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Failure prevention and management in business incubation: practices towards a scalable business model

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ABSTRACT

How support systems such as a business incubator deal with failure, a common phenomenon in new venture creation, is less understood. Employing a value creation perspective helps us to understand failure, the inability of an entrepreneurial team to build a scalable business model. Based on case studies at nine Swedish business incubators, we develop a dynamic process model towards understanding failure prevention and management in business incubation. We find business incubation practices towards failure prevention and management to be a mix of predictive and non-predictive strategies. These practices could help prevent and mitigate failure at personal, organisational and social levels towards value creation for the startups and their stakeholders and channel the effects of failure towards social benefit.

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Business incubation; business model; failure management; value creation

1. Introduction

New venture creation is filled with unforeseen events some of which leads to crises and unavoidable failures. Failure of their ventures creates psychological, social and financial turmoil for the entrepreneurs (Byrne & Shepherd, 2015). The failure of new ventures also has a significant financial impact on the region, particularly regarding the availability of new venture capital (Cardon, Stevens, & Potter, 2011). High rates of failure can also cause resource strain on business incubators that support new venture creation. However, failure might also be considered good for the economy and society in general due to the reduction in industry costs through selection, competition and knowledge spillover they effect (Knott & Posen, 2005). The increased knowledge that is generated as a result will, however, be not lost as the knowledge generated by the failed firms will then be expropriated by the surviving firms. Failure could be beneficial due to the learning opportunities the entrepreneurial process offers (Yamakawa, Peng, & Deeds, 2015). At the same time, such externalities are beneficial only if the failure is adequately managed through public investments that encourage post failure diffusion of knowledge and support for re-engaging in entrepreneurship (Hoetker & Agarwal, 2007; Parker, 2013). Either way, preventing failure by learning from past mistakes and mitigating its effects so that it is channelled beneficially is in the interests of institutions that support new ventures.

New venture creation is characterised by the process of creating new value (Bruyat & Julien, 2001). Business incubators are organisations that are engaged in nurturing this process. An entrepreneurial support system such as a business incubator that addresses the multifaceted social, personal and

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financial implications of failure should help prevent failure and mitigate its effects. Specific incubation processes have been known to influence failure rate of their tenants. Aerts, Matthyssens, and Vandenbempt (2007) found that the selection of tenants based on balanced screening dimensions from among financial, team and market factors will lead to a higher success rate of incubation. However, there is still a lack of understanding regarding effective failure prevention and management measures followed by incubators. This might be because, even though frameworks can be assigned to incubation models (Bergek & Norrman, 2008), in practice it may be a lot more idiosyncratic depending on their generation, location, field of expertise, the business coaches, funding policy, motive and the resources available (Amezcua, Grimes, Bradley, & Wiklund, 2013). Therefore, the measures taken for startup failure management might be equally different. Entrepreneurs are optimistic about new venture success (Ucbasaran, Westhead, Wright, & Flores, 2010) and can commit mistakes in their judgment and decision making out of overconfidence (Klotz, Hmieleski, Bradley, & Busenitz, 2014). However, the incubator, with its supporting function and collective experience of success and failure, should be able to detect, prevent and mitigate failure by moderating this optimism. Thereby, through this research, we focus on the failure prevention and management measures followed by incubators and how they contribute towards new venture creation? To enable us to generate such an understanding, we focus on the managerial actions towards failure prevention and management within the organisational boundaries of business incubation.

So far, business incubation literature has focussed on failure only from a 'market failure' perspective where incubators are considered to compensate for inefficient allocation of resources (Bøllingtoft & Ulhøi, 2005; Mian, Lamine, & Fayolle, 2016; Rubin, Aas, & Stead, 2015). Even though previous studies have taken different theoretical perspectives in understanding business incubation (Mian et al., 2016), a process perspective of failure prevention and management strategies employed by business incubators was missing. By developing one, we contribute to the business incubation literature (Lamine et al., 2016; Mian et al., 2016) by showing that incubator failure strategies have personal, organisational and social implications ingrained in them. We do so by considering business incubation from a value creation perspective (Shafer, Smith, & Linder, 2005) that augurs well with our view of failure in business incubation as the inability to build a scalable business model. We contribute to designing incubation programmes that could reduce skepticism towards their effectiveness, the existing evidence to which is scant (Hong, Chen, Zhu, & Song, 2017; Schwartz, 2013).

2. Business incubation and failure prevention and management

Incubators are property-based organisations (Phan, Siegel, & Wright, 2005) that enable the entrepreneurial process by providing well-developed technological and business infrastructure, business support services and networking (Bergek & Norrman, 2008). Incubators make decisions regarding the selection of suitable startups to accept for incubation from a large number of applicants. Incubators have to make selection decisions from venture applicants that are still at a formative stage, thus often lacking defined technology and markets. Previous studies indicate that appropriate selection practices affect the future success of the incubated venture (Aerts et al., 2007). The selected startups go through a development phase, where they are provided with business support and mediation as they try to develop robust business and social networks to bring value to the startups in the form of intellectual and material resources (Cooper, Hamel, & Connaughton, 2012).

The research on new venture failure has mostly focussed on the causes and consequences of failure (Khelil, 2016). Research has established the liability of newness (Hannan & Freeman, 1984) for the increased risk of failure because nascent entrepreneurs face complex challenges in mobilising sufficient resources, securing legal recognition, creating awareness among potential customers, and negotiating favourable terms with suppliers among others. Business incubators have emerged as organisations that enable evening out these effects by the facilitation of fast learning opportunities through business coaching and the access to different types of resources and services through their institutionalised networks (Bruneel, Ratinho, Clarysse, & Groen, 2012). Any advantage the startup can

have regarding enhancing their accessibility of resources be they physical, financial, knowledge, human or technological can be a differentiator between success and failure. So far, incubation literature has considered failure prevention to happen automatically as a result of incubators providing resources that could contribute towards avoiding market failure (Lamine et al., 2016). Though we get glimpses of failure prevention measures (Bøllingtoft & Ulhøi, 2005; Rubin et al., 2015), exploring for a structured approach towards failure prevention and management is wanting. The contemporary adoption of concepts like co-creation (McAdam, Miller, & McAdam, 2016), open innovation, fast fail (Blank, 2013), virtual incubation and networked physical spaces should enable us to understand failure management practices in business incubation from a new perspective.

Khelil (2016, p. 76) defines entrepreneurial failure as 'a psycho-economic phenomenon characterised by the entry of a new venture into a spiral of insolvency and the entrepreneur's entry into a psychological state of disappointment.' However, failure might be context dependent (Nummela, Saarenketo, & Loane, 2016) and particularly in business incubation, it is difficult to define failure in these terms as the economic and psychological failure can occur after the new ventures have successfully exited from the incubator. Failure to adequately define how and for whom the firm creates value is a key factor associated with venture failure (Morris, Schindehutte, & Allen, 2005). New ventures also fail, as the innovator of the idea might not have the entrepreneurial characteristics required for taking it from the idea stage to exponential growth. The personal characteristics of the entrepreneur have a significant impact on whether the new venture will be a success (Baum & Locke, 2004). However, incubators also can help the original innovator to build an entrepreneurial team to drive the idea forward (Lundqvist, 2014). *As such in the context of business incubation, we define failure as the inability of an entrepreneurial team to build a scalable business model.* Arguably, failure management could then be defined as a classification of a range of strategies designed to address the consequences of failure. Failure prevention could be perceived as a set of support strategies intended to assist while a venture transcends a particularly difficult phase in its development, leaving it in a position to create value and pursue growth.

3. Value creation in business incubation

Creating and capturing value is an inherent aim of new ventures (George & Bock, 2011). Incubators are considered to be organisation that assists in the entrepreneurial value creation process (Bøllingtoft & Ulhøi, 2005), whereby value is co-produced in interaction between the entrepreneurs, the incubator and their external networks (Branstad & Saetre, 2016). Lepak, Smith, and Taylor (2007) describe three different levels of analysis to value creation. Accordingly, they posit that when the individual is the source of value creation, value arises from creativity, ability, motivation, intelligence, and interaction with the environment. When the organisation is the source of value creation, issues regarding innovation, knowledge creation, invention, and management gain prominence. At the societal level, macroeconomic conditions in the external environment, government policies, laws and regulations influence value creation. However, new venture creation is a gestalt of variables from four dimensions: the individual(s) involved in starting the venture; the organisation or the kind of venture being started; the environment in which the new venture is immersed; and the process of new venture creation (Gartner, 1985). Such a view where value arises in interaction is consistent with a non-predictive logic as entrepreneurial opportunities emerge through the process of new venture creation (Dimov, 2007; Edelman & Yli-Renko, 2010; Sarasvathy, 2001; Selden & Fletcher, 2015). The business incubation literature has however ignored this aspect. Instead, the theory and practice of business incubation have focussed on linear and predictable aspects of the future (Bruneel et al., 2012; Rubin et al., 2015).

The value created by one source will be appropriated by another, even if it is unintended, which Lepak et al. (2007) describe as 'value slippage.' Value slippage would then be an incentive for external partners and stakeholders to be engaged in the new venture creation process. An assessment of value slippage might enable incubators to find out 'who' benefits from the value being created and 'what' is deemed valuable for them. Business models are critical constructs for understanding

value creation and capture (George & Bock, 2011; Zott, Amit, & Massa, 2011). Concomitant examination of business models and the process of starting up a new venture in entrepreneurship research is a recent development (Trimi & Berbegal-Mirabent, 2012) and can lead to informed decisions making (Harms, Kraus, & Reschke, 2007). However, despite considering incubation from a value creation perspective, literature has ignored the design and development of a business model as a goal in itself for business incubation, even though a startup is a search for a scalable business model (Blank, 2013). Efficient business model design is particularly relevant for early-stage technology ventures as a well-developed business model creates a heuristic logic that connects technical potential of the early stage technology with the realisation of economic value (Chesbrough & Rosenbloom, 2002) and without which innovators will fail (Doganova & Eyquem-Renault, 2009) to either deliver or to capture value from their innovations (Teece, 2010).

4. Methodology

Stakeholders subjectively view failure in the entrepreneurial process (Mantere, Aula, Schildt, & Vaara, 2013). For example, Zacharakis, Meyer, and Decastro (1999) found that entrepreneurs and their VCs attributed their failure to different factors. Business incubators that are part of entrepreneurial ecosystems with strong cultural support for entrepreneurship 'encourages entrepreneurs not to see the closing of a firm as a failure but rather as a lesson on a longer entrepreneurial journey' (Spigel, 2017, p. 65). Due to the subjective nature of failure as viewed by social actors, we adopt an interpretivist approach to study failure management practices adopted by incubators (Denzin & Lincoln, 2008). A subjectivist stance offers much more opportunity to develop depth and breadth of understanding, and significantly more detail regarding explanation, than traditional positivist approaches (Gephart, 2004).

4.1 Data collection

There is considerable diversity among incubators regarding types, priorities, goals, and operations (Amezcua et al., 2013; Bøllingtoft, 2012). Therefore, we aimed for both breadth and depth (Voss, Tsikriktsis, & Frohlich, 2002) by including informants from public, private and university-based incubators as well as the more specialised and non-sector focussed. These incubators were identified through a combination of targeted (e.g. via incubator associations and innovation agencies) and snowball sampling. Thereby, we conducted 56 in-depth interviews with incubator managers/business coaches and entrepreneurs at 9 Swedish incubators (Table 1). To enhance reliability and validity, at least three managers or business coaches were interviewed at each incubator, and we conducted additional interviews with entrepreneurs at each of them to corroborate findings. The interviews followed semi-structured, open-ended guidelines and took the form of 'guided conversations' rather than structured queries (Yin, 2013, p. 89).

Table 1. Data sources.

Incubator		Type of incubator	Number of interviews (Incubator Managers, (M) Entrepreneurs (E))
1	Alpha	Private incubator	3 M, 3 E
2	Beta	Private incubator	3 M, 3 E
3	Gamma	Public-private partnership	3 M, 3 E
4	Delta	Publically funded incubator	4 M, 2 E
5	Epsilon	Publically funded incubator	3 M, 2 E
6	Zeta	Publically funded incubator	3 M, 3 E
7	Eta	University incubator	3 M, 3 E
8	Theta	University incubator	3 M, 3 E
9	Iota	University incubator	5 M, 4 E

4.2 Data analysis

In line with an interpretive subjectivist approach, our unit of analysis would be managerial actions towards failure (Gephart, 2004). We started by identifying relevant concepts in the data and grouping them into categories (open coding). During this analytical step, we used in-vivo codes (i.e. terms and language adequate at the level of meaning of the informants) whenever possible, or a simple descriptive phrase when no in-vivo codes (Figure 1). We then combined similar open codes into first-order codes (Gioia, Corley, & Hamilton, 2013) that were still labelled by staying close to the interviewees' words. Then we moved on to axial coding, where we searched for relationships between and among these categories and assembled them into second-order themes (Gioia et al., 2013) that provided a comprehensive explanation for the failure being addressed from a value perspective (Figure 1).

5. Findings

This section describes the failure prevention and management practices of the case incubators.

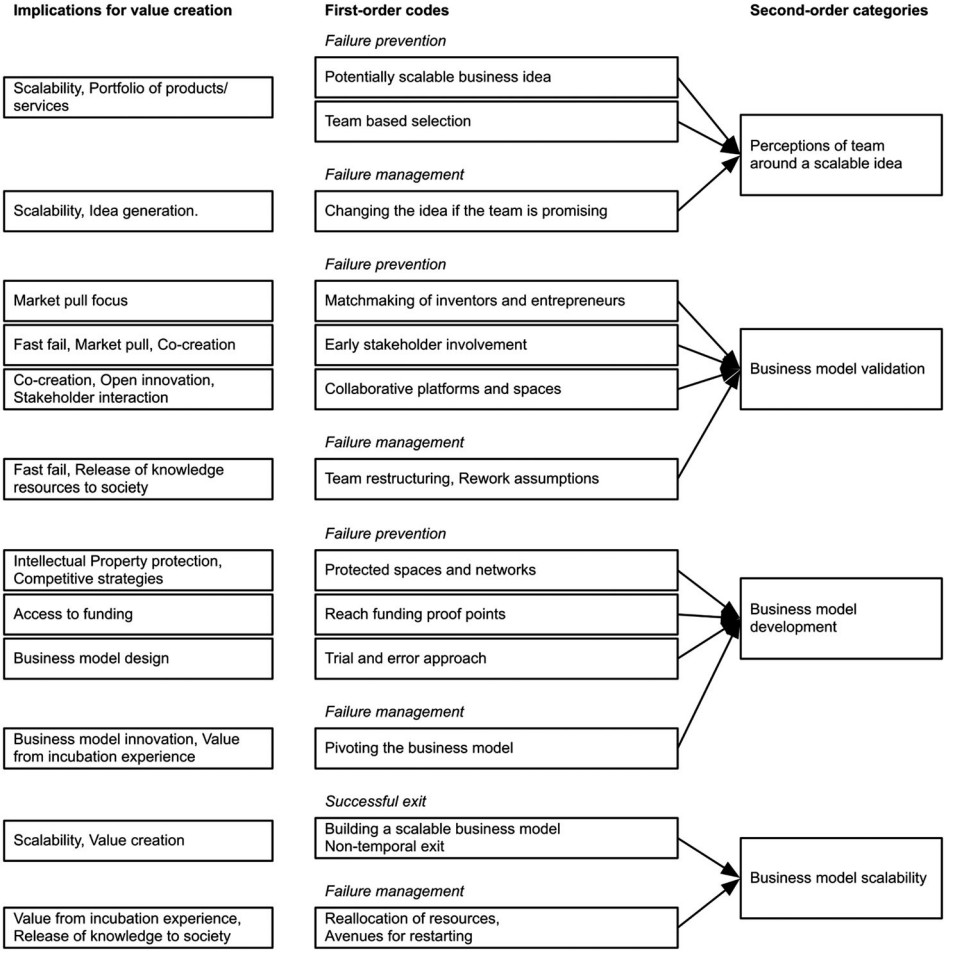

Figure 1. Overview of data coding structure.

5.1 Perceptions of a team around a scalable idea

Our data reveal that incubator managers frame their perceptions about a team and a scalable idea by the practices of team-based selection, a potentially scalable business idea and allowing for changing the idea if the team is promising. First, we find that incubators try to prevent failure by increasingly selecting based on team potential, and rather than on the idea per se, one that could potentially lead to scalability. Incubators are basing their selection on the ability of the entrepreneurs to drive their idea forward regarding scale and scope than on the underlying science and technology. The primary criteria seem to be a potential '*scalable business idea*' presented as an NABC (Need, Approach, Benefit, and Competition) tenet and along with an appropriate entrepreneurial team to implement it. The innovativeness of the idea is still important, but the criteria for evaluation is the team potential to implement the idea as the startups may start with an initial idea, but it can evolve into something completely different as they build their business model. '*If there is a good team, that team will continue to solve new problems, and that can lead to new products, so that would be a company in constant growth.*' Document-based judging of startup feasibility such as a business plan is being replaced by perceptions of their ability to prove their idea with the market. The change towards a business model oriented incubation model is thus becoming evident right from an early stage, where scalability and the team potential are replacing market factors, financial potential and the composition of the team represented by a written business plan (Aerts et al., 2007).

Ideas, however, could fail early on as even during the selection process, it might not meet the criteria of the incubator such as one that could lead to a multi-product company or one that has an international appeal. However, incubators find that a motivated, entrepreneurial team could always come up with ideas even though their initial idea has failed so that a team would not just fade away. A failure management practice employed by some incubators then rely on giving those with a mediocre idea but who are promising as a team further chances to come up with new ideas.

5.2 Business model validation

Our data reveals that once the incubator managers form their perceptions about having a team around a scalable idea, the activities they focus on are to validate with the market the assumptions on which a business model could be built. Incubators try to develop the startup team by providing opportunities to obtain new talent. Incubators identify that '*primarily the startup failure is a business model failure and this happens because there is usually an inventor, researcher or innovator in the team but with the absence of an entrepreneur.*' The matchmaking of innovators with entrepreneurs by the incubator is essential, as it is difficult to turn the innovator into an entrepreneur. Startups are encouraged to approach the customer with a minimum viable product and allow the customers and markets to determine the feasibility of the idea and do so multiple times. They also encourage startups to find early customer funding for a 'non-recurring engineering project' or co-create with customers. Even though customer involvement was crucial for incubators as the 2004 data reveals, using it for business model validation is new.

Incubators are increasingly providing an atmosphere that promotes open-innovation and co-creation with suitable physical and virtual networked spaces. Early generation incubators were characterised by their sole focus on the provision of office space for the startups (Bruneel et al., 2012), which our data confirms. The increased role of networking has made spaces to be organised around how the network is structured. These environments contain co-working spaces, networked office spaces, virtual incubation networks or a combination of these that spur open innovation and co-creation. Specific environments enhance the capacity of the entrepreneurs to create new ideas through association at different scales. Though it may reduce competition at the local level, it can provide startup teams an opportunity to work together on such ideas at an early stage and try out their ideas in the market so that the best possible configuration can emerge.

Incubators manage failure during business model validation by reworking the assumptions on which the business model was framed initially and undertaking team restructuring. A failed experiment within the incubator setting can mean the entrepreneur has discovered which of their assumptions does not work and iterate accordingly. Business coaching helps the startup understand weaknesses by efficient learning from the failures. It reduces the financial burden on both the startup and the incubator and frees up resources that can be utilised for assisting other startups. Early validation of the idea in the market enables the researchers to go back to their professions without wasting time on a prolonged incubation period by allowing a surrogate entrepreneur to take over if it is a successful validation. A lack of entrepreneurial characteristics that can result in failure can be detected and mitigated through team restructuring. By providing platforms and spaces, startups could work together and talk to each other and competing, but compatible ideas from entrepreneurs could collide and coalesce. This method can enable entrepreneurs whose ideas would have failed for reasons such as team competence or access to resources to still work on them albeit in a different team.

5.3 Business model development

Our data show that during the later stages of business incubation, failure occurs as a result of not reaching the proof points along the development of a business model. Incubators try to prevent failure in this process by providing protected spaces and networks, focussing on reaching right proof points and following a trial and error approach and adaptation. They try to manage failure by pivoting the business model. The incubators identify that access to funds remains one of the most important reasons for startup failure. Innovative startups may fail to attract venture funding as investors may raise concerns about IP protection. To overcome failure due to these reasons, the physical infrastructure that the incubator provides moves from open to private spaces and often becomes a virtual incubation over networks depending on the availability of such resources. Funding can be obtained only if the startup reaches the right proof points along its growth stages such as market feasibility reports, a minimum viable product, customer trials or making partnerships depending on the stage reached. The role of the incubator is then to provide the startup with the necessary resources to reach these proof points along with the access to funding providers like VCs and governmental agencies. Incubators assist with managing the failure by providing access to incremental funding, professional and technical assistance from their networks and business advice based on collective and current enough knowledge from the network actors, thereby enabling the startups to reach faster conclusions about the efficacy of their experiments. Business coaches provide the necessary advice to build the business model by trial and error and iteration. However, there might arise situations whereby the business model needs to be overhauled completely. For example, if a technology company fails to take off, it can be pivoted as a consultancy company to avoid failure at multiple levels. This pivoting also helps the entrepreneurs to gain some value out of the years they have spent in developing the technology.

5.4 Business model scalability

The exit from an incubator could occur either successfully as a result of the startup team building a scalable business model, or as a result of the failure to do so. As an incubator manager says, '*We have done this analysis for a couple of years, and I think that out of 70 companies, two of them failed on technology. The rest, on not building a scalable business model.*' To prevent failure, the incubators are then focussing on finding a scalable business model and thereby related exit strategies. For example, private incubators that do not want to cash out early tend to enable startups to scale their business models to global levels.

Incubators are using the criteria of business model development as a market device for innovations and consider startup failure as a business model failure. However, when it comes to exit

criteria, many still depend either on an often-strict period *'but the time frame is the most important thing,'* says a business coach at a publicly funded incubator. Publicly funded incubators predominantly have deadlines for incubated firms to leave and therefore want them to achieve a scalable business model within the time frame. Startups that need longer lead times suffer because of this, as they may not be able to achieve faster scaling like for example companies in the information technology sector.

6. Towards a process model of incubation failure prevention and management

Our data shows that the processes incubators employ contribute towards preventing and managing failure at multiple levels. We generate an understanding of such practices from the perspective of creating value towards business model scalability, thereby leading to a process view of failure prevention and management in business incubation (Figure 2). Business incubation has often been considered as a linear process that starts with selection and ends with the exit of the startup (Bergek & Norrman, 2008). In this process, failure was considered to be avoidable by the provision of resources, and therefore the failure prevention was focussed on providing access to resource gathering and learning (Amezcua et al., 2013). In contrast, our model provides a more dynamic approach to failure prevention as well as its management; a crucial aspect often ignored in the literature.

Since scalability is the potential for replication at a larger scale (DeSantola & Gulati, 2017), and entrepreneurial behaviour being subject to change (Bird, Schjoedt, & Baum, 2012), making an objective decision might be a challenging task for the managers, given the uncertain nature of new venturing. However, from a value creation perspective, we find that this initial perception based decisions are augmented by the continuing opportunities for change that is evident throughout the incubation process. Consistent with the non-predictive logic of new venture creation where clear goals and accurate predictions are not required (Dew, Read, Sarasvathy, & Wiltbank, 2008), perceptions on scalability are accompanied by actions such as the stress on team capabilities, early stakeholder involvement and the provision of collaborative platforms and spaces. All of these, contribute towards failure prevention by providing access to interaction with stakeholders. Failure prevention practices that incubators employ seem to drive business model validation primarily with a demand pull focus (Di Stefano, Gambardella, & Verona, 2012) based on early customer involvement and bringing in entrepreneurs who could take this process forward with the market (Lundqvist, 2014). Facilitating collaborative platforms and spaces further drive this process as it enables co-creation, open-innovation and stakeholder interaction. The startup should be able to create unique relationships with any of these parties or even with its end customers (Shafer et al., 2005). An early co-

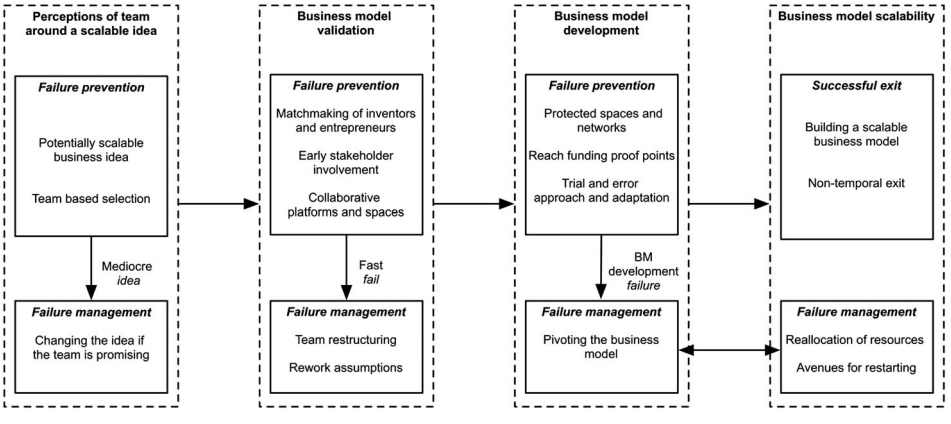

Figure 2. A process model of incubation failure prevention and management practices.

creation with customers also can reduce failure that arises out of not adequately defining the market (Morris et al., 2005). These practices bring in the varied expertise required for avoiding failure as the new venture creation progresses in interaction with various stakeholders.

Such practices help to prevent failure as ideas are cheap in the entrepreneurial process, and instead, it is the stock of means or the available capabilities that are the valuable assets (Sarasvathy, 2001). As a consequence, a mediocre idea could be changed, and another one pursued, if the team is promising, being a failure management strategy at an early stage. Ideas are works of bricolage (Johnson, 2011) and may end up in unforeseen ways. This would enable teams to focus on their means and capabilities and toy with various ideas, which would prevent them from being stuck with an unsustainable idea for long and thereby spend valuable resources in the process. By failing fast, failure management could focus on reworking assumptions of the business model and reduce wastage of resources being spent on them. Moreover, team restructuring based on inputs from failed business model validation would help the release of knowledge back into the society which could be then used by other startups within the incubator or without. However, towards business model validation, we find that a better balance needs to be struck between demand pull and technology push (Brem & Voigt, 2009) as the focus on failure prevention seems to be impeding enough attention on technology push and thereby radical innovations.

The business model development could help achieve scalability, without which firms might fail (DeSantola & Gulati, 2017). Once the assumptions regarding a business model are validated, the logic will have to be tested and retested, adjusted and tuned as the evidence concerning provisional assumptions becomes clarified (Teece, 2010). Failure prevention revolves around the right competitive strategies, developing and protecting intellectual property and accessing enough funding to sail through the proof points along business model development. Even though Bruneel et al. (2012) argues against a trial and error method to startup development in incubators, the right business model is rarely apparent early on in emerging industrial sectors. Consequently, the entrepreneurs have to learn and adjust by iterating their business models, thereby enabling the startups to reach faster conclusions about the efficacy of their experiment.

Even though the incubation processes appear to be dynamic, the exit strategies still seem to be temporal and predictive. A non-temporal exit based on achieving a scalable business model could be termed a successful exit from incubation. However, we find glaring gaps regarding avenues for restarting, as well as the reallocation of resources from failed startups notably since longer the gap between venturing spells of a given entrepreneur, the more the depreciation takes place (Parker, 2013). Incubators even if they follow a temporal exit, mainly due to lack of resources for continued incubation, could then aim for having continuity between failure management strategies along the business model development stage so that startups do not necessarily have to wait until their incubation term to end before being made aware of non-scalability. Our model would then reflect failure management as a dynamic continuum based on pivoting the business model, avenues for restarting and reallocation of resources.

7. Implications for theory and practice

Continuing with the value creation perspective in business incubation (Bøllingtoft & Ulhøi, 2005; Branstad & Saetre, 2016) and considering a business model as the critical construct for understanding value creation and capture (George & Bock, 2011; Zott et al., 2011), we explored for the managerial actions towards failure prevention and management. In doing so, we make three significant contributions to the literature on business incubation and new venture creation. First, our overall theoretical contribution is the process model itself as it helps conceptualise business incubation from a more dynamic perspective than the predominantly linear approach in earlier work (Bergek & Norrman, 2008; Bruneel et al., 2012; Rubin et al., 2015).

Second, we delineate between failure prevention and failure management practices in business incubation. The focus on failure management could be crucial as it relates to the

dynamic nature of the model we present. By taking a value creation perspective, we move from the focus on failure as a possible outcome after business incubation to one that is possible at any stage and needs to be continuously managed. Thereby our model depicts a dynamic view whereby failure can be prevented and managed at multiple stages without the startup having to wait until exit. Moreover, effective failure management practices relate to the argument by scholars that failure could be beneficial to society (Knott & Posen, 2005; Yamakawa et al., 2015) if effectively managed.

Third, we find business incubation to be a process that is a mix of the predictive and non-predictive logic of new venture creation. Earlier literature on business incubation has however ignored the non-predictive aspects (Dimov, 2007; Edelman & Yli-Renko, 2010; Sarasvathy, 2001; Selden & Fletcher, 2015) of new venture creation. However, we find those predictive aspects such as perceptions of scalability and temporal exit stages to be coexisting with the non-predictive aspects such as team focus, stakeholder involvement and collaborative platforms and spaces. Our attempt, therefore, helps in incorporating the current developments in new venture creation to the literature on business incubation.

Our understanding of the actions aimed towards enabling an entrepreneurial team in building a scalable business model enables us to provide managerial implications for the practice of business incubation. First, by enabling activities that contribute towards a scalable business model, incubators could focus on the organisational challenges of endurance and growth, the two narratives associated with scaling in new ventures (DeSantola & Gulati, 2017). The endurance narrative is associated with initial founding conditions or the antecedents and constraints to growth rather than the consequences and change related to growth (DeSantola & Gulati, 2017). The growth narrative is associated with the internal changes in the organisation as a consequence of change which increases in complexity with growth (DeSantola & Gulati, 2017; Gulati, DeSantola, & Howard, 2016). We find that the incubator's actions towards failure prevention and management incorporate both endurance and growth narratives. Actions such as team-based selection, potential scalability of ideas, early change of ideas and early stakeholder involvement, influence and constrain the antecedents of growth. Meanwhile, actions such as matchmaking, trial and error approach, and pivoting of business models, team restructuring and non-temporal exit, influence and address the consequences of growth.

Second, value slippage (Lepak et al., 2007) in the value creation process would mean that the benefits are not just organisational, but at a personal and social level as well, having implications towards channelling failure beneficially (Hoetker & Agarwal, 2007; Parker, 2013). The delineation between failure prevention and management helps bring out the specific ways in which these practices could contribute towards mitigating failure at the personal and social level. A managed failure can prevent psychological pressure on the entrepreneurs as they can be provided opportunities to join other startups or to restart again. By having a failure prevention and management strategy with a focus on scalability could contribute towards the release of resources to the society that could be used positively rather than they being trapped within failed ventures and traumatised entrepreneurs.

Our study has focussed on the Swedish business incubation sector, and even though there is sufficient heterogeneity among them, they could be influenced by the top-down, policy-driven institutional interventions that tend to have a homogenising influence on the constituent organisations. Therefore, we suggest that future research should examine business incubation in different contexts as the cultural settings in which the incubators are embedded could determine how failure is viewed, prevented and managed (Spigel, 2017).

Disclosure statement

No potential conflict of interest was reported by the author(s).

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