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SCHOOL OF BUSINESS, ECONOMICS AND LAW

Master Degree in Knowledge-Based Entrepreneurship

Understanding The Startup Studio Incubation Model

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Abstract

Over the past few years, thanks to the rise of a substantial figure of startup unicorns including: *Dollar Shave Club*, *Zalando*, *Jumia*, *DeliveryHero* and *HelloFresh*, “*Startup Studios*” have emerged vigorously into the startup scene, as a vital incubation tool to support startups and promote entrepreneurship. However, due to the infancy of the startup studio incubation model, the divergence in the way each startup studio organizes itself, and the lack of academic research regarding startup studios, the concept of the startup studio incubation model has always been blurry, indistinct and confusing.

Thus, the aim of this research is to provide a well-structured, distinctive and comprehensive understanding of the startup studio incubation model. For this purpose, the study utilizes the three fundamental dimensions of startup incubation theoretical framework, as the research main tool to investigate, highlight, describe and differentiate the startup studio incubation model from other startup incubation models.

The thesis is designed as a multiple case exploratory study, and includes three cases of startup incubation models from Sweden, a startup studio, a startup incubator and a startup accelerator. It is based on both qualitative primary data collected through semi-structured interviews, and secondary data that includes websites and relevant documents. Moreover, the thesis presents an extensive literature review of the startup studio incubation model.

The empirical findings of the study provide a clear and distinctive description of the startup studio incubation model in terms of the three fundamental dimensions of incubation: *infrastructure*, *business support* and *access to networks*, and illustrate the distinctive differences between startup studios, incubators and accelerator with regards to the three fundamental dimensions of startup incubation.

Keywords: *entrepreneurship; entrepreneurs; startups; startup ecosystem; startup support organisation; startup studio; startup factory; startup foundry; venture builder; builder studio; venture studio; investor studio; company builder; tech studio; studio incubator; incubation business model; venture factory; startup accelerator; startup incubator; Gothenburg; Sweden.*

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1 Introduction

The purpose of the following chapter is to provide the reader with a clear understanding regarding startup incubation, in terms of historical background, evolution and trends. Afterwards, the author introduces and provides a brief description of the subject of the research, the startup studio incubation model, the research purpose, problem and question, and finally outlines disposition of the paper.

1.1 Research Background

Historically, startup supportive organizations, such as startup incubators, have always been associated with governmental support in terms of providing knowledge, infrastructure and finance to new ventures (Phan, Mian, and Lamine, 2016; Allen and McKluskey, 1990). However, in the past decade, new forms of private startup incubators came to life, by combining all of the startup support elements in a new and innovative ways (Dee et al. 2015; Bendig, Evers, and Knirsch 2013; Hansen et al. 2000;). These new private incubation models were brought into the main startup scene by some of the world's top serial entrepreneurs, private investors, large corporation, research institutes, universities and policy makers, in order to support the creation of new waves of startup ventures (Phan, Mian, and Lamine, 2016). As a result, these new incubation models were featured extensively in the existing academic literature, which stresses the importance of taking the new incubation models into consideration, as an important incubation mechanism for nurturing startups (Barbero et al., 2014).

In a similar fashion, over the years, these private incubation models have also been evolving (Hansen et al. 2000; Bendig, Evers, and Knirsch 2013; Dee et al. 2015; Bruneel et al., 2012), and two major trends can be clearly singled out, whereas the first one is the rise of the “*Startup Accelerator*” model, which supports small batches of carefully selected startups each term, for a short period of time (*TechStars*, *Y-Combinator*, *Startupbootcamp* and *Seedcamp*) (Hansen et al. 2000; Bendig, Evers, and Knirsch 2013). The second incubation trend, takes the concept of supporting startups a bit further, through the act of institutionalization and serialization of the provided support activities, such as: business development, building MVPs (Minimal Viable Products), marketing, HR (human resources), and software programming (Hansen et al. 2000; Bendig, Evers, and Knirsch, 2013). Within the startup support ecosystem, these newly emerging incubation mechanisms are referred to by many names, such as: “*Venture Builders*”, “*Startup Factories*”, “*Startup Foundries*”, “*Company Builders*” or most commonly “*Startup Studios*” (Szigeti 2016). These startup studios are usually founded, managed and funded by serial entrepreneurs, who assemble teams of veteran investors, experienced executives, skillful business developers, and talented engineers, who work, in the first place, hand in hand, to generate, validate, build, fund and spin off multiple new promising business ideas each year, effectively and efficiently. And, in the second place, to provide support for external startups, by

leveraging all the in-house resources and infrastructure, experience, network and capital, which they share all under one roof (Kwan, 2016). Generally, since startup studios tend to, firstly, create, develop, fund, and spin off internal startups from scratch, and secondly, screen, select, invest and support external startups, startup studios are considered to be a very distinctive incubation model, that can be differentiated from other, more traditional, startup incubation models such as: the startup incubator, whose main focus is to provide startup support for early stage startups, and the startup accelerator, who admits a limited number of startups in each batch, and provide startup support for a limited time frame, with the aim of accelerating the startup growth, in exchange for money or equity shares in the company (Lawrence et al, 2019).

1.2 Research Purpose & Question

Despite the recent surge in the popularity of the startup studio incubation model, the academic literature regarding startup studios is still quite limited, and does not seem to offer enough information, mainly, due to the infancy of the startup studio incubation model and the divergence in the way each startup studio organizes itself (Cohen and Hochberg, 2014; Pauwels et al., 2016; Kreusel, Roth and Brem, 2018). Moreover, in spite of all the in-depth research findings and insights, regarding the traditional incubation startup support models, such as: startup incubators and startup accelerators, provided by researchers, in terms of incubators' types, objectives, activities, organization and services (Aernoudt, 2004), one cannot just simply presume that these findings, and insights can be true to the startup studio incubation model (Barbero et al, 2012). Additionally, due to the fact, that the majority of the published studies on incubators are mostly descriptive in nature, there is has been an evident shortage of a theoretical framework, when it comes to explaining and analysing the heterogeneity, among the various startup support incubation models within the business incubation literature (Bruneel et al., 2012; Hackett and Dilts, 2004). Thus, it becomes crucial to examine, and attain a clearer understanding of the distinct attributes of the new evolving startup studio incubation model (Mian, 1997). Therefore, for the sake of providing a well structured, distinctive and comprehensive understanding of the startup studio incubation model, by comparing it with the other similar incubation models such as: startup incubators and accelerators, the author of this study decided to adapt and follow the “Dimensions of Business Incubation” framework provided by *Ratinho, Harms and Aard (2010)*, as the main tool to examine, highlight, describe and differentiate the startup studio incubation model, from the other similar and well known startup incubation models, such as startup incubators and startup accelerators, and answer the research main question: “*What are the startup studio fundamental dimensions of incubation?*”.

1.3 Research Contribution

By answering the research question and making a clear distinction between startartup studios and other incubation models, this study paper seeks to enrich the existing incubation literature in two major ways: First, through the systematic examination of startup studio dimensions of incubation, the study conceptualizes both the extent of the startup studio model heterogeneity and distinctiveness, in comparison with other incubation models. Second, by introducing an appropriate theoretical framework for investigating new incubation models, the author of this research hopes to enable the process of regular monitoring of new incubation models over time.

1.4 Research Disposition

The following study is branched into five distinct sections. First of all, there will be an entire section dedicated for reviewing the relevant academic literature, regarding startup support organizations, startup incubators, different startup incubation models, dimensions of startup incubation, and most importantly, the main subject of this study, the startup studio incubation model, which will also be further defined, described, and reviewed thoroughly, in terms of historical background, evolution, business model, types, advantages and challenges, in correlation to the other incubation models. Afterwards, the third chapter will put forward and explain the chosen methodology for this study, with regard to the research design, approach, sample selection, data collection, and data analysis. Then, chapter four will be all about analyzing, highlighting and describing the collected data, as well as presenting the findings of the study. Thereafter, chapter five will discuss and contrast the differences founded in the three main incubation dimensions . Lastly, chapter six presents the conclusions and answers the question of the study, while providing recommendations for future research and details the study limitations as well.

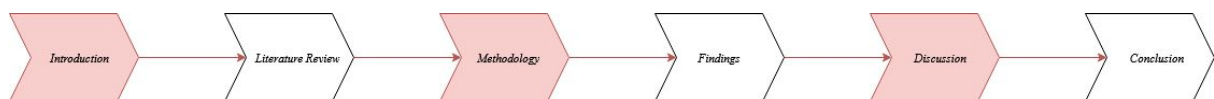


Figure 1. *Illustration of the disposition of the thesis*

2 Literature Review

The following section will briefly outline the different startup support organizations, present the topic of startup incubators, discuss the various existing startup incubation models, highlight the three fundamental dimensions of incubation, and lastly, define and describe the startup studio model thoroughly in terms of its historical background, evolution, rise, business model, types, advantages and main challenges.

2.1 Startup Support Organizations

Considering that innovation is deemed to play a crucial role in the existing economic policies, and makes the presence of high tech firms in any region a necessity that needs to be supported (Wright et al. 2004; OECD, 2001; Acs and Audretsch, 1992). Moreover, due to the vulnerability linked with being new and small, a number of policy measurements are vital to ensure the survival and growth of such firms (Cooke and Leydesdorff, 2006). Thus, plenty of startup support organizations were initiated by the startup ecosystem main stakeholders, in order to support the survival and growth of these firms, such as startup incubators, startup accelerators, co-working spaces, VCs, business angels, business courses and startup competitions (Chan and Lau, 2005; Vedovello and Godinho, 2003; Löfsten and Lindelöf, 2002).

Startup Incubators

Startup incubators are organizations established to foster, support and nurture the survival, growth and success of startups by providing the necessary business, technical and financial support services that most commonly include: physical spaces, mentorship, funding, shared services, and access to network (Bergek and Norrman, 2008).

Startup Accelerators

Accelerators are a cohort-based, fixed-term programs, that provide startups mainly with funding, educational elements, mentorship, and an opportunity to pitch their companies in front of experts and investors, in a demo day (Cohen, 2013; Cohen and Hochberg, 2014). Hence, acceleration programs are specifically designed to stimulate and accelerate startup growth, and provide entrepreneurs with the needed help, in order to deliver their products into the marketplace as fast as possible (Cohen, 2013; Cohen and Hochberg, 2014). Generally speaking, these types of programs operate mainly by assembling a cohort of startup firms, in order to work vigorously on their technologies, for a predefined period of time by offering a suite of professional services, mentoring, and office spaces, in a competitive program format (Fishback et al. 2007)

Coworking Spaces

Coworking spaces are physical workspaces that provide essential office services for individuals, entrepreneurs, as well as young and established enterprises, according to highly flexible terms, designed to encourage B2B (business-to-business) collaboration (Capdevila, 2014).

Startup Competitions

Usually promoted by the startup ecosystem leading agents, governments, universities and established firms (Sá et al., 2014). startup competitions are fundamentally time bound programs, that typically divide the participating entrepreneurs into teams, in order to pitch a startup idea in front of an experienced panel of judges, in an effort to win cash prizes, and all kinds of material awards (Sá et al., 2014). On top of that, Startup competitions provide the new enterprises with a golden opportunity to attract investors, co-founders, business partners, as well as receiving productive feedback on their business ideas (Sá et al., 2014).

Business Courses

Business courses are mainly designed for students to develop and build their own ideas and businesses, they are mostly offered by universities and high education institutions (Sá et al., 2014). Business courses can take a wide range of forms, from a degree program to an evening class for alumni students or entrepreneurs (Sá et al., 2014). Typically, the support provided includes seminars, networking opportunities, training, funding advice, mentoring and access to expertise and sometimes even a low-cost office space (Sá et al., 2014).

Venture Capital Funds (VCs)

In the startup ecosystem, VCs are considered to be a very important channel to promote innovation (Kortum and Lerner, 2000). In the last couple of decades, VCs have contributed enormously to the success of all time most successful startups e.g *Google, Apple, Microsoft, Dell* and *Intel* (Gompers and Lerner, 1999; Da Rin et al., 2006). Besides the pure investment capital, some VCs offer additional support such as mentorship, personal connections and office space (Stokes, Stewart, and Sleight, 2015)

Business Angels

Business angels are defined as “high-net-worth” individuals who invest their own money in private companies, seeking seed, start-up or early stage capital (Mason 2007, Haar et al. 1988; Van Osnabrugge 2000; Feeney et al. 1999). Angels have also been underlined as vital stakeholders for supporting potential high growth startups, not only by providing the entrepreneurs with funds, but also

by bringing added value to the table, in terms of mentorship, coaching, business skills and valuable personal networks (Mason 2006; Kelly 2007).

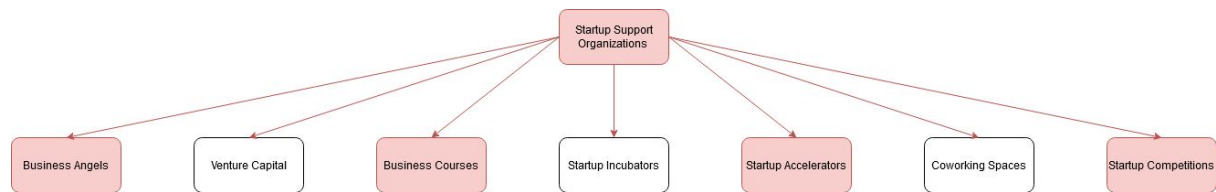


Figure 2. Illustration of startup support organizations

2.2 Startup Incubators

The broad definition of “*Business Incubation*” refers to the institutionalized support provided by different organizations, such as: business incubators, technology parks and co-working spaces, to nurture and accelerate the creation of successful entrepreneurial companies (Aernoudt 2004; Allen and McCluskey 1990; Hackett and Dilts 2004). Business incubators typically support startups that strive to generate self-sustaining thriving companies (Barrow, 2001; Smilor and Gill, 1986). This support is delivered along several dimensions such as space, shared resources, business support, and access to networks (Barrow, 2001; Smilor and Gill, 1986).

The very first business incubators were established somewhere in the 1950s, in the United States (Adkins, 2002). However, it took roughly 30 years until the concept of business incubation became popular and widespread, not only in north america, but also in the rest of the world as well (EC, 2002). The most basic function and core value proposition of these first generations of business incubators, was all about providing the needed infrastructure to the nascent entrepreneurs (Allen and McCluskey, 1990), in terms of offering affordable shared office space, which was rented in favorable conditions to the business incubatees in the first place (Bergek and Norrman, 2008), and shared resources, such as: meeting and conference rooms, car parking, clerical services, reception (Lalkaka and Bishop, 1996; EC, 2002; Barrow, 2001; McAdam and McAdam, 2008). Furthermore, the early business incubation models often made sure that some small, and mixed unit production facilities were accessible at all times for their tenants (OECD, 1997). Business incubators also offered their tenants access to more specialized resources, such as: research equipment and laboratories, which can also be seen as a main component of the available shared infrastructure (Grimaldi and Grandi, 2005). These offerings helped the tenants benefit from the existing economies of scale when renting the office space. alongside the shared resources and infrastructure (Bergek and Norrman, 2008).

During the 1980s, governments in both the USA and the European continent were hit by high levels of unemployment in the common sectors, hence, it became crystal clear to the authorities that they needed to look somewhere else in order to recover. Thus, by promoting innovation and technology and adopting new strategies, governments were able to achieve economic growth and revitalize the economy (Lewis, 2001). As a result, business incubators became a popular tool in the arsenal of the policy makers, in order to promote and stimulate the process of building new technological intensive ventures (Lewis, 2001).

However, due to the lack of business acumen, experience and essential marketing skills that directly affected their survival chances, new tech ventures needed more specialized service offerings, than just affordable office spaces and shared resources. This development led the business incubators to react, by including all kinds of knowledge based services in their value proposition, and paved the way for the second generation of business incubators to see the light and supply the tenants with much more than just a physical arrangement (Smilor & Gill, 1986).

A decade later, during the 1990s, a third generation of business incubators arose, with a laser focus on delivering their services through external networks (Lalkaka and Bishop, 1996; EC, 2002), which were considered to be very critical for the development of tenant companies (McAdam and McAdam, 2008), and one of the most important factor in any successful incubator programs (Hansen et al, 2000). These new generations of services granted the tenants access to potential investors, suppliers, customers and technology partners (Hansen, Chesbrough, Nohria, and Sull, 2000), which eased the process of acquiring specialized expertise, new resources, provided the tenants with learning opportunities and allowed the new firms to accumulate legitimacy faster.

In a similar fashion, in recent times, new shifts in incubation models are starting to pave the way toward the rise of new generations of incubators, who are moving their offerings completely from the initial services for which the incubation model was founded in the first place, in the interest of shifting their focus entirely on providing services to knowledge intensive businesses (Hansen, Chesbrough, Nohria, and Sull, 2000).

2.3 Startup Incubation models

An incubation model can be commonly defined as “*the way in which an incubation entity provides support to startups, to improve the probability of survival for the portfolio companies and accelerate their development*” (Bergek and Norrman, 2008). In other words, It represents all the mechanisms used by support organizations to provide incubation services (George and Bock, 2011; Amit and Zott,

2001). Since the establishment of the very first incubators, incubation models have evolved into innovation centres and science parks, and the academic research followed this evolution closely by producing plenty of studies that highlight the classifications of the different incubation models, typologies, characteristics, and their evolution over time (Barbero et al., 2014).

Thus, in academic entrepreneurship, the literature's main focus is on how universities follow internal approaches, such as: technology transfer offices, incubation infrastructures and science parks, in order to develop their own spin-offs into successful startups (Van Looy et al, 2003; Clarysse et al, 2005). In a similar fashion, the literature on corporate entrepreneurship, highlights how large corporations rely heavily on their own quasi-internal activities, to build up their own in-house incubation facilities, for the sake of nurturing newly founded startups, and source new ideas (Grimaldi and Grandi, 2005; Hill and Birkinshaw, 2014; Becker and Gassmann, 2006). Similarly, in regards to the public sector, business incubators are identified as a pivotal tool to promote regional economic development and entrepreneurship (Smilor and Gill, 1986). While in the private sector, driven by rent-seeking and influenced by investors, who want to enhance their deal flow, business incubation has grown into a whole separate industry (Miller and Bound, 2011). Thereby, as incubation mechanisms keep maturing, different incubation models keep emerging, which results in a plenty of new typologies, characteristics and definitions, that comes to life (Grimaldi and Grandi, 2005).

Nevertheless, the main key categorization concerning startup incubation is the distinction between for-profit, and non-profit models (Grimaldi and Grandi, 2005; Aernoudt, 2004). On top of that, research has provided various classifications regarding incubation depending on attributes, such as: the incubator strategic goals, service offerings, industry sector, competitive focus, phase of intervention, type of start-up and geographical reach (Vanderstraeten and Matthyssens, 2012). However, despite all the different overlapping variations of incubation models, any incubation model will most certainly include at least four of the five following main services components: (1) access to capital; (2) office support services; (3) access to physical resources; (4) networking services; and (5) process support (Carayannis and von Zedtwitz, 2005).

2.4 Dimensions of Startup Incubation

According to the academic literature, startup incubators have three fundamental dimensions of incubation: *infrastructure*, *business support* and *access to networks* (Ratinho, Harms and Aard, 2010; Barrow, 2001; Smilor and Gill, 1986).

Infrastructure

Since its conception, startup incubators have always been associated with infrastructure, in regard to space and shared resources (Phan et al., 2005). Access to space is considered to be the most beneficial attribute to incubatees, especially for startups in the early phases of development (Chan and Lau, 2005). General shared resources are usually offered together with the space, and most commonly includes: conference rooms, meeting rooms, car parking, reception or clerical services (McAdam and McAdam, 2008; EC, 2002). However, many startup incubators also offer more specialized shared resources, which might include: research equipment and laboratories (Grimaldi and Grandi, 2005). By providing infrastructure and general share resources, incubators help startups reduce their overhead costs (Ratinho, Harms and Aard, 2010), increase their external credibility and legitimacy (Singh et al., 1986), and finally, increase the chances of creating synergies among the incubatees (Ratinho, Harms and Aard, 2010).

Business Support

When it comes to business support, incubators can provide startups with valuable help, in terms of business mentorship, coaching, training sessions and advice, which can boost the startup's learning curve massively, and enable the incubatees to make faster and better decisions (Eisenhardt, 1989), and increase the development of human capital (Davidsson and Honig, 2003), which will lead to a much higher firm performance (Ratinho, Harms and Aard, 2010)

Access to Network

In a similar manner, by providing startups with access to networks, incubators stimulate their incubatees external collaborations, in terms of getting access to professional business services (Bøllingtoft and Ulhøi, 2005) and financial resources (Hansen et al., 2000), which is considered to be a critical factor for the development of startups (McAdam and McAdam, 2008).

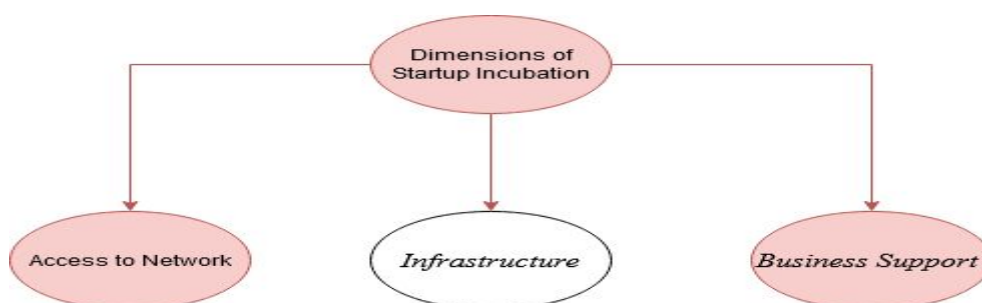


Figure 3. *Illustration of the dimensions of startup incubation*

2.5 The Startup Studio

The following section will present and discuss the definition of startup studios, their historical background and evolution, business model, types, advantages and challenges.

2.5.1 Definition

A startup studio can be defined as: an entity that builds companies repeatedly by providing the necessary resources, infrastructure and services, such as fundraising, HR and legal, to a team of entrepreneurs, experts, business developers, engineers, sales managers, and advisors, who generate new business ideas from within their own resourceful inner circle, and assign in-house teams, in order to spin and further develop these generated ideas, in exchange for a large portion of the equity (Baumann et al., 2018; Scheuplein and Kahl, 2017; Szigeti, 2017; Szigeti, 2019; Lawrence et al, 2019; Diallo, 2015; Rebel, 2018; Lapowskytl, 2014; Montgomery, 2016; Ehrhardt, 2018; Elziere, 2015; Elziere, 2018; Kwan, 2016; Rao, 2013; Fishbein, 202; Saba, 2014). In the same context, startup studios can also be viewed as a holding company, which owns equity in all the different portfolio companies it helped create (Diallo, 2015). Or simply put, a startup studio can be defined as a business who have been started particularly, in order to start other businesses in a very similar way to a movie studio, who also create several movies in succession, by leveraging its shared learnings and resources in order to be successful (Szigeti, 2017; Szigeti, 2019; Lapowskytl, 2014). The majority of startup studios are created or rented by successful and well-trained entrepreneurs, who can easily rotate between all the different new projects (Szigeti, 2017; Szigeti, 2019; Rampton, 2015), by throwing ideas, time, expertise, effort and cash into the mix, not only in exchange for a large share of equity in the portfolio companies (Lawrence et al, 2019; Lapowskytl, 2014; Baumann et al., 2018; Scheuplein and Kahl, 2017), but also, because they truly believe it's a better way of building businesses (Szigeti, 2017; Szigeti, 2019; Lapowskytl, 2014).

The first, largest and most known startup studio was *Idealab*, which was founded in 1996, in the U.S, and has more than 150 portfolio companies under its belt, with a staggering 50% successful exit rate (Szigeti, 2017; Baumann et al., 2018; Scheuplein and Kahl, 2017; Szigeti, 2019). The most popular startup studio examples include the NewYork based studio: *Betaworks*, whose most successful portfolio companies include *Blend* and *Instapaper*; *Obvious Corp* from San Francisco, who successfully produced both *Medium* and *Twitter*; *HVF (Hard Valuable Fun)* also from San Francisco, who built *Glow.com* and *Affirm.com* and Germany's most known studio, *Rocket Internet* who created companies such as *HelloFresh*, *Zalando*, *FoodPanda*, *Jumia* and *PayMill* (Szigeti, 2017; Szigeti, 2019; Diallo, 2015; Lawrence et al, 2019; Montgomery, 2016); *Science-Inc* who built the most

famous *Dollar Shave Club* who was able to secure a \$1 billion exit in 2016 (Lawrence et al, 2019; Szigeti, 2019).

The most common characteristics among startup studios are: having a very strong human capital, consisting of the very experienced founding team, who shapes the practices, leadership and culture of the studio, and can leverage their past experience to help the studio portfolio companies succeed in the future, alongside the in-residence entrepreneurs, as well as having a pool of in-house shared financial, and non-financial resources e.g capital, infrastructure, networks etc, in order to launch products and MVPs (Minimum Valuable Product), that can be spun off into fully independent companies (Szigeti, 2017; Baumann et al., 2018; Scheuplein and Kahl, 2017; Szigeti, 2019; Diallo, 2015; Lawrence et al, 2019).

In general, the main goal of a startup studio, is to start and develop as many projects, models and systems at the same time as possible, and then spin off and build whole new completely independent companies out of the ones, who have the highest potential, by providing operational resources, skilled workers, infrastructure and capital, to these portfolio companies (Baumann et al., 2018; Scheuplein and Kahl, 2017; Szigeti, 2019; Diallo, 2015). Additionally, the elite startup studios go even a step further, by providing its portfolio companies with funding, staff, business models, internal meetings, legal help, building MVPs, marketing campaigns and business development, during both, the pre-launch and post-launch stages in the new venture's life cycle (Diallo, 2015).

2.5.2 Background & Evolution

The concept behind startup studios can be traced all the way back, as mentioned before, to *Bill Gross*, who founded the first ever startup studio “*Idealab*”, in the United States in 1996, in order to test and build new business ideas rapidly, and attract investors, to invest their own money in *Idealab*'s ability to build startups, rather than investing in the startups itself (Montgomery, 2016). Later on, the groundbreaking startup studio concept was further developed by a number of startup incubators, who came to the realization that it will be much smoother and easier to provide funding to their own startups, rather than going through the whole process of screening new startups, going through a selection process, work and develop the startups, and then organize a demo day, in order to attract and raise outside capital (Montgomery, 2016).

Consequently, in the early 2000s, the first wave of startup studios started to make a breakthrough, by leveraging pre-secured funding, a growing pool of accessible talent, and past relationships, in order to effectively and rapidly build new startups (Lawrence et al, 2019). Additionally, at that time, startup

accelerators did not exist yet, which made the startup studio model, as a whole, very appealing for entrepreneurs (Lawrence et al, 2019). Best studio examples of the first wave are: *Betaworks*, the New York based studio, who had a very long track record of successes, and the German studio giant *Rocket Internet*, whose main business model is to clone successful ideas from the American market, and then create and launch them again as fast as possible, in diverse geographical regions around the world (Montgomery, 2016).

Afterwards, by 2011, with the help of lean startup, web hosting, social marketing, the rise of API (Application Programming Interface) and best practices, the second wave of startup studios were making an entrance into the entrepreneurial support ecosystem (Montgomery, 2016). However, during this period of time, the head-to-head competition with startup accelerators was raging, which made it much more difficult for entrepreneurs to join a startup studio (Lawrence et al, 2019). Greatest second wave studio examples are: the two San Francisco based studios: *HVF (Hard Valuable Fun)* and *Obvious Corp* (Montgomery, 2016).

As for both the third and fourth wave of startup studios, and despite operating according to the lean startup model, developing on-demand mobile services, and getting access to information, the main challenge for startup studio during this period, was getting the right type of information, and knowing how to apply it accurately (Lawrence et al, 2019). Leading examples from this period are: *Founders*, the leading studio in the nordics, which is based in Denmark and *eFounders* from France (Montgomery, 2016).

Ever since the startup studios model has started to take off, and encouraged by the success stories of *Betaworks* and *Rocket Internet*, hundreds of startup studios started to pop out, all over the world (Montgomery, 2016). For example, in the Netherlands, *StarterSquad* has been labeled as the “*european version of Betawork*”, while, in South Africa, where *Springlab* has successfully pioneered a very innovative startup studio business model (Diallo, 2015).

2.5.3 Business Model

According to the literature, startup studios' support model have revolutionized the startup ecosystem, and introduced a new model that can be best described as: a hybrid mix of co-working space, an incubator and a VC (Rampton, 2015). As discussed above, startup studios create new ventures the same way that factories create products, efficiently, systematically, and profitably (Lawrence et al, 2019). Thus, when it comes to their business model, as a rule of thumb, startup studios always build startups parallely, by generating fresh ideas, completely scrap the ideas that do not work, assign

entrepreneurial teams to the ideas that have proven to be working, then spin the ideas off into a separate entity, raise capital, grow the freshly spun off venture, exit and repeat the same business model over and over again (Szigeti, 2017; Szigeti, 2019; App'n'roll, 2015; Lawrence et al, 2019). They do so by leveraging multiple sources of expertise, combined with a very effective infrastructure, which makes the startup studio model as a whole very authentic, efficient and practicable business model (App'n'roll, 2015). Thus, the long-term vision of startup studios is to create entrepreneurial platforms, that make it easier for entrepreneurs to create even more startups in a sustainable way, and reshape the industry (Szigeti, 2016). While most startup studios generate all their ideas internally, other studios accept, acquire and invest in external ideas or companies, as a part of their portfolio (Lapowskytl, 2014). However, the main goal of all startup studios remains to experiment with lots of projects at the same time, accept failure, and strive for a major hit or two or even three (Lapowskytl, 2014). The end goal of the startup studio model is to sell every manufactured startup at a large profit, by providing in-house ideas, capital, team and support, in order to generate better inputs that will result in higher-quality outputs (Lawrence et al, 2019). Many studios aim for quick wins by positioning their portfolio companies in an ideal acquisition target, so they can use the money to build even more startups (Szigeti, 2016). On the other hand, other studios target the long run, by building unicorns that take over the whole market (Szigeti, 2016).

In order to succeed, startup studios follow the following process: First of all the studio hires a team of founders and experienced entrepreneurs, who generate multiple new ideas, that will be tested and validated, and the chosen ideas will be then supported with network, capital and resources, in order to test the idea and build an MVP, and in case the idea fails to fly, the resources will be reassigned (Lawrence et al, 2019). However if the idea proves to have potential, a dedicated team will be assigned, seed round will be raised, and an independent startup will be built and spun off (Lawrence et al, 2019). Afterwards, the startup will be scaled up, similarly to the previous phase, in case the startup fails to scale, the resources will be once again reassigned (Lawrence et al, 2019). However, in case the startup scales up successfully, the studio will try to exit the company and then repeat the whole process multiple times with multiple ideas repeatedly (Lawrence et al, 2019).

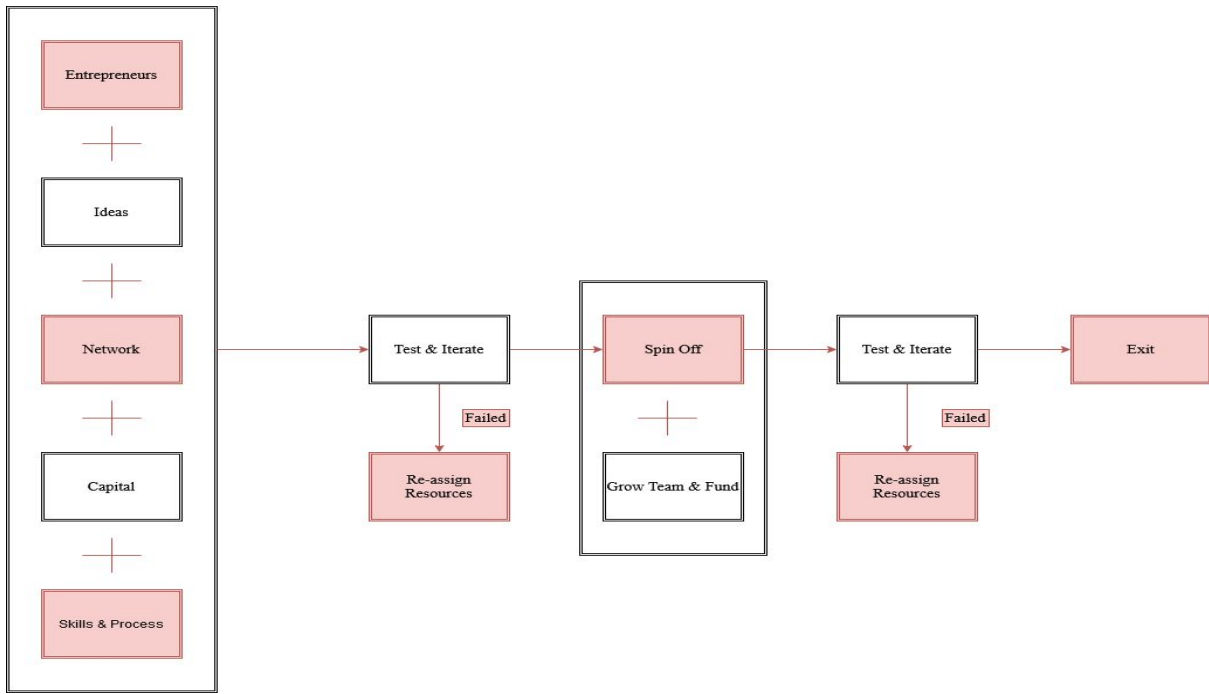


Figure 4. *startup studio process of building companies*

2.5.4 Types

When it comes to the types of startup studios, there has been a divide among the researchers, while according to some of the literature, startup studios can be broken down into three main types, the first one is *operator-led* studios, in which the studio becomes the central place where operators will discover and develop their next big idea (Rampton, 2015; Saba, 2014). The second type is *company-led* studios, which are usually founded by an existing business or a large organization (Rampton, 2015; Saba, 2014). Since these types of studios are directly connected to a company, this means that they have much more resources in terms of time, money, expertise and infrastructure (Rampton, 2015). However, in these kinds of studios it might be difficult sometimes to strike a balance between the new projects, the existing ones, and the new startup culture might also clash negatively with the existing cultures (Rampton, 2015; Saba, 2014). The third type of studios are the investor-led ones, which are mostly founded by early stage or pre-seed investing firms. However, these studios usually demand more equity than the other two types (Rampton, 2015; Saba, 2014).

<i>Operator-led Studios</i>
<i>Company-led Studios</i>
<i>Investor-led Studios</i>

Table 1. *Types of Startup Studios (1)*

According to other scholars, startup studios, just like incubators, accelerators and VCs, can be divided into various types, depending on the source of the talent, ideas and funding (Lawrence et al, 2019). The first type is called: “*Venture Builders*” and focuses on creating new companies from the ground up (Lawrence et al, 2019). *Venture Builders* typically fund ideation, validation, and early salaries and provide around \$250k of seed capital for each portfolio company. Examples: *Science Inc*, *Idealab*, *Pioneer Square Labs* and *Human Ventures* (Lawrence et al, 2019). The second type is the “*Agency Builders*”, these types of studios raise funds and resources through an external agency, in order to spin off their portfolio startups in exchange for equity (Lawrence et al, 2019). Quite often, these kinds of builders tend to have a lot of expertise in software development, media or advertising, e.g *Colab* (Lawrence et al, 2019). The third type of studios is “*VC Labs*”, which are typically attached to a larger VC firm, which pays for fees and operations of the lab, and invests in the portfolio companies. Example: *Primary VC* (Lawrence et al, 2019). The fourth type is “*Accelerator Studios*”, they behave as a mixture between a startup studio and an accelerator (Lawrence et al, 2019). These studios tend to have longer engagements, have rolling start dates like accelerators, and have a greater pool of funds just like a studio e.g: *500Labs* (Lawrence et al, 2019). The Fifth type of studios is called: “*Corporate Studios*” and are backed either formally or informally by a larger corporation, which provides the studio with powerful assets such as: the know-how, distribution channels, early customer, and IP (Internet Protocol). Examples: *Ideo Colab*, *PreHype*, *Mach49* and *BCG Digital Ventures* (Lawrence et al, 2019). Furthermore, there are: “*University & Government Studios*”, they leverage and commercialize the IP obtained from universities and government labs, in order to build tech startups. Examples: *Fed Tech*, *Anderson Venture Accelerator* and *UCLA* (Lawrence et al, 2019). Next type is the “*Racer Studios*” or “*Clone Factories*”, which seek to identify great proven startup ideas, clone and launch them and in different geographical areas e.g *Rocket Internet* (Lawrence et al, 2019). Another popular type is “*Hybrid Studios*”, in which startup studios adapt a mixture of models, or have a unique operating model. Examples: *10.10.10* and *Prehype* (Lawrence et al, 2019). Lastly, some studios lack a structure or a main process when it comes to building their portfolio companies, and consist of a loose group of entrepreneurs who work closely to spin off companies, by bringing in their teams and partners informally, Examples: *Bam Ventures* and *Elon Musk’s* suite of startups (Lawrence et al, 2019).

<i>Venture Builders</i>	<i>Agency Builders</i>	<i>Accelerator Studios</i>
<i>Vc Labs</i>	<i>Corporate Studios</i>	<i>University & government Studios</i>
<i>Racer Studios</i>	<i>Hybrid Studios</i>	<i>Mixed Studios</i>

Table 2. *Types of Startup Studios (2)*

As for the rest of the literature, startup studios are categorized into two types, based on the source of the ideas flow, whether studios are generating its ideas internally, or extracting the ideas from external sources (Kwan, 2016). According to the first scenario, studios such: as *Pioneer Square Labs* and *Idealab* generate ideas, validate business models and raise capital all in-house, from within the studio (Kwan, 2016). Once the new project is proven to have potential, and the product market fit comes to light, the studio then spins it off into a separate company, which later on, looks for additional co-founders, talented business developers and other professionals, in order to scale and grow its new validated business model (Kwan, 2016). In the second scenario, studios such as: *Expa* and *Betaworks* attract ideas from the outside by partnering up with driven entrepreneurs, who are looking to validate and build their own ideas into product market fit, as co-founders from the very first day (Kwan, 2016). What’s interesting, when it comes to the second type of startup studios, is that they tend to succeed tremendously with the external ideas that fall into their main area of expertise, e.g *Expa* studio specializes in user experience, system design and product strategy, while *Betaworks* on the other hand, excels in projects that have to do with data science and design (Kwan, 2016).

<i>Internal Ideas</i>	<i>External Ideas</i>
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Table 3. *Types of Startup Studios (3)*

2.5.5 Advantages

Unlike startup accelerators and incubators, whose main attribute is providing their portfolio companies with funding and mentorship, startup studios act as both a builder and a (co)founder of startups, by seeking new market opportunities, generating new business ideas to exploit these discovered opportunities, building MVPs, developing new products and spinning off new companies (Szigeti, 2019). By possessing both the in-house resources and a team of in-residence entrepreneurs, startup studios provide an ideal platform for founders to create, validate and build new businesses quickly and efficiently (Szigeti, 2019). As for the investors and capital providers, startup studios provide a steady source for future investments (Szigeti, 2019). On top of that, startup studios can flourish in underdeveloped startup ecosystems, by simply providing a suitable place for entrepreneurs, full of talent, financial resources and business opportunities (Szigeti, 2019). Thus, startup studios have several advantages over single startups, incubators, accelerators and VCs (Szigeti, 2019): The first major one is *diversification*, since startup studios start and build multiple companies at the same time, it allows the team of founders to diversify the risk, especially in the early stages, where the risk levels are the highest (Szigeti, 2016; Fishbein, 2020); The second advantage, is the *higher return*, since investing in an early stage startup is much more riskier, than investing in a public company, therefore startup studios get a bigger share of equity (Szigeti, 2016; Fishbein, 2020); Next advantage is *shared*

resources, which studios offer their portfolio companies, such as: funding, expertise, recruitment, sales and data (Szigeti, 2016, Fishbein, 2020); In addition, since startup studio's portfolio companies are built to scale completely independently from the very first beginning, startup studios do not face the same problems that big companies endure when growing (Szigeti, 2016; Fishbein, 2020); The last advantage is lays in the startup studio's ability to *enable* the core founder(s) and in-residence entrepreneurs of the studio, in order to start several companies at the same time (Fishbein, 2020).

2.5.6 Challenges

According to Fishbein (2020) and Szigeti (2016), despite having several advantages over other startup incubation models, startup studios also face many challenges. The first challenge has to do with the capitalization tables, due to the way teams are structured and equity is distributed, insufficient incentives, agent and principal problems might emerge (Fishbein, 2020). Moreover, since startup studios usually acquire a substantial chunk of equity shares, often exceeding 50%, in the companies they invest in or build (Szigeti, 2016), teams of entrepreneurs, who are responsible for running, developing and scaling the startups will have much less equity, which might cause discouragement, dissatisfaction, and conflict of interests within the studio (Szigeti, 2016). The next challenge can be ascribed to the dynamics of team building, and matching co-founders when assigning teams to run the portfolio startups, which might lead to establishing teams that may not function well together, which can harm both the potential of the startup and the environment of the studio (Fishbein, 2020). In the same context, conflict of interest might also arise, due to internal competition, since portfolio companies share the same resources within the startup studio (Szigeti, 2016), or in case, a portfolio company is directly competing with one of the VCs that is funding the studio (Fishbein, 2020). Furthermore, in order to hire a core team, pay for shared infrastructure and resources, build and scale up their portfolio companies, startup studios need a large pool of initial funds, which makes the studio's incubation model very capital intensive (Fishbein, 2020; Szigeti, 2016). Lastly, one of the biggest challenges that startup studios might face is resource and time management, since startup studios work on multiple projects simultaneously (eFounders, 2015).

3 Methodology

The following chapter examines the methodological approach utilized in the research study, with regard to the research design employed, the chosen research approach, the sample selection process, data collection methods and data analysis, as well as the validity and the reliability of the adapted methods

3.1 Research Design

Considering the fact that this study aims to describe the true nature of the startup studio incubation model, and generate a clear and distinctive understanding of the new phenomena, and due to the lack of sufficient prior research regarding startup studios in general, an exploratory research design was applied, in accordance with Bryman and Bell (2011), who support the usage of an exploratory research approach when ambiguity is present.

3.2 Research Approach

Due to the shortage and underdevelopment of the concept and state of the research involving the startup studio incubation model, a multiple case study approach appeared to be the most suitable way to handle the main research question (Yin, 1991), since it empowers the researcher to find answers to “why” and “how” questions, while bearing in mind the contextually related conditions, that the study believes to be relevant for the startup studio incubation model (Baxter and Jack, 2008; Yin, 1991, 1993). Typically, case studies integrate different data sources similar to interviews, observations, questionnaires and archives, as a mean of providing a well rounded description of a given phenomenon (Eisenhardt, 1989), which matches the intention of the author of this research. However, despite the occasional criticism for lacking rigor and being subjective, the use of case studies will be pivotal for this study, in order to broaden the existent knowledge concerning the startup studio incubation model (Yin, 1991; Noor, 2008). Therefore, to address this criticism, a multiple case study approach will be implemented, which makes it possible to draw comparisons between the chosen case studies, for the purpose of validating and confirming the emerging patterns, which will help expand the reader’s comprehension, in respect to the underlying concept (Yin, 1991; Eisenhardt, 1989; Baxter and Jack, 2008). Further, in order to thoroughly explore and understand the startup studio incubation model, the study will carry out semi-structured interviews, as a means for collecting the qualitative data, from the primary resources including the relevant experts, who were carefully chosen for the interviews. Moreover, to enhance the research findings, secondary data, such as: archival data and relevant literature were gathered and reviewed, to enable the extraction of the various theoretical

insights regarding the different incubation models and create a greater understanding of the startup studio incubation model.

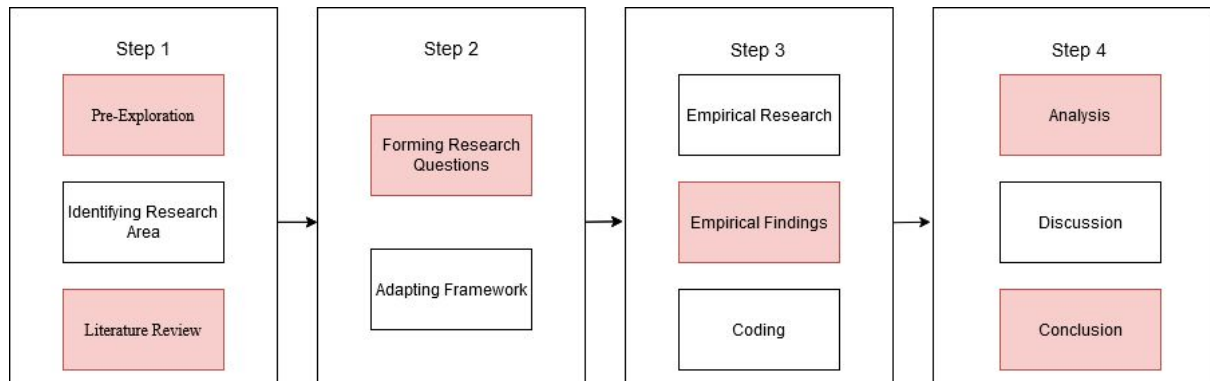


Figure 5. Illustration of research approach

3.3 Sample Selection

For this paper, in order to examine the fundamental dimension of incubation in startup studios, compare the similarities and differences between the startup studio and the other incubation models, and expand the researchers' understanding of the primary participants by exposing a variety of perspectives, regarding the research topic (Bryman & Bell, 2011), the sampling process followed a purposive approach. Thereby, research participants were strategically selected to cover the three relevant startup incubation models: startup studios, startup incubators and startup accelerators. For the startup incubator, “*GU Ventures*” was selected because firstly, it complied with Norrman and Bergeck (2018) main criteria for startup incubators: (1) supporting early-stage ventures; (2) providing shared office space; (3) supplying shared support services; (4) offering professional business support i.e coaching, mentors, seminars etc; (5) access to network. Secondly, *GU Ventures* was selected based on its accessible and convenient location, which helped the researcher with data collection immensely. As for the startup accelerator, the choice fell on “*Chalmers Ventures*”, since it perfectly matched with Pauwels et al. (2016) accelerator selection criteria, which consists of (1); startups were admitted in small batches or cohorts for a limited time-frame; (2) the admission process was based on teams of founders rather than individuals; (3) highly competitive application process; (4) it provided business coaching, workshops, mentorship and events; (5) it offered an initial investment up to 50,000 Euros in return for a small amount equity. Likewise, similar to *GU Ventures*, location also played a huge role behind choosing the startup accelerator, as a source for research data for this study. In regards to the startup studio, *Djäkne* was primarily picked because it fitted well with Kreusel, Brem and Roth’s (2018) startup studio selection criteria, by possessing the following characteristics: (1) for-profit; (2) supporting pre/seed start-ups; (3) private or corporate ownership; (4) it provides business mentoring,

know-how and credibility; (5) It offers startups shared infrastructure resources. Additionally, the author decided not only to interview the experts and representatives of the different startup incubation models, but also interview one portfolio company from each organization in order to generate a more comprehensive understanding of the fundamental dimensions of incubation of each startup incubation model, not only from the incubators point of view, but also from the incubatees point of view. The chosen companies were: *Scandinavian Fintech Innovation* from *GU Ventures*, *Alpha Therapy Solutions* from *Chalmers Ventures* and *Studybee* From *Djäkne Studio*. All of the participants were initially contacted via email, in which they were introduced to the subject, the purpose of the research, and the interview questions. Later on, after exchanging a couple of emails, the participants agreed to take part in the research. The interviews were mostly conducted virtually, due to the Covid-19 worldwide pandemic, six interviews were made in total, each ranging between 32 and 58 minutes.

<i>Name</i>	<i>Title & Company</i>
<i>Lorna Fletcher</i>	<i>Business Development, GU Ventures</i>
<i>Julia Larsson</i>	<i>Co-founder, Scandinavian Fintech Innovation</i>
<i>David Storek</i>	<i>Business Coach, Chalmers Ventures</i>
<i>Milton Lönnroth</i>	<i>Founder and CEO, Alpha Therapy Solutions</i>
<i>Marvin Bonsen</i>	<i>Co-founder, Djäkne Studio</i>
<i>Johan E Henricson,</i>	<i>Partner, Djäkne & CEO at Studybee</i>

Table 4. Overview of the sample selection

3.4 Data Collection Method

For this study, the primary source of data was semi-structured interviews, using an interview guide, which allowed the author to respond to the interviews spontaneously and contribute to the interview, while staying on the interviews general track and keeping time (Bryman and Bell, 2011). By following the semi-structured interview approach, the research was also able to skip some interview questions depending on the context of each interview (Saunders, et al., 2016). Moreover, the semi-structured interview approach applied in this research, allowed the participants to enjoy the needed freedom to follow up their answers with the needed additional information (Saunders, et al., 2016). The interviews were carried out between May and July in 2020, mostly digitally (Zoom, Microsoft Teams, Google Meet) in person or via the phone. Before kicking off the interviews, the

researcher quickly introduced the purpose of the interview, asked the participants for their consent to record the conversation, and if they had any questions or concerns before starting the interview. During the interviews, the researcher started off by building rapport with the interviewees, then questions regarding the specific organization, its business model, offerings and support programs were asked, and finally the interviews were concluded by asking if the participants had any questions or comments to add. In addition to taking field notes, the interviews were, as recommended by Creswell (2014), recorded through audiotaping via a mobile app called: “*Voice Recorder*”, and lasted between 32 and 58 minutes in English. The transcribing process took over a week to complete and resulted in 23 pages long of text. By interviewing, recording, taking notes, and transcribing the audio interviews, the researcher was able to carefully collect, highlight and analyse the data (Bryman and Bell, 2011) and increase the overall qualitative validity of the study (Bryman and Bell, 2011).

Furthermore, in order to expand the knowledge and complement the research results (Bryman & Bell, 2011), the paper used secondary data sources for the literature review, including online databases such as: Gu-Library and Google Scholar. The author turned also for external sources of data on the internet, such as: digital websites, articles, industry reports and journals.

3.5 Data Analysis

For this study, a qualitative approach was followed to gather and analyse the data. According to Eisenhardt (1989) the process of analysing the gathered data can be carried out in two simple steps: by firstly analysing the within case data, which typically involves a detailed case study write up for every case, and secondly, when the first step is done, the author must search for cross case patterns, which can be executed without generating invalid conclusions, as a result of information processing biases (Eisenhardt, 1989). Therefore, Eisenhardt (1989) suggests, based on the literature and the research problem, that the researcher must choose the dimensions needed to carry out the analysis (Eisenhardt, 1989). Overall, preliminary notes were taken during the interview and audio recordings were made. Then, the author manually transcribed and coded the audio recordings using theme regrouping (Creswell, 2014; Creswell, 2007). Lastly, the researcher went through all the transcripts, in order to control the accuracy of the coding technique, and ensure that the results are more reliable (Bryman and Bell, 2011).

3.6 Validity and Reliability

3.6.1 Validity

Research validity demonstrates to what extent the results can be generalized (Bryman and Bell, 2011), hence, in order to ensure and increase the probability of the qualitative validity of this study, the researcher made sure to record, take notes and transcribe the interviews on a regular basis, which helped accurately analyze the data by being access to the data over and over again (Bryman & Bell, 2011).

3.6.2 Reliability

The reliability of research design stands for how reliable the acquired data is and to what degree can this data be replicated (Bryman and Bell, 2011) Thus, in order to increase the reliability of this paper, an accurate documentation of the data collection process i.e selection of respondents, interview guides and transcripts were all kept. Furthermore, by revisiting and listening to the interviews recorded audio tapes, the researchers were able to carefully and systematically transcribe the interviews.

4 Findings

The following chapter highlights the findings gathered from the conducted, transcribed and coded semi-structured qualitative interviews, as well as all the relevant secondary data acquired during the data collection phase.

4.1 The Startup Studio

Background

For the last two decades, *Djäkne* startup studio has stood out as the number one startup studio in the south of Sweden. Fully equipped with highly experienced teams of founders, partners, employees, developers, in-residence entrepreneurs and accountants, who have successfully built and spun off more than forty startup projects, right in the heart of the city of *Malmö*. *Djäkne* is a mixture of a unique combination of startup support organization, co-working space, consultancy firm, and a coffee bar, all under one roof, which makes the studio a hotspot for facilitating entrepreneurship, networking, building and supporting startups.

Business Model

Djäkne's studio model can be explained best by describing its three main offerings: The first layer of *Djäkne's* studio model is “*Djäkne coffee bar*”, which does not only sell cold and hot beverages, but is also a buzzy hub for entrepreneurs, developers, freelancers and anyone, who is interested in entrepreneurship, looking for a co-founder or has a business idea to test and further develop. The cafe also serves as a meeting place, where many entrepreneurial networking events take place, which attracts investors, startup companies and talented entrepreneurs to the studio, and results in a positive spillover effect for both, the studio's team of founders, in terms of discovering new opportunities, enhancing the studio's social capital, and expanding the studio's operations, and the portfolio companies, who gain more exposure to potential customers, capital, talent and partnerships. On top of that, the coffee bar also contributes to *Djälne's* multiple revenue streams of income, and helps provide more value for the co-working membership package, by including free fresh coffee and breakfast to sweeten the deal, and ease the pressure on entrepreneurs tight pockets, plus, having a nice “*Fika*” every now and then “never hurts”, according to the founders of the studio.

The second part of *Djäkne's* multi offering is the attractive “*Djäkne Co-working Space*”, in which the startup studio grants entrepreneurs, professionals and freelancers access to a very central, easy-to-reach and inspiring office space, with all the needed equipment and tools to ensure value, comfort and practicality to everyone involved. In addition, co-workers can get a lot of value from

Djäkne's community of creative, aspiring and passionate entrepreneurs, who can support, teach and learn from their peers. *Djäkne's* co-working membership includes four main different alternatives, a half-day pass, a full-day pass, a 10x pass, and a monthly pass, in order to provide an attractive and flexible membership offer, that can fulfil the different needs of the studio's targeted audience. Further, each pass grants coworkers access to a whole lot of shared perks and benefits e.g access to flexible working spaces, free coffee, fast Wi-Fi internet connection, parking spot, shower, kitchen etc. Similar to the principle behind the coffee bar, *Djäkne* utilizes the co-working space not only as an important and additional stream of revenue, but also as a mean for establishing new connections, getting more traction, extending the studio's network, in terms of talent and recruiting, reaching new markets and signing new partnerships, which can also affect *Djäkne's* portfolio companies positively, while looking for new hires, making introductions, or developing new ideas, business models and products.

The third and most important aspect of *Djäkne's* offerings is the actual "*Startup Studio*", which is considered to be the main source of income for *Djäkne*, and where founders, partners and employees get directly involved in building, developing, supporting early stage internal and external startups. The startup studio's main goal is very simple, as *Marven* (Skype interview, 29 July 2020) told us, it's to start companies.

"It's a very different model, it's a model that has proven to work in other industries, so I think if you mess it up a couple of times, you are going to get good at doing it in the end, and if your passion is to start companies, and you have all the resources, and have a lot ideas, it's tempting not to limit yourself to a one single idea"

Selection

As for external startup selection and admission, *Djäkne* is mainly interested in early stage innovative high tech startups, according to *Marven* (Skype interview, 29 July 2020) preferably in the B2B (Business-to-Business) domain, and founded by experienced entrepreneurs.

"We love to incubate successful companies with a second level of experienced founders who might want to start new things, it is also really critical that founders can show they understand all the drivers in their business. Things like how they drive customer acquisition costs get users to engage and use the product, and how that translates into revenue, which is hopefully, at the end of the day more than the cost of acquiring that user. So it really helps to be able to show some element of proof that this is really happening".

Applicants must also have secured at least one or two paying customers, in accordance with *Djäkne*'s "Lean Startup" philosophy and must operate in a booming market, as stated by *Marven* (Skype interview, 29 July 2020),

"At Djäkne, we have learned over time that successful companies are built by strong teams going after big addressable markets".

Incubation Model

Marven (Skype interview, 29 July 2020) also indicated that when starting or supporting both internal and external projects, *Djäkne* defines its main role as a "co-founder" whose main focus is to validate, build, develop and grow internal and external startups in-house, by providing all the needed business, technical and strategic support, to help entrepreneurs face and overcome the most common challenges, and pitfalls during the early stages of startups.

"Most of Djäkne's companies are based on internally generated ideas, but we do invest in select early stage companies that are started by others if they are working in areas that synergise with Djäkne's network and skills".

Djäkne incubates and develops startup ideas from both, inside and outside the studio, and since there is no fixed duration for the incubation process, startups can apply to become a part of the studio all year round. Once accepted, the number of supporting hours spent with *Djälne*'s teams are negotiated, alongside the amount of capital invested and the equity stake acquired, Which is typically somewhere between 25-35 % of equity shares in exchange for 50000 to 525000SEK.

As for internal projects, the business idea must go through a verification and refinement process before it gets funded, assigned a team, and spun off as a new independent company, as *Johan* (phone interview, 23 July 2020) explains:

"once the idea gets past a certain point to prove the concept, Djäkne would typically fund the project with seed capital and we would turn into an incubated company".

Infrastructure & General Support

Typically, *Djäkne*'s incubation efforts are all focused on developing, scaling and growing both, their portfolio companies and external projects, by providing a pool of shared infrastructure and resources, which includes access to the most important aspect of *Djäkne*'s support, which is the skills and

experience of the studio's teams of founders, partners, in-residence entrepreneurs and developers. This support is considered by the founders, including *Johan* (phone interview, 23 July 2020), to be essential for the incubated startups to survive.

“At Djäkne, we give them access to a full range of startup support, our business contacts and other portfolio companies, we work closely with the founders”

Moreover, in order to promote self sufficiency and efficiency among the portfolio companies, milestones such as building an MVP, securing a paying customer and releasing the end product to the market, are all included in the terms sheet during the due-diligence phase. As for general startup support, as told by *Marven* (Skype interview, 29 July 2020), *Djäkne* provides startups with access to a pool of shared infrastructure and general resources, such as office, meetings and conference rooms, free coffee, internet connection, business address, lockers, printing machines, kitchen and showers.

“At Djäkne, we have our own infrastructure made of shared resources like: office space, back-office solutions, technical tools, software management processes, and a multi-disciplinary team”.

Business Support

In the same manner, when it comes to business support, *Djäkne* does not offer the startups a fixed curriculum, instead, the founders and partners believe in and highly encourage the concept of learning by doing, which includes a partial mentorship and business support on and off the premise of the studio. Hence, *Djäkne* offers its portfolio companies all the know-how, knowledge and experience its team of founders, partners and developers have to offer, which includes: business mentorship, coaching, business development, accounting and consultation, which means that entrepreneurs can reach out to *Djäkne's* teams for help at anytime. Moreover, *Djäkne* prides itself for its highly experienced team of software developers and engineers, who, as *Johan* (phone interview, 23 July 2020) suggests, can support the studio's portfolio companies in all the technical aspects of the business development, in terms of coding, web and application development, fixing bugs, maintenance, SEO optimization etc.

“By building several projects a year with the same team, we can reuse our infrastructure, software and best practices across products”

What's interesting is that *Djäkne's* internal development team can be assigned to both internal and external projects, which includes offering business development and consultation services for both

portfolio companies, which allows the studio to recover its operating costs, and pay salaries on time, while growing their existing enterprises simultaneously. And established corporates, which creates an additional source of income, boosts the social capital of the studio, and benefits the portfolio companies strategically.

As for funding, *Djäkne* has established its own investment fund, “*Djäkne Fund*” in order to grow its portfolio ventures internally. The studio owns 51% of the fund while the remaining 49% is split between the partners, each receiving between 2-4% as a part of their employment package, which creates a win-win situation and aligns the interests of all parties within the startup studio. All in all, *Djäkne*'s model believes deeply in creating a win-win situation for all the stakeholders involved in the studio, where building, developing, growing and spinning off new projects, enables the founders to discover new opportunities, extend their network, sharpen their skills and make financial gains. As for the partners, *Djäkne* provides access to new opportunities, investments, technologies for a very small cost. For *Djäkne*, it provides the opportunity to generate a stable revenue, which can be used over and over again to sustain and facilitate the studio's business model. For startups, it means getting their hands on a world class business, financial, network and technical support.

Access to Network

In relation to networks, *Djäkne* possesses a huge network, especially in the financial sphere, due to its continuous involvement in a lot of financial transactions each and every single day, as well as having a well connected team of partners and entrepreneurs. *Djäkne* also has a very special and rich entrepreneurial environment, which mainly consists of: the portfolio enterprises, who use the studio's semi-open office spaces in Malmö, as their main headquarters; a coffee bar, which is used as a meeting point for entrepreneurs from inside and outside the studio; In addition to the co-working space, which is being occupied by bright talents. Which makes *Djäkne* a perfect hub for facilitating entrepreneurship in the southern region of Sweden. This unique and concentrated entrepreneurial mix, creates a creative and supportive startup environment that fosters and promotes regular interactions and collaborations, among the various startups and the partners team, and provides a flow of networking opportunities for the portfolio companies. On top of that, the studio team actively attends networking and startup events, in order to expand the studio's overall network, and thereby provide its portfolio companies with valuable networking opportunities.

4.2 The Incubator

Background

GU Ventures started as a holding company in the city of Gothenburg, for the purpose of building, financing, developing and exiting startups that have a commercial potential, and originate, or have a direct connection to the *University of Gothenburg*. Thus, *GU* regards itself as a natural business partner to the *University of Gothenburg* and its researchers, by providing business development services, investing capital, and being a part-owner in the early stages startups that spun off from the university. As *Lorna*, (personal interview, 5 June 2020) explains:

“We are driven by the the University of Gothenburg despite the fact that we are owned by the government”

However, over the years, *GU Ventures* has evolved into providing incubation and funding services to science, tech seed- and early-stage startups, founded by competent employees, researchers and scientists, who are eager to commercialize their research findings, which was carried out in the labs of the *University of Gothenburg*. *GU* is entirely administered by the *University of Gothenburg* and fully owned by the Swedish government, and financed by different actors including: the *University of Gothenburg*, *Västra Götalandsregionen*, *Vinovva*, the *European Union*, and *Tillväxtverket*.

To date, the swedish incubator has been ranked among the top ten university incubators in the world (*UBI Global*), and has developed more than 190 new startup ideas, which resulted in more than 149 new ventures including 54 exits, 12 stock exchange market listings, and a total of over 3 billion SEK in raised capital. Today, *GU Ventures* portfolio is made of 63 startups, in which 67% of them complies with the sustainable global goals laid down by the united nation.

Selection

In order to be eligible for the incubation program, startups must have a unique idea with a high global growth and commercial potential, preferably in life science, environment, food, energy or IT. The idea must also have profit opportunities that are aligned with its target market and have a potential for making a successful exit in the future.

Incubation Model

GU's process of incubation is made of five main stages: 1. *Concept*, 2. *Analysis*, 3. *Entry*, 4. *Business Development* and 5. *Exit*. Thus, when a founder or a researcher, who has a new business idea or concept, applies to join the incubator, the first step would be to make the idea go through a

“*Verification Process*” that is done via many research and innovation actors, within the *University of Gothenburg* ecosystem. This process is called: “*Verifiering för Tillväxt (VFT)*”, which stands for “*Verification For Growth*”.

“*We place a lot of resources into portfolio companies and we ask ourselves, how can we further use this awesome technology*” Lorna, (personal interview, 5 June 2020)

Then, after a successful verification trial, the idea providers are invited to: Option 1: become a part of the *GU Ventures* family, Option 2: Advised to think through their business idea once more, or option 3: turn to other startup support actors, in order to continue developing the new venture idea. Next, once the idea gets successfully verified, and in order to successfully commercialize the idea, and build a startup around it, *GU* offers its portfolio companies +20 years of unique and rich business experience, in terms of starting new companies and business development, by assigning each startup to a senior business developer, or as employees at *GU* prefers to call it a “*Contact Person*”, whose main job is to connect and link startup founders to *GU Ventures*, provide business development services, do follow ups, as well as help startups in case they need more capital or lack a team member.

“*Once the idea is verified and the business model is in place, we call the idea providers for a meeting, where we all sit down, and say: this is how we are going to move the idea forward*” Lorna, (personal interview, 5 June 2020)

Infrastructure & General Resources

GU ventures main incubation services and perks include: access to business startup facilities, office spaces and science labs, administrative services, operational business development through a board position or management function, continuous professional education and training, a first class business mentorship, feedback on ideas, help with questions and valuable follow ups.

Business Support

GU's experienced business developers provide entrepreneurs with top personal competence development, project and business planning, help with building the organization, recruiting and HR, business modeling, accounting, corporate law, marketing, verification and right protection.

“*I do experience that they (business developers at GU Ventures) provide us with both mentorship and also their experience, and the way i work with GU ventures is that we do kind follow ups, i do have a contact with my contact person at GU Ventures quite frequently, and that can be for different types of*

questions, like, if we should move forward with a specific strategy, if we need some of soft capital, or if we in any need of another person to come in into the team, we can always turn to them and share our ideas and thoughts and they will give us feedback". Julia, (personal interview, 2 June 2020)

Similarly, In the technical side of support, *GU* offers startups intellectual property (IP) protection services; access to technological help, assistance and benefits by leveraging its enormous network, organizing tech events, seminars and workshops, where founders get to meet like minded people, co-founders and talented workforce.

As for funding, the incubator offers its portfolio companies two types of capital investment. The first type is called "*Project Capital*", which amounts to a total of 300,000 SEK, and can be used to verify the viability of a business idea. The second type is called "*Ownership Capital*" and ranges between 100,000 and 1,000,000 SEK for each viable business concept.

"In regards to financial services, they do say that we can access like up to 300k in soft capital, and we haven't accessed all of that capital yet, but also when you are a part of the GU venture program then you can access more capital, if that was necessary, and it's also easier to access the capital because then they basically verify that you have an interesting business, you do have a need that you will fulfil and everything like that" Julia, (personal interview, 2 June 2020)

"So when it comes for us to applying for soft capital, we do get a really good help from our contact person at GU venture, they basically provide us with the questions that we need to answer, how should we apply for money, and like an application of how we can do everything perfectly" Julia, (personal interview, 2 June 2020)

Access to Network

GU ventures provides its startups with a huge network of business developers, serial entrepreneurs, business partners, potential customers, investors, researchers, scientists and talent, which provides the portfolio startups with a unique mix of network access, that includes personal introductions and recommendations. On top of that, since 2003, the incubator has been a member of the startup incubation network in the west region of Sweden "*Västra Götalandsregionen*", and a member of the national incubation program in *Almi*, which extends the network of the incubator, and enables *GU* to further support its companies in terms of verifying business ideas, business development, funding, recruitment, partnerships, exploring new markets and acquiring new customers.

“I think that the most important network service that they (GU) offer, they really open up their own network to you, so i know that they did a lot of events before Corona and everything, but now they kind of decreased a little bit, but i feel very safe in that whenever they recommend me to someone, or they recommend someone to us” Julia, (personal interview, 2 June 2020)

“when we talk with other organizations such as Almi, or VGR (Västra Götalandsregionen), when we say that we are part of GU ventures, they really appreciate that, it's like a very good thing to be, so we do gain a lot of traction just for being a partner with them”. Julia, (personal interview, 2 June 2020)

“And I mean it's really interesting, because we do get all of this email all the time, like i got this link, or you should contact this person because he knows a lot about Fintech, or if you need any developer for your project, we have a great one here, so you know, i do get a lot of emails that are putting me out in the network all the time” Julia, (personal interview, 2 June 2020)

4.3 The Accelerator

Background

Chalmers Ventures is a well known unique startup accelerator, located in the city of Gothenburg, the accelerator is fully owned by the *University of Chalmers*, and ranked as the number one startup accelerator in the Nordics, and one of the top ten university accelerators in the world (*UBI Global*). Since 1999, the accelerator has worked with more than 600 startups, from which it invested in more than 200 companies, and successfully exited 29 of them.

Selection

First and foremost, in order to get admitted into the accelerator program, the idea behind the startup must be feasible, innovative, scalable, have a huge growth potential, can be expanded internationally and attract customers interest. Then, the startup must have a very passionate entrepreneurial team of founders, who are experts in their field, should be or have been in one of *Chalmers Ventures* incubation programs or have a direct connection to *Chalmers University*. *Chalmers* invests mostly in unique tech and innovative startups that have a huge growth potential, and supports startups from all stages. Furthermore, While applying, *David*, (Microsoft Teams Meeting interview 29 May 2020), suggests that entrepreneurs must pitch their ideas.

“entrepreneurs must pitch their startups, what you have got going in your startup, your technology, what your plans are, what is your business development and so on and so forth”.

However, *David*, (Microsoft Teams Meeting interview 29 May 2020), insists that the most important part of the pitch for *Chalmers* is providing evidence of existing paying customers.

“So when a company comes to us, or when a project comes to us and they say we have the best cure for cancer, then we say: ok, what do the customers say?”

This means that if a startup has managed to develop a new drug for cancer treatment, it should include in its pitch an evidence that the founders have, for example, talked to *Astrazeneca*, or done a project with *Abeco* or any other healthcare company that is showing a solid interest in the startup’s disruptive technology, as *David*, (Microsoft Teams Meeting interview 29 May 2020), explains:

“And if that is the case, then we say wonderful, so you both have great technology, you have customers that say it's a great technology and you seem to have a great team of people, then, then you should work with us”.

Afterwards, based on the pitch, *Chalmers* decides if the startup is ready or not for acceleration, where in the first case, the startup will be admitted into a pre-acceleration phase, and in the second case, the startup is deemed ready for the next step, and it will go directly into the acceleration program, in which the startup will be further developed, to become ready to take in investors money, grow and hopefully make an exit in the future. Thus *Chalmers* main mission, according to *David*, (Microsoft Teams Meeting interview 29 May 2020). is to create value through startups

“our mission is to do venture creation and create value from startups or through startups”

Incubation Model

In order to fulfil its core mission, the accelerator supports entrepreneurs and startups in three main ways. The first part of the unique three fold combo, is all about providing aspiring entrepreneurs with an access to the *Chalmers* “*Pre-Accelerator*”, which helps prepare the startups to enter into the actual “*Acceleration Program*”. Despite being fully owned by *Chalmers University*, applicants do not have to be connected to the university, and all projects are welcomed, and encouraged to apply from everywhere at any stage. However, In order to be eligible to enter into the pre-accelerator program, startups must be a registered formal Swedish limited company. Once the project is selected, *Chalmers* does the rest, it helps the entrepreneurs then create a company that is qualified to enter the main startup accelerator. During the pre-acceleration stage, *Chalmers* offers the admitted projects different types of support, such as: “*Startup Camp*”, in which anyone from Sweden, who has a good tech-based

idea and a team, can apply to and go through. The main goal of the *Chalmers* pre-acceleration startup camp, is to prepare the founders and the startups for the presentation, when applying to the actual accelerator. *Chalmers* pre-accelerator also provides incubation services for university based innovative deep tech startups, that have patents and are willing to share this new technology with others, but they don't have the time to start a business, since they want to continue focusing on research at the university, and his where *Chalmers* comes into play, and matches this deep tech idea with entrepreneurs from *Chalmers School of Entrepreneurship*, who are eager to start building new companies, but lack the innovative new idea, which creates a win-win situation and makes everyone's happy.

“We create lots and lots of companies this way and it's very complicated process because it involves marriage between people who have never met each other, they have to go through dating stage, honeymoon stage, marriage stage, so many things that can go wrong but in the end, every year we get maybe new four or five companies formed this way”, David, (Microsoft Teams Meeting interview 29 May 2020).

Another form of *Chalmers* pre-accelerator support is specifically tailored towards the researchers from *Chalmers University*, which is called: *“Chalmers Transformation Track”* and is considered to be the easiest way to get into the accelerator. During this program, David, (Microsoft Teams Meeting interview 29 May 2020) clarifies, researchers get help in very special ways, which also includes the matching process with entrepreneurs from *Chalmers School of Entrepreneurs*.

“We give them (researchers) a very good treatment in the technology transfer tract, we also create a number of really nice companies each year this way”

The second part of *Chalmers* value proposition, and the main tool for facilitating, supporting, developing and growing startups is the *“Startup Accelerator”*, which includes an 18-month acceleration process, that helps entrepreneurs focus on what they can do best, which is building companies, while leaving the rest to the accelerator to take care of. *Chalmers* offers its portfolio companies up to 300.000SEK in funding and follows a strict policy of *“Not To Charge Startups Cash”* for its services, instead the accelerator takes 2.5% in equity shares from the startup, once it enters the acceleration program. Additionally, by going through the acceleration program, startups can access up to 5MSEK in seed capital and up to 12MSEK in growth capital investment. Afterwards, this two and a half percent share stake will be later converted into money, once the portfolio company makes an exit, and the money will be brought back into the process of accelerating new startups all

over again. This investment process adopted by *Chalmer Ventures*, is called an “*evergreen process*”, which means that *Chalmers* 400MSEK capital fund never gets depleted in the long run, and stays green, self-sustaining and sustainable.

The third part is the “*Investment Stage*”, where *Chalmers* provides its portfolio companies with access to its 400MSEK own fund that is managed by four investment managers. What’s interesting is that the accelerator always co-invest together with other investors, VCs, private investors and other actors e.g *Almi*, for the sake of forming an investment syndicate. This means that, for example, if a startup needs 3-5MSEK as a first round of investment after the 18-month acceleration program, then *Chalmers Ventures* will get in touch with its associates and investment partners, in order to form an investment syndicate, with two or three other investors e.g *Chalmers Ventures* goes in with 2MSEK, someone else goes with 2MSEK and *Almi* invests 2MSEK, together, the syndicate will reach a total of 6MSEK, which is considered to be a typical first round of investment in the industry. Afterwards, these initial investments are followed up later on by more investments, since startups usually need a series of investment rounds to scale their business successfully. Thus, *Chalmers Ventures* starts the funding process all over again, and investment managers will try to follow up on these investments, by forming new investment syndicates, to help portfolio companies thrive and achieve future exits.

“Nobody else has this triple combo if you wish or triple approach, nobody else in Sweden, well everybody is trying, trying, but nobody does it as good as we do” David, (Microsoft Teams Meeting interview 29 May 2020).

The whole goal of the acceleration program, including the pre-acceleration and the investment stage, is to enable *Chalmers* portfolio companies to make a successful “*Exit*” , after 6-10 years. An exit usually takes place when a larger company buys the startup, or when the new venture goes public on the stock exchange market, and sells its shares to the public, enabling the accelerator to sell and convert its own shares into money, which will be re-invested once again to grow the next batch of innovative tech startups.

Infrastructure & General Resources

As discussed above, startups who join *Chalmers* will receive a great overall general package and access to resources, such as a 300 000 SEK initial investment, a package of services and free credits from the accelerator partners, the opportunity to pitch to investors during the demo days, and access to an extensive global and local network of investors, coaches, and mentors, and of course, access to free office space, and a lot of free coffee.

Business Support

By getting successfully admitted into the acceleration program, startups will receive access to the support of twelve dedicated full time business coaches and four investment managers, who will provide the incubatees with business education, advice, mentorship, guidance, seminars, and support on how to set up and manage the new venture, how to make it look as good as possible for investors, and how to develop a fitting business model, as well as help and support with marketing and public relations (PR), HR and recruitment, pitching skills training and offering administrative support. In addition, *Chalmers* has its own separate legal department, which extends the accelerator's list of incubation support even further, and helps the incubatees with all the legal questions and issues.

Access to Network

As for networks, *Chalmers Ventures* is well known for its huge network reach, that ranges from valuable partnerships with all the major public and private startup actors in the region, IT companies, alumni network, to organizing leading startup events, competition and demo days. Thus, empowering portfolio startups to benefit massively, by gaining access to a vast network of investors, partners, potential customers and talent, which can help its startups to scale, penetrate new markets and raise capital.

5 Discussion

The next chapter will discuss and contrast the findings of the study in relation to the three main dimensions of startup incubation: *infrastructure*, *business support* and *access to network*.

5.1 Dimensions of Startup Incubation

In general, all three startup incubation models, *Djäkne*, *GU* and *Chalmers*, provide their incubatees with support in all three main dimensions of startup incubation. However, contrary to *GU* and *Chalmers* who focus on supporting external startups, *Djäkne* provides incubation support for both internal and external startups. As for the in-house startup incubation support, *Djäkne's* incubation model complies with *Lawrence et al (2019)* and *Diallo's (2015)* writings, in which the studio devotes its time, expertise, efforts and cash into building startups repeatedly and efficiently, by bringing in founders, developers and in-residence entrepreneurs under one roof. Same goes for external startup incubation support provided by the studio, which also conforms with *Lawrence et al (2019)* view, and matches to a big extent *Chalmers* and *GU's* startup incubation models, in terms of granting ambitious startup founders access to a well-established shared infrastructure, resources and services, such as fundraising, HR and legal services. However, many distinctions between the studio's external incubation support model, in comparison with the incubator and the accelerator, can still be spotted, such as the amount of capital invested, and the amount of shares bought in exchange for this capital, the amount risks taken and the duration of incubation support.

5.1.1 Infrastructure

Compared to the other startup studios, *Djäkne's* infrastructural and general support package is quite similar to the one offered by most startup studios, described by *Sziget (2017)*, which includes having an experienced team of founders, partners, in-residence entrepreneurs and employees, as well as having a pool of in-house shared resources, shared infrastructure and access to funds. However, in comparison to the other startup incubation models described in this study, such as *Chalmers* and *GU Ventures*, when it comes to infrastructure and general support, and despite all the similarities, in terms of providing access to office space, *Djäkne* offerings seem to stand out, by providing its portfolio companies with a well-developed overall internal infrastructure, a pool of in-house shared resources. made of useful tools, serious processes, talented people, and a strong well connected network, as well as providing all the essential infrastructure resources, such as: office space, access to common, meeting and conference room, access to a fast wireless internet connection, free coffee, free lockers, showers, parking spaces, and everything in between. Which makes the studio's infrastructure, general support and shared resources, not only perfect for their portfolio companies, but also for the studio's

own team of employees, partners, developers and founders, as well as co-workers, professionals and aspiring entrepreneurs, who are looking to develop new projects effectively and efficiently.

5.1.2 Business Support

When it comes to the second dimension of startup incubation, all three startup supporting organizations in the study seem to offer their portfolio startups a staggering +20 years of valuable business experience. Nevertheless, what's really unique about *Djäkne*'s business support is the depth of the studio's human capital, in relation to *GU* and *Chalmers*, who also provide their incubatees with access to great business developers, coaches and mentors. However, the startup studio takes the concept of business support a step further, by providing access, not only to business developers, coaches and mentors, but also to a whole dedicated team of partners, experts, web engineers, developers and designers, accountants, and in-residence entrepreneurs, who can help the startups to face all the early stage challenges, develop their businesses, and scale up their operations effectively and efficiently, all in-house and under one roof. Furthermore, by choosing the startup studio, startups get a direct access to all the experience, knowledge, skills, abilities, talents, intelligence, wisdom, training and judgment, possessed collectively and individually by *Djäkne*'s human capital, which can be used to support startups with business development, IT, coaching, mentorship, accounting, consulting services, design, customer development, raising capital, staff resources, designing new business models, legal issues, building MVPs, conducting market research, branding, hiring, and sales

Another key distinction in the business support dimension can be attributed to the structure of the this support, in which the startup studio, contrary to the rest of the research sample, does not offer its incubatees a pre-defined and fixed business educational curriculum to follow, which typically includes: business workshops, seminars and mentorship sessions, instead, in order to promote self efficiency, and productivity among portfolio companies, *Djäkne* encourages the concept of “*learning by doing*”, where startups have to work independently, and approach the partners for help, consultation or support at any time.

Furthermore, what is also unique about *Djäkne*'s business support package, relative to *GU*'s and *Chalmers* packages, is the business consultation services, which are provided by the studio's team of partners, to both portfolio startups, at a low margin, and to established firms, at a higher margin and only takes place, if there was a strategic benefit to the studio's own portfolio startups. On the flip side, in order to receive the studio's business support, in contrast to both the accelerator and the incubator, startups must continuously keep reaching new milestones eg. developing a new product, securing a new customer or reaching a certain figure in sales.

In relation to technical assistance, *Djäkne* also seems to have the upper hand over *GU* and *Chalmers*, by assigning and dedicating a whole team of fifteen IT-professionals, including engineers, web developers and designers, software developers, front and backend developers, for the sake of fulfilling the technological needs of the studio's portfolio startups.

As for funding, despite the difference in the size of the actual investment, all three startup support entities have their own private investment funds. However, the startup studio tends to invest a much higher amount of capital, time, efforts and resources into both, in-house and external portfolio companies. Furthermore, unlike *GU* and *Chalmers Ventures*, the studio has two main funds, the first one is an internal one, which enables *Djäkne* to attract and recruit top tier talent, pay salary payroll on time, and pay for the studio's infrastructure and pool of resources. While the second fund one is entirely aimed at investing in both internal and external portfolio startups. On top of that, what's really unique about *Djäkne's* second fund, is the structure of the fund, i.e how the equity shares of the fund are distributed among the founders, partners and employees of the studio, where the founders of the studio own the majority (51%) of the equity shares in the fund, while the partners own the rest (49%) of the equity shares, as a part of their employment package. By doing so, *Djäkne* aligns the interest of its human capital with the interest of its startups, and their own interest while building, developing, growing and exiting new projects, which creates a win-win situation for everyone at the studio, and eliminates any possible conflict of interest, that might happen in case *Djäkne* starts an internal company, that is directly competing, or very similar to a portfolio company, which is considered to be a huge challenge in the startup studios industry, as discussed before. In the same context, *Djäkne* does not only offer more financial support, but the studio also makes sure to earn its money back, by charging the startups for its consultancy services, selling light snacks and beverages, and profiting when a portfolio startup makes an exit. This way, the studio ensures that it has sufficient capital inside its investment fund, with the aim of investing in future projects. Lastly, despite the major differences in the outlook of the financial support, *Djäkne*, similar to *GU* and *Chalmers*, also accepts external investment in its portfolio companies, and even co-invests with other public and private investors in the studio's portfolio startups.

5.1.3 Access to Network

In regards to network access, all three organizations do an outstanding job in leveraging their networks, to support the startups in facing all the common early stage startup challenges, such as: funding, recruiting, market penetration, discovering new customers, and making new partnerships. However, much like all the previous support packages, the startup studio, once again, goes a step further, by supporting its portfolio companies with a unique community, internal and external

network, which consist of: Firstly, *Djäkne's* team of founders, partners and employees, active portfolio companies and alumni, who provide the startups, not only with access to an extended net of contacts and business opportunities, but also provides them with a valuable peer-to-peer support, that can be leveraged into reaching new markets, onboarding new customer, preventing expensive mistakes and avoiding pitfalls, especially in the early stages of the startup. Secondly, the studios's co-working community of freelancers, professionals and entrepreneurs, further enriches *Djäkne's* network, and helps startups find co-founders, talent and discover new business ideas and opportunities. Thirdly, the coffee bar, which does not only generate extra revenue and income for the studio, and compliments its business offerings, but also represents an important meeting place, in which a lot of startup and networking events take place, which attracts investors, startups and partners to the studio, and reflects positively on the portfolio companies. Fifthly, external consultancy services, which also contributes enormously to the studio's social capital, and helps *Djäkne's* team of partners support the portfolio companies, by making introductions, recomendattions, and helping with raising capital from external private investors. Finally, *Djäkne* studio's location also plays a huge role in the studio's massive network, in the heart of the city of Malmö, in a region with more universities than any other place in Europe, and which to-date, has raised third most venture capital in all of the Nordics, only behind Stockholm and Copenhagen, which is only 20 minutes away by train, and provides the studio with an easy access to a world class tribe of serial entrepreneurs, partners, mentors and investors.

6 Conclusion

The following chapter aims at presenting the conclusions drawn from the discussion section, answering the study's research question, discussing the limitations the author faced during the study, and providing a number of recommendations for future research.

6.1 The Startup Studio Incubation Model

The main goal behind this research study was to examine and attain a comprehensive and distinctive understanding of the startup studio incubation model, by investigating and exploring the startup studio three fundamental dimensions of incubation, i.e. *infrastructure*, *business support* and *access to networks*.

Generally, the findings of the study show a lot of similarities, in regards to the three fundamental dimensions of incubation between the startup studio, the incubator and the accelerator. However, several differences in the depth of these dimensions can be clearly distinguished. Firstly, in regards to the first dimension of startup incubation, *infrastructure*, startup studios provide their portfolio companies with access to a much wider range of shared infrastructure and general resources, such as office, meetings, conference and shared rooms, free coffee, free wireless internet connection, business and mailing address, lockers, printing and fax machines, parking spaces, kitchen and showers. On top of that, when it comes to *infrastructure* and in order to pay its bills, cover its expenses and maximize the profit, startup studios tend to leverage its infrastructure and shared resources, for the sake of creating new ways to generate a positive cash flow and innovate an additional source of income, e.g. renting out office spaces to co-workers, private companies and public speakers, hosting sponsored startup events and competitions, or opening a restaurant or a cafe.

Secondly, in a similar fashion, in relation to the second dimension of startup incubation, *business support*, startup studios also provide its portfolio companies with direct access to teams of founders, partners, business developers, coaches and mentors, engineers, web and software developers and in-residence entrepreneurs. Moreover, startup studios tend to provide much more specialized and extensive business support, much more overall tech support, much more capital and investment scope, much longer overall support, an attentive daily operational support, and access to advanced sources of entrepreneurial, business and technical support, business development and management expertise, which can support and help entrepreneurs with idea, business and product development, IT-support, accounting, web and software development, front and backend support, marketing, web design, customer development, raising capital, HR and staff resources, designing new business models, legal

issues, building MVPs, conducting market research, branding, recruiting, and sales, all in-house, which can reduce overhead costs and burn rate for startups massively, help startups overcome common startup challenges and scale faster and leaner. In addition to that, unlike other forms of incubation models, startup studios do not have a strict schedule or a fixed curriculum in relation to offering business support, instead internal teams of founders, in-residence entrepreneurs and partners are assigned to support, run, and develop in-house startups, while external startups are given the freedom to make use of the studio's shared infrastructure, resources and networks, work independently, and seek business support whenever needed. Lastly, much like the first dimension of incubation, studios also tend to leverage their human capital and business support as a mean to extend their offerings and earn more money, by selling their team's business services and experience, developing products and executing projects for external firms, or providing additional business support for portfolio companies at a lower cost.

Thirdly, when it comes to the last component of startup incubation dimensions, *access to networks*, startup studios grant entrepreneurs access to a huge network of contacts, mingling events and a lot of networking opportunities, due to the depth in the human capital aspect, having a large number of entrepreneurs, founders, partners, employees and tech savvy engineers in one place, having a large number of active, discontinued, and alumni projects, the location of the studio, all the external relationships built by the studio, and all the events hosted and organized by the studio.

6.2 Limitations

Despite its many contributions, this study has a few research limitations. First, all of the study participants were deliberately selected according to a regional preference, more specifically in the south and west regions of Sweden, where the startup environment, the government support and the economical landscape, surrounding the chosen startup support organizations, might be different than other regions inside or outside of Sweden. Secondly, there has been a major issue with self-identification, since the majority of organizations in Sweden, who identify themselves as startup studios, venture builders or startup factories, do not follow the proper approach of the startup studio model discussed previously, which made the process of identifying and selecting the unit of research very limited. Lastly, the study employed the three fundamental dimensions of incubation as the main framework of the study, and as a mean of describing the startup studio model, which might not be sufficient enough to draw a comprehensive conclusion about the studio incubation model in general.

6.3 Recommendations for Future Research

Going back to the research objective, many research components can be extracted from the study and further researched, in the interest of providing a better understanding regarding the startup studio phenomenal, such as: the strategic focus of startup studios, whether they have an industry, service or geographical focus;, the selection process, the funding structure and alumni relations. Similarly, a broader research in terms of the scope would also be very interesting to seek in a future research, in order to determine if there were any difference in terms of startup studio's dimensions of incubation in other countries. Lastly, a closer look at the companies that startup studios create, build and support, would also be very beneficial to create a more holistic understanding of the startup studio incubation model.

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Appendix A: Interview Guideline for Startup Studio / Accelerator / Incubator

Introduction (5 min)

- Provide background of researcher
- Describe the purpose of the research
- Describe research involvement:
- Ask for consent to record the interview
- Declare anonymity, if required
- If they have any questions, just intervene
- Small talk before starting interview

Questions (30-50 min)

1. Can you describe your startup support program please. How long is it? Is it a cohort based?
How many startups get admitted? When do startups have to apply?
2. What is unique about your startup support program?
3. What kind of general support do you offer portfolio companies?
4. What kind of business support do you offer portfolio companies?
5. What kind of technical support do you offer portfolio companies?
6. What kind of financial support do you offer portfolio companies?
7. What kind of network support do you offer portfolio companies?
8. Do you take equity? If “Yes”, How much?
9. Do you offer funding? If “yes” How much do you offer? How do you get the money?
10. Do you charge for your services?
11. What is the role of the incubator/accelerator in the daily operations of the startups?
12. What is special about your ecosystem? Why should any startup join you?
13. Do you have partnerships with investors? potential customers? business partners?

Concluding Remarks (2 min)

- Thank the interviewee
- Ask if there are any comments or questions
- Ask about availability for further clarifications if needed

- Say goodbye

Appendix B: Interview Guideline for Portfolio Companies-

Introduction (5 min)

- Provide background of researcher
- Describe the purpose of the research
- Describe research involvement:
- Ask for consent to record the interview
- Declare anonymity, if required
- If they have any questions, just intervene
- Small talk before starting interview

Questions (30-50 min)

1. What kind of general support do you receive from the studio/incubator/accelerator?
2. What kind of business support do you receive from the studio/incubator/accelerator?
3. What kind of technical support do you receive from the studio/incubator/accelerator?
4. What kind of financial support do you receive from the studio/incubator/accelerator?
5. What kind of network support do you receive from the studio/incubator/accelerator?

Concluding Remarks (2 min)

- Thank the interviewee
- Ask if there are any comments or questions
- Ask about availability for further clarifications if needed
- Say goodbye

