alegre, 2015). Social enterprises also protect assets for social purpose through mechanisms such as asset locks (Department for Business, 2011).

A 'social entrepreneur' is someone who adopts business practices to provide solutions to complex and persistent social and environmental problems (adapted from Zahra et al., 2009). Social entrepreneurs are working in many places. They may be employees, volunteers or leaders; in existing organisations, private businesses, charities, government or the community; they may be outside of any existing formal structure. Not all social entrepreneurs create social enterprises. A social enterprise is formed when the social entrepreneur addresses the opportunity for improving the lives of others through a trading enterprise.

## **1.7 Thesis structure**

Chapter One has introduced the rationale for this research study and its interdisciplinary positioning. The gap in literature is briefly described, and the expected contribution to be made to the literature is outlined. Delimitations describe the scope of the study, and defining terms have been introduced.

Chapter two reviews the pertinent literature from the fields of social enterprise and business incubation. A clear gap in the literature is identified that leads to the development of refined research questions.

Chapter three establishes the theoretical underpinning and methodological approach to the study. The chapter connects the research questions to the research design. Explanations of the sampling, data collection, analysis, and

ethical considerations are given. Finally, the chapter describes why the research took the path it did and how obstacles and challenges were overcome.

Chapter four is a case study of the Formation Zone business incubator in Plymouth, UK. This chapter is embedded in business incubation practice and begins by setting the case within the socio-economic situation in particular regard to social enterprise activity in the city. The prototyping of an incubation case study to explore the research questions is described. The case study itself is influenced by business incubation practice and combines observational study with semi-structured interviews with social enterprises, presenting the data and key findings of this part of the study.

Chapter five responds to the findings from the Formation Zone case study by refining the focus and expanding the perspective by moving to examine four business incubators in the southern half of England. The key research questions are explored in greater depth to draw out complexities of social enterprise identity, interaction, and learning.

Chapter six interprets and discusses the study's findings, answering the three driving research questions. The original contributions made through the study are established. Limitations of the research and areas for potential future study are also outlined.

Chapter seven concludes the thesis with a brief overview of the study and its contributions. Implications for practice in social enterprise and business incubation are described.

## **Chapter 2 Literature review**

### **2.1 Chapter introduction**

The introduction has outlined the rationale for the study at the intersection of social enterprise and business incubation, exploring the phenomenon of interactions between social and commercial enterprise startups in the context of business incubation. This chapter reviews the literature of social enterprise and business incubation, initially setting the scene through an overview of their recent evolution to the current situation, before synthesizing and critiquing critical, connecting themes of business support, bricolage, networks, identity, collaboration, competition, peer learning, and diversity. Organised by firstly addressing social enterprise and then business incubation, the review then draws together the critical findings and identifies gaps to inform the research questions and methodological approach.

The literature search began with the primary research question of ‘how and why do social and commercial enterprises interact in a business incubator?’ and its key concepts of social enterprise, commercial enterprise, interactions, and business incubators. Keywords and phrases related to these concepts were developed, tested individually and in combination, and adjusted where needed to improve accuracy. The keywords and phrases, with truncated and wildcard variations, included: social enterprise, social entrepreneur, startup, nascent, entrepreneur, entrepreneurship, commercial enterprise, business incubator, incubator, university incubator, network, interact, collaboration, competition, trust, peer, peer network, peer learning, and identity.

From the initial search, refinement of the extant literature was achieved by using the snowballing technique, identifying key papers and publications in the citations of the most pertinent papers. Assessment for quality control of the literature included peer-review, journal impact, and paper citations. Relevant databases searched included EBSCO, JSTOR, and Web of Science, and auto-alerts for new papers meeting search criteria were utilised.

Searching grey literature of relevance to the research topic focused on key organisations publishing high-quality research and reports. These organisations included: Social Enterprise UK, The Young Foundation, School for Social Entrepreneurs, Regulator of Community Interest Companies, Third Sector Research Centre, Centre for Entrepreneurs, Universities UK, British Council, Nesta, Global Entrepreneurship Monitor, European Commission, Plymouth City Council, UK Government (various departments).

## **2.2 Social enterprise**

The forces of wealth accumulation and distribution create extreme inequality (Piketty, 2014), resulting in calls for “new economic thinking” (Roy et al., 2015, p. 49) that includes social enterprise as part of the answer to ensuring businesses improve the wellbeing of the worst-off at the bottom of the pyramid (Agafonow & Donaldson, 2015). Social enterprises are businesses with a social or environmental mission (Mansfield & Gregory, 2019), they are differentiated from charities and other third-sector organisations by trading to generate the majority of their income, and reinvesting the profits back in to support their mission (Mansfield & Gregory, 2019).

The increasing priority for social enterprise since the early 2000s is generated in part by government policy and the expectation that these businesses create not only employment but also address unmet social needs (Haugh, 2005). In the UK, the 2010 Conservative and Liberal Democrat coalition government policies for the 'Big Society' (Cabinet Office, 2010) encourage social enterprises to bid for the delivery of public services and is the catalyst for an expansion of business support mechanisms designed to help social enterprises grow. The 2012 Social Value Act (Parliament of the United Kingdom) aims to encourage further commissioning of public services through social enterprise, increasing pressure on social enterprises to be accountable for outcomes that demonstrate social change or improvement while continuing to deliver tangible outputs from their activities (Social Enterprise UK, 2012).

A Community Interest Company (CIC) is the UK's legal form for incorporating social enterprises (European Commission, 2014). CICs are a form of limited company, and like other limited companies there are two main types: limited by shares, where shareholders purchase shares and own a share of the company; or limited by guarantee, where members guarantee to meet the debts of the company up to a set limit (Department for Business, 2016). CICs have two significant differences to standard limited companies. Firstly, a requirement by law to declare their social purpose in their articles of association and report on their social impact annually. Secondly, the mechanisms for protecting their social purpose: an 'asset lock' to prevent assets transferring out of the CIC and away from their intended purpose, and a cap on dividends and interest payments (Department for Business, 2011).

Since its introduction in 2004, the Community Interest Company has seen its most substantial growth in England (Hazenberg, Bajwa-Patel, Roy, et al., 2016)

with 88% of current registrations from this part of the UK. There are currently over 15,000 CICs registered in the UK, and the number of new registrations is steadily increasing each year to over three thousand new CICs in 2018-19 (Regulator of Community Interest Companies, 2019). CIC is only one form of social enterprise legal entity. Other forms used include: limited company, charitable incorporated organisation (CIO), cooperative, business partnership, and sole trader (Bull, 2018; UK Government, n.d.).

Gaining an accurate figure of the number of social enterprises in the UK is problematic, with some social enterprises not self-identifying as a social enterprise, and some commercial companies taking a too-broad understanding of 'social and environmental objectives' and mistakenly self-identifying as social enterprises. This variation in use of the term can be explained by the UK Government encouraging public services privatisation that led to a loosening of the concept of 'social enterprise' and reduction in the meaning of the term (Roy et al., 2015). The difficulty in defining social enterprise has led the UK Government to make some methodological changes to the collection of statistics in this area (Stephan et al., 2017). The current indication from 2016 data reveals approximately 471,000 social enterprises in the small and medium-sized enterprise (SME) population of 4.8M. This social enterprise figure is defined separately to a larger group of 1.2M socially-oriented SMEs that do have social or environmental goals but do not primarily use their profit for those goals (Stephan et al., 2017).

Social Enterprise UK (SEUK), the national body for social enterprise, take issue with the government approach of focusing on SMEs through use of the Small Business Survey (SBS) to assess the size and scale of social enterprise in the UK (Gregory et al., 2018). They have identified that this approach does not take into

account the many larger social enterprises, typically operating as building societies and cooperatives, which contribute significantly to the scale of the sector. SEUK has introduced a new methodology to attempt to provide a more accurate picture of social enterprise by including large organisations and excluding more commercial businesses that claim to achieve social benefits. This methodology results in a much lower number of social enterprises than government estimates due to its narrower definition—their recent report estimates 100,000 UK social enterprises (Gregory et al., 2018). “While any business can make claims about values, in a social enterprise, our commitments are cultural *and* structural. Social enterprises *have to* reinvest profits and *have to* put their social purpose above the pursuit of short term financial gain” (Gregory et al., 2018, p. 3 emphasis in original).

The health of UK social enterprises continues to develop with higher innovation activity than the traditional SME population with 56% of social enterprises introducing a new product or service in 2019 compared to SMEs at a much lower 36%. Growth of social enterprise turnover was also strong, 52% grew their turnover in 2017 compared to 34% of SMEs. This data from the recent State of Social Enterprise survey also highlights that 42% of social enterprises are under five years old compared to 14% of SMEs (Mansfield & Gregory, 2019). While this last statistic could indicate growth in new social enterprises, it could also indicate a weakness in the longevity of social enterprises.

Not all social entrepreneurs create value in the same way or set out to achieve an impact on a similar scale, and so it can be helpful to consider the different types to understand their varied needs, resource requirements and ambitions. There are two typologies of interest here, firstly Zahra et al. differentiating ‘Social Bricoleurs’ that address local community needs, from ‘Social Constructionists’



that combine serving local needs and addressing more significant social wealth imbalances, and ‘Social Engineers’ that address large-scale systemic issues (2009). Secondly, Alegre’s differentiation of social value creation at different stages as ‘Social-input’ enterprises that create value in their procurement such as Fairtrade organisations, ‘Social-process’ enterprises that create value in the way they operate their business or run their activities, and ‘Social-output’ enterprises that create value through the product or service that they sell (2015).

### **2.2.1 Business support**

With the thriving startup social enterprise sector described above, the business support available to social enterprises is also evolving to respond to barriers and opportunities. This review focuses primarily on the types of support accessed by social enterprise startups rather than support designed for more mature social enterprises, sometimes known as ‘stay-up’ enterprises, where it was possible to differentiate from the descriptions provided. The business support requirements of startups, of any type or sector, are significantly different to the support requirements of stay-up or mature businesses as they face different challenges and opportunities. This differentiation is to ensure an alignment between the literature and the target population of this study as startup social enterprises.

The current landscape of social enterprise startup support is dynamic, with established specialist providers like the School for Social Entrepreneurs (Cooper & Murray, 2008; Richardson, 2013; School for Social Entrepreneurs, 2016) operating alongside dedicated social enterprise accelerator programs (Pandey et al., 2017), localised social enterprise initiatives funded by local authorities or Local Economic Partnerships (Devon County Council, n.d.) and a wide variety of networks, events, competitions and grants targeting new ideas in social enterprise (Richardson et al., 2015; UnLtd, n.d.).

Universities have a significant role in encouraging and nurturing social enterprise, with a growing number of specialist programs both in and outside of the curriculum; they are placing increasing importance on a combination of strategic and practical entrepreneurial skills in social enterprise. These specialist programs are targeting not only their students but also in many cases providing social enterprise support initiatives into their local community and connecting with their research agenda (Gabriel et al., 2013; Mannion et al., 2017; Universities UK, 2012). One UK University is currently inviting social enterprises to engage and collaborate with them on designing a new postgraduate course for people working in or aiming to work in the social enterprise sector (Short, 2019).

For new and emerging social enterprises, just like commercial startups, there is an increasing range of support options combined with space from which to operate the business. Informal co-working spaces are at the most flexible end of the market, usually with a tariff structured around a set number of hours per day, week, or month, where users can turn up and find an available 'hot desk' to occupy. Bringing together a diverse group of individuals into a shared space to work on their ideas, business activities, networks, and impact is an increasingly popular approach that merges commercial and social strategies. This approach recognises that in many cases, a multitude of collaborative, interdisciplinary actors are needed to address societal issues and create systemic change (The Centre for Social Innovation, 2010).

The physical space plays an essential part in the extent to which users make connections with their peers. Simple, practical functions such as a kitchen to make and share drinks or meals facilitate the development of relationships which "lead to a real sense of kinship among the members" (The Centre for Social Innovation, 2010, p. 21). Where co-working spaces are located in the most

densely populated areas, they sometimes cater to specific niche markets, including social enterprise. This clustering of like-minded businesses is orchestrated to encourage a community identity that facilitates connections and opportunities and is known as “vertical specialisation” (Miller & Stacey, 2014, p. 5).

Since its emergence in 2005, ‘The Hub’ co-work space for social entrepreneurs (Miller & Stacey, 2014), brings together individuals who want to make the world a better place, that typically work from home and find it difficult to access the resources they need to make their ideas reality (Bachmann, 2014). To address the significant sustainability challenges of their global expansion, The Hub is now redefined as ‘Impact Hub’ with increased emphasis on a collaborative network of Impact Hubs that provide more added value to users including “incubation, education, and consulting” (Bachmann, 2014, p. 28).

In this evolving landscape of informal and formal support and spaces for social enterprise, the innovation foundation Nesta (formerly NESTA, the National Endowment for Science, Technology and the Arts) provide an overview of incubation for social ventures. They describe the report as a “collection of techniques” designed to improve the pipeline of scalable social ventures for investment and include: co-working spaces, accelerators, academies, angel investor networks, and competitions (Miller & Stacey, 2014, p. 4). This growing offering is spurred by the UK government’s Social Incubation Fund in response to a gap in finance for social enterprise (Cabinet Office, 2012). Investments are focused on established social enterprises with a strong track record in a position to scale, but the majority of social enterprises do not meet these criteria (Miller & Stacey, 2014). Even when social enterprises do meet investment criteria, scaling the enterprise out of the community it is designed for and embedded in is

problematic (Smith & Stevens, 2010). This issue is also recognised by Islam (2020) in their recent assessment of unintended consequences of scaling. Islam highlights the impact that a growing number of new social enterprises has on the availability of resources for existing social enterprises in an area, that often results in increased competition between social enterprises for limited resources. This competition can place a strain on the expectation of peer support through local social enterprise networks (Islam, 2020).

Accelerators for social enterprise, named “Impact Accelerators” by Nesta (Miller & Stacey, 2014, p. 15), have distinct features that set them apart from other incubation services. They have an open, competitive application process with participants selected into cohorts that transition through a rapid incubation process in a set period. Through this process, the accelerator selects enterprises for investment, usually in return for equity (Miller & Stacey, 2014). Dedicated business support programs for social enterprise, named “Social Venture Academies” by Nesta (Miller & Stacey, 2014, p. 19), tend not to be focused on the provision of workspace, but often bring cohorts of participants together for their learning activities to benefit from the opportunity to grow their network and connections. The School for Social Entrepreneurs is a leader in this area (Miller & Stacey, 2014). The vertical specialisation seen in co-working spaces is also applicable to the growing group of incubation activities for social ventures including accelerators and academies, and according to Nesta, this trend looks set to continue with a focus on particular sectors or societal problems (Miller & Stacey, 2014). The increasing vertical specialisation of business support for social enterprise is opposite to the trend occurring in business incubation where incubators are reducing their industry specialisations (Bone et al., 2017a) for improved sustainability and increased knowledge exchange within diverse

cohorts (Schwartz & Hornyk, 2010). This business incubation trend is explored in more depth later in this chapter.

The risks associated with incubation for social enterprises share features with the risks of incubation generally. Concerns highlighted by Nesta include whether it is a good use of public funds, and how to ensure incubated social enterprises don't fail once they are out of an intensive support phase. More unique to social enterprise incubation is how to ensure that those receiving the benefits of dedicated social enterprise support are 'genuine' social purpose ventures that continue to operate on that basis (Miller & Stacey, 2014). This concern likely originates from the need to ensure proper use of public funds for social enterprise startup and growth initiatives. However, attempting to verify 'genuine' social enterprise highlights the underlying issue of its contested nature. This takes several forms, including: the embedded, contextualised culture that may drive different interpretations of social enterprise in different geographic locations (Mazzei, 2017); and social enterprise's cultural dissonance of achieving social impact through enterprising methods where profit-making can get in the way of helping those most in need (Teasdale, 2010).

The benefits provided by dedicated social enterprise business support could be seen to be 'at risk' from appropriation on two fronts. Firstly, from a commercial perspective we have already heard, earlier in this chapter, the sometimes too-broad interpretation of social enterprise by commercial companies. Commercial companies may benefit from 'appearing' to be a social enterprise through an improved perception of their credibility by potential customers, or by accessing incentives and support intended for social enterprises. Secondly, third sector organisations encouraged to adopt social enterprise practices may do so to take

advantage of available resources where possible: a ‘tactical mimicry’ described in Dey and Teasdale’s study (2016).

The Nesta report (Miller & Stacey, 2014) does not specifically discuss ‘traditional’ business incubators in their review of incubation of social ventures, which is surprising, as a few years later Nesta’s data on incubation shows that there are more business incubators than accelerators in the UK (Bone et al., 2017a). This Nesta report for the Department for Business, Energy and Industrial Strategy (BEIS) summarises the UK national picture of business incubators and accelerators and identifies that incubators are more evenly distributed throughout the UK. In contrast, accelerators are clustered in London and other major cities (Bone et al., 2017a). This distribution could indicate that incubators are well placed to support social enterprises in the communities that they serve.

Incubators have a clear definition in both academic and grey literature, as a shared physical office space that provides its users with business support and a network that includes the incubator management and staff, the incubators’ network of experts and specialist advisors, and a peer network within the incubator (Hackett & Dilts, 2004). The incubation model typically has a rolling intake (rather than cohorts), is selective, the duration is usually based on the stage of the business and is typically two years, and users normally pay rent in exchange for incubation services (Bone et al., 2019). Recent research is beginning to address where business incubators are focusing on social entrepreneurs and social enterprise. These have analysed social enterprise incubators for collaboration and social innovation (Nicolopoulou et al., 2017), sustainability of the model and identifying differences to commercial incubators (Adham et al., 2019), the nature of embeddedness (Meister & Mauer, 2019), and the use of technology infrastructure (Wulan & Hermanto, 2019). But despite this recent

interest, the established research fields of social enterprise and business incubation rarely meet, and the result is a gap in the literature on social enterprise in business incubators. Business incubators are explored in more depth later in this chapter.

Social Enterprise UK (SEUK) publish a biennial report on the ‘State of Social Enterprise’, drawn from a national survey of UK social enterprises (Mansfield & Gregory, 2019). Over the last decade, this report shows significant fluctuations in the percentage of social enterprises that feel they are receiving poor quality business support or have difficulty accessing support. This measure stood at 10% in 2011 (Villeneuve-Smith), rose to 16% in 2015 (Temple & Villeneuve-Smith), and most recently in 2019 is at just 4% (Mansfield & Gregory). A similar metric is that of a lack of understanding of social enterprise by banks and mainstream business support. This measure stood at 9% in 2011 (Villeneuve-Smith), rose to 14% in 2015 (Temple & Villeneuve-Smith), and in 2019 is at just 2% (Mansfield & Gregory). These two measures mirror very closely each other’s rise and fall over the last decade, with significant improvement in recent years.

The SEUK State of Social Enterprise reports do not specifically discuss the possible causes of change in perception of business support. The rapidly expanding range of business support for social enterprise as described earlier in this chapter may be part of the reason for the significant improvement over the last five years. However, despite these significant improvements, recent studies still identify the need for a combination of business support that addresses both common startup issues and social enterprise-specific needs. Typical issues applicable to any startup include access to finance, cashflow management, technology, and marketing (Mansfield & Gregory, 2019). Social enterprise-specific needs include issues such as accessing public procurement (Mansfield &

Gregory, 2019) and company structure and formation (Lyon & Ramsden, 2006). And there are still consistent calls for mainstream support providers to make provision for social enterprise within their services (Stumbitz et al., 2018).

The SEUK State of Social Enterprise reports make recommendations to government and support organisations addressing the business support needs of social enterprise. In 2013, SEUK call for business support that addresses a gap in marketing, sales and communications (Villeneuve-Smith et al.). And in 2015, SEUK call for the government to provide “...access for social enterprise in all mainstream business support programmes to cater to the growing population.” (Temple & Villeneuve-Smith, p. 60).

Understanding the reasons for the high levels of dissatisfaction with business support for social enterprise up to 2015 (Temple & Villeneuve-Smith, 2015) requires an understanding of the landscape of social enterprise growth in the UK in the early 2000s (Haugh, 2005). In Hines’ evaluation of business support specifically for social enterprise (Hines, 2005), they draw attention to the astonishingly low level of approval for the support service provided by Business Link, the primary source of business support in England (and its equivalents in Scotland and Wales) at that time. Only three out of eleven respondents rate the support as appropriate to social enterprise, and overall, the support provision is described as “poor quality” (Hines, 2005, p. 18). The secondary source of support used is informal networks and learning from other social enterprises, and Hines identifies that the push for formal networks as a means of providing social enterprise business support is likely to be less successful than informal networks (2005). Recommendations to business support providers from this evaluation include: increasing their knowledge of and empathy with the social enterprise sector, providing advice tailored to an organisation, and more widely promoting



a tailored support service to the social enterprise sector. Hines also encourages social enterprises not to give up on Business Link, as continued demand for support services for social enterprise would be likely to speed up the changes required to improve their services (Hines, 2005).

Some similar findings are published a year later by Lyon and Ramsden (2006), who assess the social enterprise business support provision at that time as disjointed and in need of coordination and investment in building the capacity of advisers to deliver support (Lyon & Ramsden, 2006). In their study, however, participants have a positive experience of Business Link provision of business support, and they conclude that many of the support needs of social enterprise are met through mainstream support but that there is still a need for social enterprise support to be tailored (Lyon & Ramsden, 2006).

The UK Government's Office for Civil Society put in place a 'Social Enterprise Business Support Improvement Programme', from 2007 until 2011, to improve the quality of support for social enterprise and increase engagement with that support. Nairne et al. (2011) describe this program as a response to identified failures: social enterprises not accessing public-funded business support, social enterprises unable to purchase high-quality business support, a lack of expertise and understanding of social enterprise from public-funded business advisors, and a lack of capacity and standards among social enterprise support services (Nairne et al., 2011).

The evaluation of this government initiative describes the varied regional approaches to addressing these failures, which appear to take two distinctly different strategies. Firstly, most regions take a skills development approach through increasing knowledge of social enterprise support needs by conducting a needs analysis of the sector and developing social enterprise knowledge and skills

with their mainstream support providers. Secondly, some regions take a specialised approach relying on employing social enterprise specialists to connect Business Link to social enterprises and act as champions within Business Link, and in the South West region outsourcing contracts for conducting needs analysis services to a specialist support organisation. The authors recognise that relying on a small number of specialised staff is likely to increase the risk of weak long-term sustainability (Nairne et al., 2011).

Nairne et al.'s evaluation provides several recommendations to the government for improvement of social enterprise business support services (2011), many in line with Hines' earlier evaluation (2005). Recommendations include that mainstream business support can support social enterprise, but it must contain social enterprise-specialist expertise and that social enterprises should be involved in designing business support services both nationally and locally (Nairne et al., 2011). Some of these recommended changes would make tangible improvements to expertise within support services, and some changes appear to be driven by a desire to improve the perception of support services and specifically the relationship between social enterprises and public-funded support services. The evaluation refers to many business advisors that agree with an "80:20 rule" that positions the majority of social enterprise support needs as the same as other businesses, and that social entrepreneurs they interviewed "tended to echo this" (Nairne et al., 2011, p. 16).

In the same year, the Department for Business, Innovation and Skills also published the findings of a longitudinal study of social enterprise business support needs (Allinson et al., 2011). Some points from Allinson et al.'s study echo Nairne et al.'s report (2011), finding that the business support needs of social

enterprise were very similar to SMEs. Allinson et al. report that only a small proportion of social enterprises are accessing specialist support:

Such services tended to receive more favourable comments although this may relate to the ability of these organisations to use appropriate language and present themselves differently, without the baggage of the Business Link brand. It was not clear that their services had had any greater impact. (Allinson et al., 2011, p. 104).

Their description of social enterprise networks only extends as far as social enterprises expanding their collaboration opportunities with other social enterprises for contract bidding (Allinson et al., 2011), and fails to address the expansion of knowledge or contacts outside of their field.

In stark contrast to Nairne et al.'s study, Allinson et al. finds that their social enterprise participants using Business Link report "satisfaction with the general service, finding business skills seminars relevant and of good quality." (Allinson et al., 2011, p. 12). Although this enthusiasm for Business Link is balanced by two statements about mainstream support. Firstly, applying mainstream support products to social enterprise is problematic as the products are geared toward maximising private profit (Allinson et al., 2011). Secondly, mainstream support is more effective if advisors are aware of social enterprise, and the service is designed for and communicated to social enterprise (Allinson et al., 2011). However, following these government evaluation reports, Business Link closed down in 2011 and now information is made available online through the government web portal and a telephone helpline to replace its nationwide network of advisors, creating a substantial shakeup in the business support landscape. Without Business Link and the associated infrastructure for business support, it is possible to speculate that the recommendations of Nairne et al.'s evaluation report (2011) are unlikely to be implemented as intended.

There is a significant field of social enterprise research dedicated to exploring and defining the business support needs of social enterprise and social entrepreneurs. This line of inquiry is evolving into many themes and avenues which are often interrelated and underpinned by central themes in the broad field of social enterprise research such as identity and the conflicting pressures of ‘social’ versus ‘enterprise’.

Firstly, many researchers respond to assumptions of the ‘business-like’ behaviours and strategies that social enterprises are expected to have and use, by questioning whether standard strategies, tools, and frameworks from the commercial business world are suitable for social enterprise. Kaplan and Norton’s Balanced Scorecard (Kaplan & Norton, 1992) attracts attention with Somers’ paper reviewing lessons learned in a project with the Social Enterprise Partnership testing different management tools on social enterprises in the UK (2005). Somers finds that the traditional scorecard could be adapted into a version tailored for social enterprise (2005). Further developments of the Balanced Scorecard for social enterprise are explored through Bull’s redesign and testing (2007). The adaptations are found to be successful in the ability of the tool to provide insights for social enterprises and their management. However, the authors acknowledge that their study does not evaluate the experience of using the scorecard by social enterprises (Bull, 2007). In the most recent study of this type, Sparviero proposes a ‘Social Enterprise Model Canvas’ (Sparviero, 2019) as an adaptation of Osterwalder’s well-known ‘Business Model Canvas’ that is widely used since its publication in 2010 (Osterwalder et al.). In addition to these studies testing specific tools, it would be beneficial to understand the extent of use, if any, of ‘business-like’ tools by social enterprises in their usual practice.

Sustainability and growth of social enterprises is a developing theme in the social enterprise business support literature. Traditional commercial models of growth and sustainability are examined to further our understanding of how these relate to social enterprise, where social enterprise strategies of growth and sustainability differ (Davies et al., 2019), and the meaning of terminology alters (Wallace, 2005). Values-based social enterprise growth strategies are emerging out of the potential for traditional concepts of commercial growth to detract from their social mission or social impact (Davies et al., 2019). The pressures from commissioners to prioritise the need for an increased scale of delivery by scaling social enterprise is well recognised as causing problems from a ‘one size fits all’ approach. Social enterprise often emerges from localised issues, stakeholders and communities (Smith & Stevens, 2010) and often cannot simply be replicated in another locality or for another purpose (Blundel & Lyon, 2015).

Several studies explore the barriers to growth for social enterprises, finding many external and internal barriers that overlap with barriers to growth for traditional SMEs such as access to finance, management skills within the organisation, and suitable business advice. But they recognise that although there are significant overlaps, the nature of social enterprise and the need to achieve social impact adds to the complexity and nature of growth (Hynes, 2009; Phillips, 2006; Scheuerle & Schmitz, 2016). With a strategic international perspective, the approach to scaling social enterprises is identified as requiring a localised methodology to suit the diverse ecosystems and maturity of enterprises (Gramescu, 2016).

Significant factors in the sustainability of social enterprise are the business, management, and entrepreneurial skills of the social enterprise leadership team (Davies et al., 2019), which is also an important area of research within the

business support theme. The research explores the unique characteristics of social entrepreneurs (Jilinskaya-Pandey & Wade, 2019) and the particular challenges of leadership development concerning the individual and their distinctive approaches to strategy and mission (Jackson et al., 2018; Linzalone & Lerro, 2014; Moreau & Mertens, 2013). Recent work on the specific skills required in leading social enterprises highlights the need to embrace and accept the social and commercial tensions in social enterprise through recognising the value of each and develop trust through an open culture of communication with diverse voices from both sides of the social and enterprise spectrum (Al Taji & Bengo, 2019).

### **2.2.2 Bricolage**

The entrepreneurial strategies of social enterprises are often underpinned by the nature of social enterprise itself. Responding to a social need that is not being sufficiently met by private or public sector means that social enterprises are typically in a market that is not functioning well and scarce resources characterise the environment. This scarcity places an even more significant resource challenge on social enterprises than commercial enterprises (Di Domenico et al., 2010). Social enterprises tackle resource constraints in many different ways and with much in common with entrepreneurship generally. These include: bootstrapping to be self-sufficient and avoid raising external finance, use of networks and social connections to access skills and support, and effectuation to be able to adapt to rapidly changing circumstances (Di Domenico et al., 2010). One method that social enterprises use for dealing with resource constraints that seems to stand out in the literature as particularly relevant is bricolage. Bricolage describes a process of improvisation with the resources-at-hand, first described by Levi-Strauss (1966), the concept is used in many different fields. It is still of great

relevance in current discourse by describing the different ways of thinking about organisation, illustrated by the difference between engineers working to defined plans and bricoleurs creatively achieving optimal use of available resources (Frissen, 2015; Levi-Strauss, 1966).

What distinguishes bricolage from the other entrepreneurial approaches to resource constraint described in the previous paragraph, is that in bricolage, the found and gathered resources can shape the outcome (Di Domenico et al., 2010). Often bricolage is undertaken out of necessity and sometimes chosen as a design philosophy (Desa & Basu, 2013). It is currently considered by some to be the most suitable way to understand social enterprises operating with scarce resources (Janssen et al., 2018). An advantage of bricolage is that it can result in an increased range of services or products that may create increased levels of social impact. But there are significant risks in utilising a bricolage strategy, including: mission drift away from intended customer, market, or social impact (Kwong et al., 2017); failure of improvisation practices to meet the ongoing needs of the social enterprise (Ladstaetter et al., 2018); and possibly limit innovation if overused (Kickul et al., 2018).

### **2.2.3 Networks**

Networks and connections are recognised as crucial to social enterprises, as they help to facilitate entrepreneurial processes and strategies and ensure they are grounded in their stakeholder community (Haugh, 2007; Smith & Stevens, 2010). Social enterprises are often described as particularly strong in building networks and in their use of network connections when compared to commercial enterprises (Dufays & Huybrechts, 2014; Folmer et al., 2018; Jenner & Oprescu, 2016). Building a strong network takes time, and therefore the more mature social enterprises and social entrepreneurs are, the larger their network tends to

be (Bernardino & Freitas Santos, 2019). Networks specifically for social enterprises are growing in the UK, and these networks include informal connections with social enterprise peers and formal networks providing access to business support providers or government bodies (Granados & Rivera, 2018). Many of the networks operate through online platforms and tend to provide information on social enterprise news, reports, funding opportunities, and business support activities (Granados & Rivera, 2018). Other social enterprise networks develop and grow in a local community, and these tend to support face to face information sharing among social enterprises in a geographic community (Granados & Rivera, 2018) such as in Plymouth, UK (Plymouth Social Enterprise Network, 2018).

A diversity of voices is highlighted as an essential consideration for growing the networks of social enterprises to avoid over-reliance on some connections (Bernardino & Freitas Santos, 2019) and to ensure the health of the network. This healthy diversity of network is supported at the systemic level with a “Pluralistic Zone” (Hazenberg, Bajwa-Patel, Mazzei, et al., 2016, p. 317) identified at the interface between micro and macro enterprises in the private and public sectors, where greater diversity in finance, stakeholders, and culture results in social enterprises that have an improved awareness of their ecosystem, are more innovative and have increased levels of collaboration (Hazenberg, Bajwa-Patel, Mazzei, et al., 2016).

The Centre for Social Innovation’s evaluative tool for social innovation networks includes measurement of the diverse versus homogenous nature of the “membership, skills, resources, and perspectives.” (Canada Millennium Scholarship Foundation & Centre for Social Innovation, 2010, p. 66). However, traditional commercial venture growth infrastructure and practices can get in the



way of the implementation of a diverse network approach. 'Successful' social entrepreneurs are often those that are most easily able to navigate infrastructure norms and hurdles to access support through either having a privileged position, or a network of people with wealth or privileged positions that they can draw on (Steiner & Teasdale, 2016).

Drawing on the theory of embeddedness and specifically how actions are influenced by relationships (Granovetter, 1985), Smith and Stevens (2010) connect the issue of place and the geographic level at which a social enterprise focuses its work and its network with Zahra et al.'s typology of social entrepreneurs (2009). Smith and Stevens propose higher levels of embeddedness are found in those addressing needs in their local community compared to those social enterprises addressing systemic problems at a global level. Their findings have implications for not only how a social enterprise operates within their network but also how appropriate the scaling of their enterprise may be (Smith & Stevens, 2010). More recently, Dufays and Huybrechts (2014) propose that as social entrepreneurship stems from a high level of embeddedness in social need, that social enterprise, therefore, is likely to have higher levels of embeddedness than commercial entrepreneurship (Dufays & Huybrechts, 2014). Roy et al. describe this further as a need for tackling the inequalities in communities through localised solutions that are co-produced with stakeholders in a contextualised process (2015).

There is a growing body of work examining the nature of social enterprise collaborations with other enterprises, including commercial, beginning to address the gap in the literature (de Bruin et al., 2017; Di Domenico et al., 2009; Huybrechts & Nicholls, 2013; Huybrechts et al., 2017; Kwong et al., 2017; Sakarya et al., 2012). Some studies identify that the more homogenous networks based on

shared beliefs found in the social enterprise sector encourage trust and cooperation (Tencati & Zsolnai, 2012), influencing business decisions, working together, and a sense of sector “kinship” (Jenner & Oprescu, 2016, p. 248). In contrast, others identify underlying tensions that exist in social enterprise networks attempting to support each other through information sharing and best practice while at the same time competing for contracts in their field. With trust undermined, social enterprises tend to act independently as a reaction to competition (Seanor & Meaton, 2008).

Where social enterprises collaborate with commercial enterprises, they are found to take a “cautious” approach to their selection of potential collaborators (Huybrechts et al., 2017, p. 602). Kwong et.al. (2017) describe the characteristics of the different types of collaborative partners as “Dominant, Dormant, Collaborative, or Complementary”. Their conceptual framework places the types of partnerships on a continuum between “asymmetric” and “symmetric” power balance, and “active” and “passive” involvement (Kwong et al., 2017, p. 616). While these studies shed some light on social enterprise collaboration, there is scope for further research to add to our understanding from the entrepreneur and enterprise perspective the *experience* of interacting with their peers across these diverse groups.

#### **2.2.4 Social-commercial tensions and identity**

A significant theme in social enterprise literature, addressed by many authors over the last two decades, is the inherent tension and conflict in an organisation that aims to achieve social impact through enterprise activities (Smith et al., 2013; Smith & Lewis, 2011). Dees discusses the “rising tide of commercialization” (1998, p. 56) affecting traditional non-profit organisations providing community services. They find that non-profit organisations are increasingly moving from a

model dependent on grants and donations to a model that utilises trading practices typical to the commercial sector to generate revenue. They recognise that “like the proverbial tail wagging the dog, commercial funding can pull a non-profit away from its social mission” (Dees, 1998, p. 58). Dees’ recommends organisations facing these challenges find a practical balance between the competing drivers, which are laid out in “The Social Enterprise Spectrum” (1998, p. 59).

This important framework, depicted in Figure 1, below, captures the changing motivations and models from the “purely philanthropic” to the “purely commercial” and the hybrid between these two (Dees, 1998, p. 59). The hybrid space recognises that social enterprises are motivated by both their social mission and commercial activities, creating value in both areas (Dees, 1998).

THE SOCIAL ENTERPRISE SPECTRUM				
		Purely Philanthropic	←————→	Purely Commercial
Motives, Methods, and Goals		Appeal to goodwill Mission driven Social value	Mixed motives Mission and market driven Social and economic value	Appeal to self-interest Market driven Economic value
Key Stakeholders	Beneficiaries	Pay nothing	Subsidized rates, or mix of full payers and those who pay nothing	Market-rate prices
	Capital	Donations and grants	Below-market capital, or mix of donations and market-rate capital	Market-rate capital
	Workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
	Suppliers	Make in-kind donations	Special discounts, or mix of in-kind and full-price donations	Market-rate prices

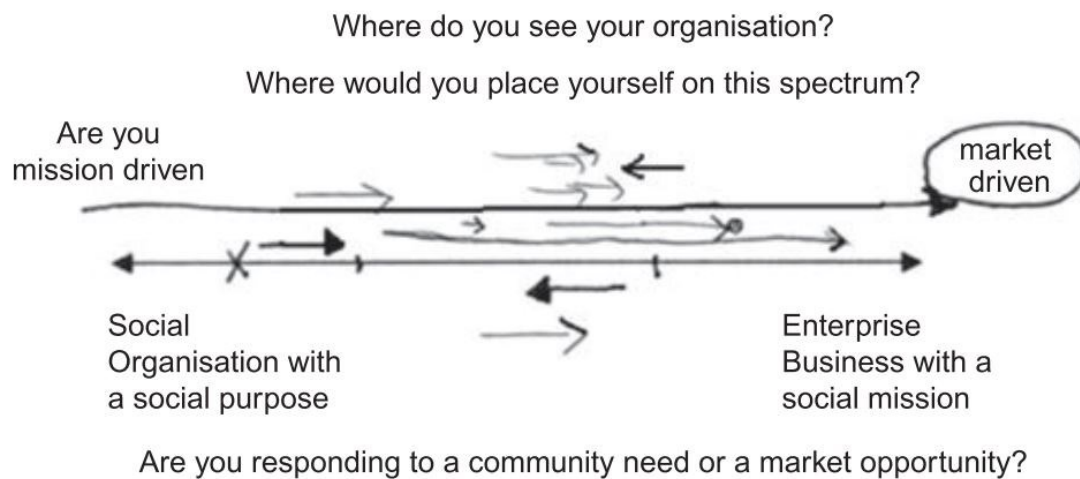
**Figure 1 Dees' Social Enterprise Spectrum**

Source: Dees (1998, p. 59)

This theoretical framework is further developed by Dees and Anderson (2006) and Dees (2012). Dees and Anderson propose that social entrepreneurship draws together two distinct areas of practice: the first, social enterprise, with a focus on utilising commercial revenue practices to advance social purpose organisations; and the second, social innovation, having a focus on improving the ways societal issues and problems are solved (2006). The authors recommend that future research should focus on this area between social enterprise and social innovation to “address a topic that could prove crucial for society” (Dees & Anderson, 2006, p. 60). Dees’ social enterprise spectrum (1998) is widely influential in the literature, a foundation for current conceptualisations and models (Bull, 2018), and used to demonstrate both positive and negative arguments on moving organisations that were in the voluntary and community sector into a more commercial model along a transformational straight line (Seanor et al., 2014).

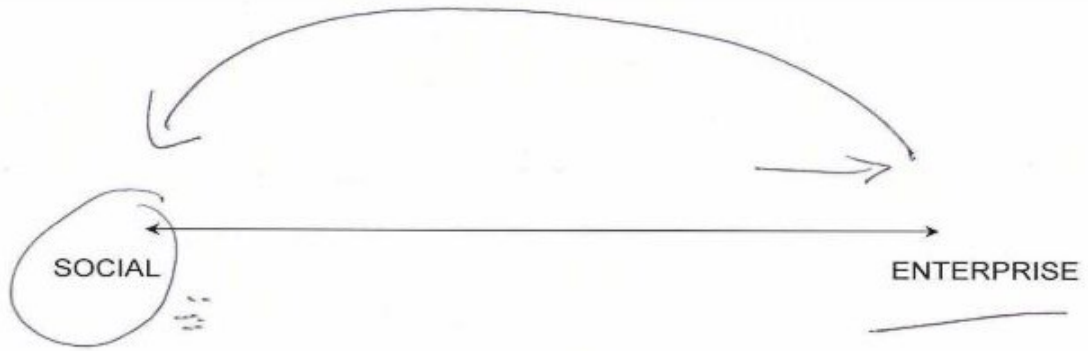
Seanor and Meaton explore the varying reactions that practitioners have to being labelled as social enterprises in the growing use of the term by government, academics and the sector itself (2007). Their study examines a group of organisations transitioning from the voluntary community sector to encompass social enterprise practices, their transition mainly for reasons of sustainability and necessity. Participants share experiences of business support advice that is not suitable to their needs, resulting in an “extremely sceptical” view of social enterprise and most still retaining their identity in the voluntary community sector (Seanor & Meaton, 2007, p. 98).

This practitioner-view of social enterprise is further explored through an empirical study using the drawings of participant social enterprises (Seanor et al., 2013). Findings emerging from this process demonstrate their place on the spectrum is fluid and moving between two ends of the continuum. An example of one participant's response depicting multiple movements on the spectrum is shown in Figure 2, below. These findings are, in part, due to participants being in an evolving process from the voluntary sector into social enterprise, acknowledging the difficulty of maintaining their social purpose, as shown in Figure 3, and also in response to the changing environment and stakeholders (Seanor et al., 2013). The practitioner perspective is different from that of support providers and advisors presented with the same continuum. These support providers describe their role as helping to move organisations smoothly from one end of the spectrum to the other (Seanor et al., 2013).



**Figure 2** *Depicting movement on the spectrum*

**Source:** Seanor et al. (2013, p. 335)



**Figure 3 Enterprise to achieve social**

**Source: Seanor et al. (2013, p. 335)**

While the continuum prompts some interesting, dynamic results, it is also tested as a concept by one participant rejecting the linear model, see figure 4 below, where a circular alternative is suggested outside of the spectrum.



**Figure 4 A circular alternative**

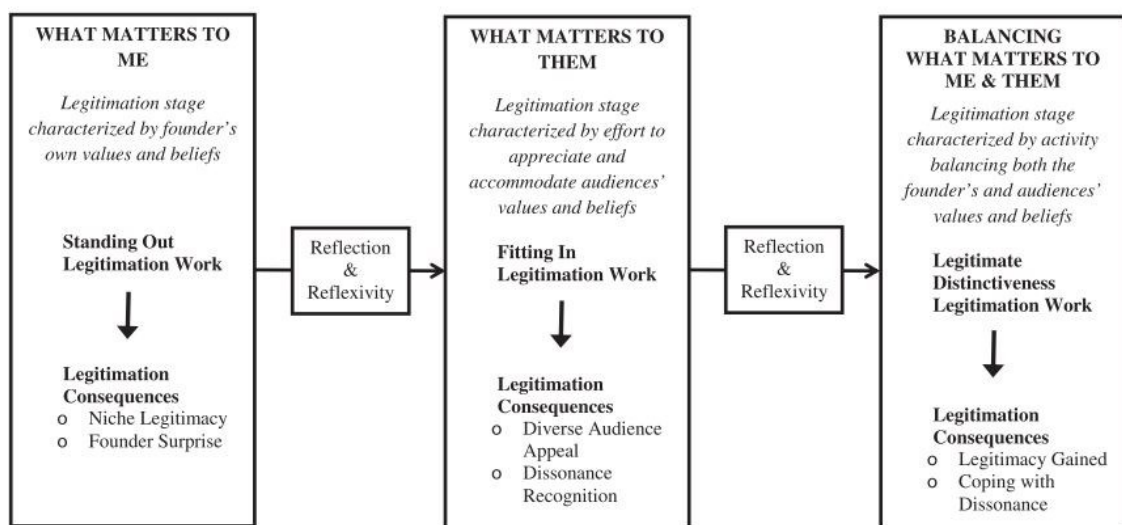
**Source: Seanor et al. (2007, p. 9)**

Moving beyond the straight line of transformation, Seanor finds that in participants' freehand drawings of their version of the social enterprise model, that movement between and across boundaries and, at times, different identities are required to build legitimacy with different groups of stakeholders (Seanor et al., 2014). The use of tailored identities to influence stakeholders is confirmed in a recent study on rhetoric of social enterprise and identity (Zamantili Nayir & Shinnar, 2020).

However, there are substantial differences between the experiences of established organisations moving through significant organisational change, and the experiences of nascent social entrepreneurs and startup social enterprises which are the subject of this study. The nascent social entrepreneur perspective on identity is beginning to be explored in the literature, with some studies in the social and sustainable entrepreneurship fields (Kimmitt & Muñoz, 2018; Muñoz et al., 2018; Muñoz & Cohen, 2018; Vuorio et al., 2018). Muñoz and Cohen identify that sustainable entrepreneurship is “about starting the right kind of business for the right kind of reasons” (2018, p. 170), and Kimmitt and Muñoz use sensemaking (Weick et al., 2005) to reveal how social entrepreneurs “assess, judge, comprehend, embrace and act upon a particular social problem” (Kimmitt & Muñoz, 2018, p. 860).

A fluid social enterprise identity is framed through stakeholder theory (Smith et al., 2013), and the work of O'Neil and Ucbasaran describes this as part of the legitimation process of new ventures (2016). The authors' conceptualising of a three-stage process tailored to legitimation in a new venture suggests possible comparisons and insights to the business incubation of social enterprise, where legitimation is a crucial factor in startup survival. O'Neill and Ucbasaran's process

model is depicted in Figure 5, below. The first stage of the process describes a strong vision and passion deeply rooted in social or environmental purpose, to secondly discovering what is important to stakeholders including potential customers, and thirdly in resolving these different values and beliefs into a balanced and sustainable position. O’Neill and Ucbasaran describe these stages as “what matters to me”, “what matters to them”, and “balancing what matters to me & them” (2016, p. 140). The discovery of balance is also reflected in Wheeler’s study, where the author finds a tempering of the nature of the social enterprise to fit stakeholder requirements and identified as a “normative pressure” that alters the nature of the social enterprise from its earlier identity (Wheeler, 2017, p. 176).



**Figure 5 Process model of legitimation**

**Source: O’Neil and Ucbasaran (2016, p. 140)**

Reacting strategically to stakeholder requirements and values is found to have a positive effect on the overall profitability of a social enterprise, according to Glaveli and Geormas (2018). Both being customer-oriented and having a unified



social vision have a direct positive effect on commercial effectiveness, and this has a contributing effect to social effectiveness (Glaveli & Geormas, 2018).

Recent developments in the area of prosocial certification (Wry & Haugh, 2018) for socially responsible and sustainable businesses include the emergence of the 'B Corporation', also known as 'B Corp' certification, in 2007 (Grimes et al., 2018). B Corp is a certification that assesses the impact that a company has on its employees, its community, and the environment, and a legal obligation to consider these stakeholders when making decisions that affect them (B Lab, 2020). With 3,200 companies currently signed up in 64 countries (B Lab, 2020), this is representative of a small niche in the social enterprise hybrid spectrum. In the UK, the Social Enterprise Mark launched in 2010 (Short, 2020) providing assessment against criteria that provides a guarantee mark-holders are putting people and the environment first. Some challenge the fairness of the mark accreditation and its suitability for the full range of social enterprise legal forms (Ridley-Duff & Southcombe, 2012). This broad scope of social enterprise forms and structures is another reason that the growth in prosocial or sustainability certifications, some widely adopted and others not (Grimes et al., 2018), may continue to cater for a range of different sectors and identities. There is scope for significant research in this area to understand the effects of prosocial certifications on startup failure, credibility and legitimacy, and access to resources (Wry & Haugh, 2018).

This section of the chapter has attempted to make sense of the interactions of social enterprises with their peers and stakeholders by drawing on the literature to understand recent developments at the sectoral-level, and the multiple hybrid identities that fluidly evolve through their legitimation. The environment and ecosystem that social enterprises exist in and navigate were examined to

understand how they gain appropriate support and access to resources. Connecting themes of business support, bricolage, networks, and identity emerge as core concepts in this understanding, and inform the foundation for this research study.

## **2.3 Business Incubation**

This social enterprise study is set in a business incubator context. A business incubator is “...an enterprise that facilitates the early-stage development of firms by providing office space, shared-services and business assistance” (Hackett & Dilts, 2004, p. 55). Hausberg and Korreck (2020) distinguish three main themes of business incubation research as: “process”; “origins, definitions and typologies of incubators”; and “impact and performance” (Hausberg & Korreck, 2020, p. 9). Within the business incubation process literature, this review focuses explicitly on human networks and interactions that occur between incubator clients or tenants, known as ‘incubatees’, including:

- collaboration and competition,
- peer support, peer learning, and co-production of support,
- diversity, generalist and specialist incubators,
- and social and commercial enterprises in incubators.

### **2.3.1 Evolution of incubation**

From the first business incubators in the U.S.A. in the 1950s (Mian et al., 2016), and their increasing popularity from the 1980s (Hackett & Dilts, 2004) when the first incubators appeared in the UK (Bone et al., 2019), business incubators are a typical response worldwide to addressing the business support needs of startups

(Bruneel et al., 2012), and as infrastructure to stimulate economic development (Campbell et al., 1985).

The current landscape of incubation is diverse and increasingly so over the last decade, with models and terminology emerging and evolving in response to both demand on the ground from entrepreneurs and from investors to prime the pipeline of investable propositions (Hausberg & Korreck, 2020). Accelerator programs are a growing part of this landscape since the first 'Y Combinator' in the U.S.A. in 2005 (Bone et al., 2019). Accelerators are intense, short-term programs of incubation that typically have a highly competitive application process to join a cohort that prepares the business for investment, the majority of accelerators making investments in return for an equity stake in the business (Bone et al., 2019).

Traditional incubators can be differentiated from other incubation models by their distinctive features: revenue from rent rather than equity, often part-funded by public funds or universities, rolling intake rather than cohorts with a typical duration of approximately 2 years (Bone et al., 2019), provision of shared office space, and providing added value through strategic business support and internal and external networks (Hackett & Dilts, 2004).

In this heterogeneous landscape of incubation, research is also diverging to explore the unique characteristics of accelerators as opposed to traditional incubators. This study and literature review is explicitly addressing the traditional business incubator model and is not intended to encompass the accelerator model. The significant factor for this differentiation and exclusion of accelerators is the substantial differences between the types of program and the difference that makes to their participants. For instance, business incubators offer an office space for their startups to operate from for up to two years and

charge a regular fee for this and their services rather than taking an equity stake in the business. Incubators also operate a rolling entry and exit, where startups can join at any time and exit at a suitable point in their development to progress to the next level of support and workspace. In comparison, accelerators do not typically provide office space for their participants to operate from, instead, they bring a small cohort together for a short period of time on a focused support program to rapidly move through business development stages towards investment opportunities that are normally paid for via a share of equity in the startups. Both incubators and accelerators have a competitive entry process, but accelerators are significantly more competitive than incubators. These significant differences between incubators and accelerators mean that the experience of participation is likely to vary significantly, and therefore the scope is focused only on business incubators.

In the establishment of the incubation research field, some studies focus on benchmarking to create minimum requirements and best practice, both in academic and practice literature. The European Commission's benchmarking report (2002) identifies essential factors in incubation operation, including the need to set clear selection and exit criteria that enables the development of specialist support from the incubator staff and network, and to tailor the model of an incubator to its local context and ecosystem. The report recognises the potential pitfalls of prioritising revenue from high levels of occupation where there is pressure to reduce reliance on public funding and become self-sustaining through client revenue, as these are policies that also create tension with best practice in support of incubator clients (European Commission, 2002). Similar concerns regarding revenue are also echoed in more recent evaluations of incubation, warning of the problems caused by attempting to generate revenue

for the incubator from incubatees at a very resource-constrained phase (Dee et al., 2011). More recent research moves beyond 'best practice' and calls for contextualised incubation strategies and practice that responds to the local ecosystem and user requirements (Dee et al., 2011; McAdam et al., 2016).

Determining the impact and performance of business incubation is the subject of a significant proportion of incubation literature. Some query whether incubators provide value to startups, or are just good at picking those that are more likely to do well (Lukeš et al., 2019). Survival and progression of the enterprises through the incubation period and post-incubation are principal factors in the impact measures of incubation (Schwartz, 2009, 2011, 2013). Many studies recognise the administrative problems in collecting data post-incubation and the limitations caused by this results in a lack of research on this phase (Schwartz, 2011). While several impact studies find that incubators do appear to provide a positive benefit to incubatees during incubation, they also raise concerns that the incubator may only postpone rather than remove the risks for startups, as once they leave the incubator there is a significant high-risk period with many business failures (Schwartz, 2009, 2011, 2013).

The focus on 'hard' incubation outcomes such as short-term survival, revenue growth and jobs growth, in the literature and business incubation practice, is likely to be the result of measurement being driven by funding and policies that expect short-term economic development returns and the identification of tangible outputs that are most easily captured at scale. This approach can force actions such as job creation at an unsuitable time in the startup journey, and fails to take account of more subtle changes and achievements through the incubation process such as entrepreneurial learning (Dee et al., 2011). Entrepreneurial learning is a factor that receives more attention in the literature evaluating

entrepreneurial education (Azizi & Mahmoudi, 2019; Gedeon & Valliere, 2018; Hahn et al., 2017). Bergek and Norrman (2008) advocate for a holistic approach to incubator evaluation. They identify the incubator mediation effect as an important factor in this holistic assessment and describe two components of incubator mediation: firstly, network mediation that connects the incubatee to the outside world; and secondly, organisational mediation that uses the incubator's status and reputation to help raise the legitimacy of the incubatee (Bergek & Norrman, 2008).

One recent study providing contrasting outcomes finds that businesses in an incubator experience a negative impact on sales revenues, but that in the long term there is a positive effect on revenue in comparison to non-incubated startups (Lukeš et al., 2019). A short term negative impact of incubation is contrary to the majority of incubation literature but could reflect an incubation environment that is too safe and reduces entrepreneurial behaviour (Lukeš et al., 2019; Schwartz, 2009). Larger businesses in business incubators are found to have a higher survival rate than their smaller peers, and use of an incubator was found to not be enough on its own to improve the likelihood of survival (Mas-Verdú et al., 2015).

Hannon's framework focusing on best practice and capabilities within the management teams of business incubators, identifies the need for benchmark standards, ongoing professional development for incubator management, alignment with government policy, and embracing the ongoing evolution and diversification of the incubation sector (Hannon, 2003). Hannon's framework prompts further recommendations on professional development for the sector (Hannon, 2005; Theodorakopoulos et al., 2014).

According to Nesta's 2017 report for the Department for Business, Energy and Industrial Strategy (BEIS), the UK is home to 205 business incubators supporting almost 7,000 businesses (Bone et al., 2017a). Growth in UK incubators is stimulated in part by increased government backing for the model to provide enhanced business support to startup enterprises through Regional Development Agencies (RDAs) in England and their equivalents in Wales, Scotland, and Northern Ireland, and support for organisations such as UK Business Incubation (UKBI) (Hannon, 2005). UKBI was the UK's principal authority on incubation, operating from 1998 to 2014. The gap left by UKBI is partly filled by the Incubator and Acceleration Network, launched in 2018 (Centre for Entrepreneurs, 2020). The launch of this new incubator network follows their report identifying university business incubators as the most effective way to support high growth graduate startups (Yoshioka & Patrikalakis, 2017).

University business incubators are one of the main types of incubator (Grimaldi & Grandi, 2005) funded significantly by the university, with additional financial support often provided through partnerships with local government or economic development agencies. They are created to stimulate entrepreneurship and provide support to student and graduate entrepreneurs, or university spin-out companies, and often both. University business incubators often make their services open to the business community to facilitate engagement with the local ecosystem. Early performance assessment of university incubators had focused on tangible hard outcomes such as survival and growth of incubatees, the effectiveness of management policies and the added value of services (Mian, 1997). The limitations of these performance indicators to take account of micro-level behavioural processes and interactions in the incubator have long been

recognised as an area for development in university incubator assessment (Mian, 1997).

More recent studies respond to this by going beyond short-term hard outcomes and taking a holistic view through a longitudinal study of the impact on incubatees growth in confidence and skills (Voisey et al., 2006; Voisey et al., 2013), identifying factors that develop an “enabling culture” (Voisey et al., 2013, p. 361), and exploring the nature and impact of an ongoing relationship with the university post-incubation (Soetanto & van Geenhuizen, 2019). The human element of university business incubators is a developing area of research, with relationships (Ahmad & Ingle, 2011; Battisti & McAdam, 2012) and network interactions (Cooper et al., 2012; McAdam et al., 2006) seen as vital in understanding the real impact of business incubators.

### **2.3.2 Incubator networks**

Incubators and their stakeholders create network opportunities to mitigate many of the risks for early-stage startups by providing credibility, access to resources, and knowledge exchange (McAdam et al., 2006). Going beyond the origins of a business incubation focus on office space and services, many studies identify incubator networks, both internal and external, as an area of high added value enabling and creating social capital. Hansen describes this as a “new era” that emerged in the 1990s (2000, p. 84) and it receives attention in many studies attempting to reveal the detail of what happens in the “black box” of incubation (Hackett & Dilts, 2007, p. 440). Rice identifies the incubator community as collaborating in the co-production of business support with the incubator (2002), while Bøllingtoft and Ulhøi (2005) document the ‘networked incubator’ and distinguish its social capital as a critical component of added value in addition to the traditional office space and business development strategies of incubation.



Rothschild and Darr (2005) demonstrate that the incubator network influences the process of innovation and moves it from a linear process to a cyclical process of “two-way flow of knowledge” (2005, p. 66).

Nuances of incubator networks are explored, identifying strong and weak ties (Rasmussen et al., 2015) finding that businesses of different sizes and types develop and utilise their networks in different ways, which suggests that there is scope for incubators to provide more customised support in the development of networks (Soetanto & Jack, 2011). Internal and external networks have some shared features such as the use of equipment, and distinctive features such as collaboration and new venture creation, as described by Soetanto and Jack in their “framework for understanding networks at business incubators” (2013, p. 435) shown in Figure 6, below.

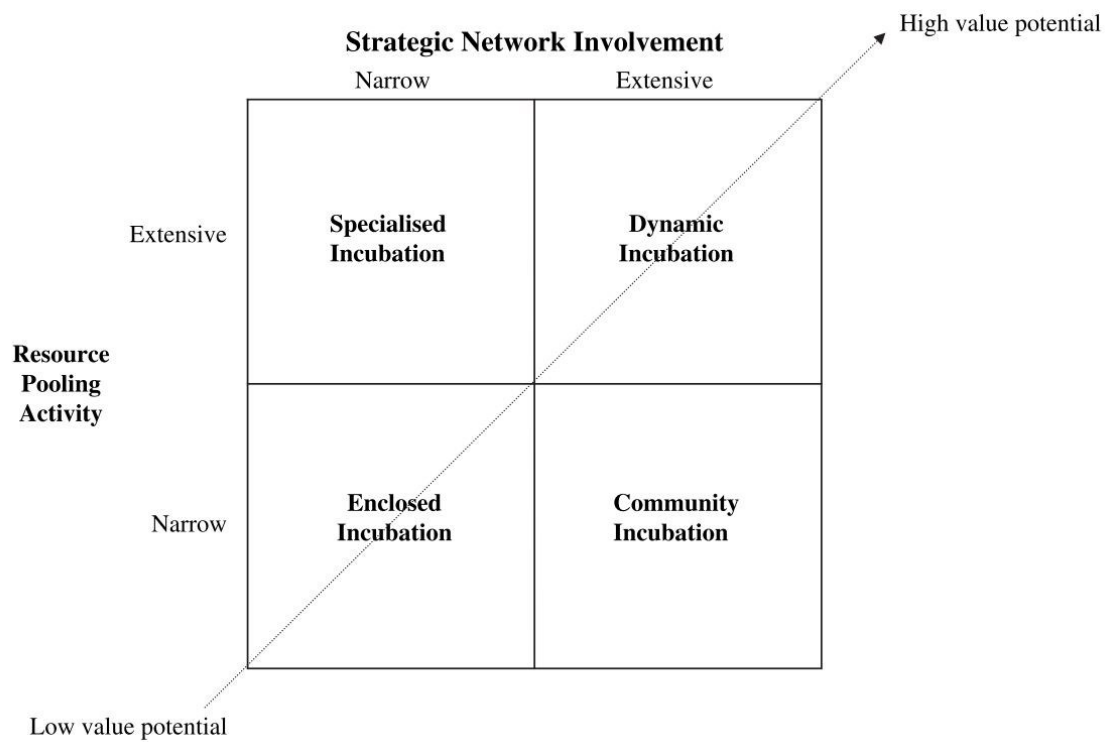
<i>Type of resource</i>	Tangible resource	<ul style="list-style-type: none"> <li>- Use of equipment, laboratories, and research facilities</li> <li>- Grant or funding</li> </ul>	<ul style="list-style-type: none"> <li>- Use of equipments, laboratories, and research facilities</li> <li>- Combining physical asset leading to new firms establishment</li> </ul>
	Intangible resource	<ul style="list-style-type: none"> <li>- Technical support and consultation</li> <li>- Information and knowledge on technology development</li> <li>- Informal contacts</li> <li>- Business partnership</li> </ul>	<ul style="list-style-type: none"> <li>- Project collaboration</li> <li>- Business partnership</li> </ul>
		External (e.g. university and research institute)	Internal (e.g. other incubator firms)
<i>Type of networks</i>			

**Figure 6 Framework for understanding business incubator networks**

**Source: Soetanto and Jack (2013, p. 435)**

A similar approach to understanding incubator networks is taken by Sa and Lee (2012) where they identify three types of incubator networks: advisory networks, to access formal professional support; spin-off networks, where university spin-out companies continue to engage with their university for support; and strategic networks, for knowledge exchange and sharing of resources. More recent studies continue to differentiate the nuances of incubator networks, identifying connections and relationships created for knowledge exchange as opposed to social interactions (Zhang et al., 2016), and those incubatees that facilitate connections for others as well as themselves (Ebbers, 2014).

Through these varied approaches to the analysis of business incubator networks, the work of Hughes, Ireland and Morgan and Hughes et al. (2007; 2014) addresses networks in a way that recognises the distinctive behaviours of nascent entrepreneurs through the lens of social capital. Entrepreneurial learning develops over time, and the entrepreneur's capacity to assimilate new knowledge by building social capital affects the extent to which they benefit from growing their network (Hughes et al., 2014). They identify two primary purposes of network-building in business incubators: to seek resources, and to seek knowledge. These two types of networking activity are shown in a value matrix, as depicted in Figure 7 below, that describes potential value creation from the low potential of enclosed incubation to the high potential of dynamic incubation.



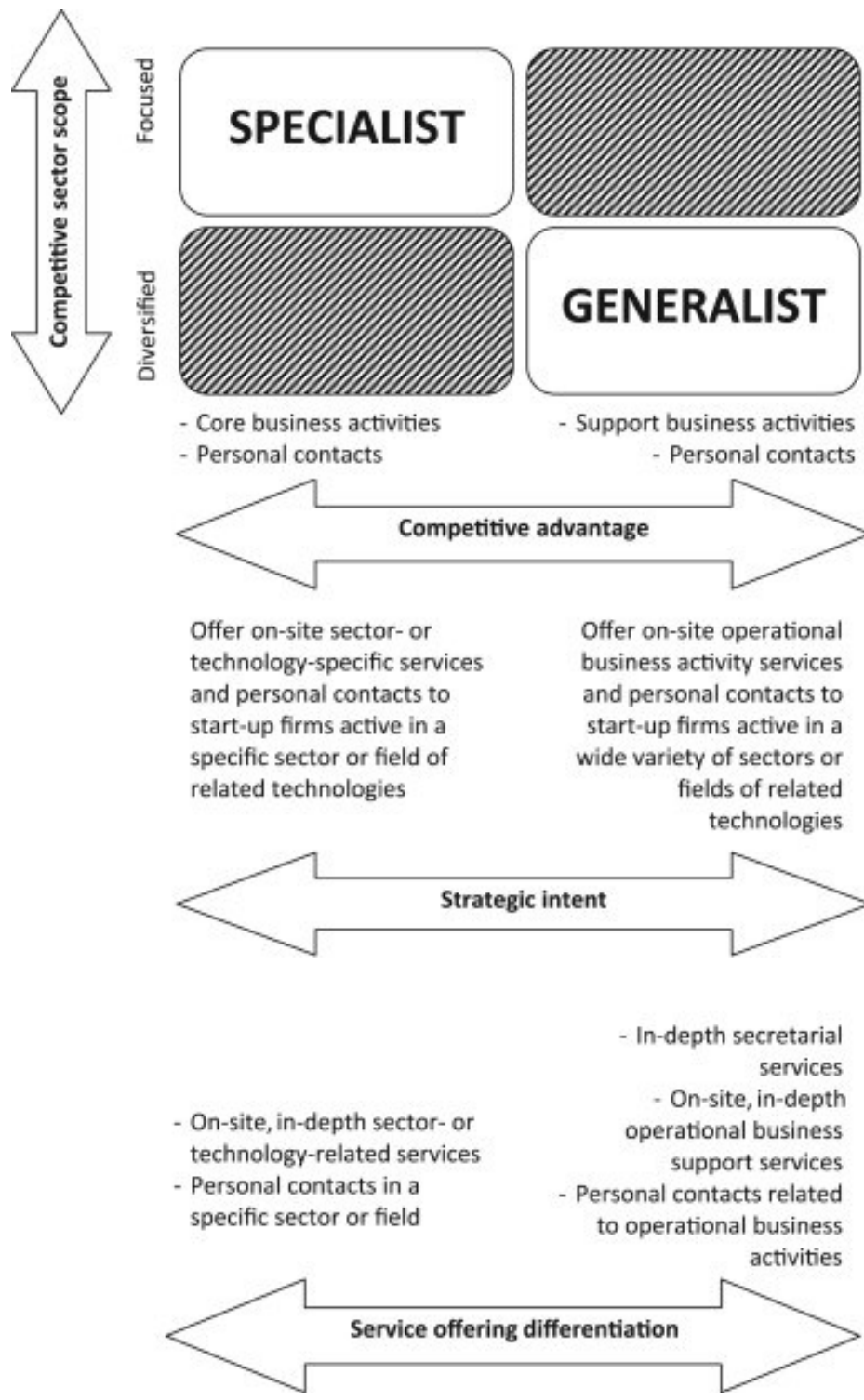
**Figure 7 Incubator network value matrix**

**Source: Hughes et al. (2007, p. 159)**

Hughes, Ireland and Morgan (2007) also recognise that the supposed benefits of networking do not always outweigh the risks and that incubatees can be wary of the cost to them of engaging in networking. Importantly, the authors identify that the networking behaviour of incubatees adjusts as their knowledge develops, and once they attain increased levels of knowledge this reduces their networking interactions (Hughes et al., 2007). While the matrix of incubator network value demonstrates an optimal strategic approach where an incubatee engages in both knowledge-seeking and resource-seeking equally, the authors acknowledge the inherent nuances in the reality of business incubation networks where many connections and interactions between incubatees are spontaneous and emergent rather than planned.

The complexity of unplanned networking by nascent entrepreneurs is further explored by Busch and Barkema (2020) in their study of incubators' facilitation of serendipitous opportunities. Busch and Barkema find that incubator networks able to take advantage of uncertainty are those where the incubator peer community are supported to be proactive and lead their engagement with their peers, rather than centrally-driven network connections (2020). They describe this as a 'social embeddedness' (Granovetter, 1985; McKeever et al., 2015) of incubator networks that are co-produced by and for incubatees (Busch & Barkema, 2020).

Numerous studies explore and describe the interactions of businesses within the incubator, such as Scillitoe and Chakrabarti (2010), Schwartz and Hornych (2010), Bøllingtoft and Ulhøi (2005), and others (Nijssen & Van Der Borgh, 2017; Pettersen et al., 2016). Some investigations into the interactions and networks of businesses in incubators highlight the similarities and differences between the types of resident business to identify if this is an important factor in the process and impact of the business network (Schwartz & Hornych, 2010; Zhang et al., 2016). This analysis of the business type within the incubator tenant group results in the differentiation of business incubator services and typologies as "specialized or diversified" by Schwartz and Hornych (2010, p. 488), and similarly "generalist and specialist" by Vanderstraeten and Matthyssens (2012, p. 661), as depicted in Figure 8, on the following page.



**Figure 8 Incubator service-based differentiation**

**Source: Vanderstraeten and Matthyssens (2012, p. 663)**

Research findings on the benefit of diversified business networks have been generally consistent, with most agreeing that heterogeneous networks support the growth of startups (Pettersen et al., 2016). There is no evidence of significant benefit to incubatees from specialisation (Vanderstraeten et al., 2016) and that many close competitors in a too-narrow industry cluster can impede cooperation (Schwartz & Hornych, 2010). However, studies examining differences or similarities in incubatees have not addressed any differences in the purpose of the startups, such as social versus commercial.

In the UK in 2017, nearly half of all business incubators do not have a particular industry or sector focus to their entry criteria. Of those that do, digital, life sciences, and sciences are the most common industry sector specialisations (Bone et al., 2017a). The same report also shows that incubators are supporting business across a diversity of growth stages, with 83% of UK business incubators catering for early-stage businesses, with over half also catering for pre-start and startup businesses, and just under half also serving more mature businesses. This wide range of businesses at varying stages in their development can generate stronger cooperation between businesses (Schwartz & Hornych, 2010). Still, their level of business or founder maturity can also affect their willingness to engage in peer support as the perceived direct benefits reduce (Rice, 2002). The business maturity can also affect their capacity to learn from the information gained through developing social capital. Being open to collaboration does not guarantee the transformation of learning into improved performance if established processes to integrate knowledge into the business do not exist (Hughes et al., 2014). A diverse business cohort in an incubator requires support, encouragement, and opportunities to form connections and friendships, with

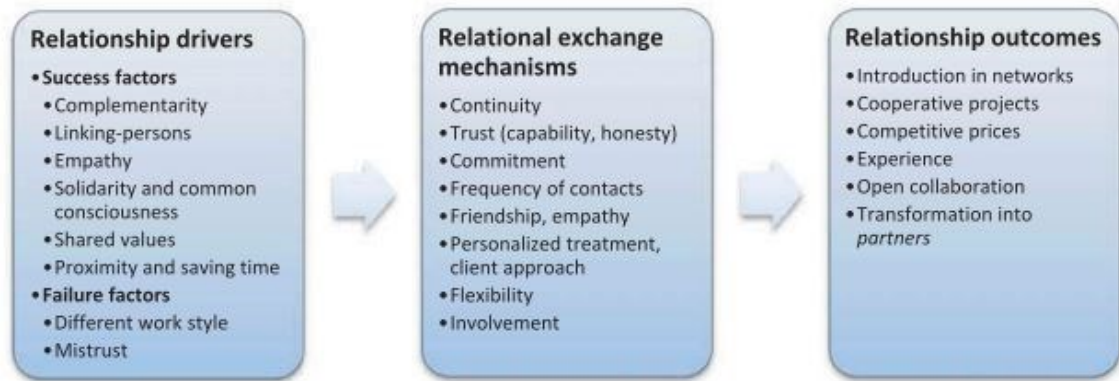
incubatees reporting a willingness for greater knowledge of their peers to facilitate peer learning (Pettersen et al., 2016).

There is acknowledgement in much of the current business incubation literature that physical proximity can encourage social acquaintance that stimulates associated business benefits (Bøllingtoft, 2012; Cooper et al., 2012; Nijssen & Van Der Borgh, 2017). McAdam et al. described the benefits of proximity to peers and face-to-face communication for ‘just-in-time’ information to support decision-making (2006), while McAdam and Marlow also warn of the risk of revealing valuable information to potential competitors through proximity (2007; 2008).

Many studies agree that there is evidence of value in communication and sharing of entrepreneurial experience for: resilience to problems as they arise (Lamine et al., 2014), learning, knowledge transfer, and also mutual moral support (Cooper et al., 2012; Pettersen et al., 2016; Redondo-Carretero & Camarero-Izquierdo, 2017; Zhang et al., 2016). Practice literature supports peer learning, where the European Commission report on the benchmarking of business incubators highlights that incubatees identify physical proximity to other tenants as a catalyst for the entrepreneurial process, networking, collaboration, and to overcome isolation (2002). Peer learning is a topic referenced more recently in the UK Government’s 2017 report on the UK’s business incubators, which identifies that future research should understand what type of interventions add the greatest value, including social capital, peer learning, and collaboration (Bone et al.).

Exploring incubator network relationships from the human perspective draws on the importance of factors outside of the business transaction or knowledge exchange. It highlights a range of variables that can be harder to quantify, shown in Figure 9, such as empathy, shared values and solidarity which have been

organised as ‘relationship drivers’ that lead to ‘relational exchange mechanisms’ that result in ‘relationship outcomes’ by Redondo-Carretero and Camarero-Izquierdo (2017, p. 68).



**Figure 9 Variables in incubator relationships**

**Source: Redondo-Carretero and Camarero-Izquierdo (2017, p. 68)**

This approach to business incubation network research takes into account the critical human factor, which facilitates a holistic understanding of the reality of day-to-day life in a business incubation environment and connects to the methodological strategy taken in this study.

### **2.3.3 Bringing the research fields together**

In describing the businesses within an incubator, studies tend to identify and classify by one or more of the following factors: industry sector; age of the business; the demographic and prior experience of founding individuals; origins of the business, such as university spin-off; how long they have been resident in the incubator; or the size of the business in revenue, investments, or number of employees (Bone et al., 2017a; Dee et al., 2011; Hausberg & Korreck, 2020; Lukeš et al., 2019). A handful of studies address the phenomenon of social enterprise



companies in incubators explicitly dedicated to social enterprise (Adham et al., 2019; Campanella, 2010; Miller & Stacey, 2014; Nicolopoulou et al., 2017). However, in the incubation literature examined through this review, classification by distinguishing between commercial business models and social enterprise business models of enterprises in UK incubators has not yet been undertaken. Therefore we do not have a body of work that shows us if and how that difference between commercial and social enterprises in incubation may affect their business support needs, engagement, and outcomes of the incubation process.

At the time of writing, one study has just been published (September 2020) with new data on the breakdown of social enterprises within Italian business incubators (Sansone et al., 2020). Their findings report that 40% of surveyed business incubators are supporting both social and commercial enterprises, 12% are social incubators, and 48% do not support social enterprises (Sansone et al., 2020). This study offers a valuable insight into this phenomenon in the Italian incubator ecosystem and demonstrates interest in this particular area from scholars and industry.

Research into business incubation and social enterprise originates from different fields of study with many different agendas that do not adequately address where the two fields meet in a real-world context. The opportunity presented by connecting social entrepreneurship research with mainstream entrepreneurship and management research is outlined by Short, Moss and Lumpkin (2009). Still, this connection is emerging, and there are many instances where the opportunity for a crossover of social enterprise and business incubation is missed. As an example to illustrate this siloing of business incubation and social enterprise research, Hackett and Dilts' review of business incubation literature makes no

mention of social enterprise or social entrepreneurship within the business incubation literature at that time (2004). However, around the same time in 2005, both Hines and Haugh are building on the surge in interest in social enterprise by assessing the business support available and making recommendations for future business support and research agendas (2005; 2005). Haugh mentions business incubation once, in the context of possible market opportunities for supporting disadvantaged communities (2005), but there is no further mention in either study of business incubators as part of the business support landscape for social enterprises.

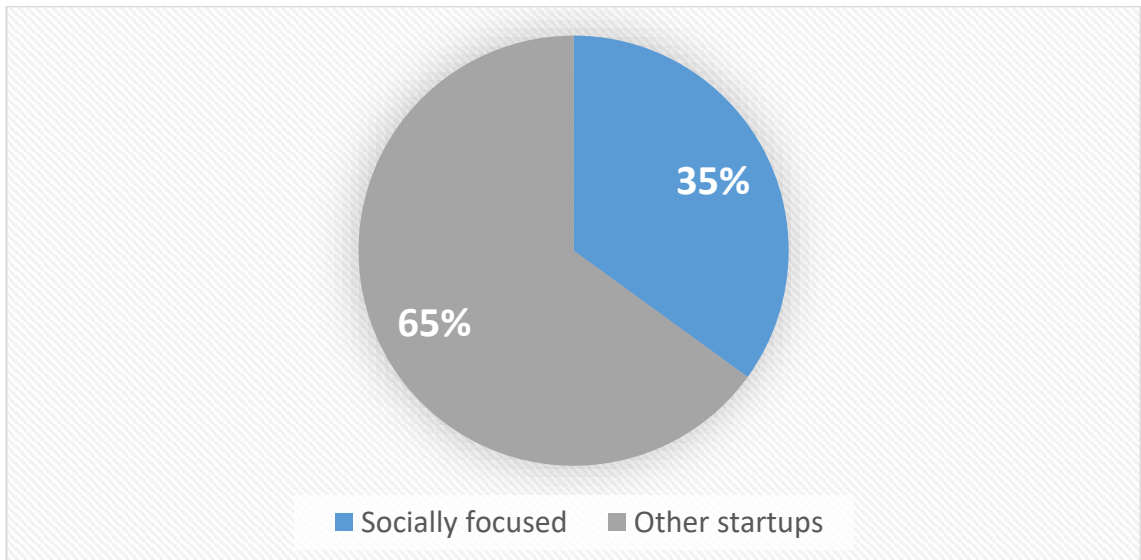
More recently, Hausberg and Korreck's review of incubation literature (2020) finds only one reference to social enterprise in a typology of incubators that distinguishes social incubators as a type (Aernoudt, 2004). However, in the practice literature, Nesta identifies the incubation of social enterprises as an emerging and fast-growing field since 2010 (Miller & Stacey, 2014). Likewise, the recent review of social enterprise literature by Gupta et al. (2020) describes the growing research in entrepreneurial orientation that includes comparing social enterprise with commercial enterprise and entrepreneurship. However, there is no recognition of the social entrepreneur or social enterprise as part of a network or ecosystem that consists of both social and commercial enterprises, and no mention of social enterprises accessing mainstream business support or business incubators.

The UK Government's Department for Business, Energy, and Industrial Strategy (BEIS) comprehensive report on UK business incubation, includes a national database of incubators and accelerators (Bone et al., 2017a). While this report provides a benchmark for the current business incubation landscape in the UK, it does not seek to identify if the businesses being supported by incubators are

commercial or social enterprises. That snapshot of the incubation landscape in 2017 is followed by a report into the impact of incubators and accelerators in 2019 (Bone et al.). The authors take a two-strand survey approach to gather information on incubator impact from incubator management and startups in incubators utilising the 2017 directory of 205 incubators. Achieving only a 29.76% response rate from incubator management; and 60 startups, which represents less than 1% of the UK national population of startups in business incubators (Bone et al., 2017a; Bone et al., 2019) the authors acknowledge this extremely low response rate, and gather much of the data for the impact report on accelerators through other available sources.

Access has been given to a few unpublished sections of the survey responses that collected data regarding social enterprises in business incubators. The low response rate makes this data statistically not robust, but as it currently provides data not found elsewhere, it does shine a little light on the population of social enterprises in business incubators in the UK. Here the unpublished data are presented from two perspectives. Firstly, at an incubator-level to understand how many incubators are supporting a mix of social and commercial enterprises. Secondly, at an incubatee-level to understand how many social enterprises are in business incubators that support a mix of both social and commercial enterprises. Then further detail is given on the value placed on business support accessed by the social enterprises in their business incubators.

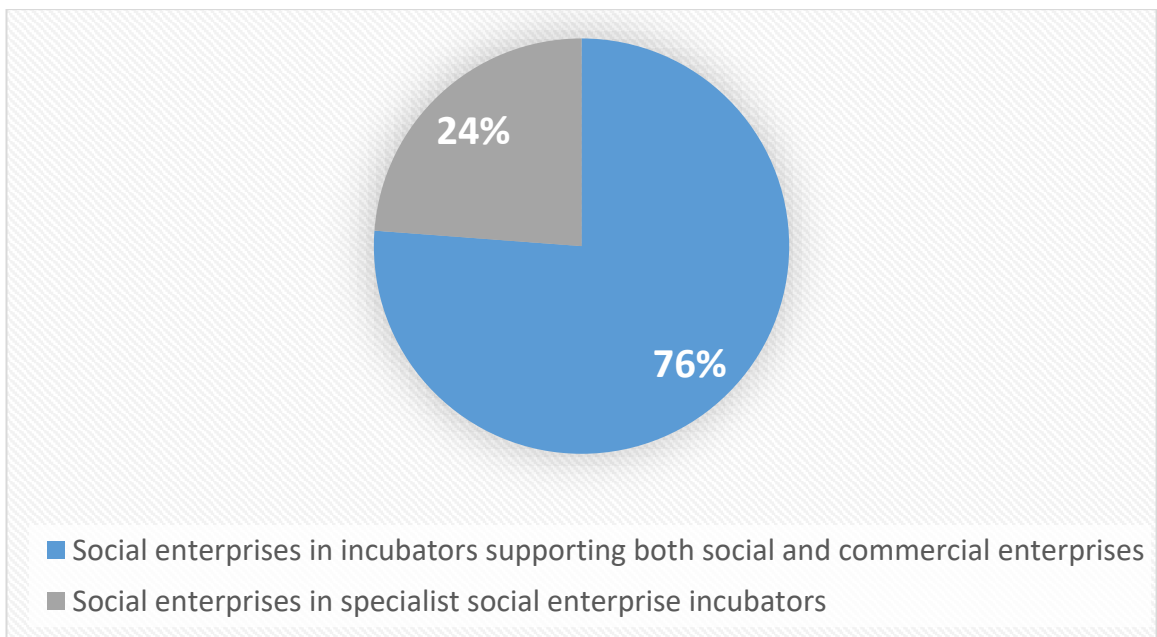
Of the 60 startups from 16 incubators, 21 categorise themselves as a socially focused business in response to being asked if they consider their business to have primarily social or environmental aims (Bone, 2019). These results are synthesized in Figure 10.



**Figure 10 Percentage of socially focused startups in business incubators**

**Source: Bone (2019)**

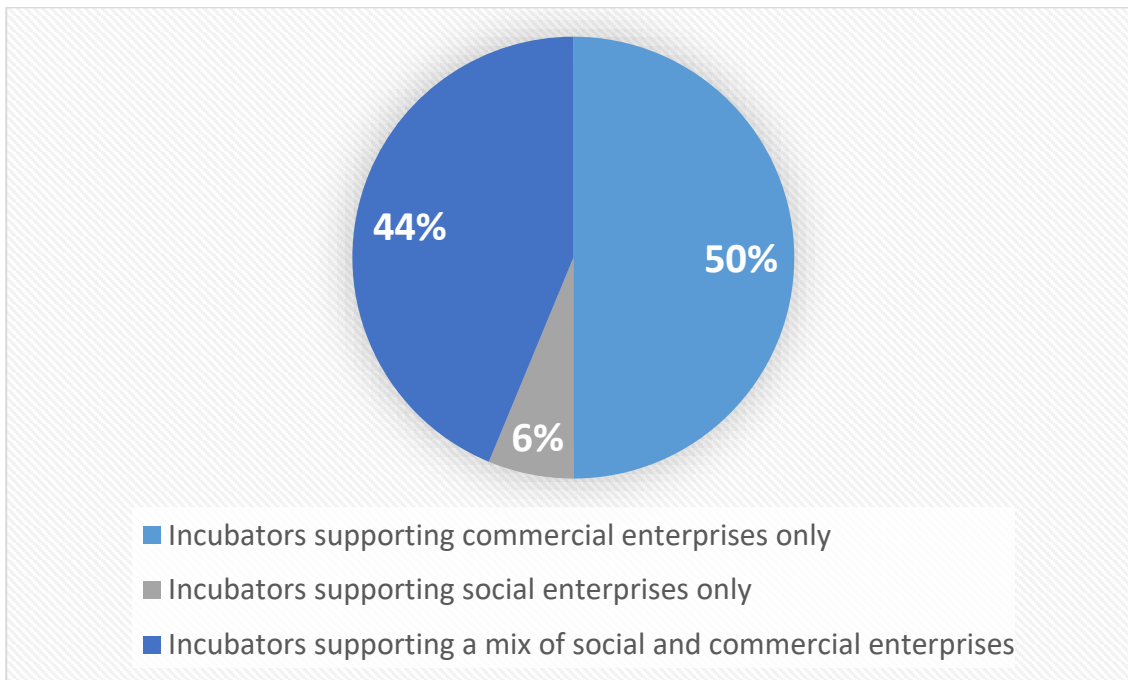
Of the 21 socially focused startups, 5 are social enterprises participating in a specialised social enterprise incubator. The remaining 16 are in mixed business incubators. These results have been synthesized into the types of incubators selected by social enterprises and illustrated in Figure 11.



**Figure 11 What type of incubators do social enterprises select?**

**Source: Bone (2019)**

The data also provides us with an insight at the incubator level. Of the 16 business incubators that the 60 startups come from, 7 incubators are supporting a mix of social and commercial enterprises. This data is synthesized into categories of business incubators illustrating the types of enterprise they support, as shown in Figure 12.



**Figure 12 Percentage of different types of incubators**

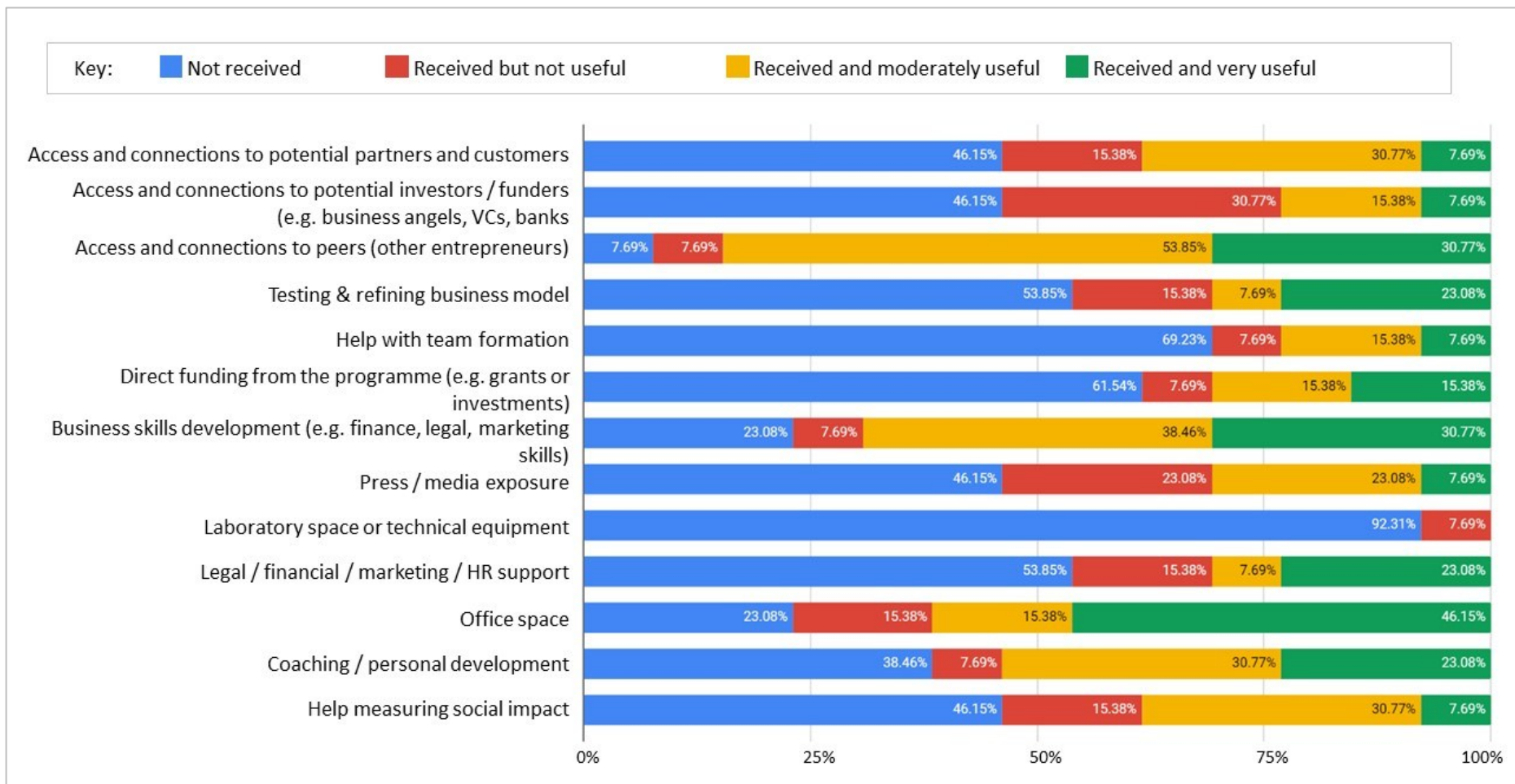
**Source: Bone (2019)**

Thirteen social enterprises in seven different mixed business incubators responded to a question about what types of support they receive and how they rate its use to them on a scale from 'not useful', 'moderately useful' to 'very useful'. They also have the option to add if they do not access a particular type of support. Their responses to this question of valued support are illustrated in full in Figure 13 and an overview of significant points provided here. The form of support receiving the highest level of positive responses overall is access and connections

to their peers in the incubator. The next highest-rated forms of support are business skills development such as finance, legal, marketing, and the office space provided by the incubator. Social enterprise-specific support in the form of help to measure social impact is provided to just over half of the social enterprises, and although two respondents do not find this useful, the remainder do.

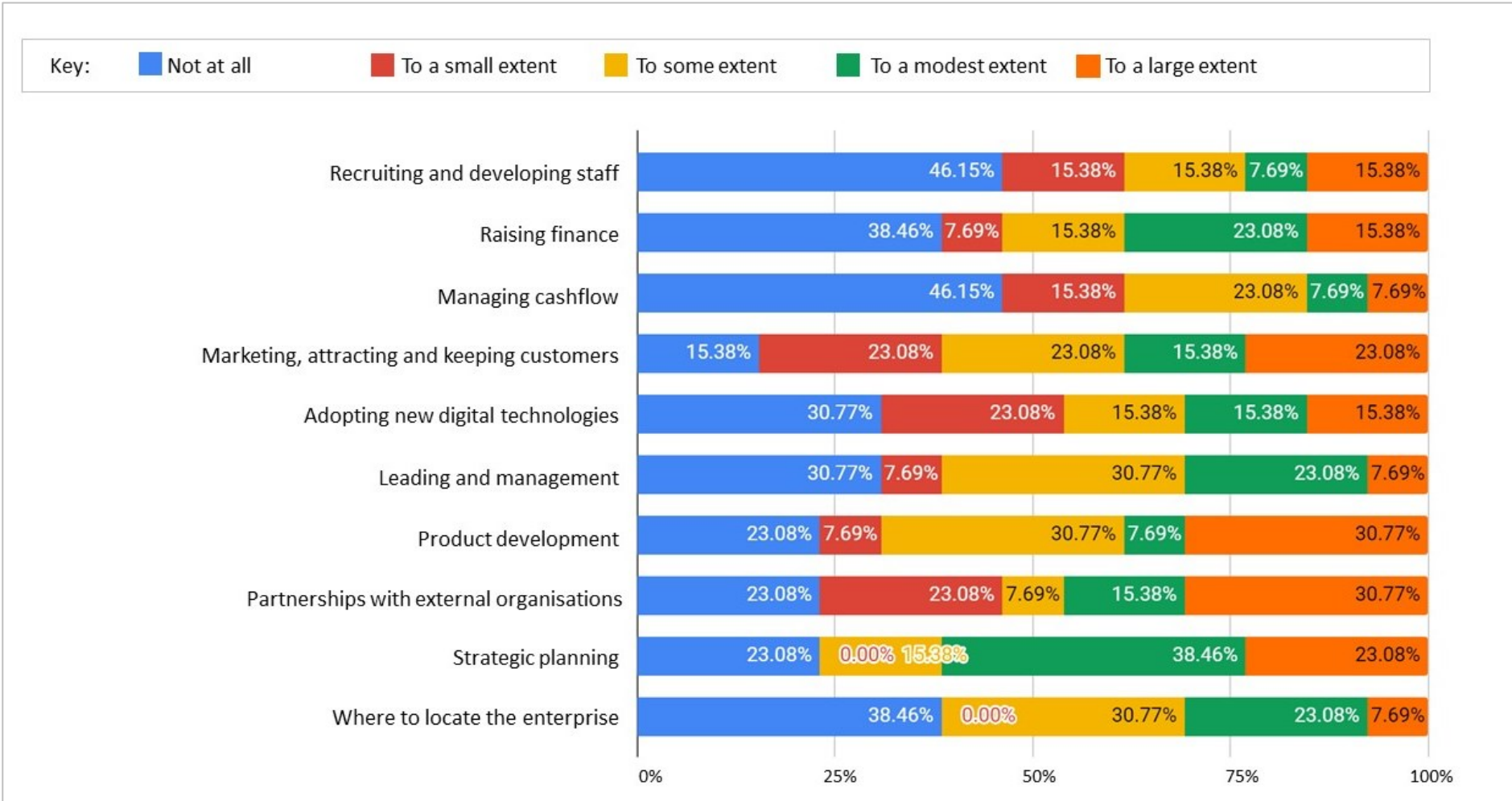
The same group of thirteen social enterprises are asked about any changes they make to their business because of their participation in a business incubator. Their responses to this question are illustrated in full in Figure 14, with an overview of significant points provided here. The areas that most respondents make changes are marketing, strategic planning, product development, and external partnerships. Areas of business with the least change as a result of participation in the incubator are human resources, managing cash flow, and raising finance. These areas with little or no change are the same as the areas of the greatest business need identified in the recent SEUK report (Mansfield & Gregory, 2019). But, unfortunately, from the data, we cannot tell if the lack of change in these areas is because these areas are already strong and not in need of change, or if the incubators in this study are not able to make a difference in this critical area.

This data provides an exciting glimpse into what is happening in UK business incubators. It suggests that social enterprises do participate in business incubators that support both social and commercial enterprises and that this is a relatively normal situation, certainly not an unusual one. The significance of the business incubator peer network is consistent with other research in this area, but for the first time, this data is providing clarification from the perspective of social enterprises engaging with and alongside commercial enterprises.



**Figure 13 Valued support**

**Source: Bone (2019)**



**Figure 14 Changes made**

**Source: Bone (2019)**



## 2.4 Review summary

The literature review reveals a growth in specialised social enterprise support in response to a historical problem with mainstream business support provision and issues with scaling social enterprise. Essential questions are explored regarding how social enterprises should be supported if commercial business practices should be applied, and whether scaling is appropriate for social enterprises rooted in their community context and needs. Significant variations and nuances are found through the exploration of tensions in the juxtaposition of social and enterprise, with an impact on identity, business practices, and rhetoric. The literature reveals methodological issues with the definition of social enterprise that connects to themes of identity and social-commercial tensions that emerge through this study. The problems of categorizing and defining social enterprise appear to be an issue in academia, government, and practice.

Human networks are a strong theme in both social enterprise and business incubation, with social capital as the theoretical frame offering insights in both fields. Incubators specialising in a particular industry are shown to have marginal benefits over generalist incubators, and only where incubatees have industry-specific resource requirements. There is some description of social enterprise-specialist business incubators emerging. More widely, the literature shows that diversity in incubator peer networks provides strength through broader knowledge and experience to draw from, and reduced direct competition. Motivations for incubatees to network and interact are described through transactional benefits, shared values, and entrepreneurial learning.

However, despite some synergies, social enterprise and business incubation research fields rarely cross over. Few published works connect the support of social enterprises with business incubation or connect business incubation with

social enterprises. The majority of recent literature analysing business support for social enterprise focuses on specialist social enterprise support and the last comprehensive reviews of mainstream business support's suitability for social enterprise are the evaluations of Hines (2005) and Lyon and Ramsden (2006). The lack of crossover gives the impression that social enterprises do not access mainstream business support.

In a similar approach, research into social enterprise networks and interactions between network peers exclusively looks at networks whose purpose is to support social enterprise. This thesis proposes that this siloed perspective is not an accurate depiction of the real world, where emerging and new social enterprises engage in activities designed to support all types of startup businesses. From informal meetups to Chambers of Commerce, mainstream startup short courses to business incubators, social enterprises can be found engaging and participating wherever they find value in the support. They sometimes engage in multiple forms of support and multiple networks to suit their needs, the same as any other startup business. The current academic literature in both fields of social enterprise and business incubation is failing to recognise this fluctuating, slightly messy, real-world mixing of two fields.

Business incubation literature also fails to grasp the opportunity that social enterprise participants provide. The demographics of incubatees are variously described by their business age, business size, founder background, founder demographics, and industry sector. And yet there is no comprehensive data to understand whether the thousands of businesses supported by UK business incubators (Bone et al., 2017a) are commercial, social, charitable or other types of enterprises. Dealing with many individuals at the idea development stage, before they incorporate, does cause problems in gaining an accurate picture. But

with social enterprises a significant and growing proportion of the UK startup scene (Mansfield & Gregory, 2019), there is an opportunity for data on social enterprise to become a standard part of incubator data to improve our understanding of the startups that are being supported through this model.

Similarly, incubators are distinguished in practice and the literature by many different factors, including the stage of business they support, industry specialisation, services provided, location, size, and ownership. Industry sector specialisation is included where applicable, and as part of this categorisation, social enterprise is included as a specialist sector where an incubator provides specialist services or exclusively accepts social enterprises (Bone et al., 2017a). But to include social enterprise as an industry sector specialisation is a simplified perspective that omits the complex reality where social enterprises exist in every industry sector and may be found in many business incubators outside of those offering specialist support. There is a need for improved information on the types of startups business incubators support, which may provide beneficial information to incubator management in the planning of business support, and also to prospective incubatees to inform their choices. There may also be benefits for those identifying the needs of a given area, such as local government, planning authorities, and the local community.

The identified literature gaps converge in a real-world context where social enterprise meets business incubation. Rather than treating them as siloed entities, this study explores the space where social enterprise startups interact with commercial startups within the context of UK business incubators. Building from the current literature, the driving research question to explore this phenomenon is: ‘why do social and commercial enterprises interact in a business incubator?’ Insights to why the interactions occur may provide opportunities to

reveal depth and nuances beyond a transactional overview. Still, it is only part of the picture and needs to be supported by further questions that set the context very clearly and delve into the motivations behind the participation of social enterprises in business incubators. The following set of research questions provide the structure of the study:

Research Question 1 – How prevalent is the phenomenon of business incubators with a mix of social and commercial enterprises? Recent publications describing business incubators (Bone et al., 2017a; Bone et al., 2019; Miller & Stacey, 2014) fail to capture the extent of social enterprises in business incubators in the UK. This study begins to reveal how widespread this phenomenon is.

Research Question 2 – What motivates social entrepreneurs to join business incubators? Building on current debates examining the motivations of startups joining business incubators (Bone et al., 2019; Lukeš et al., 2019) and the engagement of social enterprise with business support (Al Taji & Bengo, 2019; Davies et al., 2019; Pandey et al., 2017; Sparviero, 2019) this study provides insights to the motivations behind social enterprises choosing this type of business support and network.

Research Question 3 – How and why do social and commercial enterprises interact in a business incubator? This study builds on the well-documented research into network interactions between peers in business incubators and social enterprise networks (Bernardino & Freitas Santos, 2019; de Bruin et al., 2017; Folmer et al., 2018; Granados & Rivera, 2018; Nijssen & Van Der Borgh, 2017; Pettersen et al., 2016; Redondo-Carretero & Camarero-Izquierdo, 2017; Zhang et al., 2016). By drawing on the latest work in both fields, the study examines how social and commercial enterprises interact together in business incubators to understand if there are any significant similarities or differences to

the types of network interaction already established. The study explores the motivations for social enterprises interacting with commercial enterprises, looking at both positive and negative aspects, and draws on themes from the literature including identity, legitimation, and trust (Huybrechts et al., 2017; Jilinskaya-Pandey & Wade, 2019; O'Neil & Ucbasaran, 2016; Wheeler, 2017).

## **Chapter 3 Methodology**

### **3.1 Chapter Introduction**

The previous chapter reviewed social enterprise and business incubation literature, drawing together the critical findings and identifying the gap in the literature where social enterprise startups interact with commercial startups within the context of UK business incubators. This analysis informed the shaping of the research questions for the study.

This chapter begins by setting out the philosophical positioning and theoretical underpinning of the study. The research questions are connected to what needs to be understood about the phenomenon, providing the basis for the methodological approach and research design. The research methods are described including observation, semi-structured interviews, e-surveys and desktop research. The selection of research cases and sampling strategy are described, as well as ethics and the process of data analysis. The chapter then concludes with the methodological limitations and the response to unforeseen problems that occurred during the research.

### **3.2 Research philosophy and theoretical underpinning**

As a practitioner of business incubation, my experiences and understanding of business incubators and startups undoubtedly influence my thinking and the philosophical positioning that shapes this study. My perspective on incubation is therefore practical; I consider the incubator and the ecosystem it resides in as a set of open structures that connected individuals move in and out of, interacting,

forming new connections, and leaving old connections. Taking an ontological perspective, I believe that there is a real world of structures and mechanisms at work that exist whether we can observe them or not, and there are also subjective experiences that can be analysed and interpreted to build understanding. Recognising this ontological perspective, the study adopts a critical realist ontological approach; attempting to understand the incubation ecosystem structures, mechanisms, events, and the subjective experiences of the individual actors within.

The critical realist theory of science was developed and described by Roy Bhaskar in response to what he saw as inadequacies of positivism where the empirical domain reduces our understanding of the world to the knowledge we construct: an “epistemic fallacy” (Bhaskar, 1978b, p. 36). Critical realism describes three, stratified, ontological domains: the real domain of underlying mechanisms; the actual domain where mechanisms produce events; and the empirical domain of experiences (Bhaskar, 1978b; Danermark et al., 2001).

Bhaskar defines knowledge as a “social product” (1978b, p. 21), and uses the term ‘transitive’ to describe that created knowledge of reality and ‘intransitive’ to describe the reality that exists whether we are aware of it or not (Bhaskar, 1978b, p. 21; Danermark et al., 2001). Bhaskar developed the implications of critical realism for social sciences through his work on critical naturalism where analytical rather than empirical generalisations aim to build understanding (Bhaskar, 1978a). Bhaskar describes critical realism as applicable to society because of society’s complexity and its “being continually transformed in practice” we cannot fully understand it through empiricism or interpretivism’s social construction (Bhaskar, 1978a, p. 24).

In critical realism, causation is not about the extent that something can be repeated to be able to generalise from, as in a positivist approach (Bhaskar, 1978b). Instead, causation in critical realism is about finding the conditions for the phenomena being studied and aiming to understand the workings of those conditions (Sayer, 2000). Consistency and generalisability are typically found in closed systems, but I describe the business incubator as part of a complex, open system where networks overlap and actors come and go, which aligns with the need to understand the conditions of this context rather than attempting to generalise.

In Sayer's (2000) description of critical realism in practice, they give an example of a study of the performance of firms. The study progresses from an extensive approach that was attempting to generalise taxonomically across an industry sector, to an intensive approach. This intensive study sought to understand the actors' interpretations, relationships, and explanations of how mechanisms worked. Causal explanations came through open questions about relationships and mechanisms, rather than attempting to find a static empirical explanation. In this example, I recognised my approach to understanding what was happening with social and commercial enterprises in business incubators. The incubator is a complex, changeable, open structure, and the research was designed to capture the 'messy' real-world context of an ecosystem where social and commercial startups interact and work alongside each other. The outcomes illustrate the complex, multi-dimensional context for interactions that are synthesised to build understanding, rather than over-simplified to generalise (Sayer, 2000).

The critical realist ontological perspective was selected as particularly relevant for this study as an ontology sometimes used in entrepreneurship studies to address the complex nature of social structures and human agency. Providing the



perspective for entrepreneurial networks to be understood as interactive, critical realism “directs attention to the new and non-reducible properties of the network itself, including its structural form, causal powers and the mechanisms through which these are exercised” (Blundel, 2007, pp. 53-54). Important examples include Hu et al.’s (2019) study of agency and structure in social enterprise opportunities, Martinez Dy et al.’s (2018) study of the enabling conditions for digital entrepreneurship as emancipation, and Matthyssens et al.’s work on institutional entrepreneurship in Dutch industrial networks (2013). Blundel (2007) describes the potential for critical realism to be more beneficial for entrepreneurship research than other paradigms for several reasons including, and particularly relevant to this study, the contextualisation of entrepreneurial networks. Here, critical realism can aid a rich analysis of entrepreneurial agency and produce research that is better at describing entrepreneurial interactions in context with a focus on why phenomena occur (Blundel, 2007; Hu, 2018).

Bøllingtoft (2007) discusses the use of observation in entrepreneurship studies with a critical realist approach and notes the use of observation to develop an understanding of the field before developing research questions, as this improved knowledge through observation may aid identification of structures and mechanisms. To uncover mechanisms, the research design needs to not only uncover what occurs but explore and explain “*why* things happen” through the varied perspective of research participants (Bøllingtoft, 2007, p. 414 emphasis in original). With a focus on participant perception and capturing their experiences, triangulation is also an important aspect of critical realist observation studies. Triangulation of data, methods, theory, and observer are possible options that add depth of understanding and validation (Bøllingtoft, 2007).

In describing the suitability of critical realism for entrepreneurship studies, it is also necessary to understand its limitations and criticisms. Berglund and Korsgaard (2017) note the challenge of causality in complex open systems such as entrepreneurial opportunity and disruption, where the unobservable mechanisms and entities may or may not exercise their causal powers. They conclude with a preference for easy to control, empirical explanations of social mechanisms to avoid causal ambiguity. However, their conclusion describes a preference for the type of research critical realism is opposed to; research that does not reflect the complexity, depth, and contextual nature of mechanisms, events, and experiences (Bhaskar, 1978a). In response to the caution given by Berglund and Korsgaard, I would argue that an explanation of causal mechanisms in entrepreneurial ecosystems may require a level of ambiguity to portray the complex reality of what *might* be and that a study can add value to what is known by illuminating more about phenomena in the ecosystem without needing to generalise or be reductive.

Sayer's (1997) paper on critical realism in critiques of social phenomena highlights an issue of critical realism avoiding moral and political normative issues and presenting explanations and solutions to social issues that are too straightforward and do not recognise the potential problems caused by those solutions. Taking that into consideration, my use of critical realism offers the opportunity to reveal a deep understanding of complex social phenomena, clearly sets out its limits of generalisability, and focuses its recommendations on improving visibility and raising awareness of the social phenomena.

This incubation study is deeply rooted in the interpretation of interactions in their context to understand the causal mechanisms at work and can therefore be described as utilising abductive and retroductive inference as part of an iterative

process of theory building (Macaulay et al., 2018; Timmermans & Tavory, 2012). Inference is the process of interpretation, analysis, and reasoning that develops our understanding of data and observations into concepts. There are four modes of inference: deduction derives logical conclusions from universal laws; induction uses similarities in many observations to draw conclusions about a population; abduction understands something by observing and interpreting in a new conceptual framework; and retroduction uses an analysis of phenomena to reconstruct conditions that cannot be directly observed (Danermark et al., 2001). Retroductive inference is a distinctive feature of critical realism, using conceptual abstraction and reconstruction to identify the mechanisms and conditions for complex social phenomena (Danermark et al., 2001; Hu, 2018). Retroduction's driving question is "what qualities must exist for something to be possible?" (Danermark et al., 2001, p. 80). Retroduction is closely related to abduction in research practice (Danermark et al., 2001). Abductive inference aligns with critical realism as it aids our understanding of the meaning within phenomena, structures and mechanisms by placing these in new conceptual frameworks and comparing them with multiple theories (Danermark et al., 2001). Timmermans and Tavory (2012) advocate for abductive analysis in qualitative studies to encourage theory construction. They describe abduction as reliant on the researcher's position and perception of the world, where unexpected observations are given relevance by a "theoretically sensitized observer" (Timmermans & Tavory, 2012, p. 173); an approach adopted as highly suitable to this study.

Social capital theory is utilised in this study with retroductive and abductive inference to aid the interpretation of results, build theory (Timmermans & Tavory, 2012), and build an understanding of complex causal mechanisms. As Adam and Rončević (2003) highlight in their review of social capital theory and

its research applications, there are naturally many approaches to social capital as it is inherently contextualised and spans micro, meso, and macro levels of society.

According to Bourdieu, social capital is a transformation of economic capital, where investment of efforts may eventually result in actual or symbolic profits (1986). Bourdieu defines social capital as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition—or in other words, to membership in a group” (1986, p. 21).

Coleman (1988) brings together two concepts of social capital: a sociological view that a person’s actions are shaped by “social norms, rules, and obligations”; with the economist view that a person’s actions are self-generated and “wholly self-interested” (1988, p. 95) into a theoretical framework that incorporates elements of both and describes social capital existing in the “relations” between people (1988, p. 100). Within these social interactions are a combination of obligation, trust, and expectation:

If A does something for B and trusts B to reciprocate in the future, this establishes an expectation in A and an obligation on the part of B. This obligation can be conceived as a credit slip held by A for performance by B (Coleman, 1988, p. 102).

Coleman identifies that the strong social connections found in closed networks reduce negative and increase positive effects for their members and describes human capital, the skills and knowledge of individuals, as one of the outcomes of investment in social capital (1988).

Putnam (1995), like Coleman, focuses on the features of closed networks. Putnam describes social capital as networks of collective value for individuals, with “social bonds” (1995, p. 66) a significant feature within social groups and strongly

connected to civic responsibility. Putnam uses descriptions of declining social capital in America at a macro level as an explanation for an erosion of democracy that could be improved by rebuilding community connections and informal networks (2005; 1993).

Social capital theory is often used in network analysis, in particular, the practical approach taken by Lin (2001) and Burt (Adam & Rončević, 2003; Burt, 1997, 2000, 2004). Both Lin and Burt draw on the foundations of social capital theory from Bourdieu (1986), Coleman (1988), and Putnam (1995), and develop the concept in relation to networks. Burt emphasises the strength of weak ties where social capital can be built across “structural holes” (Burt, 2000, p. 353) as individuals connect across network groups and gain knowledge of different approaches and different ways of thinking that provide more opportunities for innovation (Burt, 2004; Hite & Hesterly, 2001). Burt specifically connects the development of social capital across structural holes with entrepreneurial behaviour, as “entrepreneurs are people skilled in building the interpersonal bridges that span structural holes” (1997, p. 342) and tempers this aspect of network interaction that anticipates greater gains with an important point about change:

The gains can be expected to disappear as more and more people build bridges across the same structural hole. When the first entrepreneurs benefit from synthesizing information across a structural hole, others join them, and the advantage of bridging the hole disappears” (Burt, 2000, p. 356).

Lin’s (2001) development of social capital theory was selected as particularly relevant for this study as its practical approach incorporates the strengths and weaknesses of strong ties found in closed networks and balances those with open networks and the weak ties formed across the structural holes described by Burt

(2000). Lin argues that the motivations for interactions can be explained as those that aim to maintain an actor's existing resources, and those that aim to gain new resources, and these are dependent on their position in the hierarchy and their position in the network (2001).

Lin identifies two types of network interaction: homophilous interactions between actors with homogenous resources; and heterophilous interactions between actors with heterogenous resources, and describes homophilous interactions as the most common. Greater effort is required for heterophilous interactions, as actors assess the pros and cons of interaction (2001). These similarities and differences of actors and their positions are used to predict possible motivations for interaction. Homophilous interactions are typical of interactions found in closed networks with high levels of trust. While heterophilous interactions are more unusual than homophilous and require significant effort, they have the potential to provide significant gains, positionally dependent, through access to different resources than would otherwise be accessible (Lin, 2001).

Drawing on Lin's description of social capital theory "rooted in social networks and social relations" (2001, p. 41), the application of theory to a business incubation context comes to life. Business incubators could be described as open networks, where actors come and go, fluidly connecting and interacting with those in the incubator and through connections outside of the incubator as part of the incubation process. This conceptualisation of incubators as open networks is challenged by the view that incubators are closed networks; exclusive entities that protect resources and the associated benefits for members. However, a nuanced approach is required to capture the complex nature of business

incubation that likely incorporates aspects of both open and closed network features as multiple networks are apparent.

In this study we explore social enterprise startups as actors that participate in multiple networks, sometimes simultaneously, by making bridging connections to access new resources (Burt, 2000; Lin, 2001) and forming bonds (Putnam, 1995) within the incubator network to strengthen their membership of the group (Coleman, 1988). The networks they participate in and bridge are complex and include but are not limited to: social enterprise; startup; incubator; mainstream business support; social enterprise specialist business support; and stakeholder networks. The interactions of social enterprise startup actors with commercial startup actors are explored within the incubators' networks, set within the wider, complex ecosystem.

While aspects of social capital theory's application are challenged as too broad, it is suited to interpretations that acknowledge the complex nature of social structures and processes, rather than a positivist approach attempting to identify social capital as cause or effect in a linear fashion (Adam & Rončević, 2003). In their analysis of social capital's developmental role, Adam and Rončević raise a significant question of "the relationship between co-operation and competition, between collective and individual approaches and between egocentric and sociocentric perspectives" (2003, p. 174). These seemingly conflicting relationships are explored from the perspective of social enterprise founders through this study.

There is an established body of business incubation literature utilising social capital theory to understand the process of incubation networks and the critical role that social, interpersonal relationships play (Bøllingtoft & Ulhøi, 2005), including the motivations and practice of interactions amongst the peer group of

incubatees (Hausberg & Korreck, 2020). Social capital theory is also a prominent feature of social enterprise research, recognised as part of the multiple capitals of social entrepreneurship (Nicolopoulou, 2014). The structural, cognitive, and relational dimensions of social capital have been shown to inform the development of sustainable entrepreneurial ecosystems (Theodoraki et al., 2018).

In keeping with the study's critical realist ontological position and the process of abduction and retroduction as described above, multiple existing theories are used creatively to identify and evaluate interpretations and explanations (Hu, 2018). In this study's business incubation context, social capital theory also connects to social physics theory through idea flow, engagement, and collective intelligence (de Montjoye et al., 2014; Pentland, 2015). The concept of peer-learning underpins an understanding of the peer interactions that occur in the business incubation process, with actors reproducing and changing the "conditions for action and learning" (Riese et al., 2012, p. 603). Principles of entrepreneurship theory (Goss, 2007; Schumpeter, 1927) underpin an understanding of the subjects of the study, both social and commercial entrepreneurs, and the analysis of their actions, interactions, and collaborations (Goss & Sadler-Smith, 2018).

### **3.3 Research questions**

The positioning of the research study is intended to explore a specific aspect of the gap in the literature identified in the previous chapter, where social enterprise startups interact with commercial startups within the context of UK business incubators. This positioning is supported by the call for entrepreneurship



research to take a more prosocial stance and explore the interplay between community and entrepreneur (Shepherd, 2015).

The objectives of this study are to:

1. describe the scale and importance of the phenomenon of social and commercial entrepreneurs together in business incubators, and
2. analyse qualitative insights to provide a rich understanding of the network dynamics and subtle interactions that influence the incubation process

From a critical realist philosophical position, my research design developed to provide an understanding of the complexity of the social events that were the interactions of social and commercial entrepreneurs in business incubators. To do this, the research design aimed to uncover *what* was happening, *why* they were there and *why* they interacted. With this information, it would be possible to reveal some understanding of the causal explanations of the phenomenon (Hu, 2018). The critical realist position also influences the framing of the research questions, as they emphasise discovering what is necessary for the phenomenon (Sayer, 2000).

The following research questions frame the research problem:

**Research Question 1** – How prevalent is the phenomenon of business incubators with a mix of social and commercial enterprises?

**Research Question 2** – What motivates social entrepreneurs to join business incubators?

**Research Question 3** – How and why do social and commercial enterprises interact in a business incubator?

### **3.3.1 Assumptions**

At the foundation of the objectives of this research study and its research questions are assumptions about who ‘social enterprises’ and ‘commercial enterprises’ are, and what is meant by ‘interactions’. In the context of business incubation as a process, and business incubators as a type of business support for startup companies, the subjects of this research study are startup social enterprises and startup commercial enterprises that have chosen to participate in a business incubator. At the very early stages of the development of a business idea and business model, the type of incorporation of the business may not yet be known or formalised. This evolving status of a startup means that an open and flexible approach to the definition of ‘social enterprise’ and ‘commercial enterprise’ was needed to accommodate uncertainty.

The understanding of ‘interactions’ in the context of a business incubator has been developed from the business incubation literature. The incubatee peer interactions described in the literature include: business partnerships, collaborations, joint ventures, sharing of equipment (Soetanto & Jack, 2011), networking (Scillitoe & Chakrabarti, 2010), client-supplier relation, cooperation (Redondo-Carretero & Camarero-Izquierdo, 2017), informal networking and socialising (Nijssen & Van Der Borgh, 2017). Reflecting the ‘real’ world of critical realism (Bhaskar, 1978b) the drivers and mechanisms enabling those interactions are identified as including empathy, shared values, trust, continuity, commitment, friendship (Redondo-Carretero & Camarero-Izquierdo, 2017), and community-enabling leadership (Busch & Barkema, 2020).

### **3.4 Methodology**

A critical realist ontological approach is not prescriptive of particular methods, but emphasises the requirement for building contextualised understanding and theory (Danermark et al., 2001; Hu, 2018). The methodological approach of this study is founded on the research question frame and influenced by qualitative literature in social enterprise and business incubation studies. The research design takes a practice-led, iterative methodological approach, to allow the different elements of the design to influence each other and adjustments made during the study to benefit from this (Maxwell, 2013). Multiple methods are utilised for two reasons: firstly, to provide a richness and depth of understanding by analysing different aspects of the phenomenon in different ways; secondly, in keeping with a critical realist ontology, to aid in the robustness of the findings by triangulating across the different methods to understand if they support the same or different conclusions (Bøllingtoft, 2007; Maxwell, 2013).

This research study is grounded in practice to develop a deeper understanding from a subjective perspective. A practice-led approach (Candy, 2006; Candy & Edmonds, 2018) is based on the practice of the author of this thesis, as a business incubator manager with ten years' experience leading a UK award-winning incubator. The author's perspective and extensive experience informed the research design and iterative approach.

Elements of narrative inquiry are utilised in the methodological approach to prioritise a social enterprise narrative (Jones et al., 2008; Seanor et al., 2013; Zamantili Nayir & Shinnar, 2020) of incubation experience within the business incubator context and practice (Clandinin & Caine, 2008). A case study was considered to be suited as a central part of this critical realist study to build narratives that describe and interpret phenomena and processes in a specific

context (Blatter, 2008; Hu, 2018). Case study research examines in-depth one or several instances of a phenomenon (Blatter, 2008) and accounts for a significant proportion of qualitative social enterprise studies (Gupta et al., 2020; Sassmannshausen & Volkmann, 2018; Short et al., 2009). In assessing whether a case study was suitable as an approach for this study, the conditions reviewed included whether or not the study was about contemporary events, if control over behaviour was required, and the type of research questions being asked (Yin, 2018).

From a recent review of social enterprise literature, this methodology is supported in the identified strengths of exploratory qualitative studies in social enterprise that utilise a combination of case studies and interviews (Gupta et al., 2020). Gupta et al.'s review also recommended incorporating quantitative methods to qualitative studies to improve robustness and drew attention to the importance of the contextual setting of social enterprise studies, essential in critical realism. They highlighted the comparison of social enterprise in different industries as an opportunity for future research that usefully distinguishes social enterprise from industry sectors (2020).

#### **3.4.1 Iterative research path**

Drawing on the extant literature and the author's incubation practice, the research design began with an exploration of the interactions that occur in one business incubator case study—this exploratory approach intended to reveal insights and themes that could be developed further. An exploratory practice-led case study was conducted in Formation Zone in 2014. This case study incorporated two phases of data collection, firstly an observational study of the incubator space to identify the frequency and intensity of interactions and where they occur in the incubator office space. This observational study was followed by

semi-structured interviews with social enterprises in the Formation Zone to explore their startup journey, their views on the business incubation space and business support, and their recollection of interactions with others in the business incubator. The author's incubation practice also led to an opportunity to incorporate the experience of business incubation environments in Italy through the ESSE initiative.

This initial data identified the interactions and collaborations between incubatees in the incubator as a significant feature and is reiterated in many incubation studies (Bøllingtoft, 2012; Pettersen et al., 2016; Zhang et al., 2016). The exciting theme that emerged from the case study was a surprising result in the social enterprise interactions that indicated they placed equal value on their interactions with their social and commercial enterprise peers in the incubator. Revisiting the literature confirmed a gap in studies that examine the interactions between social and commercial enterprises at the startup phase. Social enterprise network studies appeared to focus on the networking of social enterprise with their social enterprise peers and stakeholders, and incubation network studies failed to address whether participating enterprises were social or commercial or both. This specific gap provided an opportunity to gain new insight into the reality of social and commercial enterprises engaging in business support services together.

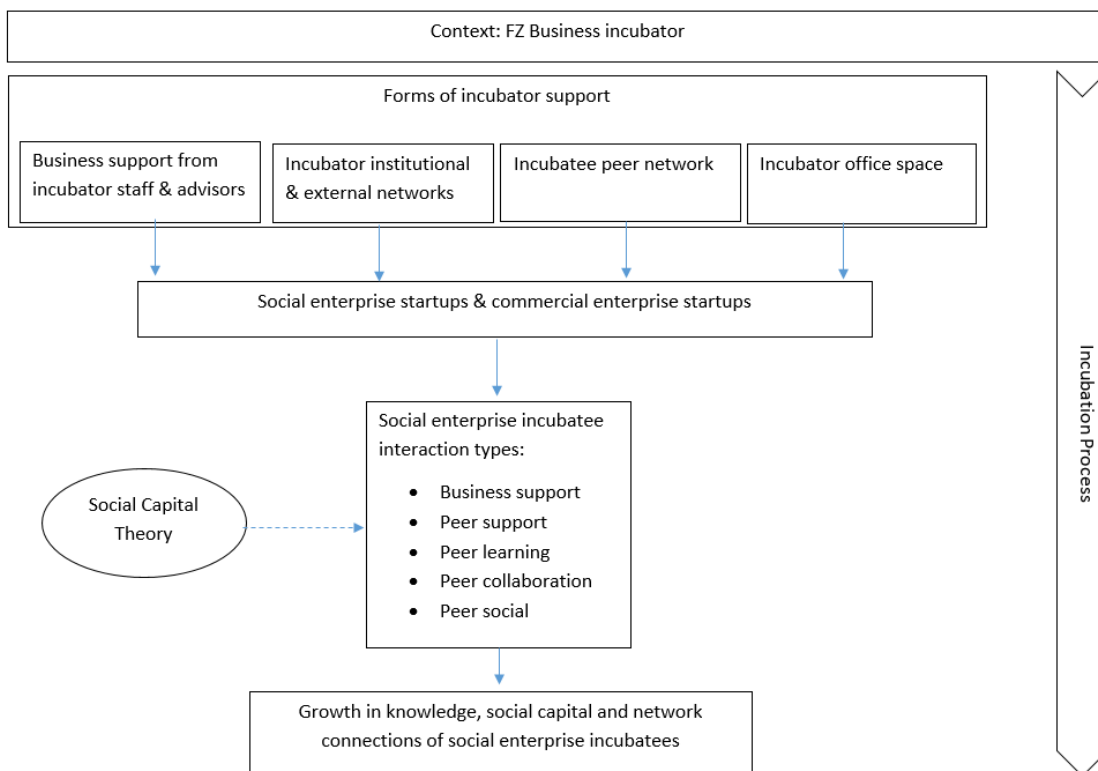
In the design of the next phase of data collection, it was necessary to narrow the focus of the research to achieve greater depth, with two significant changes. Firstly, this refinement meant that the next phase of research would only be concerned with the interactions between the incubatee peer group of social and commercial enterprises, and would not specifically address interactions with others such as the incubator management, staff, or advisors. Secondly, it was not

feasible to incorporate the role that the design of the incubator space plays in the interactions of incubatees in this next research phase. To satisfactorily explore the spatial lens on incubation interactions would require the focus of an entire thesis.

The sampling was expanded to include three more business incubators alongside Formation Zone to triangulate and test whether what was true for social enterprises in the Formation Zone would be true elsewhere. Enhanced research questions were developed from the extant literature, moving from an exploration of the Formation Zone case study to focus explicitly on the motivations of social enterprises to join business incubators and interact with their commercial enterprise peers. Through these significant adjustments in design, the research was able to achieve a greater depth that would not have been possible without an iterative approach.

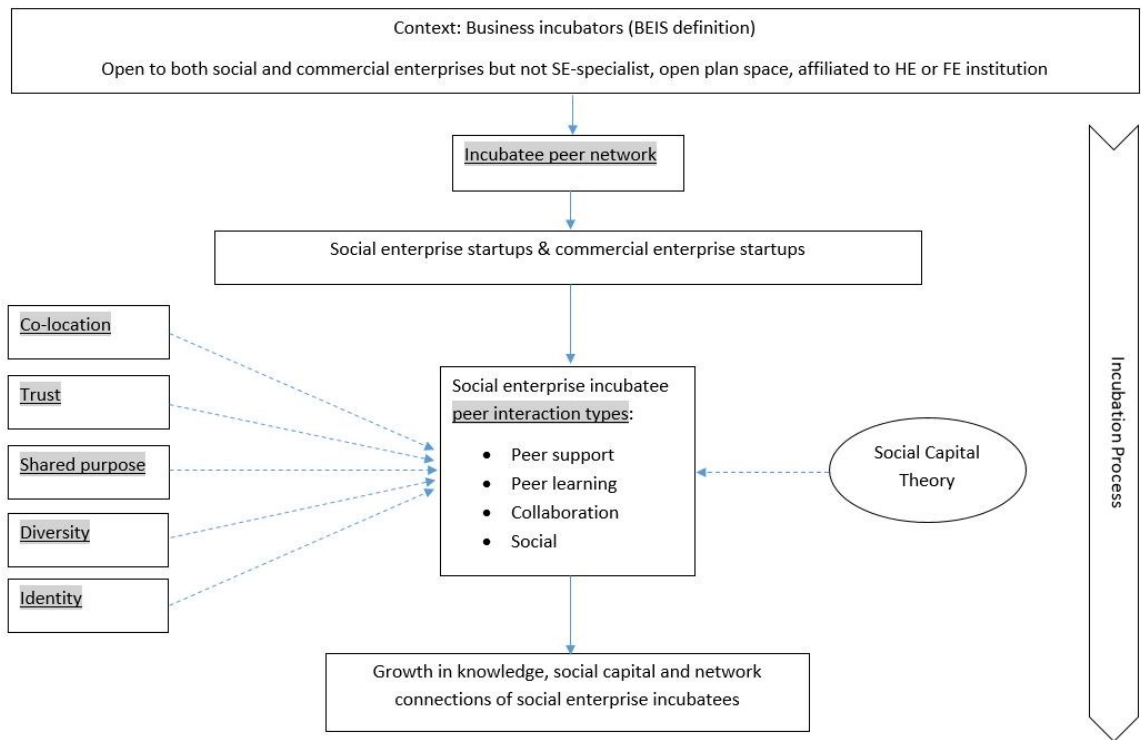
### **3.4.2 Conceptual framing**

As part of the abductive inference process, conceptual frameworks were used for contextualising and interpreting phenomena throughout this study. At the first phase of the research study, an initial conceptual framework was developed to describe the Formation Zone business incubator case study with its assumed processes and relationships, and supporting theory (Maxwell, 2013). In its first iteration, illustrated in Figure 15, the conceptual framework depicts four features of incubator support: formal support, external network, peer network, and office space. Growth in various forms is depicted as a result of the incubator support and several different types of interaction, through the incubation process.



**Figure 15 Conceptual framework (1)**

Following the Formation Zone case study, the conceptual framework was developed to incorporate the findings and support the next phase of the research. In the second iteration there are several differences, as highlighted in Figure 16, below. The forms of incubator support have been narrowed to be concerned only with the incubatee peer network. The social enterprise incubatee interaction types have been narrowed to focus only on peer interactions. The peer interactions are supported by the themes identified through the case study as co-location, trust, shared purpose, diversity, and identity, and again are underpinned by social capital theory.



**Figure 16 Revised conceptual framework (2)**

### 3.5 Methods

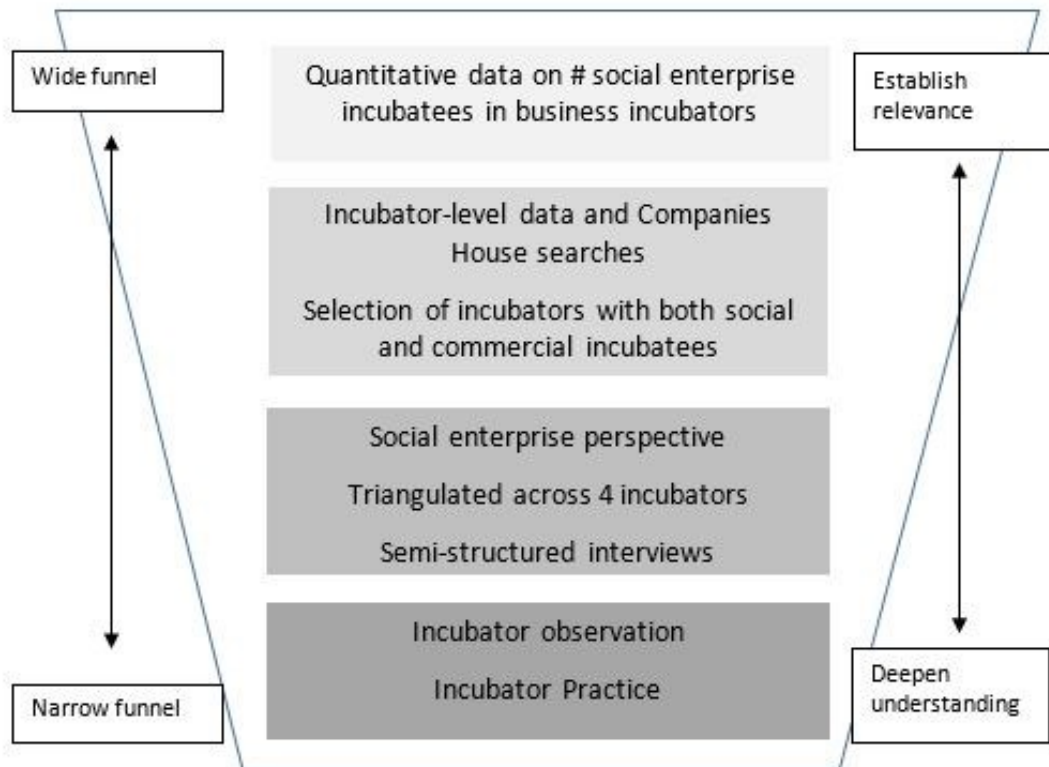
The methods selected were determined from the research questions and understanding what would need to be known to answer those questions. This connection between research questions and methods is shown in Table 1 below.



**Table 1 Connecting methods to the research questions**

Research Question	What needs to be known to answer the question?	What methods are used to gather data?
1. How prevalent is the phenomenon of business incubators with a mix of social and commercial enterprises?	<ul style="list-style-type: none"> <li>• The entity type of incorporated enterprises in business incubators, or description of purpose if pre-incorporation.</li> <li>• Information on enterprises in more than one business incubator, to triangulate findings.</li> </ul>	<ul style="list-style-type: none"> <li>• Companies House search</li> <li>• Business incubator websites</li> <li>• Telephone and email contact with business incubator management 'gatekeepers.'</li> </ul>
2. What motivates social entrepreneurs to join business incubators?	<ul style="list-style-type: none"> <li>• The social enterprise perspective on their available choices for business support, networking, and office space.</li> <li>• Their opinion on the business incubator's services and benefits before and after joining.</li> <li>• The social enterprises' experience of business incubation.</li> </ul>	<ul style="list-style-type: none"> <li>• E-survey</li> <li>• Semi-structured interviews</li> </ul>
3. How and why do social and commercial enterprises interact in a business incubator?	<ul style="list-style-type: none"> <li>• The social enterprises' subjective experience of peer interaction in a business incubator.</li> <li>• How social enterprises perceive their incubator peers.</li> <li>• If they relate their peer interactions with the business incubation process or their business support.</li> <li>• What perceived impact the peer interactions have.</li> </ul>	<ul style="list-style-type: none"> <li>• E-survey</li> <li>• Observation</li> <li>• Semi-structured interviews</li> </ul>

The funnel-shaped diagram, shown in Figure 17 below, describes how the multiple methods fit together to triangulate findings and provide data that establish relevance and deepen understanding to achieve a greater insight on the research topic and reveal something new. Quantitative data establishes the relevance of the phenomenon at the 'wide' end of the funnel and increasing levels of depth lead to observational data and practice at the 'narrow' end of the funnel providing the deepest level of understanding.



**Figure 17 Multiple methods**

### **3.5.1 Case study**

This practice-led case study aimed to create a foundation for understanding the issues of significance in business incubatee interactions. The study explored the phenomenon of social enterprises in one business incubator, Formation Zone, where both social and commercial enterprises operate their early-stage startup businesses and participate in business support. The objective of the case study was to provide qualitative insights into the subtle interactions and dynamics at play that influence the Formation Zone incubation process. Building from that initial objective, the multiple action-research methods were selected for the case study to provide a rich body of data to explore and develop the research question through an iterative process.

Prototyping a business incubation case study to capture interactions, collaborations and tensions of incubatees required understanding the relatively straightforward what, when, and how many, and also *how* and *why* interactions occurred. This thesis proposes that to achieve an in-depth understanding of incubatees' interactions there is a need to analyse underlying tensions and differences to explore what motivates a social enterprise startup in their selection of a business incubator, and why they choose to interact or not to interact with others in the incubator. If they are interacting, how are they, what does that involve, and what causes this to vary?

Connecting this incubation case study to critical realism, the stratified domains described by Bhaskar can clearly be identified. The underlying issues and motivations described in the previous paragraph form the 'real' domain. The interactions of incubatees in the incubator form the 'actual' domain of events, and the incubatees' experience of these form the 'empirical' domain (Bhaskar, 1978b).

This prototype case study of interactions in a business incubator was formed using an ethnographic process and action research approach, to emphasise practical outcomes derived from a collaboration between researcher and participants (Bryman, 2012). The authenticity of the process aimed to achieve results that were more likely to be understood, valued, and provide outcomes for practical application.

### **3.5.2 Observation**

The observational research design had to provide an insight into the dynamics of interaction in the incubator office space. Critical ethical considerations included incubatees' personal and commercial privacy and avoiding observation that may impair or inhibit the ongoing business incubation actions, interactions, and processes, as that may harm the businesses and their outcomes. Field note-taking

and descriptive sketches were considered as a possible method, but this would be limited in duration and with possible gaps in coverage over an extended period. A technological approach was considered, drawing on research in social physics that utilise devices to track movement and interactions between individuals (Pentland, 2015; Wen et al., 2013; Wen et al., 2012). Interaction analysis is a process that codes observable interactions, including conversation and interprets the data in context (Keyton, 2018). Audio and visual recording and other sensor technologies offer an opportunity to capture a higher level of information on interactions but need to be balanced with issues of privacy to avoid a 'big brother is watching' dynamic. The Formation Zone incubatees were consulted, and they were positive towards an unobtrusive technological intervention in data collection that provided anonymity and gave an indication of interaction levels, but did not record conversations.

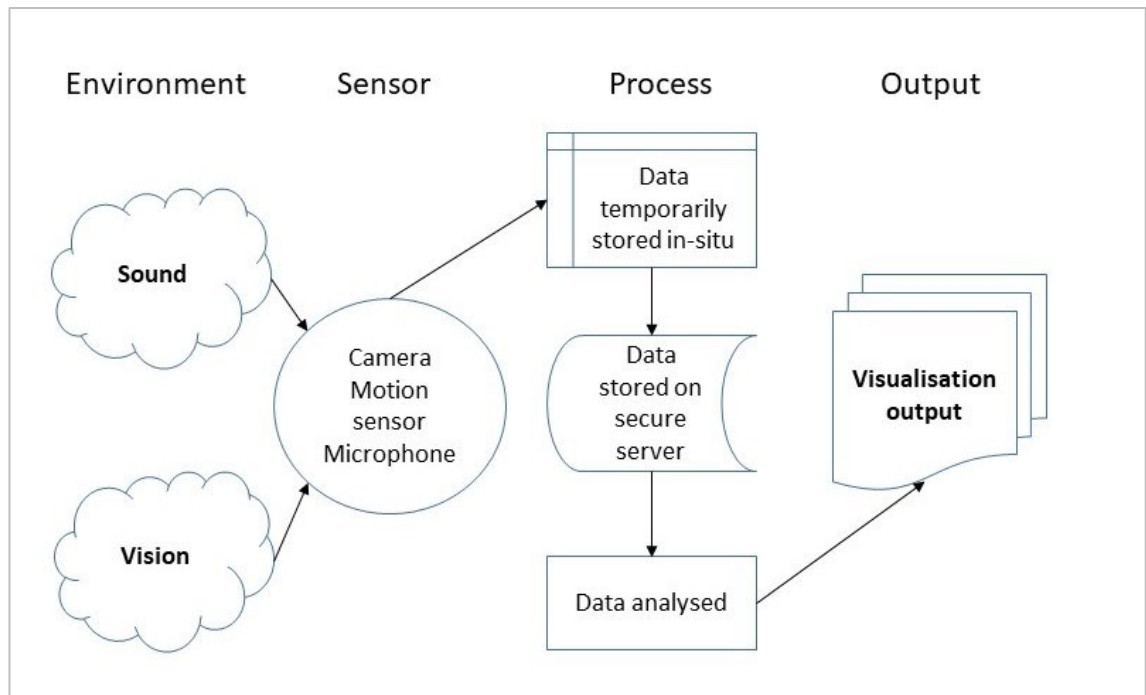
Qualia technology was selected as a technical solution that met the requirements of the study and was acceptable to participants to capture the peer interaction experience. Qualia is a digital technology research project, originally designed to enhance the way audience experience is captured and interpreted, an initiative funded through the Digital R&D Fund for the Arts by Nesta, Arts Council England, and the Arts and Humanities Research Council (Knight, 2013). With some similarities to business incubators, the evaluation of cultural activities traditionally relies on easily-captured metrics such as numbers of attendees, feedback and revenue, often failing to capture the intrinsic cultural value (Phillips & Bennett, 2014).

Though initially designed for the cultural sector, for locations such as museums and galleries, the ability to reveal patterns of activity, inactivity, and interaction in a physical space meant that Qualia technology could add objective data to this

study of business incubators and produce a tangible, visual output. The opportunity that the Qualia tool presented to the business incubator context was unique, and had the potential to address failings in business incubation literature where few studies connect the positivist, quantitative approach to qualitative case studies that tell a more human story of the process. A decision was made that Qualia was a suitable technology to transfer to the business incubation experience. This pilot study was the first time the Qualia tool was implemented in a business incubator environment. Testing and evaluating the suitability and limitations of the Qualia event-capture probes and outputs produced were part of the requirements of the study.

Technology experts at the University of Plymouth's Institute of Digital Art and Technology (i-DAT), supported the observational part of this research case study with two Qualia event-capture sensors, two Raspberry Pi computers, data collection, and software to visualise the data. The sensors consisted of a small camera, motion sensor and microphone, collecting data on motion and audio levels every 20 seconds and temporarily stored on the Raspberry Pi. The sensors were programmed to measure levels of movement and audio within specified thresholds. Minimum movement and sound levels were set for the sensors to ignore small movements and sounds that may be picked up from a person working at their desk on a keyboard or using materials and equipment at their desks such as notepad or phone. Any movement or sound above that level would be captured to illustrate where and when more movement and sound occurred. These thresholds were established as necessary through utilising the author's knowledge of typical incubator activity and applied to enhance the accuracy of the data capture. The visual and audio data is transformed into rich visualisations that enable interpretation of interaction in a real setting.

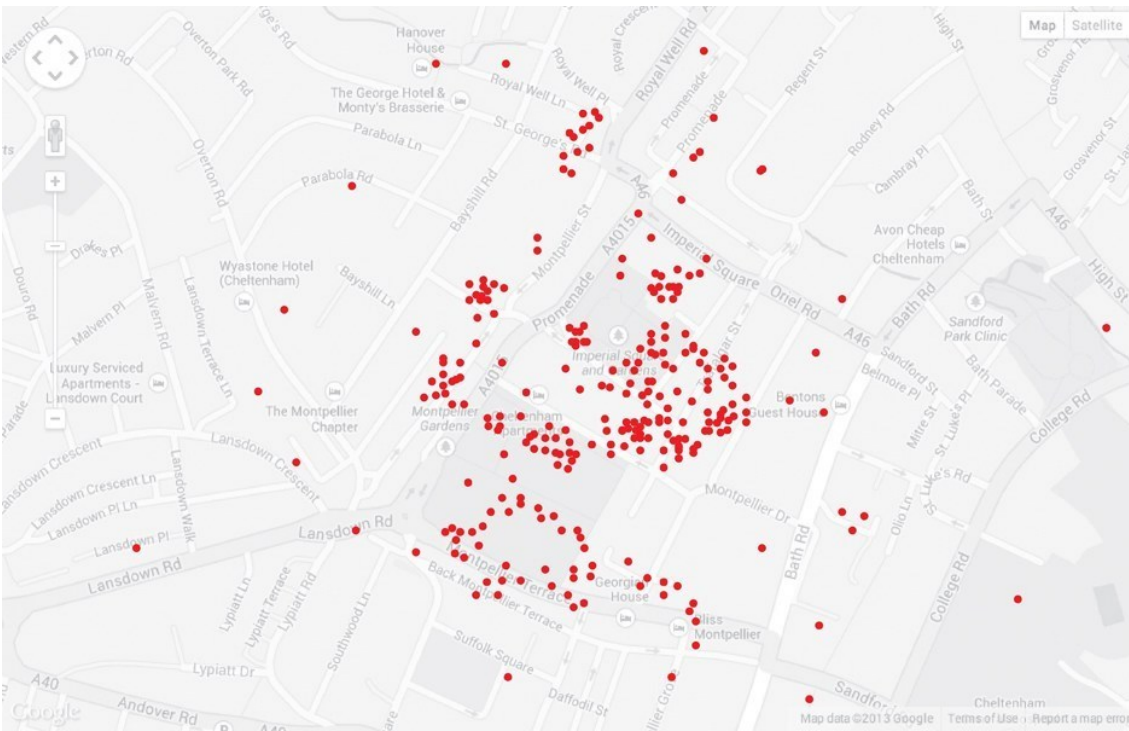
Below is an illustration of the Qualia technology implementation in this study (Figure 18), depicting the sensors collecting sound and vision data from the environment and processing that to create a visual output.



**Figure 18 Qualia implementation**

**Source: adapted from Knight (2013)**

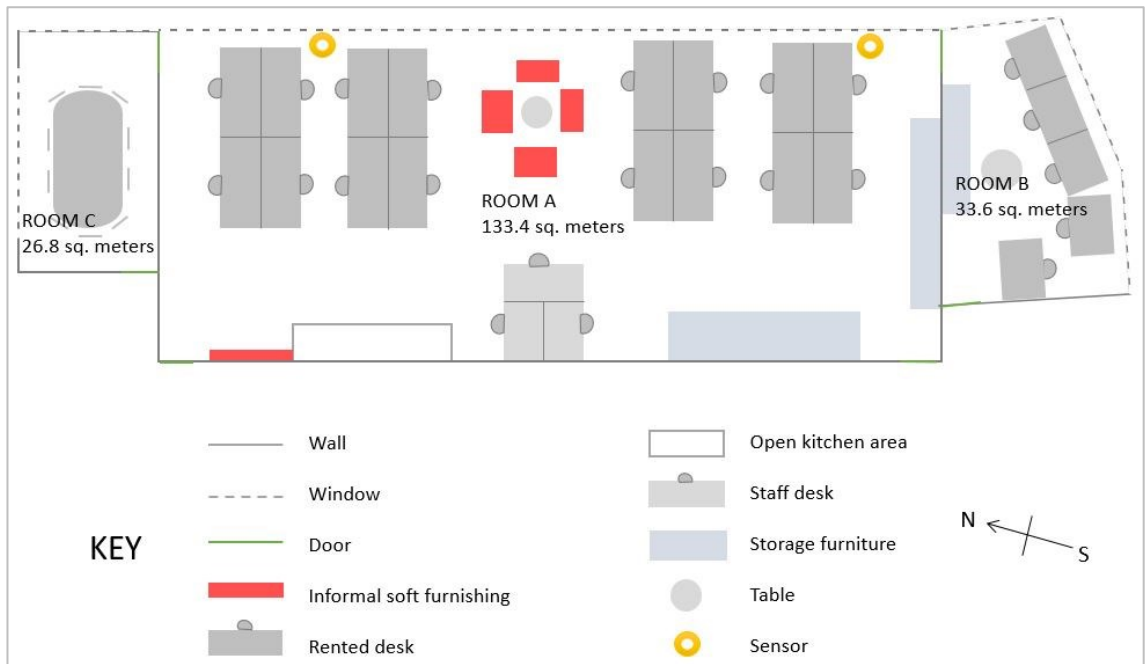
And in Figure 19, an example of a typical Qualia visualisation of audience flow at an event.



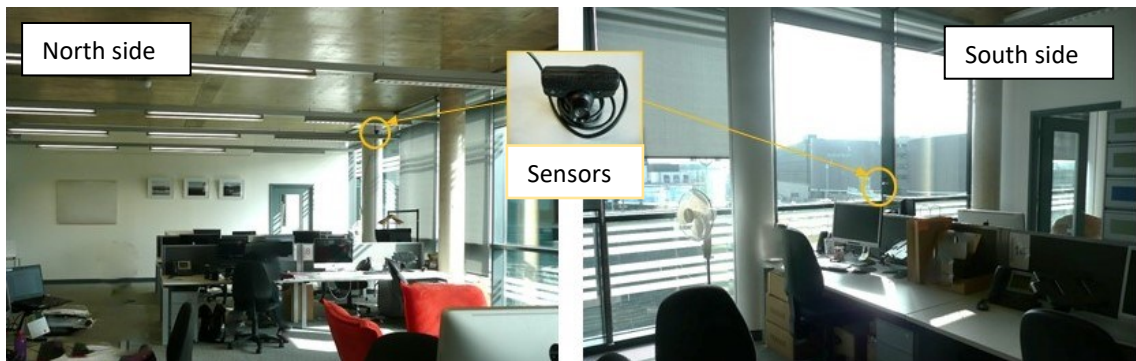
**Figure 19 Qualia visualisation example**

**Source: Knight (2013)**

The Formation Zone incubator has been depicted as a floorplan in Figure 20 to illustrate the size and layout of the incubator space, and the locations of sensors for the study. Figure 21 depicts photographs of the Formation Zone space and the sensor used in this study, and identifies the location of the sensors in situ on the North and South sides of room A.



**Figure 20** Formation Zone incubator floorplan



**Figure 21** Qualia sensors in-situ

### 3.5.3 Semi-structured interviews

The semi-structured interview is a standard feature of qualitative research and was selected as a central data collection method for this study to encourage open exploration of the topics and give an authentic account of the participants'



narrative (Ayres, 2008b). A set of open questions were developed to provide a structure to the interviews, but allowed flexibility to adapt to participant responses and explore more deeply with follow up questions in areas of complexity or that suggested a fruitful theme for exploration. Critical incident technique (Cope & Watts, 2000) was utilised to focus in on events the participant or researcher identified as significant in some way. This technique allows the participant to consider and provide further qualitative information and feedback from their perspective. Active listening methods were utilised to aid in focusing entirely on the speaker and their responses. Active listening methods included reflecting on and interpreting participant responses, paraphrasing and summarising to check perception and ensure accuracy of interpretation. A neutral attitude toward the participant and their responses was adopted, to not insinuate any judgement of their response that may influence or cloud their openness (Ayres, 2008a).

The first phase of interviews was conducted face to face in a meeting room in the Formation Zone business incubator. Face-to-face interviews allowed the opportunity for interpretation of expressions and body language that provided additional context for their responses. Interviews were recorded with a dictaphone, and supplemental notes were made to aid in follow up questioning and provide backup to the recorded data. Face-to-face interviewing was not an option for the second phase of interviews that needed to be conducted remotely, and so live video interviews via Skype were utilised as an alternative method. This method and tool were selected in preference to telephone interviews or online surveys, as a way to more closely replicate face-to-face interviews and benefit from the subtle expressions and body language as part of the participant responses. The Skype videos were recorded using the Skype application, and

supplemental notes were also taken, as before, to aid in follow up questioning and provide backup to the recorded data. The Skype recording failed in one instance, and in this case, the notes taken during the interview were used to provide a detailed account of the interview immediately after it took place to ensure accuracy in capturing the participant's responses. In the recruitment of participants for this phase of interviews, eligibility was established using an e-survey tool, described in the next section. Gathering status data in advance allowed the interview questions to be tailored to the individual social enterprise which aided in reaching focus and depth during the interview.

The interview question design was developed by building on examples from the literature where goals included understanding incubator network dynamics (Bøllingtoft, 2012; McAdam & Marlow, 2007; Patton & Marlow, 2011), social enterprise networks (Seanor & Meaton, 2008), and the perception of social enterprise identity by social entrepreneurs (Seanor et al., 2014; Seanor et al., 2013). The interview guides are shown in Appendices A and B.

The first phase of interviews was conducted with Formation Zone social enterprises. The semi-structured interview questions intended to explore and capture their perspective on the early stages of their social enterprise and their experiences in the business incubator, aligned with the empirical domain in the critical realist approach of this study. Participants described significant points in their entrepreneurial journeys, challenges and successes, and their views on various aspects of the business incubator. The interviews explored the interactions they experienced with their peers and others, building on the initial observations from the incubator study.

The second phase of interviews was conducted remotely in 2019. Interview questions were developed on from the questions used in the 2014 interviews with

social enterprise founders in the Formation Zone incubator. The 2014 participant interviews had started to touch on some depth with surprising results in the area of social enterprises interacting with both social and commercial enterprises in the incubator, and the question set was refined to support this and gain more significant insights for the 2019 social enterprise interviews. The revised interview questions focused on opening up their motivation and feelings towards interacting with their peers in the incubator, and why they, as social enterprises, were motivated to join an incubator with commercial enterprises. This development aimed to enhance the analysis of underlying causal mechanisms.

#### **3.5.4 E-surveys**

JISC Online Surveys was selected as the online survey tool to capture the simple demographic data required of the social enterprise participants in preparation for the 2019 interviews. JISC Online Surveys was selected over other online survey options for its added credibility to participants through an institutional web address, and strict information security standards compliant with ISO27001 and General Data Protection Regulation (GDPR).

The surveys collected information on the size of the social enterprise, how long they had been in the incubator and the entrepreneurial background of the founder. The online survey was also a useful tool to capture their consent to participate in the research, as the interviews were to be conducted remotely. The online survey is shown in Appendix C.

### 3.5.5 Secondary data

Utilising secondary data sources was crucial to the second phase of the study, for two purposes. Firstly, by collecting data that establishes the prevalence of incubators that support both social and commercial enterprises, and secondly, to identify eligible participants to invite to participate in interviews. As this phase of the data collection was conducted remotely and involved collecting data and recruiting participants from outside of the Formation Zone incubator, the incubators and their management were gatekeepers of access. An agile, responsive exploration of access routes was taken, to ensure the best possible likelihood of obtaining access to data and participants. This process is described in Table 2 below, showing each phase's action and outcome.

**Table 2 Recruitment of social enterprises**

Phase	Action	Outcome
1	filtered incubator directory with research criteria	Shortlist of suitable incubators
2	approached incubator managers to provide a gateway to social enterprise contacts and interviews	Unsuccessful
3	utilised secondary data through incubator websites and Companies House register to identify CICs	Shortlist of CIC candidates
4	approach CICs directly	CIC interviewees confirmed

Step one: the BEIS directory of incubators was identified as the most recent national database of incubators (Bone et al., 2017b). This database was utilised to filter information to identify suitable incubators through: sector scope, to ensure they were not social enterprise-specialists; and affiliation to an educational institution. The database provided the incubator website information, and these were used to gain more information on the nature of the incubator to ensure it

included some open-plan spaces for incubatee interaction. The database also provided the incubator contact information.

Step two: approaching incubator managers to provide a gateway to social enterprise contacts. While the research only required interviews with the social enterprises participating in the incubators and did not specifically require permission or approval from incubator management, it was determined to be the most effective way to identify the social enterprises currently resident in the incubators, and usual practice for researchers to encourage participation. Some social enterprise startups may participate in incubation support services for some time before deciding on their legal form and publicly registering through Companies House. These pre-registered startups are invisible through published data available such as the register of companies. External requests for businesses in incubators to participate in research interviews and surveys would typically receive a more robust response rate if a trusted source such as the incubator director made an introduction.

When approached, incubator managers were very supportive of the study. But they were reluctant to provide access through an introduction to incubatees due to a common concern about inviting participation in a research study when incubatees already have regular impact reporting requirements for the incubator. Phone, email and Skype were used to facilitate these conversations with incubator managers, and it is possible a face to face meeting may have received a more positive response to the research process by building social capital, but this was not feasible at the time.

Step three: utilising secondary data initially through the incubator websites, where current incubator clients are often listed. There are varying levels of information made available through the incubator websites from: the business

names, contact details, company website, and descriptions; to sometimes just the name. Some of the companies listed may be identified as Community Interest Companies or described as social enterprises, but often this is not specified. Taking the business name and location and entering it into the Companies House search service (Companies House, n.d.) it was possible to verify whether the companies were Community Interest Companies or another form of registered company.

Step four: having identified social enterprise company executives through incubator websites and the Companies House search, this information was paired with contact telephone numbers and email address available from either the incubator website or the CIC company website. It was then possible to approach them directly by email and phone to invite them to participate in a research interview. This approach had a reasonable rate of success, resulting in 55.56% of the CICs in the four incubators agreeing to participate.

Following the two main phases of data collection for this study, one final piece of secondary data was identified in December 2019. An event was scheduled in Plymouth that brought together the local Chamber of Commerce with the Plymouth Social Enterprise Network in a panel discussion event on the subject of Plymouth as a Social Enterprise City. Although this was an opportunistic and unplanned-for piece of data, it was assessed as likely to be highly relevant to the case study and provide additional perspectives and context. This event was live and not scheduled to be recorded or shared virtually, and it was not feasible to attend in person. The panellists and organisers were contacted, as advertised on the event webpage, to request permission to record the event. Permission was received, and arrangements made for the organisers at the Chamber of Commerce to record the event. The recording was successful, and the audio was

provided by email on the same day. This audio recording was transcribed verbatim and coded in the same way as the interviews, this process detailed later in this chapter.

### 3.6 Sampling

Phase One:

For the Formation Zone case study in the first phase of the study, a total of four companies and twelve individuals participated in the observational study Table 3 illustrates the breadth of participant types across incubatees, incubator staff, and advisors. Table 4 provides an overview of the participating incubatee size in terms of their business type and number of employees.

**Table 3 Individuals participating**

Total # participants	Incubator staff	Advisors	Incubatees (individuals)
12	3	1	8

**Table 4 Size (# employees) and type of enterprise**

	Enterprise 1	Enterprise 2	Enterprise 3	Enterprise 4
Social	1	1		
Commercial			1	5

Both of the social enterprises in Formation Zone in February 2014 agreed to interviews, and the interviews were conducted with three founders from those enterprises. Table 5 shows that both social enterprises were in the design sector, and labels the interviewees as: SE1, Founder 1; SE1, Founder 2; SE2, Founder 1.

**Table 5 Social enterprise interviews**

Case	Sector	Founder / Director
SE 1	Design	1
SE 1	Design	2
SE 2	Design	1

Phase Two:

In the second phase of the research study, sample sizes were determined by utilising the practice of saturation, common in qualitative studies, where saturation is the point at which the data collection process no longer offers any new or relevant data (Mason, 2010). The sampling frame was the BEIS database of 205 UK business incubators (Bone et al., 2017b). Criteria for participation included the following defining characteristics of incubators, adapted from the BEIS report's definition (Bone et al., 2017a):

- Duration of stay usually determined by the stage of the company
- Clients pay rent or fees
- Equity not normally taken
- Emphasis on physical space
- Selective admission criteria
- Admissions on a rolling basis
- Provision of support services including entrepreneurial training and mentoring

Other consistent features required for their participation in this study included that the incubator:

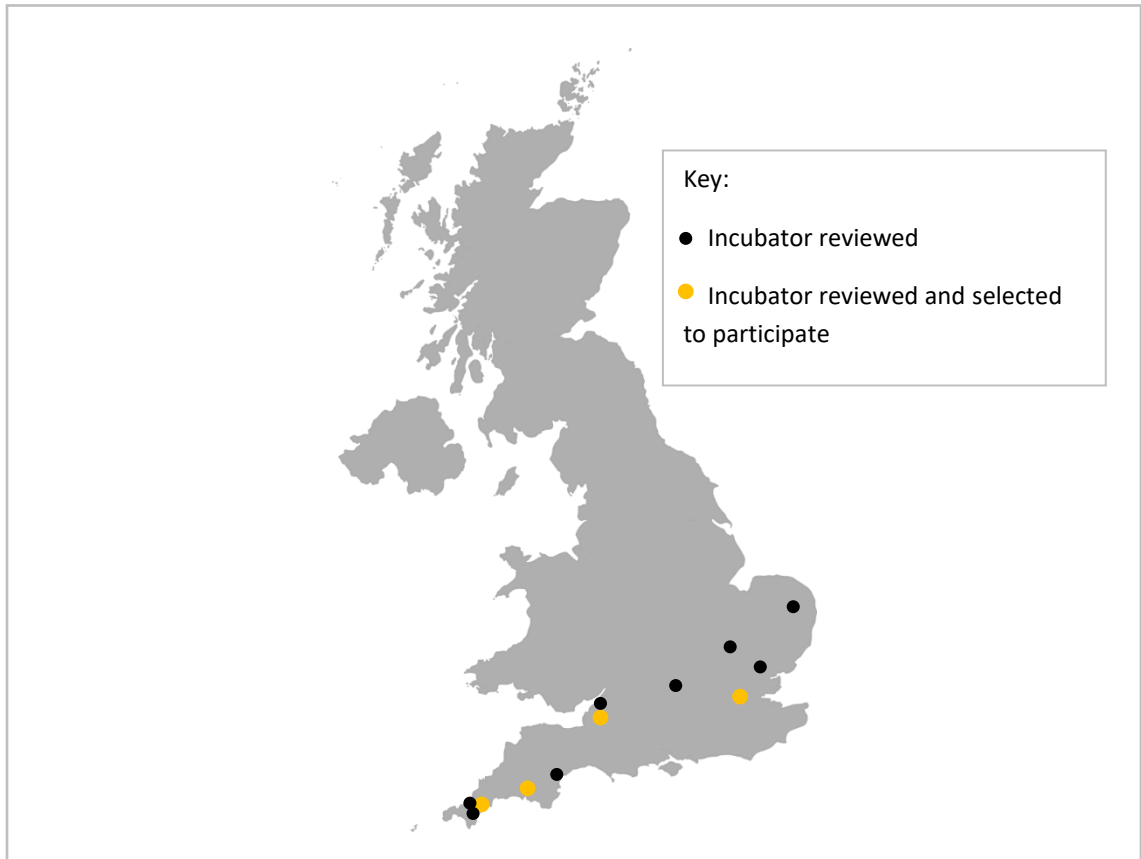


- Supported a mix of social and commercial companies, but that it was not a social enterprise-specific incubator.
- Had some open-plan space or shared spaces where there was an opportunity for the companies to mix.
- Is either run by or affiliated with a Higher or Further Education institution.

A process of convenience sampling was initially used to narrow down the list of possible incubators to those in the South of the UK to aid accessibility (Morgan, 2008) due to proximity to the original case study incubator. It is important to recognise that while the consistent features listed above aid comparisons, local and regional variations in social enterprise ecosystems can be significant depending on the community and culture (Mazzei, 2017). Recognising that this regional sampling imposes limitations on the generalisability of the study, these limitations are addressed in Chapter 6.

A total of twelve incubators from this shortlist were reviewed to assess their suitability for this study, and of those, seven were found to have Community Interest Companies within their client base. Purposive (Palys, 2008) and saturation (Mason, 2010) sampling practices were then used to select the final four incubator locations to target for interviews. Three incubators had the same operating organisation, and so two of those incubators were ruled out as it was determined that having three from the same operator in such a small sample size would be likely to undermine the robustness of data collected. One other incubator was ruled out due to being unable to establish contact with the resident social enterprises.

The reviewed and selected incubators were all based in the South of the UK, as shown in Figure 22 below: 'Map of study incubator locations'.



**Figure 22** Map of study incubator locations

The four incubators selected for this study were of varying sizes, from a small incubator with 12 clients through to a large incubator with 47 as detailed in Table 6. All had similarly small numbers of social enterprises, with these figures and percentages also shown in table 6. Table 7 describes the number of CICs participating and the relating sample size from the population of incubator CICs.

**Table 6 Percentage of social enterprises in incubators**

	Incubator 1	Incubator 2	Incubator 3	Incubator 4
Total number of client companies	12	47	46	34
Number of social enterprise clients	2	3	2	2
% of social enterprise clients	16.67%	6.38%	4.35%	5.88%

**Table 7 CIC sample size**

# CICs in selected incubators	# CICs participating	% sample
9	5	55.56%

Combined:

When the two phases of data collection are combined, it is possible to see the healthy overall response rate for the target social enterprise participants, shown in Table 8 below. Where interview questions in 2019 are repeated from the social enterprise interviews with Formation Zone in the 2014 case study, their responses have also been included and identified, to provide as large a sample as possible in the responses and aid robustness.

**Table 8 Combined data sets**

	2014	2019	Combined
Number of social enterprises in incubator	2	9	11
Number of social enterprises interviewed	2	5	7
Response rate	100%	55.56%	63.64%

The social enterprise participants varied in the maturity of their enterprises, the experience levels of their founders and the duration they had been in their incubator. These variations are depicted in Table 9 below:

**Table 9 Maturity of social enterprise participants**

	SE1	SE2	SE3	SE4	SE5	SE6	SE7
Age of social enterprise (years)	1	1	2	8	2	9	3
Duration in incubator (years)	1	0.25	3	8.5	2	0.5	2.5
Founder previous entrepreneurship experience	NO	YES	NO	YES	NO	NO	NO
Number of employees	2	1	2	40	2	3	6

## 3.7 Processing and analysing data

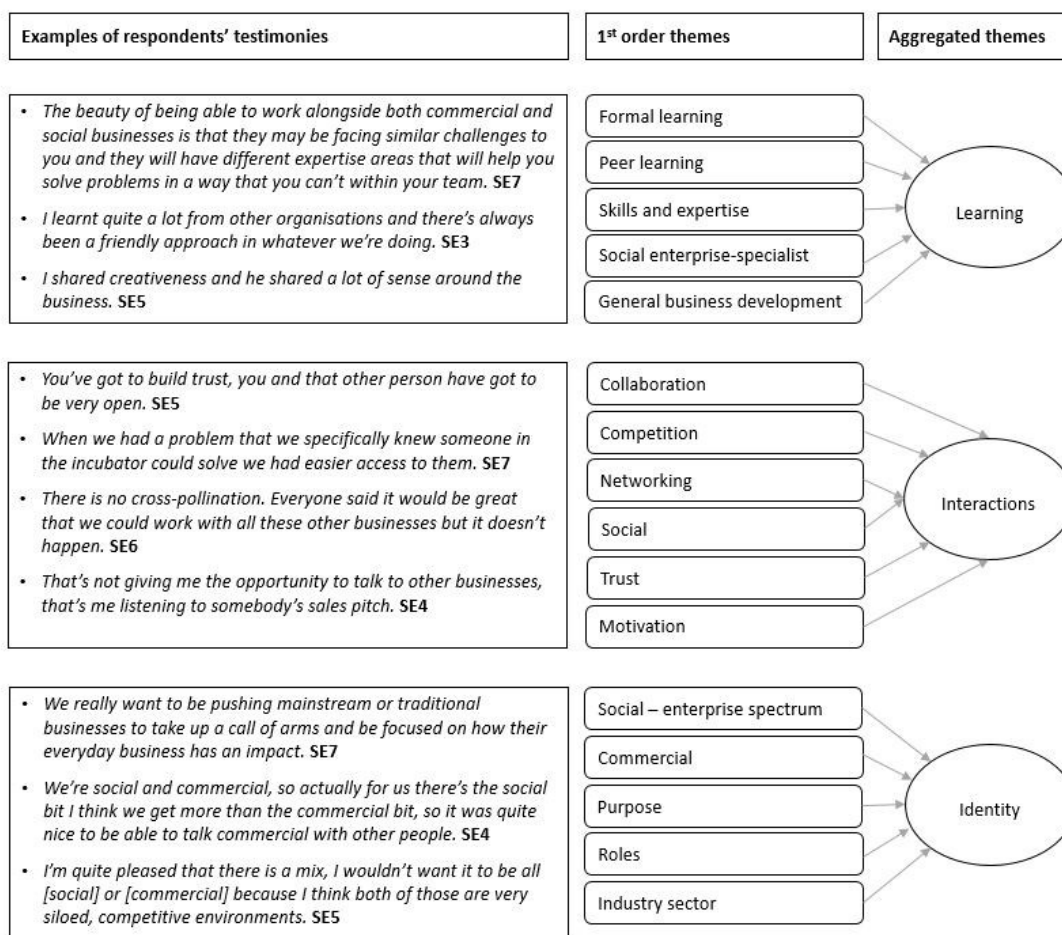
### 3.7.1 Qualia

The data from the observational study was produced by the Qualia sensors and collected data on audio and motion levels every 20 seconds using Python (Python programming language) and OpenCV (Open Source Computer Vision Library). The data was plotted on a chart with an X Y axis, representing the image of the room. The data was stored on a server and then exported to Microsoft Excel for analysis and processing for visual output. The purpose of presenting the data in a visual graphic format is to enable the researcher or business incubation practitioner to interpret and use the content easily.

### 3.7.2 Interviews

Interview recordings in audio and video were transcribed verbatim, and the transcriptions analysed using NVivo software. Initially, structural coding was applied to the transcripts based on their content to identify topics and organisational categories concerning the research questions (Maxwell, 2013; Saldaña, 2013). Following that, two substantive coding (Maxwell, 2013) methods were used to begin to draw meaning, patterns and themes from the data. These methods were ‘values coding’ that reflected research participants’ “values, attitudes, and beliefs” (Saldaña, 2013, p. 110), and ‘simultaneous coding’ that allows multiple categories of code to be applied to the same passage of transcript to capture the complexity of meanings that were found (Saldaña, 2013).

The outcome of these coding processes was the identification of themes as a way of describing repeated motivations, actions, and values that emerged (Saldaña, 2013). The three major themes constructed from the transcript analysis were: learning, interactions, and identity. Figure 23, below, illustrates the coding structure with examples of respondents’ testimonies alongside the first order category labels and aggregated themes that were developed through the process described above, drawing from relevant examples within the extant literature (Klein et al., 2020; Theodoraki et al., 2018; Žur, 2020).



**Figure 23 Themes emerging from interviews**

**Source: author's own data, format adapted from Žur (2020, p. 15)**

### 3.8 Ethics

With this type of action research project, there were ethical issues regarding potential disturbance to the subjects' relationship with their peers, the business incubator, and their business. This disturbance was unlikely but possible with interviews exploring possible positives and negatives of actions, interactions and their consequences in business incubators. These risks were carefully considered, and procedures put in place to mitigate any possible harm, ensure participants

were fully aware of the possible risks, and that they had the right to withdraw at any time without penalty. Ethical approval was applied for and received from the Faculty Research Ethics Committee in February 2014. Following the Formation Zone case study, an updated approval to include multiple business incubators was applied for and received in 2017.

Potential participants were advised that their decision to participate, or not, bore no relevance to their position with or support from their business incubator. They were also reminded that the research might not benefit them directly, did not constitute business advice, and business advisors were available through the incubator support services. The participants from Formation Zone had an existing professional relationship with the researcher as the incubator manager. Through the information sheet and conversations with potential participants, it was made clear that the study was undertaken through the researcher role, not the incubator manager role.

The observational data collection was discussed with the incubatees within the incubator, to ensure they clearly understood their involvement in the research and any possible consequences for them. In particular, the specific equipment and methods that would be used were discussed, with incubatees having the opportunity to provide feedback and shape the appropriate systems to ensure they were comfortable with the process. Considerations included incubatees' personal and commercial privacy and avoiding observation that may impair or inhibit the ongoing business incubation actions, interactions, and processes.

Research participants were provided with a project information sheet and consent form to outline that their participation was voluntary, and they had the right to withdraw without penalty. The forms addressed the secure handling and storage of data and confidentiality and explained the use of data in research and

publications. Participants were allowed to ask questions before confirming their consent to participate. In the 2014 data collection phase, these forms were provided on paper with consent confirmed by signature. In the 2019 data collection phase, these forms were provided electronically, and consent was confirmed electronically through a JISC Online Survey.

### **3.9 Validity**

There are two main threats to the validity of this practice-led study: bias and reactivity (Maxwell, 2013). Firstly, as a researcher that is immersed in the practice of business incubation, there is a potential bias that can influence the researcher's perception and the meaning placed on data to fit preconceptions or expectations. As an employee, there is also potential self-interest in the protection of their role and the institution. Secondly, the influence that the researcher exerts as a practitioner can cause reactions by the research participants or within the business incubation context (Maxwell, 2013). The subjectivity and influence within practice-led research cannot be eliminated. Therefore it is essential to productively embrace the positives that the increased understanding brings to the study while also being aware of how it is likely to influence the study and its findings (Maxwell, 2013).

Several strategies were employed to ensure that bias and reactivity were considered, recognised and accounted for during the study. These were: triangulation, comparison, discrepant evidence, rich data, quantitative data, respondent validation (Maxwell, 2013), and reflection. Triangulation of data was achieved in two ways: firstly, by collection from different research participants, incubators, geographic locations and in different years; secondly, by using



multiple methods to provide knowledge of different aspects and perspectives of business incubation. Comparison across the different incubator locations strengthens the data by going outside of the researcher's direct sphere of influence in Formation Zone and understanding similarities and differences with findings in other business incubators. Searching for discrepant evidence and alternative meanings was an essential aspect in the analysis of data to explore the unexpected results and acknowledge where relevant the diversity or divergence of findings (Yin, 2018). The different types of data collected were intended to strengthen the validity of data in two ways: firstly, the rich data collected through semi-structured interviews were aided by verbatim transcript to avoid predetermined results; secondly, the prevalence and relevance of the phenomenon were supported through the addition of quantitative data. In the participant interviews, their responses were validated by checking understanding and assumptions. Practising reflection and critical thinking to identify potential bias was used throughout the research study.

The methodology contains some limitations as well as the previously mentioned benefits. External generalisation does not apply to this qualitative case study approach (Yin, 2018). The small sample size in this research study limits the interpretation and possible implications. This limitation is justified with purposive sampling that furthers our understanding by allowing the research to focus on a particular type of participant in a specific context that fits the research objectives (Palys, 2008).

### **3.10 Responding to unforeseen problems**

Through the course of this research study, there have been two significant interruptions that provided challenges and opportunities in maintaining the focus and momentum of the research. The first unforeseen problem occurred in 2014, just after the Formation Zone case study had been completed. Due to a serious, life-changing accident, I had to take time away from my research and adapt ways of working. Returning to my research following the accident and interruption to studies meant revisiting and re-evaluating what had been achieved so far. How to move forward now that the data collection phases had been interrupted, momentum had been lost, publication opportunities had passed, and practice and literature had moved on? Despite these significant setbacks, the interruption offered the advantage of perspective on the first phase of research. I was able to immerse myself in updating the review of literature, and this helped me to reshape my data collection plans to focus in on the interactions between social and commercial enterprises in the incubator.

The next significant interruption was a new development that would be partly responsible for changing the process of the remainder of the data collection. In 2018 I relocated to Australia, for an opportunity to work for one of the world's top-ranked universities. This relocation resulted in a push to finding solutions for data collection in UK business incubators without direct observation as a method. Initially, the revised plan relied on my strong ties with UK business incubator networks and colleagues to gather data from the incubators on how many were supporting a combination of social and commercial enterprises, and for connecting to their social enterprise incubatees for interviews. However, remoteness from this professional network quickly resulted in a reduction in cooperation that meant the plan had to be revised again. I took a proactive

approach at ground level, reaching out to the social enterprises directly to request interviews resulted in a very positive reaction and return rate even without the prior introduction that would be standard in this type of scenario.

My desktop research into several business incubators started to reveal the extent of this phenomenon of generalist social incubators and specialist social incubators. But without being directly involved in the UK business incubator scene, I had lost the connections to gather data more comprehensively. Not wanting to lose the opportunity to build a more robust picture of UK business incubator typology I successfully collaborated with Nesta to gain access to some unpublished data they had collected. This Nesta data contained the results of a small sample of social enterprises in UK business incubators, too small to feature in their latest incubator impact report (Bone et al., 2019). This small sample highlighted the difficulty that even established national organisations were having in gathering data from incubators, partly due to new data protection regulations and a lack of reporting standards in the sector. Nesta's impact report made clear recommendations for obligatory data sharing for publicly-funded incubators (Bone et al., 2019). The Nesta data provided corroboration of my results at a small scale and helped to strengthen the case for further research being needed in this area. We are currently discussing the co-authoring of an article for the Nesta website on this subject.

### **3.11 Chapter summary**

This chapter has described the philosophical and theoretical underpinning in social capital theory and provided the basis for the practice-led methodological approach. The qualitative research design has been described as a combination

of observation, semi-structured interviews, e-surveys and desktop research to build an intricate understanding of the research subject. Purposive sampling is justified with a small, specific population of social enterprises in UK business incubators, and systems of recording and analysis detailed. The chapter then concluded with the validity of the methodology, and response to unforeseen problems that occurred due to gaps in data collection and relocation during the research.

## **Chapter 4 Incubator Case Study**

### **4.1 Chapter introduction**

The previous chapter set the theoretical underpinning of the study in social capital theory and provided the basis for the practice-led methodological approach. This chapter presents the data and findings of the first phase data collection through a case study of one business incubator. The chapter begins by framing the case study in the socio-economic context of Plymouth, with particular emphasis on social enterprise activity in the city and the role social enterprises play alongside the local authority and commercial businesses in their response to development needs.

The case study consists of two methods of data collection: firstly, presenting an observational study of the Formation Zone business incubator utilising innovative technologies to reveal interactions within the incubator space. Secondly, presenting the findings from semi-structured interviews with social enterprise founders in the business incubator exploring: their motivations to start a social enterprise and join a business incubator, their social enterprise purpose and identity, their perceptions of incubator services, and their experience of interacting with others in the incubator. The chapter concludes by identifying the factors of critical importance to understanding the interactions of social enterprises in a business incubator environment, resulting in refining and clarifying the focus for the next stage of the research study.

## 4.2 Plymouth's social enterprise context

Plymouth is the 15<sup>th</sup> largest city in the UK, located in the South West region and on the southern coast of England, with a population estimated at 259,200 in 2013 (Public Health, 2014, p. 8). It is a vibrant, cultural and creative place, with a combination of historical significance, strong communities and connection to the environment through proximity to ocean and moorland. But Plymouth is neither a wealthy nor ethnically diverse city. With 92.9% of its population considering themselves 'white British' in the 2011 census, compared to the English average of 79.8%. (Public Health, 2014). The smaller than average 'black and minority ethnic' (BME) population is growing, however, and has doubled in size since the previous census in 2001 (Public Health, 2014). The Index of Multiple Deprivation (IMD) is a measure used to identify the most deprived areas of England (Public Health, 2019). The measure analyses different dimensions of deprivation, the two dimensions that carry the most weight are income and employment, and the other five dimensions are: education, health, crime, housing and services, and the quality of the living environment (Public Health, 2019). By this IMD measure, Plymouth's two most deprived neighbourhood areas are in the most deprived 1% of England, and this had increased since previously measured in 2015 when one neighbourhood carried this notorious status (Public Health, 2019).

Reviewing the picture of IMD across the whole city reveals an East-West divide and nearly 30% of the city's population living in areas that are among the most deprived 20% in England (Public Health, 2019). The overall ranking of Plymouth in the local authority rankings currently places it at 64<sup>th</sup> out of 317 local authorities in England, and Plymouth has been moving steadily in the wrong direction along this ranking since 2007 when it was in 76<sup>th</sup> position (Public Health, 2019). Plymouth also has a shocking child poverty situation, with one in

five children currently living in poverty (Plymouth City Council, 2019) and the prospects for young people starkly different depending on which area of the city they are born into, it is a “Tale of Two Cities” (Plymouth Fairness Commission, 2014, p. 2).

A historic naval town since the 1600s, the naval base in Devonport, Plymouth is still responsible for 10% of the city’s income (Royal Navy, n.d.). In the 1980s, the dockyard employed approximately 15,000 people. But by the late 1990s, the dockyard had shrunk to approximately 4,000, and the city’s unemployment rate was over 14% (Harris, 2015). Plymouth has since undergone several phases of redevelopment and investment to tackle decades of neglect and deprivation, with mixed results. As a waterfront city with a remarkable history, the city has worked hard to attract prestigious businesses and leisure opportunities to not only provide employment but also frame Plymouth as a quality cultural centre. Attracting higher-earners to the city was part of the strategy to encourage more households that could pay higher levels of council tax rates (Harris, 2015). But with many of the deprived neighbourhoods of Plymouth still facing high unemployment, poor access to services and poor housing quality, an emphasis on city-centre retail and lifestyle developments is catering to an entirely different city than the one they know.

The UK government austerity measures post-2008 resulted in widespread and significant public funding cuts (Roy et al., 2015). Plymouth City Council’s budgets were cut by one third. One of the results of this tightening of available funding was that the city council were more aware of and willing to work with social enterprises in achieving an improved quality of life (Harris, 2015). Around the same time, this opportunity for partnership with social enterprise as a means of responding to reduced funding was also recognised in the strategic plans of the

English Local Economic Partnerships (LEPs) (Social Enterprise UK, 2013). Partnering with businesses and other organisations in Plymouth is a strategy explicitly described in the City Council's action plans to tackle child poverty (Plymouth City Council, 2019). Similarly, as part of the Local Economic Strategy, the City Council sought to support the growth of social enterprise to bolster communities through increased employment opportunities, local resources, and local assets (Plymouth City Council, 2014).

It is not by accident that Plymouth has historically significant social enterprises and a strong and growing social enterprise network. The substantial deprivation in Plymouth is one of the reasons that social enterprises have been essential to the city and continue to be so with measures of deprivation worsening. It is the nature of many social enterprises to be embedded in the communities they serve. This embeddedness is particularly the case for the 'Social Bricoleurs' that address local needs, and 'Social Constructionists' working at a regional level, as described by Smith and Stevens (2010). This correlation between areas with high levels of social enterprise activity and the most deprived areas of the UK is a significance also highlighted by Social Enterprise UK (Temple et al., 2016) and the UK Government (Stephan et al., 2017).

An example of social enterprise at the heart of economic regeneration in Plymouth is The Millfields Trust. Set up in 1999 to regenerate Stonehouse, the trust owns, manages and leases four large buildings in the area to provide affordable and high-quality office space to small and medium-sized businesses (Millfields Trust, n.d.). The Millfields Trust is a Community Interest Company (CIC) that redistributes the profits from its workspace management activities back into the Stonehouse community. Since 1999 the trust has invested £2 million back into the community from its trading activities (Devon & Plymouth



Chamber, 2019). Its redistribution focuses on long-term, sustainable change by investing in the young people of Stonehouse through its charity, Millfields Inspired. As a CIC, The Millfields Trust has an asset lock that means if the trust no longer existed, the community of Stonehouse would retain ownership of the buildings (Devon & Plymouth Chamber, 2019).

Another example of a social enterprise central to economic regeneration in Plymouth is the Real Ideas Organisation, known as RIO. This Community Interest Company (CIC) has been operating since 2007 and focuses its efforts in the neighbourhood of Devonport, another of the most deprived areas of Plymouth. RIO's core activities include providing education, training, and work experience opportunities for young people. RIO also deliver business support to social enterprises and creative industry organisations. These activities are complemented by the development of physical assets for the Devonport community, in a similar model to The Millfields Trust. RIO has been responsible for the substantial renovation of the historic Devonport Guildhall, a grade 1 listed building from the early 1800s, as a community hub, event venue, offices and the location of Plymouth's social enterprise bakery 'Column Bakehouse'. More recently, RIO has partnered with the City Council, the University of Plymouth, other city educational institutions, and several local tech companies, and raised £7.4 million to restore Devonport Market Hall. The plan is for Devonport Market Hall to become a digital and creative hub.

Plymouth is also home to the internationally-recognised Social Enterprise Mark, created in 2007 (Short, 2020). The Social Enterprise Mark is an accreditation process and award that allows social enterprises to verify their social credentials. It was created to not only verify, but also help to differentiate social enterprises from organisations where the government holds decision-making control, and

from corporations using socially responsible actions as a way to jump on the social enterprise 'bandwagon' and gain market share (Ridley-Duff & Southcombe, 2012).

The University of Plymouth was the first university in the UK to be awarded the Social Enterprise Mark in 2011 and held its mark until 2018. The Social Enterprise Mark recognised the University of Plymouth as a social enterprise generating social and environmental impact (University of Plymouth, n.d.-b). Since this first university recognition, others have followed, with current universities holding the mark listed as: Aston University, Cardiff Metropolitan University, Newman University, Plymouth Marjon University, University of Northampton, University of Westminster, University of Winchester, and York St John University (Social Enterprise Mark, 2020).

The significant track record of social enterprise in Plymouth is one of the reasons the city was awarded 'Social Enterprise Place' status in 2013, by Social Enterprise UK. Plymouth was one of the first cities in the UK to achieve this, alongside Bristol (Fearn, 2013). Although, which of the two south-west cities achieved the status first is contentious in regional folklore (Devon & Plymouth Chamber, 2019).

What makes a 'Social Enterprise City' (Temple et al., 2016)? Social Enterprise UK awards the status as part of its 'Social Enterprise Places' initiative to areas that already have high levels of social enterprise activity. The initiative is not just for cities: it incorporates villages, towns, boroughs and counties in its eligible geographic zones (Social Enterprise UK, n.d.). The second criterion is that the place has a collaborative group of active stakeholders, such as the local authority and education institutions, committed to supporting and developing social enterprises in the area. The stakeholder group have to demonstrate their plans to

coordinate and grow their support in their application to the initiative (Social Enterprise UK, n.d.).

In return for the use of the ‘Social Enterprise Place’ branding and profile opportunities, awardees are required to survey their social enterprise community annually and share the results with Social Enterprise UK (Social Enterprise UK, n.d.). This data has helped to build a clearer picture of what is special about these social enterprise places. In their report summarising the impact of the first three years of the Social Enterprise Places initiative, Social Enterprise UK identified that there was a correlation between areas with high levels of social enterprise and those most deprived areas of the UK. Other factors in why social enterprise numbers are growing in these areas included the role that critical institutions such as universities and local authorities played, and a culture of “independent thinking and action” (Temple et al., 2016, p. 5).

As the ‘Social Enterprise Place’ status is effectively a badge that doesn’t come with funding, those receiving the status are expected to utilise this as a marketing opportunity (Fearn, 2013). And Plymouth has been doing precisely that, leveraging additional profile, support, funding, and continuing to scale its social enterprise activity. Confidence has grown in social enterprises in Plymouth, with a notable change in perception of social enterprise by policy-makers and politicians (Hart, 2019). One example of this is social enterprise being represented in the city’s economic strategy, with a commitment to supporting social enterprises to grow through business support and encouragement for procuring from local businesses (Plymouth City Council, 2014). The City Council also stated their intention of capitalising on the ‘Social Enterprise Place’ status to “drive economic growth and community regeneration” (Plymouth City Council, 2014, p. 4).

#### **4.2.1 ESSE – Sharing good practice**

An example of one of the several new initiatives spurred by the ‘Social Enterprise Place’ status, several Plymouth social enterprise stakeholder organisations collaborated in ‘ESSE’ an initiative designed to capture and share best practice taking place in the development of the social enterprise sector at organisational, local authority and regional levels. The initiative was co-funded by the Erasmus+ Programme of the European Union. The ESSE initiative was designed to increase students’ employability skills and economic growth through social enterprise (ESSE Europe, 2019a). ESSE has partners in Sweden, Italy, the United Kingdom, Germany, and The Netherlands. The Plymouth partners are: University of Plymouth, Plymouth Social Enterprise Network, and City College Plymouth (ESSE Europe, 2019b).

The consortium of ESSE partners has visited each partner location to observe, information-gather, share knowledge, fact-find, and foster connections. In 2015, Plymouth hosted a visit of the international partners, and this included a tour of the Formation Zone incubator at the University of Plymouth to observe social enterprises and other startups being supported in a collaborative environment. In October 2015, the ESSE international consortium visited Matera, Italy, to understand the social enterprise ecosystem there. Matera is a city and province in the region of Basilicata, Southern Italy. Its historical centre, Sassi, is a UNESCO World Heritage Site, and Matera was the European Capital of Culture in 2019. As manager of the Formation Zone incubator at the University of Plymouth, I was invited to join the Matera visit to discover their methods and approaches to social enterprise support.

This visit engaged with grass-roots social enterprises working at a small scale on innovative and creative projects and includes four very different social enterprise

incubators: Materahub, Social Fare, Citta Essenziale, and Casa Netural. Materahub is a consortium of social enterprises supporting new social enterprises, collaborating on European projects and utilising one city workshop space, Civico 13, to bring partners together. Social Fare, a project partner, based in Turin, is a new incubator space in a landmark building running a formal incubation program for social enterprises, introducing them to investment opportunities and providing space for working and peer support. Citta Essenziale is a consortium of social cooperatives in Matera, incubating new co-ops, with a model that is now exported to other organisations. Casa Netural is a laboratory for social impact ideas and enterprises, grown from the home of the founder.

There were some interesting themes in the information from these social enterprise incubators; two of them (Citta Essenziale and Casa Netural) formally manage contracts for their incubatees. They provide an 'umbrella' business entity that operates along the lines of a creative cooperative by attracting external contracts and commissions and then sub-contracting or employing the social enterprise from their membership that delivers the service or product. Citta Essenziale and Casa Netural are also sharing their model of social enterprise incubation as a method of providing a sustainable revenue stream, not reliant on public funding.

Casa Netural was led by demand for a community of values, a trusted space to facilitate knowledge exchange. The founder set up a Facebook open group 'looking for a new home' to create connections with the community before space was found. Casa Netural identified itself as an 'incubator of dreams', not enterprises or entrepreneurs. They intend to empower local people to take action rather than wait for public services. The incubator is bringing social enterprises

together to create social innovation. Casa Natural has no public funding, only earned income or crowd-funded donations.

In all of the examples experienced in this exchange visit, the grass-roots community of social entrepreneurs and innovators was described as crucial. There was an urgency of ‘just getting on and doing it’ and not waiting for formal support or funding. A high priority was placed on the community helping and supporting each other to develop and grow, for the participants and the informally-organised structures. These insights highlighted similarities and differences to the Formation Zone business incubator and Plymouth’s support for social enterprise that would be explored in the incubator case study.

#### **4.2.2 Plymouth Social Enterprise Network**

Plymouth’s application for Social Enterprise Place status was driven by its active and ambitious social enterprise network that had formed a few years earlier. With a healthy and increasing number of new social enterprises appearing in Plymouth, a proactive group of social enterprises decided to form the Plymouth Social Enterprise Network (PSEN) in 2011 (Plymouth Social Enterprise Network, 2018). The network has been the foundation that has enabled social enterprises in Plymouth to become more coordinated, collaborative and visible. It successfully connects and galvanises nascent social entrepreneurs and established social enterprises with support services, the local authority, and commissioning bodies.

Demonstrating the impact of social enterprises and importance to the city has been catalysed by the ‘Social Enterprise Place’ label, and the network’s plans for growth are reflecting this increased confidence to scale. PSEN is supporting its members in sustainable business practice, with the network declaring a climate emergency in 2019 and pledging to make their activities carbon-neutral by 2030

(Telford, 2019). PSEN now aims to identify projects that engage with the private sector in more effective ways and to ultimately become a city where those considering setting up a new business see social enterprise as the preferred model (Hart, 2019).

In December 2019, the Plymouth & Devon Chamber of Commerce, known as the Plymouth & Devon Chamber, hosted a panel discussion on 'Plymouth as a Social Enterprise City' for its members. The panellists were from PSEN, YMCA Plymouth, Millfields Trust, and Plymouth Raiders, and were chaired by Lindsey Hall, Chief Executive of Real Ideas Organisation CIC. A recording of the event was acquired to capture the current thinking in this forum between social and commercial enterprises. The panellists introduced themselves and clarified their organisational status: YMCA and Plymouth Raiders are both charities, and Millfields Trust and PSEN are both Community Interest Companies (CICs). Several discourses emerged through the panel discussion and engagement with the Plymouth and Devon Chamber audience, including: perception and identity of social enterprises, profit stigma, and networking between social and commercial enterprises.

At this panel event, several of the organisations described experiencing a general misconception about what a social enterprise is. They thought the general public and other businesses often assume they are not a trading business, but that they are charities requesting donations. One organisation also found confusion about social enterprise in their organisation, with concern from staff about generating profit from trading. This general misconception of social enterprise translated into a consensus about a requirement for social enterprises to be more proactive and confident in communicating their trading to generate profit, making it clear that profit is reinvested in their social purpose.

As part of the interactive discussion between the panel and the audience, questions arose about the siloing of social enterprise from other businesses in Plymouth. One audience member described the two very active business networks of the Plymouth and Devon Chamber and the Plymouth Social Enterprise Network, but how it was rare to see members from either group attending the other network. This observation spurred several enthusiastic comments about how so many businesses in Plymouth are committed to providing benefits to the city as a whole, and that social and commercial enterprises have more in common than not. An example given to illustrate this common purpose amongst Plymouth businesses was the ‘Plymouth Children in Poverty’ initiative aimed at eradicating child poverty. The project takes an approach of shared responsibility to achieve this across the public, private, and third sectors, drawing on the strategy set out in the Child Poverty Action Plan (Plymouth City Council, 2019). There was a clear sense of ownership of the issue in the comments made at this event:

We need to do something to address the shocking statistics in terms of child poverty in this city, and it is shocking. And so the private sector has responded to that and said ‘look you know this is not something the City Council can tackle on its own. It's not something the social enterprise sector can tackle on its own. We have to make a contribution’, and that's what we're trying to do (Panellist, Devon & Plymouth Chamber, 2019).

Some of the commercial businesses in the audience were interested in how they could contribute more directly to social benefit, and the consensus was that to take a ‘buy social’ approach to trading with social enterprises would be beneficial. This view was not universal though, and one business founder described their decision to incorporate as a Limited Company rather than a Community Interest Company because they did not want a social enterprise status to be the reason for prospective clients to select them, they felt it would detract from the status of their



work. This perspective on social enterprise identity and its impact on customer and business transactions raises questions regarding the status of social enterprise. Should social enterprises be treated like any other type of business? Should their social purpose and social impact be part of their value proposition? Do customers assume products or services are of the same, lower, or higher quality when sourced from a social enterprise compared to a commercial company?

Corporations considering the benefits of partnering with social enterprises are attracted to the optics of the socially responsible and impactful benefits to their own business. But the challenges of connecting two or more enterprises with different purposes, structures and systems require concentrated efforts at collaboration on both sides (Jug, 2020). The complexities of social enterprise identity and the perception of social enterprise by the general public and other businesses emerged as an exciting discourse through the panel discussion event. The discussion started to touch on the nuances of social – business identities, such as pro-social and B-Corporations, but the discussion of these forms were limited.

Overall, there was a sense of new transparency between the two network groups, a willingness to take time to understand each other's perspective and ask open questions. The event appeared to solidify the strength of Plymouth's social enterprises to the more established Chamber network of businesses, and it had the potential to bring together the two networks into more and stronger collaborations in the future. Changing and improving the way the different businesses work together is dependent on membership action combined with strategic support.

This potential for a community to work together across a range of public, private, third sector and social enterprise business models offers some significant opportunities. Firstly, this suggests that we can rethink how businesses network and that there is a balance between opening networks to benefit from diversity, while still retaining opportunities for specialisms. Secondly, that collaborating across business types may have implications for how business support is provided so that all types of business can be more aware of each other's operating norms, priorities, perspectives, and experience.

Growing the number of social enterprises and the ecosystem that supports them is not as simple as a straight line toward scaling benefits and social impact. The resource-constrained nature of the communities where social enterprises emerge means that increasing numbers of social enterprises impacts competition for scarce resources (Islam, 2020). This competition can challenge the ambitions for cooperative and collaborative social enterprise networks, where members are expected to simultaneously submit contract bids or tenders while also mentoring and supporting less experienced social enterprises into that competitive market (Seanor & Meaton, 2008).

It is also unclear whether a growing number of social enterprises encourages more social enterprise startups or less. A recent study (Fernández-Laviada et al., 2020) found two opposing trends as a result of increased numbers of social enterprises. One showed that a robust social enterprise sector with structured support available encouraged more social enterprise startups. The other showed that where social enterprises had emerged to address community issues, this resulted in the startups that followed taking advantage of those breakthroughs to startup in a commercial business structure that would reduce their constraints (Fernández-Laviada et al., 2020).

### **4.3 The Formation Zone business incubator**

Where does the Formation Zone incubator feature in this landscape of active social entrepreneurship? The emergence of Formation Zone is connected to a period of growth for the University of Plymouth. Located on the Northern side of the city centre, the University of Plymouth was undergoing a period of expansion in the mid-2000s and was relocating several outlying campuses to its city centre main campus. At that time, the university student numbers were 25,000-30,000. Since that peak, the university has more recently shrunk in size, with current figures placing student numbers around 19,000 (University of Plymouth, n.d.-a).

In the mid-2000s, the University of Plymouth's innovation strategy was embedded in the local and regional business community, and it attracted match funding from European Union Objective 2 to expand its support for innovative businesses and startups. This investment supported a vision for a creative industries hub, part of an ecosystem for creative industries in a 'creative quarter' of development. It provided a space for the relocating Faculty of Arts in a large and distinctive new building, the 'Roland Levinsky Building', taking a prestigious location on the edge of campus overlooking the city centre. At the core of this creative building was the first iteration of the Formation Zone business incubator.

The business incubator was an integral part of a building that would encourage students, faculty and businesses to interact, collaborate and innovate. A notable aspect of the university's strategy was for the incubator to be a catalyst for creating more opportunities for university graduates to stay in Plymouth after they graduated. There were two aspects to this strategy, firstly that graduates would create high-value employment for themselves through starting a business in the creative industries, secondly that those startups would grow sufficiently to be able to offer high-value employment opportunities to others. This approach

connected strongly to Plymouth City Council's economic regeneration plans to provide high-value employment opportunities and to retain the university's students in the city once they graduated.

It was at this stage that I began my business incubator management journey, from a background in the creative industries that included the private, public, and third sectors. The mainstay of my previous experience focused on economic regeneration and supporting the creative sector to innovate and grow. Formation Zone began with empty office space in a new building and a set of aspirations, promises, and targets handed down through the business plan attached to the European Union and UK Government funding.

The Formation Zone business incubator at the University of Plymouth was designed for pre-start and startup creative enterprises and was launched in October 2007. The incubator space was relatively small, at 194-meters square, and consisted of one main open-plan space that accommodated sixteen incubatee desks and three staff desks, and one small private office with five desks. Formation Zone operated a rental fee model that was designed to be accessible to startups while also financially viable for the university. All agreements were flexible, with incubatees able to adjust or discontinue their agreement on a month-by-month basis, designed to flex through the changes that occur during startup. Those startups not yet trading were heavily subsidised for up to three months use of the incubator to encourage engagement and realise the benefits at the earliest possible stage. Once trading, the first-year monthly fee was at a rate in line with the market rate in Plymouth, and the second-year monthly fee was increased above market rates to encourage incubatees to move out of the incubator and into the city's startup ecosystem.

The incubator provided shared physical resources that can be difficult and expensive for startups to access: scanner and printer, landline phone and number, secure storage, a board room for meetings, and a prestigious address. These facilities are all designed to enhance the credibility of a new business, one of the significant hurdles for startups. The incubator also worked to enhance the profile of its incubatees by profiling them on its website, securing media coverage of incubatee achievements and connecting them to its extended network and opportunities. Formation Zone was a collaborative, creative workspace where incubatees worked alongside each other on their creative startups. Stepping outside of the incubator offices, the Roland Levinsky Building was also full of creative activity with teaching, art studios, exhibitions, a café, and events generating an immersive, creative atmosphere.

The ethos of the incubator was designed to encourage confidence and growth in startups that typically did not have a business background or experience. This ethos was delivered through several means, a combination of infrastructure and communication. For instance, business support was tailored for the creative sector, and partnerships with creative organisations in the local ecosystem ensured incubatees were engaged in a supportive environment within and outside of the incubator. The business advisors and organisations providing support to incubatees were provided with space in the incubator to facilitate increased connection with incubatees. Incubatees were encouraged to get to know each other, to rapidly grow their network in 'safe' environment where incubator staff could support any issues that may arise. This approach to network growth was the first step in incubatees then taking control of their networking from a more confident position. The open-plan office that accommodated both incubator staff and incubatees enabled a community to form. Working alongside others every

day, sharing in the highs and lows of the startup process, meant that bonds were formed between incubatees. The startup process is often isolating, with founders under pressure, from themselves and others, to make rapid progress. Sharing the experience with others requires trust and a willingness to be vulnerable, and the reward is a being part of a supportive community.

The incubator operated a selection policy, with applicants asked to demonstrate innovation, high standards and growth potential. Being accepted to the incubator was a step in achieving credibility for a startup. They did not need to be students or graduates of the university, and it was usual to have a mix of incubatees from students and graduates of the university combined with startups from outside of the university community. The incubator was open to social enterprises and commercial business models and supported startup enterprises for up to two years. As the new enterprises became more established and sustainable, they would move on to other workspaces and offices around the city, and many would maintain strong links with their peers from the incubator and with the incubator itself, some providing support to new enterprises joining the incubator after they left.

This established incubation model grew and was shared as best practice in encouraging a robust startup ecosystem. The University of Plymouth won a contract with neighbouring Cornwall Council to operate three new Innovation Centres in Cornwall, and Formation Zone was a crucial part of the strategy to provide support for startups in those centres. Each centre incorporated a 'Formation Zone' incubator as a method of engaging with very early-stage enterprises and encouraging a collaborative environment. The University of Plymouth expanded its Formation Zone services on the main city campus in 2012 to support startups across STEM sectors (Science, Technology, Engineering and

Maths). The two sector-specialist Formation Zones operated concurrently in separate buildings until 2015 when they were merged into one space in the Marine Building. As an established incubation model with a successful track record, Formation Zone won a national award for 'Achievement in Business Incubation' from UK Business Incubation in 2013, just five years after its launch.

The Formation Zone incubator on the University of Plymouth main campus led several initiatives to highlight and encourage social entrepreneurship. These initiatives to support the inclusion of social entrepreneurship were prioritised partly in response to growing interest in social enterprise in Plymouth generally, and as a result of anecdotal feedback that individuals interested in the incubator may not be aware that social enterprises were eligible. Although the incubator's information and marketing materials did not exclude social enterprises, omitting mentioning social enterprise was found to be creating a barrier to engagement. In 2012 the marketing material of the incubator was altered to specifically mention social enterprises as eligible and welcome to join the incubator. Case studies of creative social enterprises were produced to stimulate recognition and awareness of social entrepreneurship and the supportive environment that the incubator provided.

Improvements to engage and support social enterprise were also embedded in the incubator's practice and included the selection of advisors and services providing support to incubator clients. Incubator management ensured that new advisors and coaches came with experience and knowledge to provide support to a range of business models, including social enterprises. A referral network of social enterprise specialists was established, including organisations such as Plymouth Social Enterprise Network and the School for Social Entrepreneurs

(Dartington). These steps ensured that Formation Zone was part of Plymouth's social enterprise startup ecosystem.

Formation Zone participated in its first social enterprise-specialist initiative in 2012, working with UnLtd (the UK foundation for social entrepreneurs) and a new initiative launched with HEFCE (Higher Education Funding Council for England) to encourage social entrepreneurship amongst students in Higher Education in England. The 'UnLtd HEFCE' initiative provided small grants to student social entrepreneurs (Lord Young, 2014), and Formation Zone worked with this initiative to provide business incubation support to those developing ideas and creating startup ventures as a result.

From this period of encouraging social enterprises to engage with the business incubator, Formation Zone routinely received a mix of applications from both social and commercial startups. Within the incubator office space, there was no differentiation between social and commercial enterprises when desk positions were selected, and all incubatees were encouraged to get to know each other, irrespective of their business type. It is at this stage in the incubator's evolution, in 2014, that this practice-led study took place.

#### **4.3.1 The practice-led study of Formation Zone**

The Formation Zone incubator study was designed to provide insight and understanding into the interactions of startup social enterprises in the business incubator through the observation of social enterprises, their environment, and their interactions, and mapping of the outcomes. Semi-structured interviews with social enterprise founders were designed to understand the factors that influenced and affected their startup phase. Through this study of Formation Zone, the intention was to identify important factors and more subtle influences on the incubation of social enterprises in a business incubator that would inform



the next stage of the research. The incubatees of the Formation Zone incubator formed the research participants for this pilot that took place between February and March 2014.

An ethnographic approach was taken, observing and capturing the activity of individuals within the incubation offices and pinpointing as carefully as possible the frequency and location of their interactions. This data would then be translated into visual depictions that consolidate information and identify the occurrence, or lack of, patterns. The technology selected to capture the interactions in the incubator was Qualia, a system originally designed to capture and interpret audience experience, reveal patterns of activity, inactivity and interaction, as described in the previous methodology chapter.

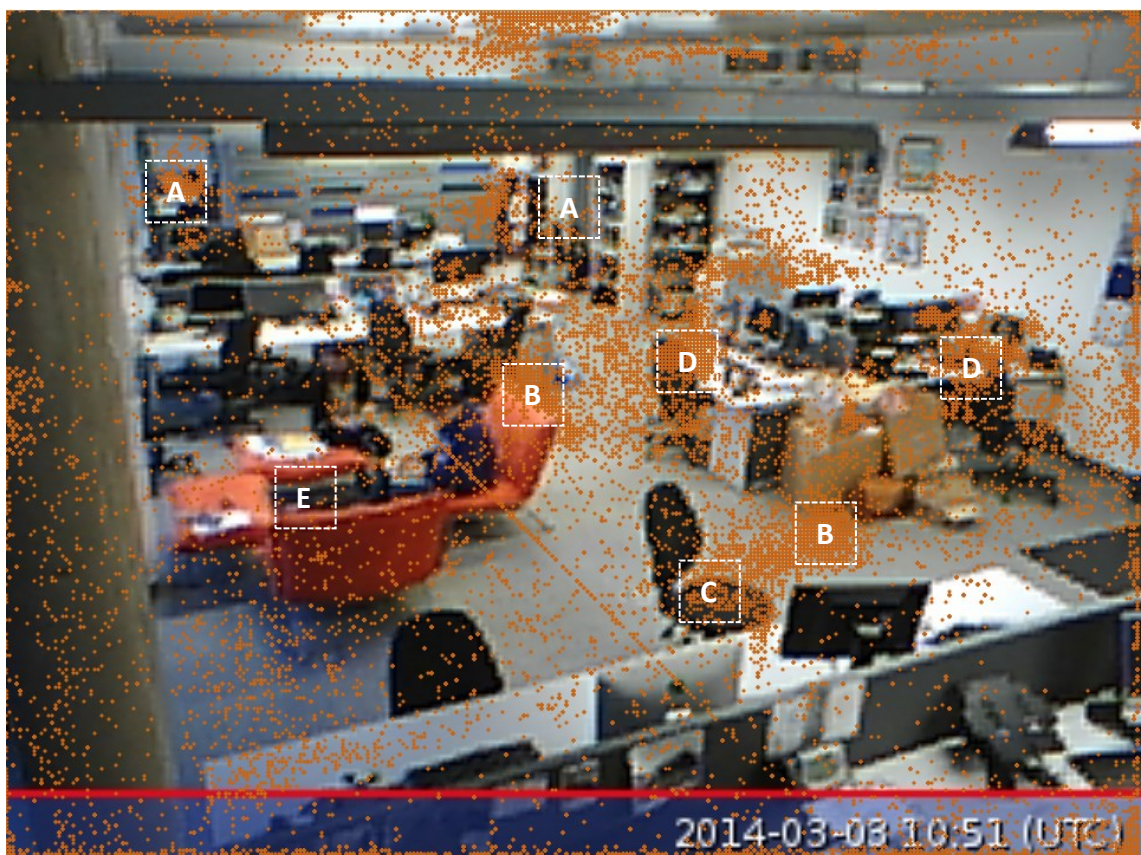
Semi-structured interviews were conducted with three social entrepreneurs, two founders of the same company, and one solo founder. The interviews were conducted face to face and took place in the incubator meeting room, a space that is familiar to the participants. Interviews were recorded using a dictaphone, with permission, and notes were taken to capture additional thoughts and emphasis during the interview.

#### **4.3.2 Observation Results**

The observational study ran for four days in March 2014, and a total of four companies participated, consisting of twelve people. From the data, the significant areas of motion were plotted on an X Y axis and placed onto an image of the incubator office space to provide context for interpretation. The two sensors collected data from opposite ends of the office space to provide coverage over the entire room. Figures 24 and 25 are the visualisations of the data from these sensors. The areas of significant activity were indicated with orange dots, forming a shading matrix or 'heat map' of the incubator office.

Figure 24 shows the results from the north side of the incubator, and Figure 25 shows the results from the south side. Reviewing this shading matrix of motion detection reveals some significant areas of activity clustering and some voids. These have been identified as clusters in doorways, pathways, company desks, and staff desks, and a void identified in the informal seating. The classification of clusters and voids are labelled A-E in Figures 24 and 25 as listed below.

- A. Doorways clustering
- B. Pathways clustering
- C. Company desks clustering
- D. Staff desks clustering
- E. Informal seating void



**Figure 24** Sensor results (north side)



**Figure 25 Sensor results (south side)**

In analysing the data collected, some errors were identified. Through the motion sensors, erroneous data was captured in some places due to intense levels of light. These errors can be seen at the location of lights on the ceiling and some computer monitors. Adjusted levels of filtering would rectify this for future data collection. The audio data collected during this observational study was, unfortunately, not viable. Only a small percentage of audio was recorded, due to a driver error, therefore this incomplete data were excluded from the results.

This visual data could not be supported by audio data, which had been intended to strengthen the verification of interaction between incubatees, by indicating instances with a combination of physical movement and audible conversation. The risk with solely analysing the visual data is that areas in the matrix that

appear to show interaction clusters could just be a result of frequent movement. For instance, the clusters identified as A: doorways clustering, and B: pathways clustering, show significant levels of movement. But as these are high-transit areas in and out of the incubator office, it is highly likely that these clusters hold a significant amount of data on movements that are not related to interactions between people. As we have not been able to rule out any motion data that does not have audio attached to it, these two clusters (A and B) are likely overstating the level of interaction that occurs in those places, and this could be a misleading result.

The clustering identified at C: company desks and D: staff desks is more reliable than clusters A and B. As the incubator office was open-plan, many conversations occurred at desks as people conversed with those nearest to them or would gather at desks to talk. Although there is no audio data to verify interaction through conversation, the movement data was adjusted to account for typical desk work such as typing and using the phone. Therefore the clustering shown in the results labelled C and D is likely to be a reliable depiction of movement and interactions at desks.

An unexpected void was identified at E: the informal seating area. It was anticipated that this area was used for informal discussion and interactions during breaks from their desks, but the results show no significant clustering and suggest that the area is not of any significance in the interactions between people in the incubator.

Summary of observation results:

The observational study has revealed clusters of interaction occurring at the desks of incubatees and desks of staff in the business incubator open-plan office.

Unexpectedly, the informal seating in the incubator was not found to be of any significance as a place for interactions between incubatees.

As a method of capturing the dynamics of interactions in the business incubator, the Qualia technology was only partially tested due to technical failures. The Qualia visual data was able to provide a consistent method of observation over a long time-frame which has the potential to provide valuable insights into the use of incubator offices, and the duration of observation could be extended for much longer studies.

#### **4.3.3 Social enterprise founder interviews**

Building an understanding of the interactions of social enterprises in a business incubator required information on more than location and frequency. The ‘when’ and ‘where’ had to be augmented and contextualised with social entrepreneur narratives to draw out the more intricate ‘how’ and ‘why’. Through semi-structured interviews, the social entrepreneurs in the Formation Zone incubator were encouraged to reflect on and describe their experiences of starting a social enterprise and business incubation support.

The interviews explored four main areas. Firstly, the motivating factors surrounding their decision to start the business and access business incubator support. Secondly, they were asked to describe their social enterprise purpose, identity, and status. Thirdly, their perceptions of incubator services were compared with their expectation before joining. They were asked to rate their experience of different aspects of the incubator, including the physical environment, formal advice, and peer support. And fourthly, they identified different types of connections with their incubator peers, from informal friendship and social connections through to formal collaborations. They were asked to identify if their peer interactions had any impact on them or their

business. The semi-structured interview format allowed avenues of interest to be pursued with follow up questions.

In February 2014 two social enterprises in Formation Zone agreed to interviews. The interviews were conducted with three of the founders from those enterprises. SE1 was a new startup in the visual arts sector that aimed to reinvest profits into local creative community projects. Founded by two recent graduates, they have been members of the incubator for approximately nine months. SE2 was a new startup designing and producing environmentally responsible and ethical products in the pet industry with profits invested in an animal welfare initiative. They have been involved in the incubator activities for approximately six months, and a full-time member for two weeks at the time of interview. Both startups define themselves as social enterprises.

### **Interviews with founders of SE 1**

Interactions and impact:

Both directors identified a pivotal factor in their decision to take the step to start the business, and that was the student Entrepreneurs' Society. They described the support and encouragement given to them as 'integral' to the startup phase of the company, with weekly mentoring and feedback sessions. The Entrepreneurs' Society also directed the social enterprise to Formation Zone for additional support and space and linked them to a funding opportunity in the shape of a bursary from a corporate partner of the university. The founders each applied and were successful in receiving a £200 bursary for each of the (then three) directors.

The student social enterprise founders of SE1 decided to base their business in Formation Zone once they had finished their studies. They both identified that it

was essential to be able to work together on the business and that without that intensity, the social enterprise would have “phased out” (SE1, Founder 1).

Table 10 draws together the types of interactions described by each of the founders of SE1. There is a significant difference in interactions experienced by each founder, with Founder 1 describing a much broader range of interactions than Founder 2.

**Table 10 Types of interactions SE1**

Types of interaction	Founder 1	Founder 2
Sub-contracting		
Referrals	•	
Collaboration for a contract	•	
Collaboration for research	•	
Collaboration (other)		
Peer support	•	•
Sharing of information	•	•
Informal / social	•	•
Other	Friendship	

Both founders identified the Entrepreneurs’ Society as the business in the incubator of the most importance to them, due to their willingness to provide peer support and peer learning. Two factors that influenced the strength of this vital connection were that the social enterprise founders knew members of the society before they joined the incubator, and as they were also students, the founders felt this made it easy to relate to them and be able to ask for help. Founder 2 pointed out that if there had been a higher density of businesses with more similarities to their business resident in the incubator at the same time as them that would have increased the benefit of peer support.

When asked about the benefits or negatives of the interactions in the incubator, Founder 2 identified confidence-building as a critical benefit. They also identified some specific business development opportunities, including advice from the business advisor and attending an advisory panel session, that introduced them to a network of professional services outside of the incubator, such as legal and financial services, who have since gone on to provide further advice to SE1. Access to this level of professional advice had saved SE1 a significant amount in professional fees, and they identified that without that help, they are unlikely to have accessed professional advice due to lack of affordability. “They are already aware that they are coming into a group of companies and startups that don’t have that financial grounding. With that in mind, they’re a lot more open and informative with their advice” (SE1, Founder 1). Meetings with the incubator manager were identified as helping to keep track of progress and priorities, a chance to reflect and evaluate that otherwise was difficult to achieve.

SE1 applied for and won a ‘Do It’ grant of approximately £5k from an UnLtd HEFCE Social Entrepreneur fund in 2013. This grant fund was at the time a new initiative partnering universities with UnLtd, to draw funding into local university-managed initiatives administering the small grants for social enterprises. The grant won by SE1 supported some of the startup costs for the social enterprise. This grant was the only social enterprise-specific support accessed by SE1 in Formation Zone, although many of the advisors providing support were experienced in advising both social and commercial enterprises.

The incubator office space was acknowledged as necessary in facilitating formal and professional meetings, and in interacting with peers. However, the informal spaces they felt were under-utilised due to a combination of the pressure on time running a startup and a part-time job outside of their business and perceived low



numbers of peers in the incubator with which they had enough in common to build social connections. “It was important, but it was an extra, rather than a necessity.” (SE1, Founder 2).

Critical moments:

In 2013 SE1 went through a very challenging period when one of the founding directors was considering leaving the business. Support was provided to the whole team by the incubator’s leadership and management coach, resident in Formation Zone.

He gave us some exercises we could do as a group. He was almost like a mediator, so that was useful to think through some of those things. Without the support he gave us at that time, it would have been even worse, and so he had a really good impact on our business. (SE1, Founder 2).

One of the founders did leave, and Founders 1 and 2 continued with the social enterprise. They accessed 6-hours business advice from the business advisor for the incubator who worked with them to develop their business plan over several meetings. In January 2014, SE1 participated in the incubator’s Business Challenge, a business support and planning tool that Formation Zone runs for students, staff and alumni of the University of Plymouth. As a result of this process, and the business planning undertaken, Founder 1 and 2 were able to identify some crucial issues with their business plan:

That was a reality check, coupled with the fact that we don’t have a lot of experience behind us. And I think the icing on the cake was the stress of trying to run [SE1] at the same time as supporting ourselves. I think that’s what I’d do differently next time. We should have planned funding ourselves into our business plan from the beginning (SE1, Founder 2).

After serious consideration of their options, the founders decided to close SE1 at the end of February 2014. These research interviews took place in their final week

in Formation Zone. The reasons behind the closure focused on two areas: firstly, an increase in knowledge about business in general, and their social enterprise in particular, meant that the founders reached a level of understanding where they were able to more objectively assess the viability of their business and its future potential. Secondly, the founders viewed the startup process as a learning experience. Once the founders had taken this social enterprise as far as they reasonably could, they wanted to transfer their learning, knowledge and competencies into employability in the graduate job market. This transfer of learning was necessary, in their view, while they were still perceived as ‘new graduates’; “In our eyes, the first three years after you graduate is perhaps the most important time if you want to get on the ladder” (SE1, Founder 1).

Reflection:

Both founders described a significant increase in their confidence to start a business again in the future. Support infrastructure and networks were seen as integral to a successful startup, and they would seek out a similar support system if they were to start a new venture: “I know that I would try and access a similar form of support, to Formation Zone, for contacts and support networks” (SE1, Founder 2).

The Formation Zone was a safety net. In terms of confidence to start another company, if it was within the same environment, very happy to do it again. If it was in a different environment, by myself, it would perhaps be a bit more of an issue I think. It’s the safety net if you do fall, to dip your toe in the water (SE1, Founder 1).

## **Interview with founder of SE 2**

Interactions and impact:

The Founder won a prize from the incubator’s Business Challenge in January 2013, which gave access to Formation Zone support to develop the business idea. This prize was the catalyst for SE2 to move into the Formation Zone incubator on a part-time basis while they were still developing products and conducting market research.

I was really excited about the support package that came with the space. I thought that was going to be what I needed the most for my business. It wasn’t until I got here that I realised that having the [incubator] workspace and being able to get away from the sewing machines and home and distractions. To have a space where I could come and literally just think about my business was way more valuable than I first thought it might be (SE2, Founder).

The Founder has interacted with other businesses in Formation Zone, and also met some of the previous incubator clients (alumni) at network events. This peer support and information sharing are what the Founder identified as making the most difference to them. They were seeking collaboration in trade exhibition opportunities with other incubator clients and looking to engage other incubator clients when commissioning a mobile application. The full list of types of interaction in the incubator described by SE2 are provided in Table 11.

**Table 11 Types of interaction SE2**

Types of interaction	Founder
Sub-contracting	•
Referrals	
Collaboration for a contract	
Collaboration for research	
Collaboration (other)	•
Peer support	•
Sharing of information	•
Informal / social	•
Other	

SE2 has also been engaged with the clinic sessions that the incubator advisors run monthly and taken advantage of those advisors being co-located in the incubator to build an ongoing professional relationship.

[The coach] asked me the right questions and made me think slightly differently...Having [the coach] sitting just around the corner, every now and then, even if it's just a quick two-minute chat by the coffee machine, that's really been helpful. You don't get that in a home office. (SE2, Founder)

Having advisors and coaches resident in the incubator is an approach that Formation Zone has encouraged, aiming for the advisors to more easily build trust with the incubator clients.

The Founder of SE2 stated that because much of the last year they have been working on the idea part-time around employed work, it is only now that they are full time working on the business that they have the opportunity to get involved in building relationships towards collaboration in the future. When asked to rate how important they felt the incubator physical environment was, the founder said, "What's really important is the open-plan, being able to speak to people a lot, even if it is just at the coffee machine, those really short little conversations wouldn't happen if it wasn't that open-plan space" (SE2, Founder).

Critical moments:

For a business still in a pre-start phase, SE2 was receiving a good level of interest from potential customers. In the spring of 2013, the Founder received an invitation to pitch SE2 to a large, national high street retailer. Formation Zone drew together advisors experienced in supplying large chain retailers to support and advise the Founder with this exciting opportunity. They also held a practice-pitching session and provided constructive feedback ahead of the event.

SE2 also won a 'Do It' grant of approximately £3k to start the separate social enterprise. In November 2013 the Founder registered SE2 with a UK online retailer providing a platform for small creative businesses, at the suggestion of the Formation Zone business advisor: "and then all of a sudden I had almost £3,000 turnover at Christmas from [the online retailer] alone. 90% of my sales are coming from [the online retailer]; I've just had my 400<sup>th</sup> customer from there" (SE 2, Founder).

#### Reflections:

SE2 was early on in their business development but could reflect and identify the learning that was taking place and the short-term impact of that learning. A combination of guidance and advice through formal opportunities with the incubator coach, advisor and industry contacts had led to significant steps forward and the Founder identifying that they wouldn't have been able to reach this stage without that support. The informal peer support and learning that came from co-location were strongly identified as critical by SE2. The founder emphasised the value of timely access to a knowledgeable peer group where members are comfortable to ask questions.

#### Summary of interview findings:

Clear themes began to emerge from these social enterprise interviews. Commonalities were discovered across the two cases in the strength of peer support as part of their incubation experience, which they considered both commercial and social enterprises as their peers, and the open-plan space was integral to enabling peer support.

Both described a difference between the support they accessed through the incubators' advisors or staff and the support that they sought from their incubator

peers, as they felt freer to ask their peers anything. The difference appears to be related to trust in the relationship that had built up through shared experiences as startups. This shared peer learning experience was described very differently from the formal incubator advice, but both types of learning were crucial to their incubation experience. The descriptions of peer support in their incubation experience indicates the building of social capital between incubatees that may be a feature of the incubation process.

Unexpectedly, the peers that these social entrepreneurs engaged with for learning consisted of both social and commercial entrepreneurs. While having something in common was necessary, they appeared to place equal importance on whether that commonality was their industry sector, business model, level of experience, stage of business, or social purpose.

The interview design explored a broad range of incubation and startup issues, and in its broadness helped to identify areas of most relevance to be explored in more depth at the next stage of this research study. However, the limitation of its broadness is that the exploration is relatively shallow, and the next stage must take that into account in its interview design.

#### **4.4 Summarising the case study findings**

Together, the findings from the observational study and social enterprise interviews can be combined to provide perspectives from the physical nature of interactions in the incubator space, the 'actual', with a reflective examination of those experiences, the 'empirical' of how and why these interactions occur, the 'real' (Bhaskar, 1978b).

The visual data revealed no significant clustering in the informal seating area, confirmed in the interviews as an area of the office that was of little use to them. The results from observation and interviews support the occurrence of ad-hoc conversations between founders as they meet each other in passing or across desks to ask and answer impromptu questions and build their knowledge of what each other do and how they relate to each other. The social enterprises are connecting with both their social and commercial incubatee peers for support and building social capital. The incubator staff desks are areas of clustering activity, and this supports the findings of the value of having knowledgeable staff on-hand for support.

The observational data did not provide any contradictions to the social enterprise founders' interviews. It offers an insight into the value of the office layout that supports and enables the comfortable meeting and connecting of entrepreneurs with their peers and advisors in a shared space. Further depth is required to understand to what extent that is beneficial, and if there are circumstances where open-plan interactivity can be a problem to the enterprises occupying the incubator. Following this practice-led study of one business incubator, the findings suggest themes to explore in-depth in the next stage of this research. Further refinement of research scope is required to facilitate this enhanced depth with a larger sample.

Reflecting on the experience of Qualia as a data collection method it became clear that in the form used for this study Qualia has some limitations in ability to identify interactions of most value or relevance, but it has potential to provide insights to the role that the incubator's physical space has on the human movements within. To progress further and do justice to the outcomes of the Qualia method would require the study to fully focus on the spatial aspects of

business incubation. At this stage in this iterative research methodology, the limitations of Qualia to identify meaningful interactions meant that it was not suited to be carried forward into the next stage of the study, where the motivation for social enterprises to join the incubator alongside commercial enterprises and why they choose to interact became the primary focus, informed by the extant literature.

## **4.5 Chapter summary**

This chapter framed the case study in the practice of business incubation. The socio-economic context of Plymouth was connected to the social enterprise activity in the city and the role social enterprises play alongside the local authority and commercial businesses in their response to development needs. The Formation Zone incubator's evolution was briefly outlined, from its creative roots and adjustments made to encourage an inclusive approach to social enterprise startups.

The case study presented two methods of data collection, firstly an observational study of the business incubator utilising Qualia technology to reveal interactions within the incubator space, secondly the findings from semi-structured interviews with social enterprise founders in the business incubator. The findings combined to provide multiple perspectives on the nature of interactions in the business incubator. Clustering of interactions was found in the spaces where individuals worked at their desks, and the social entrepreneurs described the benefit of open-plan space for impromptu conversations and peer support. The social enterprises in this case study described their peer support network in the incubator as consisting of both social and commercial enterprises. The findings



showed their motivations for joining the business incubator were principally for business support and retaining connections with the university. The chapter concludes by identifying the factors of critical importance to understanding the interactions of social enterprises in a business incubator environment, resulting in refining and clarifying the focus for the next stage of the research study.

## **Chapter 5 Incubating social enterprise**

### **5.1 Chapter introduction**

The previous chapter presented the data and findings of the first phase data collection in the Formation Zone business incubator. Firstly the landscape of Plymouth's significant deprivation and its status as a 'Social Enterprise Place' contextualised the growth in social enterprise activity. The case study was framed in business incubation practice and presented the findings from the observational study and semi-structured interviews with social enterprises in the business incubator. Key findings included clustering of interactions between incubatees at their desks rather than in the informal spaces, and that social and commercial enterprise incubatees were both parts of the peer support network for the social enterprises. Social enterprises were motivated to join the incubator by access to business support and retaining connections with the university.

This chapter draws on the findings from the previous case study chapter and deepens the focus of study with an expanded sample across four business incubators. It begins to establish the frequency of the phenomenon of 'hybrid incubators' supporting both social and commercial enterprises. It begins with the reasoning behind expanding the study and describes the setting of the four incubators, then presents the findings from the semi-structured interviews with social enterprise founders. This chapter aims to reveal the motivational drivers, approach, process, methods and outcomes of social enterprises interacting with their peers in business incubators.

## **5.2 Focusing the study**

In the previous chapter, the case study of the Formation Zone incubator was grounded in business incubation practice with a strategy focused on exploring the interactions that occur in the business incubator office space. The exploration revealed several exciting themes that could be developed further. It was necessary to narrow the focus of the research to achieve real depth and expand the sampling to test whether what was true for social enterprises in Formation Zone would be true elsewhere.

The focus of this next research phase was refined by enhanced research questions that emerged from the extant literature. Honing in specifically on: the motivation of social enterprises to join a business incubator alongside commercial enterprises; and, how and why they interact with their commercial peers; the research design was able to achieve greater depth. This enhanced focus meant that other potential themes of exploration emerging from the Formation Zone business incubator case study were put aside. These themes included the complex role that the incubator's physical space plays in the interactions of incubatees and the interactions that social enterprises have with other groups in the incubator, such as incubator management, staff, and advisors.

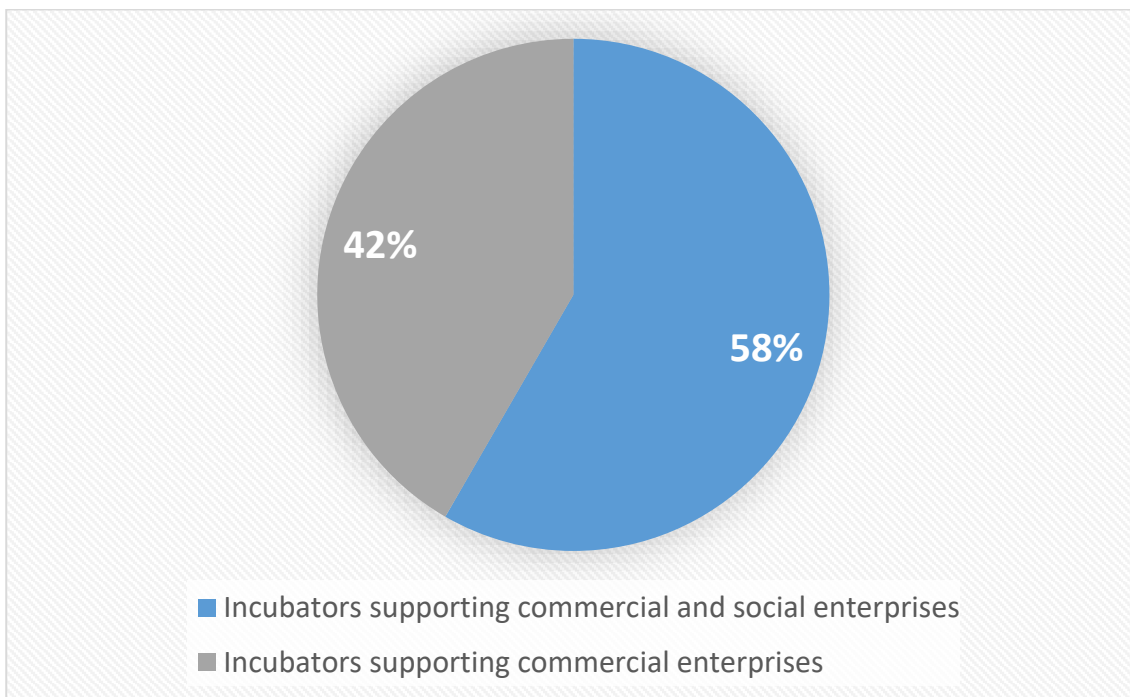
## **5.3 Hybrid incubators**

As discussed in the literature review chapter, business incubation literature does not typically incorporate the incubatees' business form or structure, (such as a limited company or community interest company) as standard in the description or classification of the incubators or the incubatee cohort. For this study, therefore, data on incubators and their incubatees needed to be gathered to find

incubators that had a mixed client-base of both commercial and social enterprises, grouped loosely under the term 'hybrid incubators' at this stage, for the sake of clarity and succinctness. A traditional hybrid incubator typically offers business support services that are inclusive of both commercial and social enterprise needs. This may include some advisors and mentors with social enterprise experience and understanding, and some support activities that address issues such as social enterprise business model development, alongside other commercial support activities. This incubator model is different to a social enterprise-specific incubator, where typically all advisors and support activities are social enterprise specialist, and the incubatees are exclusively social enterprises. As described in the literature review; incubators with vertical specialisation can provide advantages of access to specialist resources, but the advantage needs to be considered against the possibility of increased competition in a less diverse peer group.

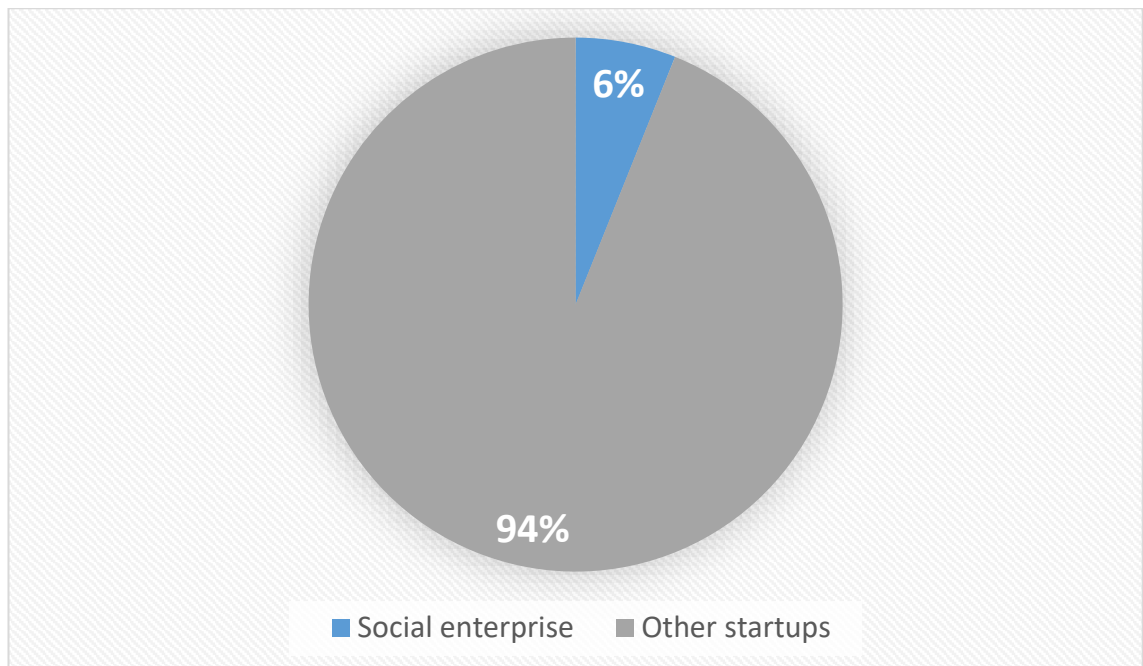
The client base of an incubator frequently changes due to natural growth and attrition, and, over time, an incubator may sometimes have social enterprise clients, and at other times not. Therefore, the makeup of the incubator's client base at a snapshot in time was relevant for this study. To achieve that, the search focused on incubators whose selection criteria do not exclude social enterprises nor exclusively select only social enterprise, and does not offer only social enterprise-specific support. Desktop research was conducted to search for social enterprises in hybrid incubators, like Formation Zone, to take part in this phase of the study. A detailed description of the search process was outlined in the methodology chapter. Through this desktop research utilising the database of UK incubators (Bone et al., 2017b) and business incubators' websites, data was collected that begins to create a picture of how frequently this phenomenon of

hybrid incubators occurs. The search established that some business incubators in the UK are supporting both commercial and social enterprises, and fit the above description of 'hybrid incubator'. Of the 12 English business incubators reviewed, 7 were found to be hybrid incubators. This data is illustrated as a percentage in Figure 26.



**Figure 26 Percentage of hybrid incubators**

Within these hybrid incubators, the proportion of social enterprises compared to the rest of the incubator population was very small, as illustrated in Figure 27.



*Figure 27 Percentage of social enterprises in hybrid incubators*

## **5.4 Four hybrid incubators**

Of the seven hybrid incubators identified through the desktop research, purposive sampling was applied to refine the sample to four incubators to target for interviews with their social enterprise incubatees. The four selected incubators were all located in the south of England, as described in the methodology chapter. One of the incubators included was Formation Zone at the main University of Plymouth campus in Plymouth, the same business incubator as the case study in the previous chapter. At the time of this research phase, however, the Formation Zone incubator was located in a different campus building than it was in 2014. Formation Zone had also expanded the industry sectors it worked with to include broadly any startups in or related to: science, technology, engineering, maths, and creative industries.

Other than Formation Zone, the incubators are not explicitly being named here, to provide freedom to the research participants to speak openly about their

experiences and retain anonymity. However, it is necessary to provide some context with the incubator locations and indication of the social enterprise activity in those locations. Our four business incubators are located in: London, Bristol, Plymouth (Formation Zone), and Cornwall. Although not a designated 'Social Enterprise Place', London has the highest density of social enterprises in the UK, based on SEUK membership (Social Enterprise UK, 2020b). Cornwall and Bristol are 'Social Enterprise Places', awarded in 2013 at the same time as Plymouth (Social Enterprise UK, 2020a). As described in the previous chapter, the status of 'Social Enterprise Place' is awarded to towns, cities, and areas with significant social enterprise activity and plans to grow (Temple et al., 2016). Therefore, it can be stated that by these measures, the incubators in this study are all located in areas of high social enterprise activity.

The alignment between the location of hybrid incubators and areas designated as a 'Social Enterprise Place' raises questions about whether there is a deeper connection that explains this. The alignment may just be a coincidence, as it would be expected for the density of social enterprises to be reflected in the incubator population. But the correlation could also be explained by social enterprises being more aware of the business support options available to them, or business incubator management being more aware of the potential of social enterprise than in areas with lower social enterprise activity. It could be due to the socio-economic situation prioritising social enterprise in economic regeneration strategies that would likely be reflected in business incubation strategies. However, that is not the subject of this study and would require further data and exploration to draw any conclusions.

## 5.5 Social enterprise interviews

There were nine social enterprises located across the four hybrid incubators in this study. All nine social enterprises were invited to participate in interviews, of which five agreed to participate. The response rate achieved was 55.56% for this targeted narrow segment. Where interview questions were repeated from the social enterprise interviews with the Formation Zone social enterprises in the 2014 case study, their responses have also been included here and identified, to provide as large a sample as possible in the responses and aid robustness.

Including the two social enterprises from the 2014 case study with the five social enterprises interviewed in this 2019 phase provides a sample of social enterprises at varying stages of business maturity. Five of the social enterprises were three years since incorporation or younger, and the remaining two social enterprises were eight years or older since incorporation. One of these more mature social enterprises had recently joined their incubator to focus on a period of growth. The other more mature social enterprise held a status more like an anchor tenant (an established business) than the typical startups found in business incubators. They had been located in their incubator for eight years, which is very unusual, and had joined the incubator when they launched the social enterprise. This participant was also the largest employer, with 40 employees. The other six social enterprises were significantly smaller and had been located in their incubators for periods ranging from a few months to three years, typical of incubator duration. Only two of the founders had prior entrepreneurship experience before starting their social enterprise, one from the less mature group of companies, one from the more mature group.

Interview responses were coded in NVivo and analysed to identify themes, as described in the methodology chapter. Social capital theory was employed as a



lens to aid understanding of interactions and their motivations. The main themes explored here in the presentation of findings are: learning, interactions, and identity.

### **5.5.1 Motivation**

It was crucially important to understand *why* these social entrepreneurs were choosing to base their social enterprise startup in an incubator that is not specialising in social enterprise support to inform the agenda on how we support and enable social enterprises. The responses to this question reveal that social entrepreneurs were considering factors that apply to any startup, not just social enterprises.

Table 12 below depicts reasons given for joining the incubator and has been divided into push and pull motivational factors, borrowed from the field of entrepreneurship theory (Gilad & Levine, 1986). Their primary motivation was finding business support suitable for their startup phase, and they felt they had established that the advice available either directly through the incubators or via their advice and mentor networks was as suitable for their social enterprise as it was for any of the other businesses in the incubator. Some described their business advisors as having track record and credibility in social enterprise as well as with commercial business.

**Table 12 Reasons for choosing the incubator**

'Pull' factors for choosing the incubator	Frequency of response			
	1	2	3	4
Suitable for startups	████████████████████			
Consistent with previous support	██████████████████			██
Business support	██████████████████			██
Professional space	██████████████████			██
Financial incentive	██████████████		██	
Incubator's network	██████████████		██	
Likeminded people	██████████████		██	
Peer support	██████████████		██	
Skill sharing	██████	██		
Managed workspace	██████	██		
University connection	██████	██		
Close to home	██████	██		

'Push' factors for choosing the incubator	Frequency of response			
	1	2	3	4
Expiry of an existing lease	██████	██		
No social enterprise option	██████	██		

The School for Social Entrepreneurs (SSE) is a program that several participants mentioned. SSE was founded in 1997 by Lord Michael Young and uses action-learning pedagogies and entrepreneurial approaches to create social and environmental change (School for Social Entrepreneurs, 2019). SSE brings social entrepreneurs together in a program cohort and does not typically provide space from which to run their social enterprise. One participant considered joining their local SSE program but decided that an office location was a priority, and settled on incubation as their chosen way forward. Other participants were located in an incubator alongside their local SSE. That co-location led to the participants' connections with the SSE support programs, both as beneficiaries and as mentors and speakers. SSE was the most commonly cited specialist social enterprise support program that participants were aware of and had considered. Another

specialist social enterprise service considered by participants included national and international ‘virtual’ or remote accelerator programs for social entrepreneurs. These accelerator programs usually had a focus on securing investment, and sometimes a focus on business model innovation. Only one participant was accessing additional specialist social enterprise support at the time of this study, and they described how they intentionally sought and were receiving different types of advice and guidance from the incubator program and the specialist social enterprise support program, with very different peer groups. Both were of value to their social enterprise.

Only two of the participants specifically considered the other companies in the incubator as part of their decision making for joining, and for them it was not a high priority. Most participants had not considered other incubator members at all before joining. The majority of participants described their incubator as being suitable for startups. Their reasoning was due to a combination of providing business support, an established network, and the ease of a managed workspace without being isolated in an individual office.

The participants in the 2014 interviews described how they had built up connections to their incubator over some time before joining formally. During this time building connection, these participants were either full-time students or members of staff of the university where the incubator was located. For these participants there were two distinct reasons for joining the incubator: firstly, it was essential to maintain secure connections with the university as they launched their startup social enterprises as a way of mitigating the risks of a startup with an enhanced network and opportunities. Secondly, they were able to maintain a consistency of support by remaining in the same organisational structure. They knew the incubator management team, staff, and business advisors, and had

some existing connections with their peers in the incubator. This same group of participants described a strong requirement for a professional space. They were progressing from informal arrangements, often a combination of working from home and cafes to conduct their business meetings, and the incubator gave them an affordable option to increase their professionalism in their day to day operations and the perception of their business by others. Another participant from the 2019 second phase interviews was partly motivated by proximity to their home base and the viable office, network and business advice options available to them in that locality.

There were also a small number of 'push' factors in joining the incubator described by participants. Firstly, that in their location there was no social enterprise-specific incubator offering office space. This lack of alternative options forced them into a process of assessing what type of space they required, what business advice they needed, and what kind of network they wanted to be part of, to source a combination of services that would fit the needs of their social enterprise at this early development stage. The final 'push' factor mentioned by one participant was the expiry of their existing office lease that forced them to move location. Their motivations for joining their current business incubator are responses given on reflection of a past decision and could have gaps or include inaccuracies due to the time passed.

Participants were then also asked to reflect on their experience of their incubator community of commercial and social enterprises, and consider whether they would continue to choose a mixed community for the next location for their social enterprise. For some participants, this would be the reality at some point in the distant future. Several participants were considering an imminent move, and two

had just made a move out of the incubator around the time of their interview for this study.

Four of the participants confirmed that they would prefer to maintain a mixed community of commercial and social enterprises in their next location, including the two that had just moved to new locations. Two felt that they would not seek a mixed community as their next move, for different reasons. One of those, from the first phase interviews, was product-based and wanted to take up their light industrial unit to be able to have a production space and office combined. The other, from the second phase interviews, described their ideal next situation would be an environment where a range of social enterprise providers were located together, able to offer a 'one-stop-shop' for people in need to access social enterprise services. As mentioned in the case study in Chapter 4, one of the social enterprises had just decided to wind their enterprise up, and so they reflected on whether they would start another business in the future and if so would it be in the same type of environment. They felt that they had learnt significantly from the failure of their enterprise, but that the incubator support had been crucial to them realising what needed to be done and where they could improve. Because of this learning, they thought that an incubator with a strong peer community would be their choice for any future startup they might create.

### **5.5.2 Business support**

Participants were asked to reflect on whether they felt their social enterprise was adequately supported by the formal business support, such as workshops, advisors and mentors, provided by the incubator. One participant noted that their expectation before joining was that the general business support offered would be suitable, but that in hindsight they would have benefited from a social enterprise-specific program or accelerator as they needed hands-on help with

their business model. They found that the workshops on offer through the incubator did not get to these deeper issues, and they gave examples of workshops on accounting and tax. Another participant was engaged in both the incubator general business support and an external social enterprise program. This participant felt that the incubator support was as relevant to them as a CIC as it was to any other business in the incubator. They had been supported to develop their brand and prepare to pitch to investors and were satisfied that the support had met their expectations.

Two participants described how they had participated in their local School for Social Entrepreneurs (SSE) program during their time in the business incubator. They had proactively combined the mainstream and specialist support as they felt the need for both at different stages in their social enterprise development. The other participants commented on generally feeling as though they had received the support they expected through the incubator, and that the advisors and incubator management were knowledgeable and provided support directly as well as signposting to specialist support and opportunities where needed.

### **5.5.3 Interactions**

All participants responded to a set of questions focused on the interactions that they have with their incubator peers. The 2014 interviews explored this to a small extent, and the 2019 interview questions were expanded in this area to achieve a greater depth of understanding.

All of the participants confirmed that they had some level of interaction with their peers, both commercial and social enterprises, and this is to be expected in an environment where there are shared spaces and shared business support workshops and other activities. But were their interactions meaningful? The majority of participants were regularly choosing to interact with their peers in the

incubator, and discussing these interactions drew out several features, including: networking, peer learning, trust, socialising, skill-sharing, and collaboration. These responses describe in a variety of ways a very clear picture of social capital-building within a network where they are expected to contribute as well as benefit from the exchange of capital (Coleman, 1988). These are explored in the following paragraphs.

#### Networking:

Participants' views on networking with their peers varied and appeared to be significantly influenced by the culture of the incubator. All participants reported making at least some efforts towards networking, with a mix of engaging in incubator-organised networking activities and self-generated networking. The majority of participants described the networking amongst their peer group inside the incubator as becoming more relevant to them than they realised it would be before they joined. The diverse community of peers with a mix of social and commercial backgrounds was generally seen as a positive attribute, for its ability to connect participants with a diverse range of skills, knowledge and experience.

Networking with their peers was one way that many of the participants reported accessing new information, tips and referrals. This type of information was different from the formal support offered through the incubator, and in some cases seemed to hold higher significance with participants because the information came recommended by their peers. The less experienced participants, in particular, reported being able to ask their peers anything without fear of being embarrassed by what they didn't know, and they felt that was not always the case with the support services provided by the incubator.

The balance of the peer group between social and commercial and the policies and activities of the incubator changed how participants felt about networking opportunities. One of the incubators had recently changed its intake criteria, and both participants from that incubator reported a significant change in their networking activity and feelings towards the future of their incubator community. When they joined their incubator there was a strong social enterprise presence amongst the client base, a social enterprise support provider was also resident in the building, and a specialist industry criterion of the incubator was continuing to drive both social enterprise applicants and commercial companies that were directly part of the industry. Since the loosening of the intake criteria, they witnessed a significant drop in social enterprise numbers in the incubator, and a much-reduced industry focus from client companies generally. This change in incubator policy had changed the dynamic of the connections and networking taking place, with one of the companies almost completely withdrawing from networking activity, and the other becoming much more selective with whom they interacted. They both reported a loss of a community feeling about their incubator.

In the other incubators, one participant had been engaging in ‘initial discussions’ with their peers, but that so far, it had not achieved anything “particularly useful” (Founder, SE6). In another incubator, less experienced social enterprise startups found benefit in not only the group of peers within the incubator, but were provided with opportunities to meet clients who had since grown and moved out of the incubator, and these formed part of a more extensive peer network for them to draw on.

Peer learning:



The majority of participants identified that they had been able to learn from their peers in the incubator and were part of a learning community where they also contribute support to others. There was significant variation in the amount of peer learning that occurred, where those that were new in their startup journey were actively seeking support from their peers much more frequently than those whose enterprise was more mature, or who had a higher level of previous entrepreneurial experience. The two most mature social enterprises in this study reported very little or no learning from their peers in the incubator at all.

The opportunity to learn from their incubator peer group was frequently raised with caution concerning the limited amount of time available to them and their peers while running their businesses. This concern had two slightly different variations: firstly, the more mature social enterprises had more experience in managing their business tasks and priorities and were more aware how much time providing help to others took away from their priorities. Secondly, the new startups described being overwhelmed as they were generally less experienced in managing their business tasks and priorities. Their concern in taking time away to engage with peers was often due to a lack of awareness of their own support needs and how to prioritise them. One participant also felt that the opportunities for peer learning were over-emphasised by incubator management. They were engaging with their peers but felt that this had been overstated, in their view peer learning was: “Not as frequent as the co-working utopia would have you believe” (Founder, SE7).

The majority of participants described their standard process for accessing peer support was to ask their peers for help at the moment it was required. This interaction was a face to face process that takes advantage of proximity in the same incubator. Selecting whom they approach for support was dependent on

several factors: how well they know people, what type of skill or knowledge the issue requires, what sector or industry they are in, and what stage of business development.

Two participants shared that requests for support require each party to be clear about what is being requested and about their capacity and capability to respond with support, for peer support to be successful and sustainable. One participant explained that they had found the honest communication required in support amongst the peer group was more straightforward to achieve with another social enterprise than with a commercial enterprise. They thought this was due to a shared understanding of business with a social purpose and impact that reduces some of the barriers to connecting and sharing, and trust is built more quickly.

#### Trust:

Several respondents commented that an advantage of sharing a space with other enterprises was the opportunity to observe, interact and get to know the professional standards of the enterprises around them. They described assessing who they felt able to trust, and who not. Being able to do this through observation on an informal basis over a significant period in the office meant that they felt more prepared for future potential collaborations or peer support than if it was just an occasional meeting at a networking event or formal meeting.

This judgement of trust and professionalism was part of the criteria for the participants in deciding whom they would make referrals to and for. They hold their professional time, and that of their trusted contacts, at a high value and were protective about not risking that with an introduction to, or request for, someone whom they had assessed was unlikely to meet their required professional standards.

## Socialising:

Social and informal interactions were a normal part of getting to know their peer group in the case of all but one of the participants. Some of the incubators organised social gatherings such as barbecues and coffee mornings. These received mixed responses to their effectiveness as some participants felt they were too 'forced' and that sometimes guest speakers were about selling services to the businesses in the incubator. Two benefits of the organised events were identified: firstly, that in a large incubator these were often felt to be the main route to meeting new members for the first time; and secondly, that it can be the best way to find out about developments and changes in the incubator.

When it came to informal and social connections, most participants described genuine connections with their peer group occurring when these interactions were spontaneous or organised by the businesses themselves. Three of the participants reported genuine friendships developing as a result of meeting in the incubator. For many of the less mature social enterprises, informal connections are described as a way of reducing their isolation, being able to bounce ideas around with someone else and sense-check their plans.

The same subset of participants was more open than the more experienced social enterprises to talking through a variety of business issues and agendas with their peers, not necessarily to seek an answer to a specific problem, but as part of getting to know each other. These longer, exploratory connections were in some cases resulting in unexpected benefits and outcomes. They were able to find common ground between their enterprises, with examples given where they were in a similar industry, or developing similar products, reaching similar clients or at a similar stage in development. These similarities were described as bringing businesses closer together in their support for each other, and the potential

competition was not a concern. This type of informal interaction was only reported by the enterprises in open-plan shared workspaces. Those participants in separate offices in their incubator were mainly reliant on knowing who they wanted to connect with and going to visit them or arranging to meet.

#### Skill sharing & problem-solving:

The majority of participants described needing to know their peers well enough to understand what knowledge and skills they have or don't have, and how that compares and relates to their own to be able to engage in useful collaboration and peer support to solve problems. The exchange of skills and knowledge was reported to be extensive in most of the incubators, although one participant reported no knowledge sharing activity in their experience. The incubators with open-plan space seemed to have a higher occurrence according to respondents, although one participant here framed their answer with a caution that just being in the same environment does not automatically mean you naturally connect with those around you.

One participant described how a mixed incubator peer group of both social and commercial enterprises means a broad base of varying experience and expertise: "...that will help you solve problems in a way that you can't within your teams...because you have limited capacity, and you have limited knowledge" (Founder, SE7).

Several of the participants described how they would implement a range of approaches in acquiring the necessary skills and knowledge at the right time to solve problems in their business. In the case of quick queries, it was common to ask a peer a question directly and be given the answer right away, knowing that it was likely they would be able to do the same for their peers in return in an area

where they had expertise. For larger pieces of work, the peer group acted as a first refusal group of contractors, where it was helpful to be able to trade with each other and undertake work such as building websites, brand and marketing activities or IT provision.

#### Collaboration:

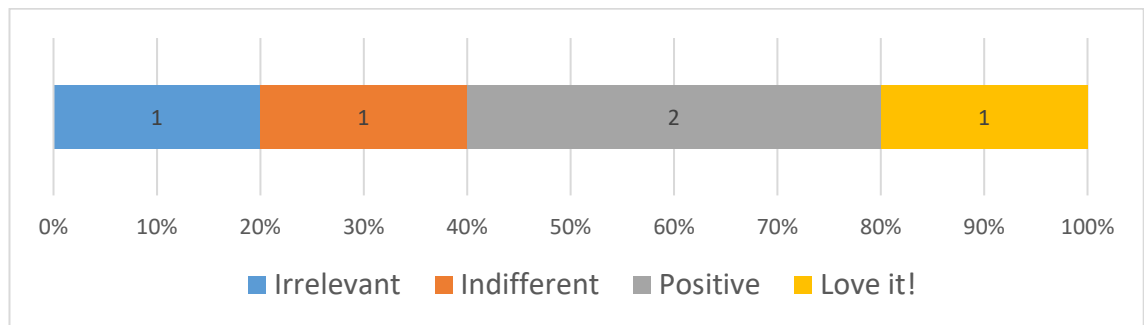
Five participants described having developed a more formal collaboration with one or more of their peers in the incubator. Two of those participants had collaborated with other social enterprises, and they were very clear about the social purpose being the driver of their collaboration. The other three participants had collaborated with commercial enterprises. The remaining three participants reported no formal collaborations with their peers.

Some of the examples given of these formal collaborations included sharing a pitch at a marketing event, providing ongoing services to each other's social enterprises, and partnering to deliver a program and jointly develop new products.

#### **5.5.4 Identity**

There were five respondents to the questions on social enterprise identity, as it is limited to the second phase of interviews that took place in 2019. These new questions were devised as a result of some significant outcomes from the earlier interviews, as described in the methodology chapter. Locating their social enterprise in a hybrid incubator meant that participants had joined a peer group with a mix of both commercial and social enterprises. Depending on which incubator they were from, social enterprises made up anywhere from 4.35% - 16.67% of the client base. Participants gave a range of opinions on how they felt about sharing an incubator with enterprises that had a commercial purpose.

These are depicted in Figure 28 on a spectrum from ‘irrelevant’ to ‘love it!’. Responses were relatively evenly spread across the scale on this point, with more than half, 60% (3), providing a positive response and less than half, 40% (2), either indifferent about it or thought that it was irrelevant.



**Figure 28 Opinions on sharing incubator with commercial enterprises**

The detail of their responses helps to shed light on why they feel positive or indifferent about sharing an incubator with commercial enterprises. The individual participant who described feeling that sharing the incubator with commercial enterprises was irrelevant to them had experienced a marked difference between their expectations before joining the incubator, compared to their experience once they were located in the business incubator. This participant found there had been no networking or cross-pollination between social and commercial enterprises in their incubator: “Everyone said it would be great that we could network with all these other businesses, but it doesn’t happen” (Founder, SE6). As a result of this situation, this participant is more focused on the business support offered by the incubator, which was their primary reason for joining, and indicated that they would be gaining what they required in support and then moving on to another location.

The participant who gave an indifferent response to sharing the incubator with commercial enterprises described that as a social enterprise, they need to have an awareness of commercial business practices. Being able to talk with other commercial enterprises they felt had some relevance for them, but their situation and peer group were changing, and this was influencing their feelings. When they joined their incubator there had been a much stronger social enterprise presence, more of an equal balance between social and commercial, due to a sector specialism that leant itself towards businesses with a social purpose. More recently, the policy of admission to the incubator had changed, and there were a significantly higher proportion of commercial enterprises being admitted, with reduced connections to the sector. The participant felt that this had significantly weakened the peer community within the incubator, and was finding it difficult to see any benefits to networking with commercial enterprises.

Two participants from different incubators both felt that a mix of social and commercial enterprises in their incubators was a positive experience, for slightly different reasons. Both described the benefits of being exposed to commercial business practices, to build their awareness of commercial decision-making and potentially speed up the process of business development for a social enterprise. One also described avoiding a siloed environment surrounded only by social enterprise, as that would be likely to be too distracting as they expected to have to spend too much time supporting others in that peer group, and also too competitive for opportunities in their sector.

One participant was extremely positive about sharing an incubator with a mix of commercial and social enterprises as they gained exposure to commercial business practices that helped enhance their financial sustainability. But they also had two other distinctive reasons for feeling positive about this aspect of the

business incubator, related to the nature of their operation in providing support to refugees starting businesses. They identified that working alongside commercial enterprises provided their beneficiaries with exposure to commercial enterprise practices, contacts and opportunities that they wouldn't otherwise have, and that when their beneficiaries came into the incubator, they felt they were not coming into a service designed for charities. They felt this was an essential point of legitimacy in their work with marginalised groups.

Identity and structure of the social enterprise are described as a decision usually taken early in the startup process, as the business model is tested and confirmed. Without a formal awareness of sectoral models such as Dees (1998), startup and young social enterprises were describing three aspects of their identity that relate to these models. Firstly, many participants described a process of realising and then establishing their identity as a social purpose organisation, and across the participants that organisational identity fell into one of several hybrid identities (Bull, 2018). Secondly, their identity and relationship with stakeholders in the voluntary, government and private sectors was an essential factor in their awareness and choice of suitable business support services and networks, and the access they, therefore, gained to resources. Thirdly, in many cases, they adjusted their identity to suit different stakeholders and at different stages of their business development.

In this incubation environment where they mix with commercial enterprises, participants were asked if they identify their business as a social enterprise when introducing themselves to a new contact. This question produced very similar responses from each of the participants. Only one participant said that they would not identify themselves as a social enterprise, preferring just to describe their service, but all other participants said they would. However, all participants were



similarly sensitive to issues of perception of social enterprise and sector jargon where terminology either does not mean anything outside of the sector or is misconstrued by the person they are talking to, and this heavily influenced their introductions to new contacts.

Many participants described a similar experience of having to explain the difference between a social enterprise and a charity, and most felt that 'Community Interest Company' or 'CIC' were terms that they would not use in introducing themselves because of a lack of understanding of what this meant. "No one knows what a CIC is" (Founder, SE3).

The only exception to avoiding sector jargon was in tailoring their response to the experience or background of the person they were talking to. One participant described how a local social enterprise network meeting was likely to be the only forum they would use the term 'CIC' because the audience understands the difference between different social enterprise legal structures. One participant explained that there was not an easy solution to raising awareness of social enterprise, as existing efforts still seemed to result in customer confusion.

Another participant described sensitivity to a political climate that they felt had turned against social enterprise. In response to this perceived hostility, the participant chose to describe their social enterprise from the perspective of its origins. They explain their passion for a service that was needed and that they now provide, to tell a 'human' story. They observe peoples' reactions to what they do and then try to tailor their answer to them, and they felt it was peoples' backgrounds that influenced their understanding of social enterprise.

Most participants felt that their exposure to commercial enterprises in their business incubators had not resulted in any change in their views on social

enterprise. Some described how being in this mixed environment had helped strengthen the confidence in their decision that a social enterprise was the right choice for them. Two participants in different incubators had found that they were starting to see an exciting dynamic between social and commercial enterprise where they felt that, in their opinion, their social enterprise was starting to influence the commercial enterprises around them:

There's some pretty dynamic conversations about fundamental business identity questions, and having social voices in there is really important because we know one of the things that's exciting about the current startup movement is that you have founders who are more focused on social impact than ever before (Founder, SE7).

## **5.6 Chapter summary**

This chapter has drawn on the findings from the previous case study to provide an expanded perspective on the interactions of social and commercial enterprises in UK business incubators. The significant findings from this data were that 58% of business incubators reviewed were found to be 'hybrid incubators' supporting both social and commercial enterprises, with their average social enterprise contingent 6%. The interviews with social enterprises in those hybrid incubators revealed that business support was their primary motivation for joining a hybrid incubator, and some were confident in mixing and matching specialist social enterprise support from other providers. The social enterprises also revealed that before they joined the business incubator, they were not aware of the peer group or its importance. Once they were engaged in the incubator community, there was a significant increase in the importance placed on their incubator peer network. Important themes emerged from the social enterprise interviews, including: learning, interactions, and identity. The discussion and interpretation of these significant features follow in the next chapter.

# Chapter 6 Discussion

## 6.1 Chapter Introduction

The previous chapter presented significant findings from the second phase of data collection, revealing that 58% of business incubators were found to be supporting both social and commercial enterprises. The social enterprise interviews revealed that business support was their primary motivation for joining a hybrid incubator and that before they joined the business incubator, they mostly were not aware of the peer group or its importance. A complex range of motivations was attributed to their interactions with incubator peers, with their identity as a social enterprise a significant factor.

Using abduction and retroductive inference, as described in the methodology chapter, this chapter builds meaning from the findings presented in chapters four and five, providing comparison to the extant literature. The discussion is presented in response to the following three research questions:

**RQ 1:** how prevalent is the phenomenon of business incubators with a mix of social and commercial enterprises?

**RQ 2:** what motivates social enterprises to join business incubators?

**RQ 3:** how and why do social and commercial enterprises interact in a business incubator?

This chapter proposes the contribution to knowledge of the thesis to be an improved understanding of the nuances of the UK business incubator landscape and evidence for the engagement of social enterprise startups in mainstream business support. New knowledge has contributed to the extant literature on

social entrepreneurs' use of bricolage in sourcing business support, the fluctuating importance of their incubator peers, and the use of weak ties by startup social enterprises to extend the diversity of their network and access new knowledge. The learning is translated into an advancement of the existing incubator typology (Vanderstraeten & Matthyssens, 2012). A small contribution has been made to incubation research methods through the testing of a novel technique. And finally, the research findings indicate potential for an emerging research agenda that brings together the social enterprise and business incubation fields of research in a reflection of the real world of startup support. The chapter concludes with a description of the limitations of the study and areas for potential future research.

## **6.2 How prevalent is the phenomenon?**

The first research question set out to understand '*how prevalent is the phenomenon of business incubators with a mix of social and commercial enterprises?*' To date, reports and publications on UK business incubators have failed to capture the extent to which social enterprises are a feature of the UK business incubation landscape, outside of social enterprise-specialist initiatives. Addressing this gap is of significance to how support for social enterprise is planned for and resourced. Data were collected on 12 business incubators in the UK to understand how widespread the phenomenon is. This data revealed that 58% of those incubators are supporting both social and commercial enterprises. In this sample of hybrid incubators, the percentage of social enterprise incubatees in their client base was 6%. This data has confirmed that social enterprises are using business incubators in the UK, and that business incubators are providing

business support and other services to social enterprises alongside commercial enterprises. In the following section, this new data is interpreted and discussed in comparison to extant literature to explore two key areas: firstly, the typology of business incubators; and secondly, the transparency of social enterprise in business incubators.

### **6.2.1 Business incubator typology**

In the previous chapter, the findings were presented by using ‘hybrid incubators’ as a loose term to describe the phenomenon. However, ‘hybrid incubators’ is a label that, on its own, does not do enough to provide clarity as it may be unclear as to what type of hybrid it refers. Vanderstraeten and Matthyssens’ business incubator framework (shown in Figure 8) illustrates that the industry scope of an incubator influences its activities and services and that there are differences between specialist incubators with a client base that is focused on one sector and those generalist incubators that support businesses in a diverse range of industries (2012). Still, despite progress in incubator typologies, there is nothing that adequately describes or provides clarity on incubators that support both social and commercial enterprises as differentiated from those that specialise in social enterprise or commercial enterprise only.

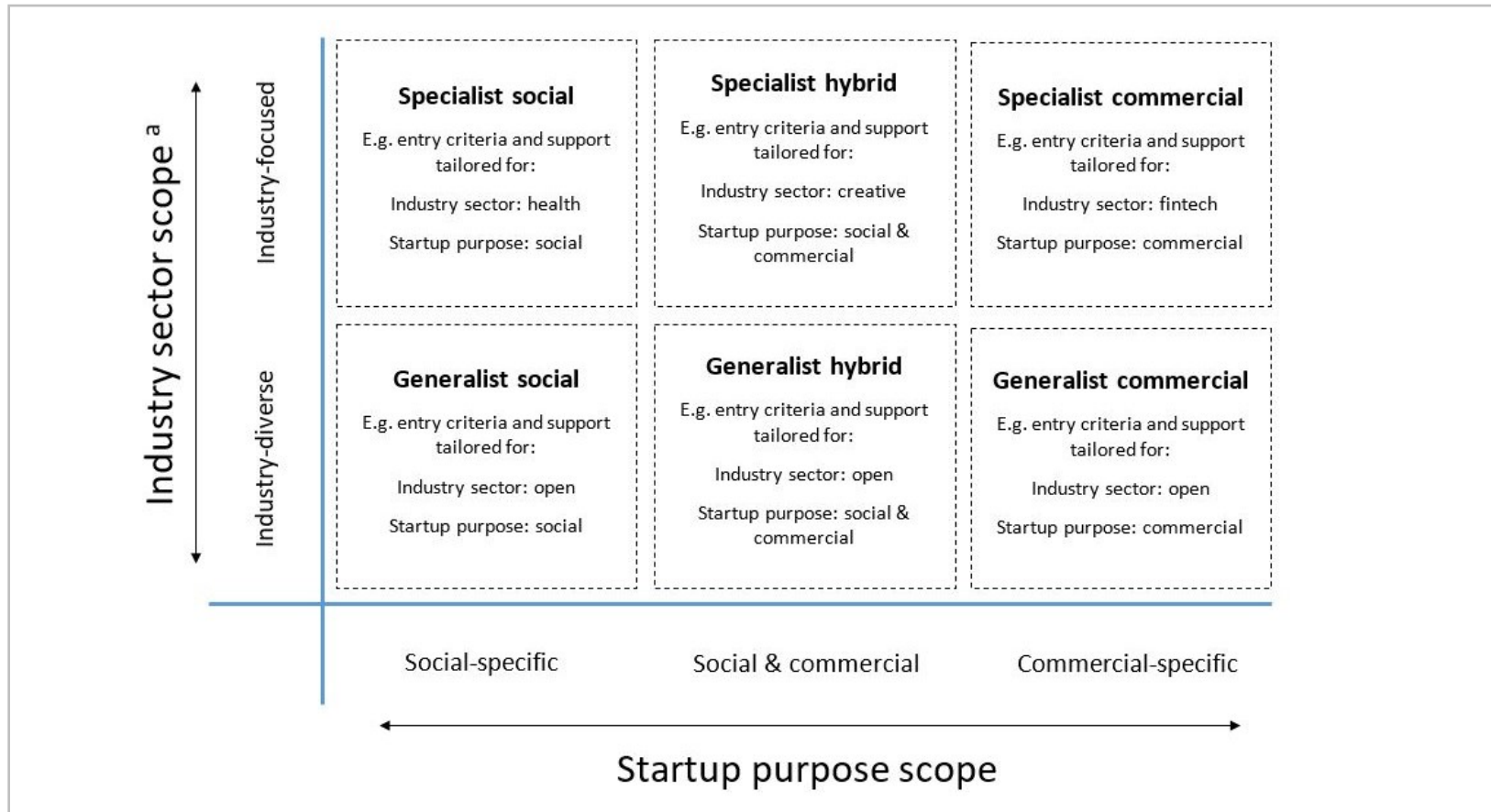
Analysis of the network actors of incubators from the incubatee perspective aided the development of the enhanced typology through recognising the significance of the similarities and differences between incubatees and the resources they seek that motivate them to join a particular business incubator. The findings indicate that the business incubators in this study do combine features of both open and closed networks for the benefit of incubatees and incubator sustainability. An example of a closed network feature is the application and selection process that forms a barrier to entry or ‘membership’ of the incubator group (Coleman, 1988).

Passing this barrier gives members access to refined startup business knowledge and support held within the incubator staff team, advisors, systems, and processes, as well as access to other members of the incubator. In contrast, the incubator also acts as an open network through its mediation activities (Bergek & Norrman, 2008; Shih & Aaboen, 2019); connecting incubatees to external networks, contacts, and resources that are not directly under its control. Burt describes this phenomenon as a borrowing of social capital to aid legitimacy that is typical within hierarchical networks (2000). Lastly, the significant open network feature of incubators is the incubatee peer group. Here, the data shows that the incubatee groups in our incubators are relatively diverse, as they include social and commercial enterprises, they connect and access resources outside of the incubator when needed, and the group is frequently changing due to natural growth and attrition. This frequent change of incubatees is part of the managed incubation process aiming to ensure the focus on startups is retained and cliques are avoided where possible. This negative network trait is described by Burt: “The natural evolution of networks left untended is toward a clique of people known to, and supporting, one another as friends of friends...associated with substandard performance” (2000, p. 407). The incubatee-specific features are discussed further in sections 6.3 and 6.4.

An abductive inference approach enabled the data to be reinterpreted and tested with conceptual frameworks to develop a redescription of business incubators; refining and foregrounding nuanced aspects that have been overlooked to create an improved typology. Building on the industry-scope dimension of incubator typology as a foundation to accurately describe the type of incubator featured in this study, the new terms ‘generalist hybrid incubator’ and ‘specialist hybrid incubator’ are proposed. These two new terms clarify that the incubator is either

a generalist or a specialist (Vanderstraeten & Matthyssens, 2012) with entry criteria and support services that *include* social enterprise. This refinement to incubator typology is illustrated in an enhanced typology framework, in Figure 29 below.

The open network structure of business incubators shown above through the frequently changing client-base means that over time, an incubator may sometimes have social enterprise clients, and at other times not. The terms ‘generalist hybrid incubator’ and ‘specialist hybrid incubator’ do not necessarily mean that the incubator has social enterprises within its client-base at all times. Instead, they mean that the incubator’s entry criteria do not exclusively select only social enterprise nor exclude social enterprise, but are open about their inclusiveness of both social and commercial enterprise. Also, the incubator support services and advisors include both social enterprise and commercial business practices, and it does not offer only social enterprise-specific support. Examples of the different types of business incubators are provided within the framework matrix of Figure 29 for clarification.



<sup>a</sup> Adapted from Vanderstraeten and Matthyssens (2012, p. 663)

**Figure 29 Hybrid Business Incubator Typology**



Social enterprise-specific incubators are usually easily identified through their communications and criteria. Commercial enterprise-specific are less easy to identify but may have support programs or entry criteria that are more suited to commercial entities aiming for private investment. With more than half of the business incubators in this study fitting the classification of specialist hybrid or generalist hybrid business incubators, it is possible to speculate that incubators whose entry criteria and support are inclusive of both social and commercial enterprises may be the norm. The results of this study are in line with that of the only other data in this area: newly published from Sansone et al. (2020) on Italian incubators, that showed 40% incubators supporting both social and commercial enterprises; and, as yet unpublished, by Bone (2019) who found 47% of incubators from a small UK sample were supporting social enterprises alongside commercial enterprises. This comparison shows some consistency in findings and suggests there is scope for further research to be conducted to gain a comprehensive picture of generalist hybrid incubators and specialist hybrid incubators at a national and international level.

### **6.2.2 Transparency**

The adopted critical realist ontological perspective foregrounds complexity of mechanisms, events, and experiences (Bhaskar, 1978a). Needing to understand the contextualised conditions (Blundel, 2007) for the phenomena being studied places significance on the incubatees as a heterogenous group with complex features rather than a homogenous group (Lin, 2001) assumed to have the same features and motivations. This approach has resulted in a prioritisation of increased transparency of those complex factors including the population of social enterprises within mainstream incubators.

Current practice in UK business incubation surveys does not include capturing data on the number of social enterprise incubatees as standard. The latest BEIS survey to evaluate the impact of UK incubators (Bone et al., 2019) included a question on social enterprise status to incubatees nationally for the first time, but with minimal response, this data was not included in the published report. Nesta has raised the challenging environment for gathering national incubation data in the incubation impact report for BEIS with a recommendation that incubators are encouraged to share data, and in the case of publicly-funded incubators that should be “essential” (Bone et al., 2019, p. 54).

Gaining a clearer understanding of the extent to which social enterprises feature in the UK business incubation landscape has significance for two reasons. Firstly, at an ecosystem level, local authorities, universities, and other organisations responsible for the analysis, planning, and development of infrastructure rely on accurate data on the demographics of individuals and businesses accessing business support services. Secondly, greater transparency and awareness of social enterprises being supported by specialist hybrid incubators and generalist hybrid incubators may influence the future engagement of social enterprises with business incubators. However, with a small sample size of just under 6% of the UK incubation sector (Bone et al., 2017a), caution must be applied, as the findings may not be indicative of the national picture.

In the second phase of data collection, identifying social enterprises to participate was achieved through their registration as a Community Interest Company. This use of CIC classification means that other enterprises in the incubators may have met a broader social enterprise classification. Therefore the classification method could have restricted the total number of social enterprises being identified and participating in the study which, in turn, could have also reduced the number of

business incubators identified as hybrids. This simplified approach was necessary due to a lack of transparency regarding the data on social enterprises in business incubators. The advantage of the approach taken was a certainty that the social enterprises registered as Community Interest Companies have met the requirements for social enterprise status including the percentage of income generated from trading and use of profits restricted.

The classification of social enterprises in research by academics, government, and social enterprise support organisations has experienced some significant issues regarding clarity. For example, the UK Government's periodic report on social enterprise market trends has refined its identification of social enterprises as part of the data collected through the Small Business Survey (Stephan et al., 2017). Three criteria were specified: the percentage of income generated from trading, use of profits, and to self-identify as a social enterprise. These criteria were being interpreted loosely, resulting in some social enterprises not being identified, and some commercial enterprises identifying as social enterprises as the trend for more social and environmental awareness in commercial businesses expanded (Stephan et al., 2017). The revised methodology implemented a more specific and accurate set of criteria wording that has resulted in a reduction in the number of social enterprises recorded in the latest report in comparison to the previous three years, with a caution that this is due to increased accuracy and not an actual reduction in social enterprises in the UK (Stephan et al., 2017).

The historical absence of data on social enterprises in business incubators, and how many business incubators support social enterprises alongside commercial businesses, is an oversight in business incubation literature. This oversight prevents the business incubation industry from providing the clarity of communication needed regarding its inclusion of social enterprises. The resulting

lack of visibility of social enterprise in business incubators may be partly responsible for the mirrored lack of recognition in the social enterprise sector of social enterprises being supported in business incubators that are not specialist programs for social enterprise.

This difficulty in gathering information on social enterprises indicates that there is scope to improve the detail of data capture at both incubatee and incubator levels to expand our knowledge of the social enterprise population in business incubators. This implication supports the recent call for increased openness of business incubator data for research purposes (Bone et al., 2019). Improving business incubation data to include the distinction of social enterprises provides an opportunity for the business incubation industry to communicate its inclusion of social enterprise, especially where its support programs are not social enterprise-specific. This enhanced clarity could achieve significant impact within the social enterprise sector by recognising the support available to social enterprises in non-specialist programs and services and influencing the social enterprise business support ecosystem.

An alternative interpretation of this data is that there may not be any particular significance attributed to the phenomenon of social and commercial enterprises using business incubators together if social and commercial enterprises are treated agnostically by the incubators. Are business incubators simply treating social enterprises the same as any other startup, and does that matter? I would argue that where business incubators treat social enterprises the same as any other startup, providing suitable business support, network opportunities, and resources to grow, that this does have significance as a phenomenon that is unrecognised in standard business incubation reporting. Another possible interpretation of this data is that social enterprises are merely utilising available

flexible office space and that there should be no significance attributed to their location alongside commercial enterprises. However, when considered alongside the findings of research questions two and three, this quantitative data becomes contextualised, and this possible alternative interpretation is incompatible.

### **6.3 Why do they join?**

The second research question asked '*what motivates social enterprises to join business incubators?*' The question builds on current debates that seek to understand the motivations for entrepreneurs to join business incubators (Bone et al., 2019; Lukeš et al., 2019), and the engagement of social enterprise with business support (Al Taji & Bengo, 2019; Davies et al., 2019; Pandey et al., 2017; Sparviero, 2019). Seeking to understand motivational factors for actions aims to enhance understanding of the underlying mechanisms that feature in the critical realist domain of the 'real' that prompt events in the 'actual' domain (Bhaskar, 1978b). Understanding the motivation to join a specialist hybrid or generalist hybrid incubator is of particular relevance at a time when numbers of business support programs offering dedicated social enterprise support are growing. Participants were asked in semi-structured interviews to describe what motivated them to join their incubator. The results indicated three primary motivators:

1. Business support suitable for the startup stage
2. Convenience of managed office space
3. Access to the incubator's network

The findings indicate that, like any startup, the social enterprises in this study principally seek business support and resources provided by incubators to enable them to successfully navigate the challenges and risks of the early startup phase.

In the following section, this data is interpreted and discussed in comparison to extant literature to explore three key areas: firstly, whether they have a choice at all; secondly, business support for social enterprise; and thirdly, an unexpected result regarding their expectations of the incubatee peer group.

### **6.3.1 Do they have a choice?**

Why are social enterprise startups choosing to locate in generalist hybrid incubators or specialist hybrid incubators that do not offer specific social enterprise support? The question implies that they have a choice, but do they? The majority of participants described a lack of other options open to them in choosing their business incubator, but the landscape is more nuanced than that simplification implies. In selecting a generalist hybrid incubator or specialist hybrid incubator for their social enterprise, these entrepreneurs have assessed a range of non-incubator options for suitability to their circumstances.

The choice of a location for a startup begins with pressure to be visible and increase their credibility as a new business. One participant was in a leased office before joining the incubator, but the remaining seven were all working from home or informal spaces such as cafes before deciding to join the incubator. These informal workplace arrangements are typical of startups at an early stage of development, usually just beginning to establish their first clients and first revenues starting to come in but unlikely to be consistent or reliable. Working from home and informal spaces is a way to avoid an outgoing cost when the enterprise is not yet generating significant revenues, and keeping outgoings low is a significant priority for most startups. But when a startup enterprise is not connected to an external network, it is isolated and not visible, and this can slow their progress. This stage is when startups often begin to engage with business incubators and formal business support services to help them move forward.

Business incubators, by their nature, have a physical space as a core part of their offer, and their support is usually tailored to pre-start and startup businesses. The social enterprises in this study were comparing the business incubator and its services with other non-incubator options for support, and there are several considerations. Some of the cities and regional areas that the participating social enterprises are based in only have one business incubator. Other managed workspace options are available, including co-work spaces with easy entry and exit terms, and leased offices. The reality of leasing managed offices for early-stage startups is problematic as the majority of commercial leases are geared towards long leases with charges for early release. The convenience of the office location was a factor for some, taking into account travel time and other commitments.

There are other business support services available, including free and low-cost support, such as services provided by the local authority. Some of the support options also include social enterprise-specific support such as the School for Social Entrepreneurs who offer some free and some paid-for programs. They could mix and match services by combining a business support service that is delivered remotely or at a training location, with a workspace solution that may or may not have business support attached to its service. And lastly, the 'do nothing' option of remaining working from home with the benefit of reduced outgoings but the disadvantage of isolation.

For one participant located in a more densely populated region, their experience was different. At the time of selecting their incubator, there was more than one incubator option available to them as a startup social enterprise, and they also reported that they were noticing a steady increase in options specifically tailored to social enterprise startups in their region. In their case, selecting their incubator

was a choice between multiple incubator options, and their selection was motivated by two things: firstly, that there was a strong financial incentive of a one-year bursary providing the space for free; and secondly that they felt the incubator was able to provide the business support that they required.

In selecting a generalist hybrid incubator or specialist hybrid incubator for their social enterprise, these social entrepreneurs had assessed a range of incubator and non-incubator options for suitability to their circumstances. Therefore it is reasonable to extrapolate that as the social entrepreneurs understood to a varying extent their startup support ecosystem and the various options it provided, this data is revealing that some social enterprises founders are selecting business incubators as their preferred method of business support.

The convenience of managed office space as the second most popular reason given for joining the incubator raises further questions. While the result in itself is not surprising, as office space is a standard feature of business incubators, it could indicate significance in the social enterprise sector where many enterprises are necessarily located in the communities that they serve. The need for this type of infrastructure for social enterprise challenges how to balance need with the viability of business incubators in less densely-populated areas.

### **6.3.2 Business support for social enterprise**

The detail in the answers provided by participants to this question of motivation to join the incubator described a preference for a business support offering suited to the startup phase of a business. They often checked that the incubator's advisors had some experience with social enterprise, but this was given equal weighting with advisors to have experience in their industry sector. The majority of participants also described feeling comfortable with the practice of seeking external specialist support of a social enterprise nature as required, and some



were actively practising this approach to supplementing their business support needs. Not all participants had combined general and specialist support services, and for one who had not they reflected that their startup would have benefited from increased social enterprise-specialist support. These results suggest that the mainstream business support provided by business incubators is suitable for some social enterprises, and becomes even more useful as part of a support ecosystem that communicates its benefits and limitations to facilitate social enterprise startups to access more than one source of support concurrently.

With several participants successfully blending the broad support available through the incubator with specialist social enterprise support, the results indicated a tendency for social enterprises to be comfortable with seeking out additional or specialist support from the local ecosystem when they needed it. Here, the lens of social capital theory illuminates the actions of actors bridging their networks of social enterprise business support and the business incubator and drawing on the resources of both to gain new resources in the form of knowledge and connections (Burt, 2000; Lin, 2001).

This savvy approach to business support services reflects the bricolage expertise typical of many social entrepreneurs and social enterprises (Desa & Basu, 2013; Dey & Teasdale, 2016; Di Domenico et al., 2010; Janssen et al., 2018; Kwong et al., 2017; Tasavori et al., 2018). With bricolage and networking key strengths recognised in social enterprises, the findings add to the literature by suggesting that these resource gathering characteristics of social enterprise could be part of their reasoning behind their engagement with generalist hybrid incubators and specialist hybrid incubators.

Business support featuring as the primary motivator for participants in this study corresponds with the findings described by other studies in this area (Bone et al.,

2019; Lukeš et al., 2019) where startups with lower levels of experience and knowledge are more likely to choose business incubation support. Most of the participants in this study were in the early startup phase of their social enterprise and had little or no previous entrepreneurial experience. These participants described their need for a broad range of business support covering areas relevant to any type of business like marketing, business planning and accounting.

Several studies have explored the advantages and disadvantages of incubator specialisation on incubatees (Aerts et al., 2007; Schwartz & Hornych, 2008; Vanderstraeten & Matthyssens, 2012; Vanderstraeten et al., 2016), with specialised resources and vertical network relationships with industry providing some benefits of specialisation. The findings of this study reflect those of Schwartz and Hornych (2008). They recognised that companies needing a broad range of business support are likely to be better off in a diversified incubator, and this study adds a new dimension in understanding this particular incubation context through a social enterprise perspective.

The findings of this study have revealed the engagement of social enterprises in mainstream business support and highlighted a void in the business support ecosystem described and analysed in extant literature. From the historical issues of unsuitable mainstream business support (Hines, 2005; Nairne et al., 2011) came the resulting growth in social-enterprise specific support provision, which rightfully is the focus of much evaluative research. However, the current analysis of support for social enterprises is neglecting to describe the engagement of social enterprise in business support outside of the social enterprise-specific. It is time for the re-evaluation of mainstream business support for social enterprise. Now that we've had 20 years of EU support to strengthen social enterprise infrastructure in the UK (Hazenberg, Bajwa-Patel, Roy, et al., 2016), the

awareness of social enterprise among business support providers has improved. Support providers have increased levels of experience in working with social enterprises, and that is already building trust and engagement. If research and grey literature move to incorporate this real-world view of business support for social enterprise, awareness of social enterprise is likely to continue to increase outside of the sector. The findings of this study go some way to opening this up as an area of fruitful research. I would argue the potential is ripe for social enterprise research to go much further, to reflect the reality of a world and an ecosystem where social enterprises are not isolated from other types of business, but engage and network with both social and commercial enterprises. This opportunity could connect knowledge of the startup and social enterprise ecosystems, to highlight learnings from each sector to benefit both.

Accessibility of business incubators for social enterprises needs to be extended beyond those that are in the privileged position of being able to navigate the barriers put in their way (Steiner & Teasdale, 2016) through conventions of application and judgement of entrepreneurial merit. Through the application and selection process, it should become standard for incubator management to provide clear and open communication to ensure applicants are aware of the scope and limitations of incubator business support and the options for additional, complementary support in their local and national ecosystem.

### **6.3.3 Expectations**

Unexpectedly, the incubator peer group was low down the list of motivations for joining. This result sheds new light on the unpublished work of Bone (2019) that found a high value placed by social enterprise incubatees on their peers within generalist hybrid and specialist hybrid incubators. This study can explain the disconnect in the importance placed on the incubator peer group before and after

joining, as the incubator peer group's value emerged through participatory experience, providing an improved understanding of the peer group's resources to develop social capital (Coleman, 1988).

This revelation highlights a misalignment between what participants expected the significance of peer support to be before they joined the incubator, and what they experienced once they were members of the incubator participating alongside their peers, and a missed opportunity for incubators in clarifying the significant role of the peer group within business incubators. By developing our understanding of participants' motivations for joining a mixed incubator, the findings have revealed an opportunity for incubators to improve their communication of the significance of the peer group much more clearly to convey the norms of the incubation process and co-production of business support more accurately.

The literature on the support provided by business incubators tends to focus on the critical areas of outcomes and impact (Bone et al., 2019; Lukeš et al., 2019; Soetanto & van Geenhuizen, 2019), understandably so. But this assessment-focused approach has yet to explore how well startups understand potential benefits before they join the incubator. This study provides new insight into the social enterprise's motivation for joining, their understanding of incubator benefits before they join, and how that changes once they have joined. The findings from this study question whether incubators are communicating the features and benefits that are of most importance to startups generally, and social enterprises explicitly, and how effective they are in that communication. There is scope for further research along the lines of Pandey et al. (2017) in their examination of the alignment of value placed on social accelerator's services by social enterprises, applied to social enterprises use of hybrid incubators.

## 6.4 How and why do they interact?

The third research question asked '*how and why do social and commercial enterprises interact in a business incubator?*' Networks and network interactions of business incubators and social enterprise continue to be well documented in the literature (Bernardino & Freitas Santos, 2019; de Bruin et al., 2017; Folmer et al., 2018; Granados & Rivera, 2018; Nijssen & Van Der Borgh, 2017; Pettersen et al., 2016; Redondo-Carretero & Camarero-Izquierdo, 2017; Zhang et al., 2016). But these studies have so far failed to capture the real-world scenarios where social and commercial entrepreneurs operate and interact alongside each other. This critical realist study focused on business incubators and sought to understand how and why social and commercial entrepreneurs were interacting in that particular context through the use of abduction and retroduction to reinterpret within the conceptual framework and develop understanding of events and their underlying causal mechanisms and structures (Bhaskar, 1978b; Danermark et al., 2001; Timmermans & Tavory, 2012).

A combination of observation and semi-structured interviews were used to capture the many different types of interaction occurring between social and commercial enterprises in specialist hybrid incubators and generalist hybrid incubators. The findings showed that their interactions included explicit and implicit social capital-building through networking, peer-learning, skill-sharing, socialising, problem-solving, and collaboration. Co-location, formal and informal spaces, trust, the ethos of the incubator, and maturity of the enterprise were identified as influencing factors. Incubatees with less experience were more likely to interact with their peers, and those with more experience were less likely to interact. The importance of the incubator peer group was found to change through the incubator lifecycle from no awareness before joining, to significant

importance soon after joining, then reduced importance as the enterprise gains experience and maturity.

The motivations for social enterprises interacting in the business incubator were mostly similar to established literature on incubator interactions, with one exception: identity. Some of the social entrepreneurs in hybrid incubators described a responsibility or need to share what they perceived as the benefits of socially responsible and impactful business with their commercial peers to attempt to influence their commercial business practices to be more responsible. Some of the social enterprises were able to identify impact as a result of their interactions, with three features revealed. Firstly, significant learning benefits were recognised from the diversity within the incubator peer group. Secondly, there were clear benefits identified in the availability of the co-located peer group to be able to access just-in-time support. Thirdly, the cost in time to individuals and companies was recognised as a negative impact that was to be balanced against the positive impacts of investing time in interaction.

In the following section, this data is interpreted through a social capital lens and discussed in comparison to extant literature to explore two key areas: the fluctuating importance of the incubator peer group, and the role of identity and diversity in their interactions.

#### **6.4.1 Fluctuating importance**

Interviews with social entrepreneurs in the Formation Zone incubator case study revealed three interrelated points that provided the first significant insights and helped to shape the following stages of data collection. Firstly, these incubatees were all at a very early stage in developing their social enterprise, test trading, and refining their business models. Secondly, the interviews revealed they placed a high value on support from their peers, both social and commercial enterprises.

Thirdly, all of the incubatees reported significant informal learning from their social and commercial peers which improved their confidence, and they were seeking higher levels of peer engagement. This data suggested that peer support with both social and commercial enterprises was beneficial for new social enterprises or social enterprise founders with low levels of previous entrepreneurial experience. This finding can be interpreted as a process of social capital-building, and we can identify that incubatees are investing their time and knowledge into strengthening bonds with a growing understanding of the potential returns on that investment as beneficial to their business (Coleman, 1988).

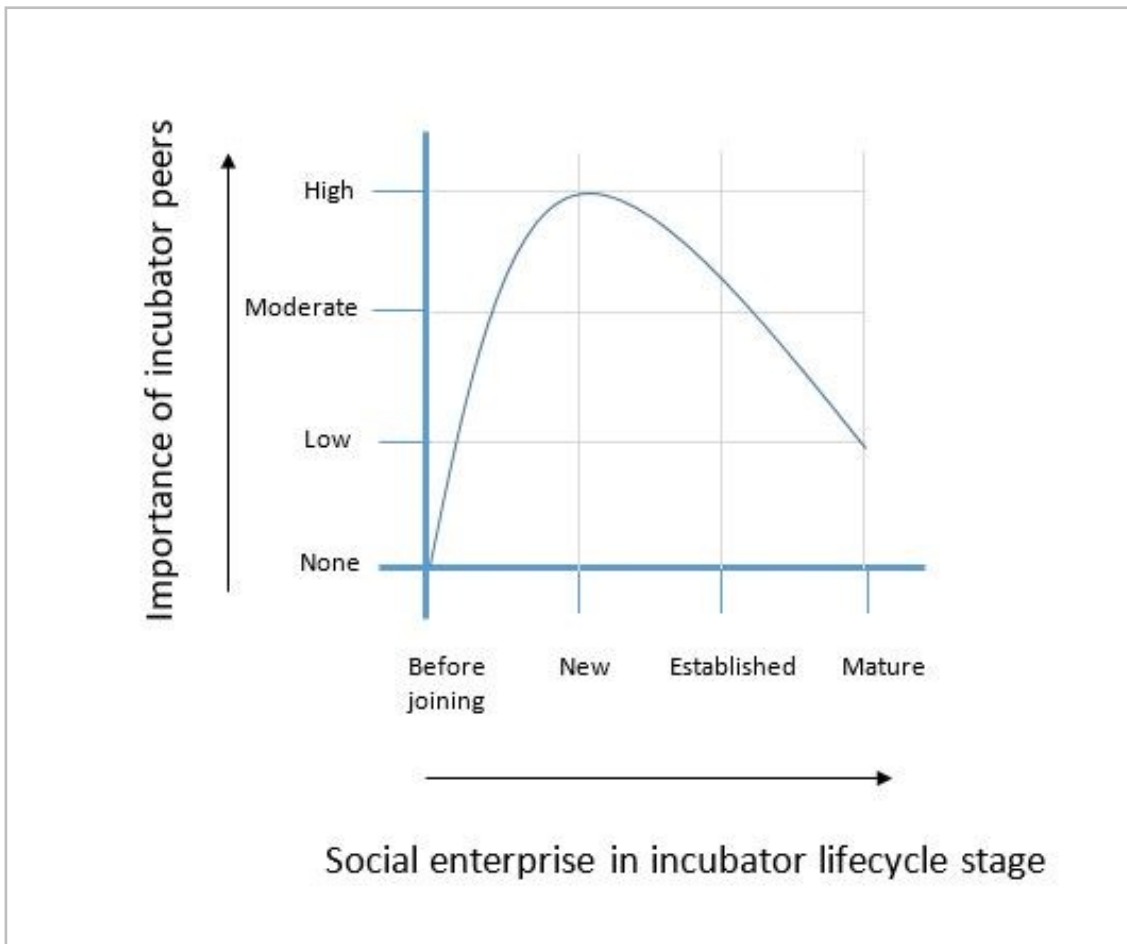
This interpretation was tested and explored in more depth in the next stage of the study, where semi-structured interviews were conducted with social enterprises in four UK incubators. The findings confirmed that peer support with both social and commercial enterprises was most beneficial for new social ventures or founders with low levels of previous entrepreneurial experience. For more mature social enterprises in incubators, the findings on interactions with their social and commercial peers revealed a more transactional and calculated approach to this activity as they were more aware of the costs to their business.

Overall, these findings imply different approaches to peer interactions in the business incubator dependent on the level of experience of the founders and the maturity of the enterprise. Also, the importance placed on their incubator peers does not remain static but instead fluctuates as their experience and maturity grow. Those social enterprises at an early startup phase were accessing their incubator peers as a crucial dimension in their survival. They described at a business level being able to pre-empt and avoid issues, increase their knowledge, and find opportunities. Avoiding isolation through bonding with others in a

similar situation was of importance on a personal level. All of these identified benefits were less crucial for the more mature social enterprises than those just starting their enterprise. Several of the more mature social enterprises demonstrated awareness and consideration of the cost to them and their business in supporting their peers. Coleman describes this feature of social capital with an analogy to new countries, where a norm “that one should forgo self interest and act in the interests of the collectivity” reduces as they mature (1988, p. 104).

Incorporating the data from the previous research question regarding the motivations for joining the business incubator is helpful to gain a full picture of the fluctuation of importance of the incubator peer group. Before joining the incubator, there was little or no awareness of the incubatees, and they were not a motivating factor for joining. This data indicates that no importance is placed on the incubator peer group before joining. From a standing start, the incubator peer group quickly transitions to high importance once they have experience of the benefits of peer interaction and the learning that emerges. Then as the business matures, a moderate, mutual support balance is achieved, that understands the costs in time and possibly other resources that have to be invested into peer interactions. This moderate level of importance placed on their incubator peers slowly declines to a low level as founder knowledge and experience increases, the enterprise is established, and finally outgrows the incubator. These fluctuations are indicated in the incubator lifecycle stage, illustrated in Figure 30 below.





**Figure 30** *Fluctuating importance of incubator peers*

Hughes, Ireland and Morgan (2007) found a connection between the acquisition of knowledge through the incubatee peer network in an incubator and the levels of engagement in the peer network. Interactions between incubatees were inhibited once a firm had acquired significant new knowledge, and the value of acquiring more new knowledge was reduced (Hughes et al., 2007). In a more recent study, Nijssen and Van der Borgh (2017) also identified that some highly social incubatees were efficient with their time and prioritised informal events to make the connections needed in their incubator network. The fluctuating importance of the incubator peer group found in this study builds on their findings by providing a new perspective. This new perspective incorporates the incubatees' understanding before they join the incubator and specifically informs

the conversation regarding how social enterprises regard the value of their peers when the peer group is a mix of both social and commercial enterprises.

Rice's study (2002) addressed the co-production of business support in incubators, and this is a concept that resonated with the results of this study. The concept of co-production of business support is the active involvement of the entrepreneur in their learning and development, rather than passively receiving support from the incubator in a one-way transaction (Rice, 2002). Rice's typology described the co-production of business support between the incubatee and incubator management and between the incubatee and the incubator's external network (2002). Still, it fell short of including the incubator peer group as a significant element in co-production of business support. Instead, peer interactions were acknowledged indirectly as a "passive" type of co-production as a result of sharing facilities (Rice, 2002, p. 173).

There is a range of different types of support provided in different ways in a business incubator, and the importance of formal support activities provided by and through incubator management (Patton & Marlow, 2011), is not diminished by recognising the significance of co-production of support that occurs in the incubator peer group. Peer support and peer learning is an integral part of the incubator support landscape, and the participant incubatees in this study were dependent on peers to form a substantial part of their entrepreneurial learning alongside more formal learning through the incubator advisors, support staff, and events. Therefore, these findings provide an opportunity to build on Rice's typology (2002) by identifying incubator peers as significant stakeholders in the co-production of business support in an incubator.

The variation identified in the importance of incubator peers at different times in the evolution of the social enterprise raises the possibility that incubator

management could proactively support their incubatees through these phases. This proactive approach would help to ensure that individuals are not overburdened in providing peer support, nor under-supported and lacking peer connections at the right time. The peer group of social and commercial enterprises should not be seen merely as a resource to draw from, as that would likely place an unachievable burden of support on those enterprises. By providing incubatees with tools to analyse their skills and requirements and evaluate the skills and requirements of others, would enable engagement with their incubator peers in a way that recognises potential benefits and likely costs to all involved. This peer-group network management could be balanced with incubator network mediation to build resilience through a skillset that enables incubatees to manage their network proactively.

#### **6.4.2 Identity and diversity**

Analysing the data through a social capital theoretical lens revealed the approach that participants took to interacting with their social and commercial incubator peers. Social capital theory tells us that strong ties connect actors in homogenous groups (Coleman, 1988), and weak ties connect actors across the structural holes between groups to access new knowledge, new ways of doing things, and diverse perspectives (Burt, 2000, 2004). By applying social capital theory to the findings from this study, it became apparent that the social enterprise participants were utilising both weak and strong ties. Their strong ties were with their social enterprise peers, strengthened through shared purpose, practices, and understanding. Their weak ties were with their commercial enterprise peers, which they utilised to access knowledge outside of their regular practices.

Using Lin's (2001) description of the motivations for interaction among network actors aided analysis of these incubator network interactions. As outlined briefly

in Chapter 3: homophilous interactions between actors with homogenous resources are commonly found where there is a high level of trust in closed networks; heterophilous interactions between actors with heterogenous resources are less common and require greater effort. The motivation, according to Lin, for the greater effort required of heterophilous interactions, is the possibility of more significant returns (Lin, 2001). At times, many of the social enterprises described placing a high value on the interactions with their social enterprise peers due to high levels of trust and shared understanding. The same social enterprises also described incidences where they specifically sought learning from their commercial enterprise peers and benefited from insights that were outside of their usual social enterprise practices. Within the incubators in this study, the social enterprise incubatees are utilising both homophilous and heterophilous interactions, or strong and weak ties, to draw on the advantages of both.

This use of a combination of strong and weak ties indicates that most of the social enterprise startups in this study valued diversity in their peer group and their business network as a method of accessing new knowledge and practices by bridging structural holes. This is in keeping with Burt's analysis that open, diverse networks with structural holes facilitate innovation and entrepreneurial behaviour through more effective access to new information and ideas:

The advantages of bridging structural holes emerge from an individual generating constituency for new ideas synthesized from the diverse information clusters to which a network entrepreneur has access. Creativity and learning are thus central to the competitive advantage of structural holes, and so should be observed more often where relationships bridge structural holes (Burt, 2000, p. 362).

This interpretation also supports findings from previous studies where social entrepreneurs recognise the benefits of learning from those with a “different mindset” (Pinch & Sunley, 2015, pp. 310-311).

The relevance of social capital as a lens with which to understand incubator networks is reinforced by established literature exploring cooperation and competition in incubator networks (Bøllingtoft & Ulhøi, 2005; Hughes et al., 2007; McAdam & Marlow, 2007). Outside of the business incubation context, Hite and Hesterly (2001) found that the network strategy of new firms evolves as they mature and their resource needs change. From networks built on shared values and identity to networks that are more calculating in their exploitation of resources, firms were found to seek out weak ties to form a more diverse network that would provide for their next stage of growth (Hite & Hesterly, 2001). And similarly, in social enterprise, recent studies have highlighted the need for social enterprise to have open communication with diverse voices from both social and commercial perspectives (Al Taji & Bengo, 2019), to avoid over-reliance on some connections (Bernardino & Freitas Santos, 2019). The findings of this study build on the foundation of Hite and Hesterly’s study, adding a previously unexplored dimension regarding the context of social enterprise in business incubators and their use of strong and weak ties to grow a diverse network through their incubator peers. The findings also answer the recent call for social enterprise literature to explore trust and social capital in diverse contexts (Littlewood & Khan, 2018).

Surprisingly, none of the social enterprise participants in this study had concerns about their interactions with commercial enterprises having normative pressure on their social purpose or mission (Wheeler, 2017). The converse was true for some: that having a better understanding of commercial enterprises had

strengthened their social enterprise position. Some participants had taken on an almost ambassadorial role on behalf of social enterprise, choosing to communicate the need for socially and environmentally impactful business practices to their commercial enterprise peers in the incubator. These participants' actions could be interpreted as demonstrating openness to a broad social enterprise spectrum (Dees, 1998), where traditional commercial enterprises can move towards sustainable business practices (Bull, 2018).

Diverse approaches to communicating with their incubator peers about their social enterprise identity were revealed and offer a response to the call to understand better how social enterprises communicate their identity to others (Smith et al., 2013). Many of the participants described themselves in terms of industry sector or their stage of business development, using conventional business terms such as 'startup'. Some would lead their introduction with their social purpose. They were selective in when and to whom they described themselves as social enterprises, recognising that they were trading and growing their business using commercially viable practices and were seeking to avoid confusion with charitable organisations.

The social enterprise narrative in a business incubator context, provided throughout this study, has further developed our understanding of the identity of social enterprise within a diverse network that encompasses both social and commercial enterprises. The social enterprise startups in this study did not consider themselves to be in a social enterprise silo and actively engaged in a diverse network to benefit from an expanded range of experience, knowledge, and skills. This narrative contributes to our understanding of social enterprise networks, collaboration, and competition (de Bruin et al., 2017; Granados & Rivera, 2018; Jenner & Oprescu, 2016; Seanor & Meaton, 2008), that goes

beyond the narrow view of collaborations between large commercial corporations partnering with established social enterprises (Huybrechts et al., 2017). These findings have not previously been described in recommendations for effectively supporting social enterprise startups through business incubation (Miller & Stacey, 2014).

The incubator space facilitates the co-location of startups, which many participants described as beneficial in enabling connections with peers, although not a guarantee that connections would develop. Informal interactions and merely the act of spending time working alongside each other developed an understanding of their peers, their businesses, how they work and their professionalism. This transparency and enhanced understanding supported the development of trust between peers, an important aspect of the development of social capital in networks and groups (Coleman, 1988; Theodoraki et al., 2018). The observational data from the Formation Zone case study showed that the majority of interactions occurred at or across desks, creating hotspots of interactive activity, and this was verified in founder interviews describing interactions at the time of need. The lack of use of the informal breakout space in Formation Zone is unlikely to mean that informal spaces are not useful, as this was contrary to the findings in the later incubator interviews and previous research has established the value of informal incubator spaces to networking (Nijssen & Van Der Borgh, 2017). Therefore it is likely that result was particular to the Formation Zone, which at the time had minimal informal breakout spaces and conversations across desks were more popular here, followed by meeting up in the café just outside the incubator office, or cafes and social spaces outside of the building.

The informal network interactions described in this study are consistent with others that have recently explored the informal and unplanned relationships that occur between enterprises in business incubators (Busch & Barkema, 2020; Pettersen et al., 2016; Redondo-Carretero & Camarero-Izquierdo, 2017). This study brings a new perspective and understanding of social enterprise within university incubator networks. It builds on studies that recognise a combination of network development approaches suit different people (Nijssen & Van Der Borgh, 2017), and that significant learning occurs as entrepreneurs build their peer network in response to challenges (Soetanto, 2017). University business incubators as a sub-category have distinctive networks (Cooper et al., 2012; Patton & Marlow, 2011). This significance is particularly relevant in a climate where higher education is increasingly engaged in addressing social entrepreneurship through formal learning and supporting informal and extracurricular activities that raise awareness (Mannion et al., 2017; Universities UK, 2012).

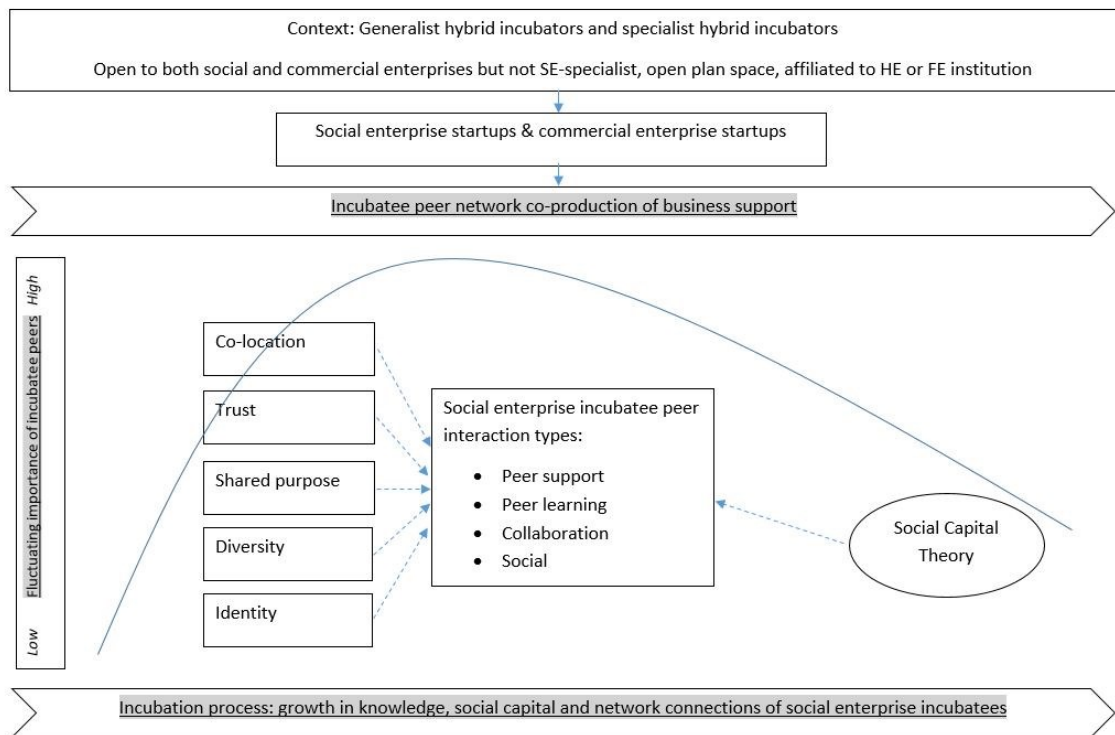
The evaluation framework for social innovation networks (Canada Millennium Scholarship Foundation & Centre for Social Innovation, 2010) offers a tool for assessing if networks are healthy, that could be tailored for and applied to business incubators. In particular, the framework includes a section on network diversity that invites assessment of whether there are homogenous or diverse levels of perspectives, resources, and skills in the network. Acknowledging that diversity and homogeneity can both be appropriate for different network purposes, the framework invites assessment of whether the network diversity is achieving the desired aims or if changes can be made to either encourage or discourage diversity (Canada Millennium Scholarship Foundation & Centre for Social Innovation, 2010). This framework could be applied to incubation network



development and may offer particular value where incubators are working with both social and commercial enterprises.

## **6.5 Revised conceptual framework**

The conceptual framework was revisited in light of the learning that emerged from the interpretation of data and in keeping with the abductive process to test and revisit to aid interpretation. In the updated framework diagram shown in Figure 31 below, significant developments are highlighted from the previous iteration shown in chapter three. In this version, there is a direct connection from the social and commercial enterprises to their involvement in co-production of business support. In the previous depiction, peer interactions led to growth in social capital and knowledge as a result, but in this revised framework, growth in social capital is embedded in the incubation process. This iteration also illustrates the fluctuating importance of their peers through the incubation process.



**Figure 31 Revised conceptual framework (3)**

## 6.6 Contribution to knowledge

Research on the topic of interactions between social enterprise and commercial enterprise startups is limited. This study offers significant insights within the particular context of business incubators and brings together research on social and commercial startups in this real-world scenario. Original contributions have been achieved in several ways, including examining areas of the social enterprise and business incubation disciplines not previously looked at, with new evidence and synthesis for the first time, adding to the extant literature. A novel observation technique was tested in business incubation for the first time. A new research tool was developed to describe the phenomenon accurately, and an emerging research agenda is suggested, with social and commercial startups engaged in a mixed ecosystem. These original contributions are outlined in this next section and summarised in Table 13 below.

**Table 13 Contributions summary**

Type of contribution	Contribution	Locations
New evidence	Social enterprises do engage in mainstream business support	3.5.5, 4.3.1, 4.3.3, 5.3, 5.5.1, 5.5.2, 6.2, 6.6
New synthesis	Social enterprise use of bricolage in the sourcing of business support	5.5.1, 5.5.2, 6.3.1, 6.3.2, 6.6
	Incubatee peer group consisting of social and commercial enterprises are significant stakeholders in co-production of business support. Their importance fluctuates depending on stage of incubator lifecycle and maturity of business	4.3.3, 4.4, 5.5.1, 5.5.3, 5.5.4, 5.6, 6.3.3, 6.4.1, 6.5, 6.6
	Social enterprise identity does affect their interactions with incubatee peers, strong and weak ties are used to achieve a diverse network and access new knowledge	5.5.3, 5.5.4, 6.4, 6.4.2, 6.5, 6.6
Novel observation technique	Qualia technology adapted from the cultural sector and tested in a business incubator for the first time	3.5.2, 4.3.1, 4.3.2, 4.4, 6.6
New research tool	A new, enhanced business incubator typology and framework created	3.5.5, 3.6, 5.3, 5.4, 6.2, 6.2.1, 6.6
Emerging research agenda suggested	The real-world mixed ecosystem where social and commercial startups co-exist	2.5, 4.3.2, 4.3.3, 4.4, 5.3, 5.4, 5.5 (all sub-sections), 6.2 (all sub-sections), 6.3 (all sub-sections), 6.4 (all sub-sections), 6.6

This study has focused on an area of the social enterprise and business incubation disciplines not previously analysed, where social and commercial startups interact in specialist hybrid and generalist hybrid business incubators. Some early related studies included mainstream and specialist support when reviewing the suitability of business support for social enterprise (Hines, 2005; Lyon & Ramsden, 2006). Since then, most research and grey literature has focused on social enterprises in specialist business support (Miller & Stacey, 2014; Pandey et al., 2017), and not addressed the phenomenon of social and commercial startups

together in business incubators. This study has provided new evidence for the first time that begins to address this defined gap in both social enterprise and business incubation disciplines. The new evidence asserted through this thesis is that social enterprises do engage in mainstream business support and that the provision of mainstream business support is the primary driver for them joining specialist hybrid and generalist hybrid business incubators. This new evidence makes a significant contribution to our understanding of the current UK business incubation landscape (Bone et al., 2017a; Bone et al., 2019; Hausberg & Korreck, 2020; Miller & Stacey, 2014).

Synthesis from the empirical data revealed new insights that make contributions to the extant literature. Firstly, some social enterprises utilise bricolage skills in their sourcing of business support, as they mix and match specialist and mainstream business support when required. This pragmatic and creative approach to sourcing business support adds to what is currently known about the different ways social enterprises use bricolage to grow (Janssen et al., 2018; Tasavori et al., 2018).

The second significant insight was that the importance that social enterprise participants placed on their incubator peers was found to fluctuate significantly depending on their level of entrepreneurial experience and the maturity of the business. While previous research has documented the reducing importance of peers as enterprises mature (Hughes et al., 2007), this study's original contribution is in documenting this from a social enterprise perspective, adding the value attributed *before* they join the incubator and illustrating the fluctuation through the incubator lifecycle. The incubatee peer group were found to be significant stakeholders in the co-production of the incubator's business support,

and contribute a new dimension to the existing description of the co-production of business support in incubators (Rice, 2002).

The third insight drawn from the data was that the social entrepreneurs' identity does affect their peer interactions in the business incubator. Adding a new perspective to the literature that addresses normative pressures in social enterprise (O'Neil & Ucbasaran, 2016; Wheeler, 2017), the study found that they often felt their identity as a social enterprise was strengthened, and some social enterprises used the opportunity with their commercial peers in the incubator to influence and raise awareness of socially responsible business practices. Analysis of the incubator peer-group interactions using the lens of social capital theory revealed a combination of strong ties and increased trust with their social enterprise peers, and utilisation of weak ties with their commercial peers to achieve a diverse network and access new knowledge and practices. Utilising abduction to aid theory building (Timmermans & Tavory, 2012) this enhanced understanding from a practice perspective makes a small contribution to social capital theory in this context. This insight into a diverse social enterprise peer network contributes to our understanding of how social enterprise networks functionally incorporate diverse experiences and perspectives (Bernardino & Freitas Santos, 2019; Folmer et al., 2018; Granados & Rivera, 2018; Seanor & Meaton, 2008).

During the case study data collection, a novel technique was tested that makes a small contribution to business incubation research methods. 'Qualia' was an observational technology and technique for measuring cultural value adopted from the creative and cultural field and tested in a business incubator environment to gather insights into the frequency and location of interactions. The technology captured activity and interactions consistently over several days,

and through a visual interpretation of the data was able to highlight areas of the incubator where most interactions occurred. This novel technique provided an effective triangulation of data to support the interpretation of findings. Despite some technical setbacks in this study, the Qualia technique demonstrated the potential to provide new insights for empirical research in business incubators.

This study has made an original contribution to the business incubation discipline through the creation of new terms and an enhanced typology framework to more accurately describe business incubators that support both social and commercial enterprises. Building from Vanderstraeten and Matthyssens framework depicting industry sector specialisation (2012), this enhancement has improved the clarity of understanding of incubator typology and its relationship to the purpose of a startup.

The final original contribution of this study is that the research findings suggest an emerging research agenda. A significant opportunity has been revealed in researching the real-world mixed ecosystem where social and commercial startups co-exist, that this study has only begun to touch on. There are many unanswered questions about how business support infrastructure of different types address the needs of both social and commercial startups, and how to achieve the ideal balance of specialist and generalist support within different ecosystems.

## **6.7 Limitations**

Through the research process and reflection, several limitations have been identified. Firstly, the small sample size limits the generalisation and possible implications of the study. Emerging from a single case study to broaden the scope

to four incubators provided additional robustness to the findings. The limitation to incubators in the south of England associated with educational institutions provided some consistency in possible variables. Still, it meant that if similar research were conducted in a different region of the UK or with other types of incubators, the results might vary. Purposive sampling allowed the research to focus on a targeted group of participants that met the narrow and specific criteria. As with other qualitative studies, the sampling is a compromise to provide a manageable study, and the priority was to achieve a depth of understanding within the narrow phenomenon under investigation.

Secondly, although the practice-led case study method provided significant benefits through extensive experience and understanding of business incubation and supporting social enterprise startups, I acknowledge the conflict with potential bias, preconceptions, and expectations. This risk was tempered by practising critical thinking, reflecting, identifying and accounting for bias through the research process.

## **6.8 Areas for future research**

This study has revealed several areas of interest for future research. Through the search for data on social enterprise within business incubators, a collaboration with a Nesta researcher emerged, and the outcomes of this study are planned to be used in a jointly authored article. There is also an intention to collaborate with relevant industry organisations, such as Nesta and the Incubator and Accelerator Network in two areas. Firstly, to address the lack of data on social enterprise in UK business incubators by advocating for the incorporation of social enterprise-specific data into standard business incubation reporting and evaluation

processes. Secondly, to employ the enhanced incubator typology in collaboration with industry partners and stakeholders to extend and test its application. These objectives would build on the outcomes of this study and this researcher's business incubation practice.

The co-existence of social and commercial enterprises, as emerged in this study, can be explored within a variety of startup ecosystems to include more business incubators in different regions and countries of the UK, and internationally. Further exploration of social and commercial entrepreneurs in a university business incubator-specific context would build understanding of the phenomenon with potential implications for entrepreneurial education.

This study has focused on the social enterprise narrative, but future studies could capture other stakeholder narratives such as commercial incubatees, incubator management and support staff, and specialist social enterprise business support providers. The findings of this study also invite further exploration to understand the long term impact of generalist hybrid and specialist hybrid business incubators, and the implications for future incubatees and startup ecosystems.

Exploring the design of the business incubation space, and its effects on social enterprise and commercial enterprise peer interactions offer an opportunity to contribute to the incubation literature through the lens of both social and commercial enterprises. There is potential to build on the use of innovative methods in social enterprise research such as: Seanor et al.'s use of participant drawings to illustrate the concept of social enterprise boundaries (2014; 2007); and Farmer et al.'s use of walking interviews, geographical tracking, and photographs to capture the reality of meaningful interactions (2016). The Qualia system may be further implemented to offer an innovative perspective on the use of space, the human response to interactions, and capturing the value created



(Phillips & Bennett, 2014), that could shed light on how to improve support for diverse incubation networks.

## **6.9 Chapter summary**

This chapter has built on the findings from chapters four and five to provide interpretation and discussion of the results and comparison to the extant literature. The discussion was presented in response to three research questions, firstly answering the questions, and then drawing on the findings to reveal the more profound meaning and implications of the study.

In answering the first research question about the prevalence of business incubators that support both social and commercial enterprises, the typology of incubators was extended for greater accuracy. The need for greater accuracy and transparency of data on social enterprise in incubators was highlighted. The motivation of social enterprises to join business incubators was explored in the second research question. The ecosystem context was explored to understand if social enterprises did have a choice. The primary motivation for joining was to access business support suitable for startups, and that in doing so, some utilised a bricolage approach to access a combination of specialist and generalist support when needed. The third research question explored the interactions between incubatees, where the peer group within the business incubator was revealed to vary in importance through the incubator cycle. Their social enterprise identity was a factor in their interactions with the peer network. Strong and weak ties were combined to grow their diverse network and access new knowledge.

The conceptual framework was reviewed and revised to incorporate what was learned through the discussion, and then the original contribution to knowledge

in both social enterprise and business incubation fields of research was outlined. The updated business incubator typology improves accuracy and offers a new research tool, and the findings suggest an emerging research agenda where social and commercial startups co-exist in a real-world mixed ecosystem. The chapter concluded by describing the limitations of the study and areas for potential future research.

# Chapter 7 Conclusion

## 7.1 Summary

This study began by identifying a gap in the literature at the intersection where social enterprise startups interact with commercial startups in the context of UK business incubators. The lack of research in this overlapping and fluctuating space means that there is virtually no real-world understanding in the literature of social enterprises in UK business incubators.

The overarching aim of this research was to bring a new perspective that would enable the improvement of business incubators. The study had two objectives to achieve this aim: to describe the scale and importance of the phenomenon of social and commercial enterprises together in business incubators, and to analyse qualitative insights to gain a rich understanding of the incubators' network dynamics and interactions influencing the incubation process. Building from the extant literature and utilising a critical realist ontological position, three key research questions were developed to explore this phenomenon and provided the basis for the methodological approach. The research questions were: How prevalent is the phenomenon of business incubators with a mix of social and commercial enterprises? What motivates social enterprises to join business incubators? And, How and why do social and commercial enterprises interact in a business incubator?

A practice-led research design was developed, based on the incubation practice of the author of this thesis, as a business incubator manager. A qualitative, iterative, multi-method approach was utilised to capture the process of social entrepreneur engagement in a community of both social and commercial

entrepreneurship. Purposive sampling was used to select participants in the study, targeting a very narrow group of individuals that were founders of social enterprises located in UK business incubators alongside commercial enterprises. The research methods included: case study, observation, and semi-structured interviews. Aligned with the critical realist ontology, abductive and retroductive approaches were used in the analysis and interpretation of findings to develop meaning and understanding.

The Formation Zone business incubator case study provided multiple perspectives on the nature of interactions in the incubator. Significant findings included that business support was one of the main motivations for social enterprises to join the incubator and that the social enterprises' valued their peer interactions with both social and commercial enterprises. The next phase of the research was expanded to four UK business incubators to provide a broader perspective. Significant findings from this phase included that 58% of business incubators reviewed were found to be supporting both social and commercial enterprises, with their average social enterprise contingent 6%. Again, business support was the primary motivation for social enterprises to join their incubator, and they often applied a bricolage approach to sourcing business support from the ecosystem. The importance of the incubator peer group was unknown before joining the incubator, as its significance was built through experience. The importance placed on the incubator peer-group fluctuated significantly depending on the level of maturity of the enterprise.

The research questions were answered, with the prevalence of the phenomenon of business incubators supporting both social and commercial enterprises revealed to be 58%. The principal motivation for social entrepreneurs to join business incubators was to access business support suitable for startups.

Exploring how and why social enterprises interact in the incubator revealed that their social enterprise identity does influence their interactions and that they actively utilised both strong and weak ties to benefit from the enhanced trust with their social enterprise peers and gather new knowledge from their commercial enterprise peers. The importance of their peers fluctuated depending on which stage of incubation and how experienced the enterprise was.

The study's original contribution is made in several ways across the social enterprise and business incubation fields. New evidence was provided to assert that social enterprises do choose to access business support through business incubators that have a mixed peer group of social and commercial enterprises. The terms 'generalist hybrid incubator' and 'specialist hybrid incubator' and an enhanced typology framework were created to describe this phenomenon, providing additional clarity in business incubation typology (Vanderstraeten & Matthyssens, 2012). This new perspective on business incubators adds to what is currently known about the UK business incubator landscape (Bone et al., 2017a; Bone et al., 2019; Hausberg & Korreck, 2020; Miller & Stacey, 2014). A novel technique was tested that demonstrated potential to provide new insights for empirical research in business incubators.

The identification of bricolage as a strength being applied in this context to pragmatically access support from the startup ecosystem was a critical contribution that adds to what is known about social enterprise use of bricolage (Janssen et al., 2018; Tasavori et al., 2018). Their social enterprise identity influenced their group interactions, and in some cases strengthened their identity, providing an alternative discourse to research on the normative pressures of social enterprise (O'Neil & Ucbasaran, 2016; Wheeler, 2017). A new perspective on social enterprise networks has been provided, by demonstrating

that both strong and weak ties (Lin, 2001) are used by social enterprises to increase the diversity of their network to access new knowledge and practices from commercial enterprises (Bernardino & Freitas Santos, 2019; Folmer et al., 2018; Granados & Rivera, 2018). The new illustration of the fluctuating importance of the incubator peer group has contributed to previous research by extending this to their expectation of the peer group before joining and providing a social enterprise perspective (Hughes et al., 2007). The findings of the study have suggested an emerging research agenda for social and commercial startups in a real-world mixed ecosystem.

## **7.2 Implications and conclusions**

The findings of this study have shed new light on the practice of social enterprise startups accessing mainstream business support through business incubators that support both social and commercial enterprises. Their utilisation of both strong and weak ties enhances their network and access to new knowledge while retaining a robust social enterprise identity. This social enterprise narrative of business incubation has shown us that business incubators can support social enterprise when that is not their specialist focus. A mixed peer group of social and commercial enterprises can enhance the learning opportunities for social enterprise incubatees, and this thesis proposes that this may help social enterprises address both the social and commercial aspects of their business.

This new perspective on the business incubation of social enterprise matters because businesses with a social purpose are increasing (Mansfield & Gregory, 2019), and this study has shown that business incubators are well-positioned to provide mainstream support to social enterprises as part of a diverse support

ecosystem. Despite this synergy, the current evaluation of business support rarely joins the dots between social enterprise-specific and mainstream services. This disconnect could affect the planning of future services and infrastructure, with an assumption that social enterprises are best served through specialist support (Miller & Stacey, 2014), and a legacy of past inadequate mainstream support (Hines, 2005).

Several recommendations emerge from the findings of this study to address these issues. Adding to the recent call for improved transparency of incubator data (Bone et al., 2019), there is a particular need for business incubators to capture and publish data on the numbers of social enterprises that they support. This improved clarity would reveal the scale of the social enterprise population within business incubators, and may extend into incubator evaluative work to include social impact.

The enhanced hybrid incubator typology framework presented in this study offers a ready-made tool for researchers and industry to more accurately classify and communicate the scale of specialist hybrid incubators and generalist hybrid incubators. Generalist hybrid incubators and specialist hybrid incubators have an opportunity to actively include social enterprise within their communication strategy, processes, and services. For those responsible for the planning of social enterprise ecosystems, the results of this study indicate that the combination of both mainstream and specialist support services and networks can benefit social enterprise.

Business incubators could refine how they communicate the significance of the incubator peer group to potential new incubatees. The findings showed that there is a balance to be found between making incubatees aware of the co-production of business support role that they and their peers play, while not over-promising.

The fluctuating importance of incubator peers, as illustrated in this study, contributes to the tools that can be used by incubators to communicate this aspect of incubator business support. The assessment and active management of the diversity of the incubator peer group may be aided through the use of a network diversity evaluation tool (Canada Millennium Scholarship Foundation & Centre for Social Innovation, 2010) tailored for business incubators.

Social enterprise startups and aspiring social entrepreneurs of the future should be aware of the full range of business support options to choose from and be encouraged to consider the scope and limitations of those to access more than one source of support if needed. The findings of this study encourage both social and commercial entrepreneurs to consider the diversity of their networks and the different opportunities provided through strong and weak ties.

Finally, the findings of this study suggest an emerging research agenda. By demonstrating that social and commercial startup enterprises engage in mainstream business support together, new questions emerge regarding how business support infrastructure more widely can address the needs of both.



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# Appendix A: Interview guide first phase (2014)

*Table 14 Appendix A: Interview guide 2014*

## **Introduction**

Introduce the study: University of Plymouth, purpose of study, and interviewer's role as researcher

The interview: a discussion to understand your perspective, opinions and thoughts on your experiences in the incubator. No right or wrong answers. Recorded for accuracy.

Check understanding: of participation, confidentiality, and right to withdraw

Length: up to 60 minutes

Any questions before we start?

*(Press record)*

## **Background**

Name

Business name (and company registration number if applicable)

What is your role in the business

Size of business (# employees)

When did you start the business?

## **Startup**

Does your business have a social purpose? *Probe to gather info on status and business model*

Can you describe what factors were important in your decision to start the business?

Did you start your business on your own or with others? *Who? Why?*

Where did you base your business day-to-day activity when you started? *And before you joined the incubator, if different?*

## **Incubator**

At what stage did you choose to move into an incubator?

Why did you choose to join a business incubator?

How long have you been in the incubator?

What did you expect the incubator to do for your business?

Did your experience in the incubator match or differ from your expectations? *How? Examples*

## **Interactions**

Do you interact or collaborate with;

- a) Any other businesses in the incubator?
- b) The incubator wider network such as alumni or the university?
- c) The incubator staff or advisors?
- d) Anyone else?

How would you describe your interactions with your incubator peers? (all that apply);

- a) Sub-contracting

- b) Referrals
- c) Collaboration for tender application or contract
- d) Collaborative research
- e) Collaboration for another purpose (please describe)
- f) Peer support
- g) Sharing information
- h) Informal / social
- i) Other (please describe)

Could you give an example of one of your interactions in more detail? *How was it initiated? What happened? With who? Outcome?*

Is there an individual or business that has the most importance to you in these interactions? *Why?*

### Impact

Can you identify any immediate or longer-term impact (positive or negative) from these interactions? *Example*

Are you able to identify any economic impact as a result of these interactions?

Please describe any impact the business incubator has had on the development of your business?

### Incubator

What is your perception of the importance of these incubator factors? Score 1-10 (1=none 10=significant)

- a) The incubator physical environment
- b) The incubator-provided support
- c) The other incubator businesses (peers)
- d) Peer support
- e) Peer collaboration

Do you think that the importance you place on these factors might change during your time at the incubator? *How, why?*

Other than the incubator, have you accessed any other formal support for your business? Such as advisors, loans, grants? *Examples*

### Next steps

When you move on from this incubator, where do you plan to move the business to and why?

### Conclusion

Is there anything else you would like to add?

Thank you for participating

Reminder of right to withdraw, confidentiality, share outcome.

## Appendix B: Interview guide second phase (2019)

Table 15 Appendix B: Interview guide 2019

### Introduction

Introduce the study: University of Plymouth, purpose of study, and (if Formation Zone participant) interviewer's role as researcher

The interview: a discussion to understand your perspective, opinions and thoughts on your experiences in the incubator. No right or wrong answers. Recorded for accuracy.

Check understanding: of participation, confidentiality, and right to withdraw

Length: up to 45 minutes

Any questions before we start?

*(Press record)*

### Motivation to join incubator

As a social enterprise, why did you choose to move into this business incubator?

What criteria did you consider in your selection? *Why?*

Were the businesses already in the incubator part of your selection criteria?

Did you consider whether this incubator would provide specialist social enterprise support? *Why / why not?*

Did you compare this incubator to other options? *Including dedicated social enterprise support?*

### Commercial startups

How do you feel about being in an incubator with companies that have a commercial purpose?

Has this prompted any change in your views on social enterprise? Or on commercial enterprise?

*If so, how and why?*

How are you making sense of or responding to your changing views?

### Business support

Do you feel adequately supported as a social enterprise by the business incubator?

*Probe to explore what types of support they have accessed, what has worked or not worked?*

What do you think could be improved?

### Identity

When talking to potential new business contacts, how do you introduce your business?

Do you describe it as a social enterprise?

What do you think is the most important identity or 'label' for your business when communicating with others? *Prompt; could it be the industry sector, for example design, or something else you feel represents your business?*

Do you ever adapt or change this identity label depending on who you are talking to?

Who do you change it for and why?

### Quantify Interactions

Do you interact with any other businesses (your peers) in the incubator?

*Prompt; interaction could include things like social or informal connections, peer support, learning, collaborations, formal business opportunities, research etc.*

Are the companies you interact with commercial or social or both?

Are they from an industry that is the same / similar / different to yours?

Can you estimate how many businesses you're interacting with and how often?

How would you classify / describe the types of interactions you have with other businesses (peers) in the incubator?

- a) Social
- b) Informal
- c) Support
- d) Learning
- e) Collaboration
- f) Formal business opportunities
- g) Research
- h) Anything else? (describe)

### Describe interactions

Do you feel that interacting with other businesses in the incubator is generally a positive or negative experience for you? *Why? Does it add value for you?*

Why do you interact with other businesses (your peers) in the incubator? *What motivates you? What limits your interactions?*

Does this change, depending on whether they are a social or commercial enterprise?

How do you choose which businesses to interact with? *Probe – could it be connected to value, benefit, and impact? Draw out thoughts on the role of trust, knowledge, opportunities, competition.*

Please describe an example of one of your interactions. *How was it initiated, what happened, why, who was involved? What was the result? Is it typical of your interactions? Is there something significant about this example?*

*(Referring back to the earlier question on identity):* What effect (if any) do you think the identity of your business has on your interactions with your peers in the incubator?

### Next steps

When you move on from this incubator, what type of environment might you choose? Would you choose an environment or network with a mix of social and commercial businesses?

*Why?*

### Conclusion

Is there anything else you would like to add?

Thank you for participating

Reminder of right to withdraw, confidentiality, share outcome.

## Appendix C: E-Survey

A JISC Online Survey was used to capture participant consent and eligibility information for the second phase of interviews in 2019. The web address for the survey was: <https://plymouth.onlinesurveys.ac.uk/pre-interview-consents-and-background>

The three survey pages are shown below in Figures 32, 33, and 34.

**Figure 32 Appendix C: E-survey page 1**

### Pre-interview consent and background

0% complete

#### Page 1: Statement of Consent

*I have been given the opportunity to ask questions about the project and my participation. I voluntarily agree to participate in the project. I understand I can withdraw up until one week after the date of my interview without giving reasons and that I will not be penalised for withdrawing nor will I be questioned on why I have withdrawn. The procedures regarding confidentiality have been clearly explained to me. The use of the data in research, publications, sharing and archiving has been explained to me.*

yes

no

Next >

Figure 33 Appendix C: E-survey page 2

## Pre-interview consent and background

50% complete

### Page 2: Your details

On this page we gather a few background details about your business, to help us prepare for your interview:

The name of your Community Interest Company \* *Required*

Your name \* *Required*

Your role in the business \* *Required*

How many people does your CIC employ? (full time equivalent, including yourself) \* *Required*

How long has your CIC been located in this business incubator? (number of months / years) \* *Required*

Does the CIC founder(s) have an entrepreneurial background? \* *Required*

- previously started or run a business
- has a family history of entrepreneurship
- has formally studied entrepreneurship
- none
- Other

Please note here your preferred date(s) for a Skype interview and your Skype ID if you have one. Interview slots are available in the morning from 8am - 12pm. (At least 24 hours' notice required) \* *Required*

< Previous

Finish ✓



**Figure 34 Appendix C: E-survey page 3**

## Pre-interview consent and background

100% complete

### Final page

#### Download my responses

You have 15 minutes to view this data

 [My responses](#)

Thank you for agreeing to participate in this research project and providing the background information about your Community Interest Company.

Next step is the interview, and the researcher will be in touch to arrange a convenient time. Looking forward to speaking with you very soon!

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