

# How do social business incubators facilitate entrepreneurial social capital exchange and influence organizational development?

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Dissertation written under the supervision of Peter Vantor

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## **Abstract**

This thesis examines how social business incubators (SBIs) facilitate the development of social capital among social entrepreneurs and whether this, in turn, influences the organizational development of their ventures. While SBIs aim to support early-stage social enterprises through mentoring, resources, and networks, the dynamics of social capital exchange, especially among peers, remain insufficiently understood.

Drawing on social capital theory and eleven semi-structured interviews with participants of the Social Impact Award (SIA) program in Germany and Austria (2021–2023), this study finds that SBIs can provide valuable bridging social capital, such as connections to partners and support through mentors. At the same time, peer exchange within the cohort is perceived by founders as highly valuable for motivation to work, testing ideas, sharing best practices, and receiving emotional support, like a sense of belonging. These findings underscore the significance of the cohort itself as a crucial site for social capital formation.

To fully enable this potential, SBIs must foster a collaborative environment built on trust and openness. Cohort composition and program design are central levers in facilitating such exchange.

This thesis contributes to a more differentiated understanding of SBIs as both brokers of external resources and facilitators of peer learning, offering practical implications for how SBIs can better support the development of social ventures.

**Dissertation Title:** How do social business incubators facilitate entrepreneurial social capital exchange and influence organizational development?

**Author:** Moritz Eichenauer

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## **Resumo**

Esta tese examina como as incubadoras de negócios sociais (SBIs) facilitam o desenvolvimento do capital social entre empreendedores sociais e se isso, por sua vez, influencia o desenvolvimento organizacional dos seus empreendimentos. Embora as SBIs tenham como objetivo apoiar empresas sociais em fase inicial por meio de mentoria, recursos e redes, a dinâmica da troca de capital social, especialmente entre pares, ainda não é suficientemente compreendida.

Com base na teoria do capital social e em onze entrevistas semiestruturadas com participantes do programa Social Impact Award (SIA) na Alemanha e na Áustria (2021-2023), este estudo conclui que as SBI podem fornecer um valioso capital social de ligação, como conexões com parceiros e apoio por meio de mentores. Ao mesmo tempo, o intercâmbio entre pares dentro do grupo é percebido pelos fundadores como altamente valioso para a motivação para trabalhar, testar ideias, partilhar as melhores práticas e receber apoio emocional, como um sentimento de pertença. Estas conclusões sublinham a importância do próprio grupo como um local crucial para a formação de capital social.

Para permitir plenamente este potencial, as SBI devem promover um ambiente colaborativo baseado na confiança e na abertura. A composição do grupo e a conceção do programa são alavancas centrais para facilitar esse intercâmbio.

Esta tese contribui para uma compreensão mais diferenciada das SBIs como intermediárias de recursos externos e facilitadoras da aprendizagem entre pares, oferecendo implicações práticas sobre como as SBIs podem apoiar melhor o desenvolvimento de empreendimentos sociais.

**Título da Dissertação:** Como as incubadoras de negócios sociais facilitam a troca de capital social empreendedor e influenciam o desenvolvimento organizacional?

**Autor:** Moritz Eichenauer

**Palavras-chave:** Empreendedorismo social (SE), Inovação social, Capital social, Incubadoras de empresas (BIs), Incubadoras de empresas sociais (SBIs), Composição da coorte, Desenvolvimento organizacional

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## Use of AI

Software	Use case	Part of the thesis
Elicit	Research of academic paper	Literature review
ChatGPT	Rewording paragraphs Structure ideation Structuring paragraphs	Full document
Grammarly	Text revision	Full document
NotebookLM	Summary of academic papers	Literature review

## 1. Introduction

The Sustainable Development Goals (SDGs) were adopted in 2015 at the United Nations Sustainable Development Summit in New York, bringing together world leaders to establish a shared blueprint for peace, prosperity, and environmental sustainability by 2030.

As of 2024, over halfway to the 2030 deadline, progress remains largely off track. Only 15% of the goals are on course to be achieved by 2030, while 48% show significant deviations from their targets, and 37% have stagnated or even fallen below 2015 baseline levels (United Nations, 2023). Although there are already approximately ten million social enterprises operating globally, their critical role in advancing the SDGs is only now beginning to gain broader recognition (Schwab Foundation for Social Entrepreneurship, 2024).

For example, in Germany's largest social entrepreneurship network, SEND, the number of member startups nearly quadrupled, from 212 in 2019 to around 800 in 2024 (Pless, 2012; Röhl, 2018). A similar trend is visible on the startup platform Dealroom, where 672 of the 1,420 German social startups and 88 of the 205 Austrian startups were founded in 2020 or later (Dealroom, 2025; Martins et al., 2025). This growth highlights the increasing appeal of ventures that combine social and economic goals.

Given the steep increase in numbers and the governmental recognition of the potential of social entrepreneurship, publicly funded support programs, like social business incubators (SBIs) and accelerators (SBAs), emerged (DSEM, 2022; Millner et al., 2024).

SBIs serve the same purpose as commercial business incubators (BIs), but with a dedicated focus on social startups. Both types of incubators, regardless of their specific focus or strategic goals, aim to support the development and growth of early-stage ventures during their critical first years. They offer a blend of infrastructure, business support, and facilitated access to key networks. Typical services include physical office space, mentoring, expert guidance, and opportunities to connect with investors, institutions, and fellow (social) entrepreneurs. The primary objective of both is, first, to improve the survival and growth prospects of emerging startups (Bruneel et al., 2012; Carayannis & Von Zedtwitz, 2005; Casanovas & Bruno, 2013; Peters et al., 2004), and second, to equip founders with resources that might otherwise be hard to obtain or even inaccessible without participating in an incubator program (Aernoudt, 2004; Al-Mubarak & Busler, 2011).

This thesis focuses primarily on the offer of accessing networks, enabled through either the incubator itself or other incubatees within a cohort. Networks, also referred to as social capital,

can be described as all of the actual and potentially available resources accessible through the own network or the network of contacts (Bourdieu, 1986; Burt, 1992).

Hansen et al. (2000) argue that the most important resource provided by a business incubator is access to its social capital because it helps to overcome the inherent resource constraints each founding team has. The reason for that might be that social capital functions as a type of capital that enables access to all other forms of capital (Daskalopoulou et al., 2023).

Other studies repeatedly emphasize the crucial role of the incubator to create bridging social capital, which means that the tenants of the program are connected to otherwise unreachable contacts (Burt, 1992; Redondo & Camarero, 2019; Tötterman & Sten, 2005). Specifically for social ventures, where the creation of alliances and the connection of different stakeholders emerged to be critical for success (Edwards-Schachter et al., 2012; Liu et al., 2021; Mulgan et al., 2007), the establishment of a professional network of their incubatees should be highly prioritized by every SBI.

Next to that, all incubation programs operate in cohorts. This means that one tenant not only exchanges social capital with the incubator itself, but with other incubatees from the cohort too. As a consequence, incubator management should carefully manage the cohort composition to make sure that collaboration and exchange can happen within a cohort (Tötterman & Sten, 2005). Especially for SBIs, there is no literature examining the ideal composition of one incubation batch. Commercial BI literature emphasizes that in order to foster collaboration, a community of trust, support, and without competition must be present (Fukuyama, 1996; Tötterman & Sten, 2005). Consequently, one cohort should not be too homogeneous to make room for competition, simultaneously not too heterogeneous to rule out collaboration. Both aspects are not fixed, though, as the degree of collaboration varies over time spent together, the amount of interactions, and, linked to this, the size of the cohort (Cohen et al., 2019; Gätjen, 2021). Moreover, and particularly relevant to this thesis, is the fact that the straightforward concept of social incubation appeals to a wide range of socially driven ventures, from ecological initiatives to those focused on empowering minorities. The underlying question is whether this broad common ground might be too broad to foster collaboration, peer learning, and meaningful social capital exchange. The creation of an incubation environment like this is one of the key benefits of each incubation program, after all (Hansen et al., 2000).

With the importance of social capital for entrepreneurial success highlighted, the question arises whether social business incubators facilitate the social capital development of their incubatees. The research of Hansen et al. (2000), Pettersen et al. (2015), Redondo & Camarero (2019) and

Tötterman & Sten (2005) highlight the relevance of a collaborative and trustworthy incubator environment that serves as a foundation for peer learning and exchange in general. Results by Pandey et al. (2017) challenge the approach of many social incubators. Working in cohorts to foster social capital exchange is ranked the least important aspect of participating in a social accelerator program by incubatees. Following this argument, Sansone et al. (2020) compare different incubator types, and find that social incubators, compared to mixed or business incubators, focus less on shared spaces and social gatherings than other incubator types.

Last, Lukeš et al. (2019) results even suggest that business incubators can hinder entrepreneurial success due to a “picking winners” selection approach, eventually sheltering promising ventures from their real challenges and hence leading to lower performance after exiting the incubator.

Taken together, these studies highlight the yet-to-be-understood mechanisms behind BIs, specifically SBIs. Connecting to social capital theory, it is still unclear how important social capital exchange during incubation for social entrepreneurs really is, and more importantly, how and with whom the exchange takes place. As shown, there are contradicting results, highlighting the importance of collaboration and idea exchange within incubators (Tötterman & Sten, 2005). Despite these findings, networking with like-minded social entrepreneurs within SBI settings is ranked as the least important offering of a social incubator (Pandey et al., 2017), and Italian SBIs are designed less collaboratively than commercial BIs (Sansone et al., 2020). To answer this currently unclear behavior of social capital exchange within SBIs, the first research question of this thesis is:

**RQ1: How do social business incubators facilitate social capital development of their tenants?**

After understanding how social capital exchange happens within social incubators and whether it has to be facilitated at all, this thesis shall further examine what follows this exchange. Regardless of incubator networks or network resources of other ventures, the exchange of social capital with bridging sources promises to expand the founders’ core assumptions and beliefs, also known as imprint. It is this imprint that determines a lot of decisions in a young venture, and exchanging social capital is important to validate or adapt hypotheses, enable synergies with potential partners, and ultimately lead to organizational development (Marquis & Tilcsik, 2013; Mathias et al., 2015). Additionally, it is reasonable to assume that social startups follow a hybrid of a bricolage and an effectuate venture development approach (Daniel et al., 2015;

Mair & Marti, 2009; Sarasvathy, 2008). In an SBI cohort, which can be seen as an exogenous environment change, it is likely that peer groups and consequently peer effects emerge, which influence decision making and consequently venture development (Fang et al., 2010; Hansen et al., 2000; Hasan & Koning, 2019). The newly available network resources of the incubator and peers might provide a chance to overcome some of the inherent resource constraints.

Therefore, the second research question this thesis aims to answer is:

**RQ2: How does acquired social capital during the incubation phase affect organizational development?**

To answer my research questions, I collaborate with the Social Impact Award (SIA), a social business incubator operating since 2009 and with over 1350 ventures incubated (SIA Impact Report 2024, 2025). I conducted semi-structured interviews with eleven participants from Germany and Austria participating in the incubation period from 2021 to 2023.

This thesis is structured as follows. First, I will explain the background of social entrepreneurship and how social innovation ultimately occurs. Second, I will underline the relevance of social capital and how it helps social startups. Third, I will demonstrate how social business incubators operate and how they aim to facilitate the exchange of social capital. This analysis features the benefits of a thriving social capital environment as well as the challenges that can occur, specifically through cohort composition.

Lastly, this thesis examines how the occurring social capital exchange affects incubatees in their business development decisions.

## 2. Literature review

### 2.1. Social entrepreneurship, social entrepreneurs and social innovation

#### 2.1.2. Social entrepreneurship

*Nzambi Matee, a Nairobi woman, like many others in her neighbourhood, recognized an issue. Over years, old tires would accumulate in landfills nearby, and next to polluting the city, mosquitoes breed in pits and so, spread malaria. Combining engineering expertise with entrepreneurial initiative, she developed durable paving bricks made from the rubber of these old tires and sand, founding Gjenge Makers, a company that now recycles tons of waste while providing employment for over 600 people and creating over 1500 bricks every day (Gjenge Makers, 2025).*

Like other entrepreneurs, Matee identified an opportunity and mobilized resources to exploit it. However, the core objective of her enterprise was not profit-maximization but reducing waste in her neighbourhood and, by that, even helping reduce the spread of malaria. This entrepreneurial practice is recognized as social entrepreneurship.

Social entrepreneurship, despite no universal definition yet, can generally be described as financially and self-sufficient organizations striving to achieve societal change by pursuing goals to address one or more societal goal and create value (Cardella et al., 2021). An overview of various definitions can be found in the study of Zahra et al. (2009), however, due to the time of publication, it does not feature the most up-to-date debate over the definitions. Yet, the lack of clarity and debate on the scope of terminology is still ongoing (Fauzi et al., 2025). The key distinction from other forms of entrepreneurship lies in its primary focus on achieving social goals and generating social value rather than maximizing personal or shareholder wealth. Important to mention is that there is an ongoing clarification of the boundaries of social entrepreneurship because, on the one hand, Mair (2006) argues that all enterprises generate some kind of social value. This social value creation can happen either directly by, for example, building houses, or indirectly by generating tax revenues or creating employment. Conversely, other studies emphasize the distinctiveness of mission, motives and challenges, which gives room for its own category (Dacin et al., 2010). While the debate and precise definition of the boundaries of social entrepreneurship remain subjects for future research, this thesis will continue defining social entrepreneurship like Dacin et al. (2010) as an actor who applies business principles to solve social problems, focusing on creating social value over its own.

### *2.1.2. Social entrepreneurs*

But who are these actors? In both public and academic literature, social entrepreneurs are described as individual entrepreneurs overcoming a societal challenge. For example, Bornstein (2007) attributes drivers of social change to “one obsessive individual”, and Germak & and Robinson (2014) use the description of ideological and visionary individuals. At the same time, the Ashoka Foundation explicitly describes social entrepreneurs as role models (Ashoka, 2025) and the WEF as unparalleled catalysts for social change (WEF, 2018). Yet, this is not the case. As Montgomery et al. (2012) as well as Phillips et al. (2015) argue, heroic, lone social entrepreneurs are an exception at best. Social entrepreneurship typically unfolds through interactions among diverse actors across markets, organizations, and external partnerships, wherein the pursuit of social objectives depends on a collective and dynamic interplay aimed at achieving shared social outcomes. It is collaboration that makes social entrepreneurship happen. This does not mean that the primary driver of a social venture cannot be one social entrepreneur, but in reality, it is about connecting and sourcing the right partnerships and resources to leverage collective action between sectors and enable cross-sectional resource flows.

A key factor that explains why actors choose to launch a social rather than a commercial venture is their primary motivation for founding the venture. Social entrepreneurs do show a higher level of prosocial motivation compared to proself motivation of commercial entrepreneurs (Miller et al., 2012). The focus of private wealth accumulation is not as important as the creation of social wealth creation which can be driven by compassion or the desire to contribute to a better society. This different intrinsic motivation self-selects different people with different backgrounds for the respective type of entrepreneurship. For instance, as Miller et al. (2012) emphasize, while compassion is a key driver in traditional social work and social entrepreneurship, it alone does not sufficiently explain the motivations of social entrepreneurs. Individuals primarily motivated by compassion tend to pursue conventional social work rather than entrepreneurial paths, likely due to comparatively lower levels of achievement orientation and self-actualization traits commonly associated with entrepreneurship. Clark et al. (2018) enrich the motivational differences by showing that social entrepreneurs show a substantially higher level of self-efficacy and more ambitious short-term goals than commercial entrepreneurs. The work towards a social goal thus seems to be more motivating and personally rewarding, while the financial reward is not the primary motivation for social entrepreneurs. Germak & Robinson (2014) provide an initial framework for understanding social

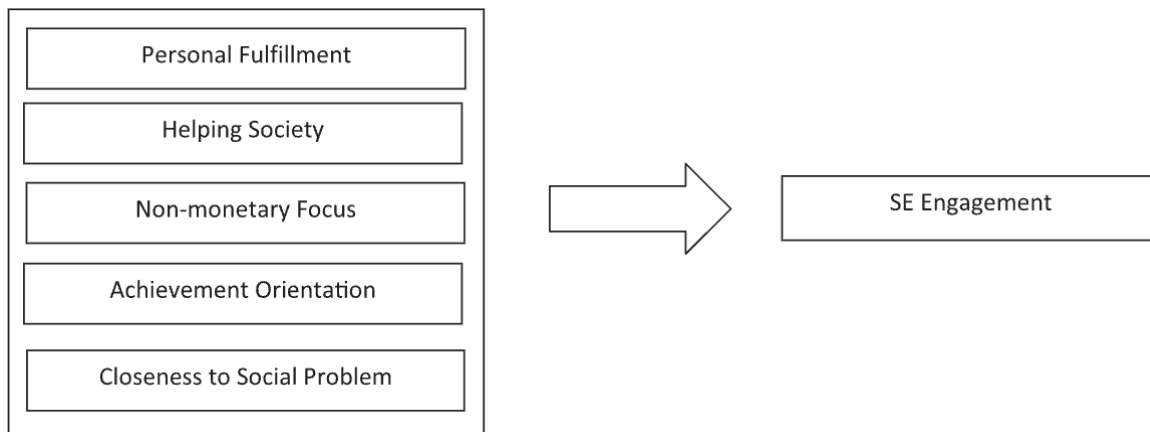
entrepreneurs' motivations by identifying a combination of factors that set their preference for social entrepreneurship apart from other career paths (Figure 1). As both Clark et al. (2018) and Germak & Robinson (2014) state, personal fulfilment or self-efficacy is one of five identified motivational aspects that are present in people who engage with social entrepreneurship. Moreover, a desire to help and contribute something to society, a desire to achieve personal goals, and a closeness to the social problem are identified to increase the likelihood of engaging in social entrepreneurship activities. Last, the monetary focus, so personal wealth accumulation, is not a driver of SE engagement. Importantly, not all dimensions have to be (equally) present, and the authors emphasize that they see the five presented dimensions as a starting point for further research. Consequently, there are potentially more characteristics that contribute to the decision to engage in social entrepreneurship over commercial entrepreneurship.

Building on this, Aileen Boluk & Mottiar (2014) only focused on motivational aspects detached from the social interest to understand how other characteristics facilitate the decision to engage with social entrepreneurship. Results show that one common motivation among social entrepreneurs is a lifestyle connection.

Lifestyle entrepreneurs are characterised by a deep connection to a place, group, or certain way of living. These connections motivate these individuals to contribute to their existence or improvement. Despite the dimension "lifestyle" not being a characteristic, paired with characteristics as achievement orientation and the willingness to contribute to an improved society, it explains why social entrepreneurship takes place frequently in such settings (Aileen Boluk & Mottiar, 2014).

One famous example of this type of company is Patagonia, where the roots of the company go back to an outdoor activity (climbing). The gear at the time was insufficient, which made the founder develop his own. Because of the better quality, others were interested in his gear, and the company was born (Patagonia, 2025). Germak & Robinson (2014) describe this as closeness to the problem, which underlines this specific motivational dimension.

Ultimately, social entrepreneurship is driven by a wide range of motivations, reflecting the backgrounds and values of those who pursue it. Despite this variety, a consistent distinguishing feature of social entrepreneurs seems to be their stronger pro-social motivation and a comparatively lower emphasis on profit, setting them apart from commercial entrepreneurs.



**Figure 1:** Social entrepreneurship motivation framework (Germak & Robinson, 2014)

However, motivation alone is insufficient to initiate a social venture. Estrin et al. (2016) for example, emphasize the opportunity recognition ability to successfully navigate the demands of launching and sustaining a social enterprise. There is a research gap, whether or not this ability differs between SEs and CEs, but it is evident that the ability is of the highest importance to start a venture. This thesis will go into more detail in chapter 2.4.2. important for now is that opportunities are not evaluated objectively, but subjectively by knowledge, perceived deeper understanding, skills, and previous experience Shane (2000). These support the findings by Aileen Boluk & Mottiar (2014) but do not explain a significant difference between SEs and CEs. So, while the motivation to start a venture remains the best way to explain the difference, it has to be coupled with the opportunity recognition ability to emerge as a new venture.

Other studies expand the literature by identifying additional differences beyond motivation as the main focus.

Both Estrin et al. (2016) and Bernardino & Freitas Santos (2015) show that, similar to commercial entrepreneurs, social entrepreneurs share a high level of human capital. Bernardino & Freitas Santos (2015) underline that a high level of human capital is associated with a level of education and intelligence, which increases the sensitivity to social issues and the awareness to act upon those. Additionally, a high level of education can promote the necessary but hard-to-obtain abilities to become a (social) entrepreneur.

Human capital can be broadly divided into two types: general human capital, such as education and overall work experience, and task-specific human capital, which refers to expertise gained through performing particular tasks or roles (Unger et al., 2011). Estrin et al. (2016) highlight that social entrepreneurs typically possess higher levels of general human capital, such as formal education, fostering broader cognitive skills, enabling them to balance social and

economic goals. In contrast, commercial entrepreneurs rely more heavily on specific entrepreneurial experience, emphasizing practical skills within their industry. Social entrepreneurs often manage conflicting social and economic demands simultaneously and engage with a diverse range of stakeholders. Higher education fosters a broader cognitive perspective, greater flexibility, and independent thinking. Additionally, it promotes prosocial values and motivation, which align closely with the social entrepreneurs' goal of contributing to the common good.

While this argument is not as widespread, it offers another perspective on a variety of less-understood differences between social and commercial entrepreneurs, but also fails to explain why the motivations are different (Estrin et al., 2016).

These findings are in line with Bernardino & Freitas Santos (2015), however, who identify that the majority of people starting a social venture were employed in the business sector before working in a management position, despite neither their parents nor him/her ever started their own venture before. It underlines that it takes a certain level of familiarity with business and management knowledge to create a venture in the first place. Moreover, the authors find that social entrepreneurs emerging from the non-profit sector were the least common in the sample, confirming Germak & Robinson (2014) who find that it takes more than the willingness to contribute to a socially unaddressed problem to create a social business to tackle it.

To conclude, what makes social entrepreneurs distinct from other types of entrepreneurship, the difference in motivation stands out. While commercial entrepreneurs show higher levels of proself motivation, SEs show higher prosocial motivation. This may not fully explain the engagement with social entrepreneurship, but it still helps to explain how both types of entrepreneurs differ in their fundamental way of thinking. Commercial entrepreneurs focus more on themselves, while social entrepreneurs put more emphasis on the well-being of everyone. This likely impacts not only the intended beneficiary of their social venture but also other people surrounding them, who may require support. For that reason, it is reasonable to assume that social entrepreneurs tend to be more collaborative.

### *2.1.3. Social innovation*

This collaborative tendency is also reflected in the way social innovation emerges. Mulgan et al. (2007) argue that the process of social innovation is based on collaboration. The authors stress that social innovation arises when resources and actors are linked across boundaries. Social entrepreneurs, according to the authors, act as connectors or bridge-builders, enabling alliances between small organizations, communities, larger institutions, and the social issue at hand. Edwards-Schachter et al. (2012) similarly emphasize that collaboration across sectors is indispensable. Also, Austin et al. (2006) conclude that no single organization is able to successfully mobilize sufficient resources to sustainably solve one societal issue. Consequently, the collaboration with other organizations is a necessity.

So, overall, social innovation happens collaboratively, too, underlining the importance of social entrepreneurs to form a supportive network around their venture.

Mulgan et al. (2007) emphasize that the failure to create this collaborative environment is one of the main reasons why social ventures fail.

Connected to this, Liu et al. (2021) find that better-connected SEs have a higher chance of survival and, in general, are more successful with their ventures.

Taken together, all papers stress that SEs should focus on building beneficial networks as soon as possible and try to form alliances to support their social needs, in order to deliver their social value proposition successfully (Austin et al., 2006).

## ***2.2. The role of social capital for social entrepreneurship***

### *2.2.1. Social capital theory*

To create this individually beneficial network, social entrepreneurs have to mobilize different actors from different organizations to form innovation ecosystems (Austin et al., 2006; Mulgan et al., 2007). A fundamental prerequisite for enabling such interaction is the ability to access and engage with a diverse range of actors. This capacity is commonly referred to as an individual's available network, also referred to as an individual's social capital. Social capital, in a broad sense, can be described as the available goodwill to actors within a social network in all forms, ranging from accessing knowledge, sharing contacts, or receiving support to accessing financial or non-financial support (Adler & Kwon, 2002). Another definition describes social capital as the sum of actual and potentially available resources accessible through the network or its contacts (Bourdieu, 1986; Burt, 1992). Regardless of the definition, three distinct dimensions of social capital exist, which differ by focusing on different aspects of a social structure.

The first dimension is the structural dimension, which describes the structure of a network as a whole, disregarding personal configurations and relationships, only focusing on the density, linkage patterns and overall connectivity. First, Granovetter (1983) argues that for social capital increase, it is not the strong ties, better known as friends and family, that help us, but the weak ties, better known as acquaintances or distant connections. He emphasizes the redundancy in ties with close friends separates an individual within this structure from information outside of this interrelated network of strong ties. In contrast, someone with many weak ties, assuming each of these weak ties has its own network of strong ties, builds a bridge to an otherwise encapsulated group of strong ties. The superiority comes from being aware of information outside of a homogeneous group, which promises to be beneficial. This perspective is enriched by Burt (1992) and his theory of structural holes. Structural holes are what Granovetter (1983) would describe as the absence of weak ties. Burt (1992) argues that it is not primarily about the number of connections but more about where an individual is positioned in this network. Given that within one structure, information tends to be redundant, bridging structures and establishing connections between these structures offer access to non-redundant information, which allows for composition, independence, and potentially seeing new opportunities first.

The second dimension is the relational dimension, which emphasizes the quality of ties rather than their quantity. This dimension focuses on the depth of relationships, shaped by past interactions, shared experiences, and mutual trust (Granovetter, 1992). For example, Fukuyama

(1996) emphasizes the importance of trust as a key element in every social relationship and argues that trust reduces transaction costs and hence allows information to be distributed more efficiently within social networks. More drastically, without a basic level of trust, social capital cannot exist between two individuals. The fundamental difference to the structural dimension is that the relationship between each tie within a social construct is different based on ongoing personal interactions, which develop over time. This is the reason why social capital is very different to trade (Nahapiet & Ghoshal, 1998).

The third dimension is the cognitive dimension introduced by Nahapiet & Ghoshal (1998) and describes how a basis of common language, values, and interpretations helps to connect, which makes it easier to establish the other dimensions of social capital. Next to that, the establishment of a cognitive dimension is usually done by shared words or codes, which are unique to this specific organization, but also through a shared vision, goals and culture (Ansari et al., 2012). This is specifically relevant within the analysis of this thesis because a high level of cognitive social capital is ultimately representative of a high group identity, usually tied to a high level of trustworthiness and, therefore, most likely a higher level of collaboration. Unlike other forms of capital, all forms of social capital facilitate the actions of individuals within the social structure and constitute some aspect of it (Coleman, 1990). This put into practice means that no one can own social capital alone since it is owned jointly by a group. Additionally, social capital cannot be traded easily because, especially highlighting the relational dimension of social capital, it is based on friendship, trust, and obligations, which are intangible and related to the people in the structure (Burt, 1992).

It is important to mention that social capital is not without drawbacks. For example, a strong group identity, which boosts internal motivation and is very efficient due to a high level of trust and mutual understanding, can develop a group dynamic that limits openness to new members due to their lack of this group identity. This, in turn, reduces the number of weak ties, which can ultimately lead to collective blindness (Janis, 2013).

### *2.2.2. The importance of social capital for social startups*

From the perspective of a social startup, a high level of access to social capital offers multiple strategic advantages. Like most startups, social startups typically emerge in resource-constrained environments where financial capital is scarce. In this context, social capital serves as an informal yet potent form of currency. Networks of family, friends, mentors, and other stakeholders provide early-stage entrepreneurs with the means to test ideas, gain access to informal loans, and bootstrap their operations. (Steiner & Teasdale, 2016) illustrate how founders frequently rely on the “bank of dad” and other forms of relational finance to initiate their ventures, especially when mainstream investors view them as too risky or underdeveloped. Importantly, these ties are not limited to strong ones but also include weak ties, which are crucial in expanding access to knowledge, markets, and additional actors outside the immediate circle of trust. So, what makes social capital uniquely valuable in this phase is its ability to transform into other types of capital. Informal resources, such as workspace, legal advice, or product development, often emerge from the embeddedness of social entrepreneurs within their communities and peer networks (Daskalopoulou et al., 2023).

Beyond resource acquisition, social capital is central to the construction of legitimacy, an intangible yet essential asset in the early stages of a social venture. Social entrepreneurs frequently lack track records or financial metrics to signal credibility. In response, they have to rely on the reputation or trust of credible actors. This is not unique to social startups, yet just as important. Lounsbury & Glynn (2001) emphasize that social capital serves as a form of symbolic capital. Proximity to reputable individuals, institutions, or mentors enhances the perceived legitimacy of the venture. Narratives and affiliations enable entrepreneurs to “borrow reputation,” transforming social credibility into perceived investability. In this way, social capital functions simultaneously as a signal and a reputational asset, allowing social ventures to achieve visibility and trustworthiness that may exceed what their (economic) performance alone would justify.

Moreover, given the natural resource constraints, typically entrepreneurs adopt a mix of an effectual and a bricoleur approach (Daniel et al., 2015; Mair & Marti, 2009; Sarasvathy, 2008). Exchange with like-minded or more experienced people significantly reduces mistakes and helps to overcome challenges faster, cheaper, and more efficiently (Hansen et al., 2000). The exchange of ideas, experiences, and contacts through trusted networks allows for the diffusion of practices that would otherwise remain isolated. This dynamic not only aids the individual entrepreneur but also strengthens the collective capacity of the ecosystem in which they are

embedded. As Daskalopoulou et al. (2023) note, social capital facilitates coordination and alignment among actors, thereby creating efficiencies that can substitute for scarce resources.

The accessibility of such networks can be complemented greatly by designated institutions like business incubators and accelerators. Within these programs, social entrepreneurs can exchange knowledge, share infrastructure, and co-develop solutions to common challenges. Moreover, such institutions give credibility and facilitate access to resources through their network.

## ***2.3. Business incubators, social business incubators and the role of social capital at incubation phase***

### *2.3.1. Business incubators*

Business incubators (BIs) emerged during the 1980s, initially focusing on the provision of physical infrastructure by co-locating multiple firms within a shared office environment. However, their value proposition evolved, as it became increasingly apparent that a lack of managerial and entrepreneurial expertise constituted a significant challenge to the success of young ventures. In response, BIs in the 1990s began to broaden their scope, incorporating business support services to facilitate accelerated learning and development among early-stage firms (Bruneel et al., 2012). Recognizing the strategic importance of access to networks for emerging firms fostered the emergence of another evolution of BIs, which explicitly integrate preferential access to relevant professional and industry networks into their core offerings (Bruneel et al., 2012; Hansen et al., 2000). More recently, given that the amount of incubator offerings steadily increases, current trends indicate a further specialization and niche focus of incubator programs (The Business Research Company, 2025). Moreover, despite the deglobalization trend, cross-border collaboration is an emerging trend to facilitate international collaboration as well as to create more diverse expertise and access to markets and funding. Last but not least, the focus on social and environmental impact is a growing interest within the BI industry (Schmerber, 2024). The value proposition of BIs, regardless of focus areas and strategic objectives, is to foster the development and growth of early-stage companies within their first years of operation. BIs provide a combination of infrastructure, tailored business support services, and facilitated access to networks. These offerings commonly include physical workspaces, mentoring and knowledge-based support, as well as opportunities for interaction with investors, institutions, and peer entrepreneurs. The overarching goal of BIs is to accelerate the commercialization process, enhance the survival and scalability of nascent ventures (Bruneel et al., 2012; Carayannis & Von Zedtwitz, 2005; Casanovas & Bruno, 2013; Peters et al., 2004), and to position founders for long-term success by enabling them to get resources they might not have obtained without graduating from an incubator program (Aernoudt, 2004; Al-Mubarak & Busler, 2011).

On a day-to-day basis, BIs focus on three main aspects. First: Building up knowledge and structure. This includes building up business and management expertise that founders of nascent companies typically lack. To overcome the inexperience, one-on-one coaching and training sessions with mentors or incubator management are seen as an important service BIs

provide. Additionally, new ventures lack structure, routines and processes. These are essential to react in changes of sudden shifts startups often face. Consequently, the absence of structure in the broadest sense contributes to a higher failure rate (Freeman et al., 1983). BIs help to overcome a trial and error phase of what works and hence enable new ventures to make faster and more experienced decisions (Aerts et al., 2007; Hansen et al., 2000; Scillitoe & Chakrabarti, 2010).

The second distinct offering of BIs is access to external resources, knowledge, and legitimacy. In other words, the social capital of the BI. This includes the social capital of incubator management, but also of other incubatees, which this thesis will touch upon at a later stage. McAdam & McAdam (2008) as well as Tötterman & Sten (2005) find social capital to be a critical resource of BIs for incubatees' development. Hansen et al. (2000) go as far as to argue that social capital is the most important BI offering because, in providing access to its network, it overcomes the inherent resource scarcity every startup bears. In being able to overcome these constraints, a startup is able to grow and build up legitimacy faster. For example, BIs build relationships with VCs, business angels, corporate partners and early-stage investors. The potential of being connected to the right fit increases first, by being recommended by the incubator and second, because the incubator has already assessed whether there is a fit between both parties. This dramatically reduces search costs for the venture.

Last but not least, the ability to contact experts in highly specialized areas, either on a product or operational level, is a service that would otherwise include search costs, potentially consultancy fees or private connections (Bruneel et al., 2012).

Third, BIs work in cohorts, resulting in multiple ventures entering the BI at once. This is not directly an offer of the BI but rather a necessity to achieve economies of scale on the one side, but also to enable collaboration and maintain a sufficient network on the other hand. As a result, the BI management needs to employ selection criteria, which ventures are offered the opportunity to join the BI. This is not as straightforward. If BIs select ventures from a variety of sectors, for example, providing tailored infrastructure, business support services and access to networks is more difficult compared to a more homogeneous or sector-specific cohort (Bruneel et al., 2012). On the other hand, a too narrow industry scope can lead to competition within the BI. This threads the collaborative environment as the foundation for social capital exchange, trust is absent. On a strategic level, however, the creation of synergies should be emphasized a lot at the incubator management level (Tötterman & Sten, 2005). This development is also apparent when looking at BI development, as one key trend is the further specialization of BIs (Schmerber, 2024). It can be attributed to the importance of shared

workspaces, community events and a generally collaborative environment that is valued by business incubatees (Tötterman & Sten, 2005). The exchange of ideas and experiences, as well as having discussions with other incubatees, is, in general, perceived as very valuable. Moreover, these interactions create a cognitive relationship to the BI environment, which fosters a group identity and sometimes results in genuine loyalty towards the incubator. Next to that, some founders indicate that a diverse cohort helps to exchange diverse contacts, whereas others state, interaction with other ventures was not as helpful due to the uniqueness of some ventures. This indicates even more that in order to create a collaborative environment, where (social capital) exchange thrives, incubator management should carefully manage the selection of the cohort (Tötterman & Sten, 2005).

Even though the majority of research suggests that participating in a BI turns out to be beneficial for the venture and its founding team for multiple reasons, it is not without critics. Lukeš et al. (2019) results suggest that BIs can hinder entrepreneurial success due to a “picking winners” selection approach, eventually sheltering promising ventures from their real challenges and hence leading to lower performance after exiting the incubator. However, incubated ventures show a boost in revenue two years after being incubated. A likely explanation for the findings is that incubatees must invest time and resources into the participation in the incubator, which only pays out in the long run. Furthermore, the two primary benefits of BIs, knowledge and access to networks, may take more than two years to pay off. These findings highlight that business incubators are not inherently beneficial for all ventures. Instead, their value depends on the extent to which startups actively invest time and demonstrate commitment to engaging with the available support and resources.

### *2.3.2. Social business incubators*

Shifting the focus to incubators that specifically target social ventures, there is limited academic research examining how the offerings of incubators with a social focus differ from those of commercial incubators (Sansone et al., 2020). Aernoudt (2004) was the first to come up with a distinct definition for social business incubators (SBIs). He states that SBIs have the same mission as regular incubators but with a different mission. Further, he argues that SBIs aim to stimulate and support the development, growth, and continuity of companies employing people with low employment capacities. More recently, Casasnovas & Bruno (2013) and Pandey et al. (2017) apply a broader definition, emphasizing that SBIs are programs that support the scaling

process of organizations that mainly target social challenges through innovative and market-oriented solutions.

However, it remains unclear whether social entrepreneurs have the same expectations and needs for support within social business incubators as commercial entrepreneurs have of business incubators. Given the social capital scope of this thesis, I will focus only on the potential differences SBIs have over commercial BIs in terms of social capital facilitation. Consequently, the following comparison excludes, for example, the potential differences in facilitating access to human and financial capital, as well as operational decisions resulting from mentor feedback or similar, as described by Austin et al. (2006).

Studies dealing with the facilitation of social capital are scarce but exist. For example, do Sansone et al. (2020) find that shared physical spaces and community events are perceived as less important for social incubators than for other incubator types. Moreover, Pandey et al. (2017) discover that networking with like-minded entrepreneurs is considered the least valuable service provided by social business accelerators (SBAs). This is partly inconsistent with social capital theory and assumptions made about the design of SBIs. Nicolopoulou et al. (2017), for example, highlight the collaborative approach of the London Impact Hub and describe that it is also reflected in the use of space. In addition, the authors point out that social entrepreneurs seek to build relationships and networks (social capital) to share knowledge and expertise as well as the manufactured (or intellectual) capital from their activities (i.e., product, services, or new methods) in a relatively open and collaborative manner (Nicolopoulou, 2014).

Next to that, also Austin et al. (2006) highlight that successfully delivering the social value proposition (SVP), organizational boundaries usually have to be crossed. This means that in most cases, collaboration positively influences the delivery of the SVP. More to the point: “[...] *virtually all social issues require far more resources than any single organization is capable of mobilizing independently to solve. Networking across organizational boundaries to create social value is a powerful strategy for social entrepreneurs because the objectives of creating social value do not require that value be captured within organizational boundaries.*“ (Austin et al., 2006, p.18).

So, both theories from social capital theory as well as theories from entrepreneurship would suggest that interaction, exchange, and collaboration within all types of incubators are highly beneficial. Moreover, Mulgan et al. (2007), Montgomery et al. (2012), and numerous others (see 2.1) highlight the importance of creating alliances and a collaborative ecosystem to

facilitate social innovation. Yet, the existing studies demonstrate the uncertainty of this assumption in SBI settings. The pressing question is, why? As mentioned, neither social capital nor entrepreneurship theory would suggest this.

With the operational differences out of scope and the importance of social capital access of SBIs confirmed (Nicolopoulou, 2014; Sansone et al., 2020), the answer might be found in the cohort composition of the SBI.

### *2.3.3. Cohort composition in business incubators*

As mentioned in chapter 2.3.1, all BIs operate in cohorts. SBIs are no exception. While they are an operational necessity for the incubator, they result in both challenges and opportunities. Tötterman & Sten (2005) list numerous advantages of a harmonizing cohort, like collaboration and exchange within the cohort, access to each other's networks, and more. One of many consequences of that can be a higher group identity and a higher motivation of individuals, which eventually can lead to a feeling of loyalty towards the incubator. This upward spiral can happen in a well-selected cohort. If the cohort is not well selected, competition can emerge, trust is absent, and collaboration fails to emerge. This not only limits the success of individual ventures but indirectly affects the entire cohort's success by reducing or destroying the positive effects of motivation, exchange, and collaboration (Tötterman & Sten, 2005).

The mixed findings described in the previous chapter allow for a more detailed view of an ideal cohort. Unfortunately, academic papers on social business incubators or accelerators do not exist yet on this matter, which is why this thesis has to work with literature on commercial incubators.

Cohorts in BI settings can be differentiated across five key aspects: Size, duration, founders' human capital, industry, and development stage (Cohen et al., 2019).

Size plays an important role, as it affects the scale of resources needed to effectively support each cohort. This is particularly relevant when it comes to human resources, like mentorship and the attraction of partners. Partners are essential to attract (Hansen et al., 2000), and an incubator with three times more incubatees, offers three times the chance of connecting an incubatee or graduate to a fitting partner. Moreover, do more people bring in more non-redundant, additional network resources, which is beneficial to all other incubatees (Gätjen, 2021). On the other hand, a program that is too small may struggle to attract interest from new

ventures, corporate partners, access to finance, and industry experts (Cohen et al., 2019). But none of these five aspects can be seen standalone, as they are all strongly interdependent.

So does the duration of the incubation phase strongly influence the level of trust that builds over time (Cohen et al., 2019). This heavily influences the ideal level of heterogeneity, since, for example, in longer programs with more peer interactions, a higher level of trust can build up, which in turn allows for high-quality knowledge exchange between very similar startups. Contrarily, in short-duration programs, incubatees may benefit from a greater composition because beneficial information is shared at a lower level of trust (Gätjen, 2021).

The remaining three aspects target the composition of the cohort. Gätjen (2021) argues that a more diverse cohort enables access to a more diverse pool of human capital, which, given peer effects, can foster increased performance. The exchange within a more heterogeneous cohort offers learning opportunities, enables creativity, and makes incubatees take more courageous decisions. He further argues that a more heterogeneous development stage has positive effects on individuals of a cohort because of role models (Gätjen, 2021; Winston Smith et al., 2015). Peer learning effects occur as a consequence of exchange, where more experienced ventures can serve as role models for ventures at an earlier stage that mimic the behaviour of their more experienced peers.

Noteworthy, Gätjen (2021) argues that a too homogeneous cohort fails to deliver these benefits. Reasons for that are the potential competition for resources, either due to a similar industry but also due to a similar stage. This competition can be either attention of the incubator, but also access to capital, or a first partner. The problem with too much competition in a cohort is that it would reduce or even diminish trust, which is essential for a supportive learning environment within the cohort. This argument is perfectly in line with social capital theory and other arguments highlighted in chapter 2.3.1 (Fukuyama, 1996; Tötterman & Sten, 2005).

To summarize this chapter, it is important to mention that the three compositional aspects are strongly influenced by the two organizational aspects, size and duration. There is academic evidence that more heterogeneous cohorts are more beneficial for their incubatees, yet it is important to mention that in a high-trust environment also homogeneous cohorts can thrive. The level of trust established in a cohort is higher in longer programs with many opportunities to exchange with other peers, whereas in shorter programs, heterogeneous cohorts seem to be faster in establishing this level of trust to benefit from the following collaboration. Consequently, a good cohort composition is very challenging to achieve and maintain.

However, the creation of a good cohort spirit is fundamental for any incubator, as a destructive cohort threatens its success.

#### *2.3.4. The role of social capital in the incubation phase*

This thesis has emphasized numerous times the positive influence of high social capital exchange. Further, the beneficial role of social business incubators has been outlined. This chapter collects and sorts all previously made arguments and outlines the relevance of social business incubators to facilitate the exchange of social capital within the incubation phase.

First, new ventures do tend to maximize their networking in the planning stage of the founding process, indicating that the utilization of social capital is the highest at the very beginning. The planning stage is characterized by starting to develop the idea by gathering information, skills, resources, potential co-founders, and everything that might help them in the future (Greve & Salaff, 2003). This is why business incubators can help new ventures the most in this phase by providing social capital resources, since the purpose of an incubator is to provide its ventures with resources that the venture lacks skills or needs expertise. Superior incubators are characterized by having a diverse network because incubator management alone cannot offer the capabilities to cover all potential requests of its ventures. A great incubator, hence, can contact an outside expert, ideally for every request a venture might have (Rice, 2002). This has also been shown by Tötterman & Sten (2005) as they examined what offerings of three different Finnish incubators generate the highest value for their incubatees. As highlighted before, the available network of the incubator and the personal network development are the most helpful resources an incubator can offer. Additionally, the study points out that shared spaces that foster discussion and idea exchange between different ventures are important elements in creating a collaborative environment between the ventures. This connects to the third finding, that the incubator should pay attention to the cohort composition, since a too broad scope limits synergies, whereas a too narrow scope can lead to competition within the incubator. This threads the collaborative environment as the foundation for social capital creation, and trust is absent (Fukuyama, 1996). The lack of synergies within each incubator is one of the issues that ventures in the studied incubators experienced, and the authors hypothesize that this is due to the rurality of the Finnish incubators. On a strategic level, however, the creation of synergies should be emphasized a lot by the incubator management level. Last, the authors mention that

the connection to ventures incubated in the past should be maintained with more effort, as one way to create potential synergies with current or potential future ventures in the program. To link this with social capital theory, which is a huge asset of each incubator (even though it cannot own it on its own), network ties strengthen through personal relationships, and they get stronger through interactions (Granovetter, 1992). The utilization of the availability of social capital of alumni, who potentially even still feel attracted or grateful towards the incubator, is a significant part of this asset. For that reason, it is important to stay connected to the incubator alumni (Tötterman & Sten, 2005).

Another example of the importance of social capital exchange by incubator management is provided by a study by Redondo & Camarero (2019). The authors analysed technical university founding teams and showed that entrepreneurs inexperienced in business within the university incubator heavily rely on the incubator to serve as a bridge to the business world, overcoming the structural hole of the technical startups (Burt, 1992). This enablement of generating bridging social capital by incubator management to external parties like investors, companies, or players of the business world is the crucial resource missing for incubating ventures. It is therefore of immense importance for incubators to connect their incubatees with bridging social capital. As Bernardino & Freitas Santos (2015) show, in their sample of social entrepreneurs, no one has significant experience with entrepreneurship, which could imply that this bridging function of incubator management could be especially important for SBIs, too. This social capital bridging is further described by Hansen et al. (2000). The authors highlight the relevance of incubators in creating strategically beneficial relationships with market-leading companies (stars) within the scope of the incubator. Next to that, the authors emphasize the relevance of a distinct strategic focus, which is not too broad for the establishment of collaboration but also not too narrow to have competition within the incubator. To create a beneficial network, the incubator should spend a lot of time actively managing its network through, for example, creating and maintaining a lot of formal relationships with outside experts who are available on demand. Second, there should be regular meetings with important strategic partners to discuss potential collaborations. Last, one observed incubator even hired designated deal brokers, whose only task is to look for synergies between strategic partners and incubatees (Hansen et al., 2000). This is exactly what Burt (1992) describes as a bridge between otherwise not-connected groups. Independent of the collaboration of the incubatees with each other, the relationship with incubator management is of utmost importance and crucial for venture success. Scillitoe & Chakrabarti (2010) show that the more interactions an incubating venture has with the

incubator, the more helpful the support of the incubator is to the venture. From a social capital view, this is related to the strength of the tie between venture and incubator, which gets stronger through more frequent interactions. Additionally, a high amount of trust increases the likelihood of the ventures sharing critical information with incubator management, which in turn can provide better support for the venture (Vedel & Gabarret, 2014). Therefore, as highlighted before, a cooperative atmosphere with fosters collaboration is crucial to enable the incubator to unfold its most beneficial support levers, even if collaboration between different incubatees is limited (Fukuyama, 1996; Vedel & Gabarret, 2014). In addition, incubator management, as previously highlighted by Redondo & Camarero (2019) serves as a deal broker for its incubatees, and being able to deeply understand the needs of the incubatee increases the likelihood of matching with the most beneficial star (Hansen et al., 2000).

Another reason to encourage trust and collaboration is that it can increase how strongly incubatees feel connected to the incubator. Redondo & Camarero (2019) find that despite bonding ties, which are connections within the incubator, that do not contribute to the startup's overall success, a relational climate characterized by trust, identity, and reciprocity may facilitate access to other networks. Moreover, Tötterman & Sten (2005) show that some incubatees developed genuine loyalty towards the incubator, indicating a strong presence of the third type of social capital, cognitive social capital (Nahapiet & Ghoshal, 1998b). As described in chapter 2.2, a high dimension of cognitive social capital signals a high group identity that is a great foundation for collaboration.

To summarize this chapter, the importance of social capital exchange seems to be as important to SBIs as to purely commercial BIs. Based on the different founder characteristics of both types of entrepreneurs outlined in chapter 2.1. the development of bridging social capital is potentially even more important to social entrepreneurs. First, social entrepreneurs might have fewer contacts with the entrepreneurial ecosystem, and second, social entrepreneurship and innovation in general tend to happen in a more collaborative approach (Mulgan et al., 2007). Incubator management plays a central role in this exchange. First, by creating an atmosphere of collaboration and trust, incubatees are more open and share more information, which in turn increases the quality of support given by the incubator. Moreover, the collaborative atmosphere positively influences the development of cognitive social capital, which can, at best, create loyalty towards the incubator by incubated ventures, but at lower degrees creates an incubator identity (in-group), that increases collaboration, trust and ultimately social capital exchange (Tötterman & Sten, 2005).

## *2.4. Social capital exchange and organizational development*

The effects of social capital exchange implicitly express that there are effects on the organizational development of a venture. If a venture gets access to a partner, finance, or just guidance during the incubator phase, it influences its development. As emphasized in previous chapters, in a trustworthy, collaborative environment, entrepreneurial learning thrives. Fang et al. (2010) therefore state: “An incubation programme serves as a learning context in which tenants are socially embedded” (p.94). Being part of such a program, therefore, impacts and enriches the venture’s resources and knowledge (Fang et al., 2010; Hansen et al., 2000).

What I want to find out as a second part of my thesis is whether this is also applicable to social startups. For that reason, I will first show current mainstream organizational development academic literature within the area of social entrepreneurship. After that, I will explain, based on the different imprints founders have, why the exchange with others can result in different decision-making. Last, I will outline how peer effects occur in social business incubator settings, which helps to explain organizational development changes based on social capital exchange within the SBI.

### *2.4.1. Organizational development in social entrepreneurship*

It is reasonable to assume that SEs also pursue an effectuate venture development approach. While Mair & Marti (2009) see social entrepreneurship follows a bricolage approach, given the inherent resource constraints, other authors emphasize that it falls short in explaining the utilization of networks (Daniel et al., 2015; Sarasvathy, 2008). Although bricolage appears to align more closely with the context of social entrepreneurship, VanSandt et al. (2009) argue that effectuation can serve as a catalyst, enabling social entrepreneurs to overcome the aforementioned resource constraints. Similarly, Daniel et al. (2015) suggest that limited resources prompt an effectual approach to the entrepreneurial process. Unlike bricoleurs, effectuators develop their ideas, discover new markets, and build contacts through interactions with members of a network, rather than on their own (Servantie & Rispol, 2018). The combination of both makes it reasonable to conclude that social entrepreneurs are significantly influenced by their surroundings.

#### 2.4.2. *Imprinting in entrepreneurship*

To understand why the interaction with other entrepreneurs, mentors within an incubator, or other people in general can be that beneficial, I want to draw on imprinting theory (Baron et al., 2011; Marquis & Tilcsik, 2013).

As highlighted in chapter 2.1., a core characteristic of entrepreneurs is opportunity recognition ability (Estrin et al., 2016). Opportunity recognition is a key aspect of every entrepreneurial step, regardless of the type of entrepreneurship. To be able to recognize any opportunity, information is crucial. In other words, to identify opportunities for new ventures, entrepreneurs must somehow perceive, gather, interpret, and apply information (Ozgen & Baron, 2007). In line with this, Shane (2000) argues that entrepreneurs tend to discover opportunities that align with the knowledge they already possess. Similarly, Choi & Shepherd (2004) propose that entrepreneurs are more likely to pursue opportunities when they believe they have a deeper understanding of them. Last, Haynie et al. (2009) show that entrepreneurs follow opportunities that complement existing knowledge, skills and abilities. Taken together, these studies underscore the importance of prior knowledge and skills in the evaluation and selection of entrepreneurial opportunities, which is commonly referred to as the imprint of a founder. Imprinting refers to the process by which environmental conditions during a critical, sensitive period leave a lasting impact on the characteristics of an individual, shaping their structure, behaviour, or cognition in a way that persists even after those conditions change (Marquis & Tilcsik, 2013). Mathias et al. (2015) show that the imprint not only influences the decision whether or not to start a venture, but also their decision-making process when running the venture. Additionally, the authors highlight that different imprints lead to different types of entrepreneurs, following different decision-making processes, and having different goals with their ventures. This is also important when looking at the imprint of social entrepreneurs. As discussed in chapter 2.1., SEs differ from CEs mainly through their different motivation to start a venture. This difference may be partly explained by imprinting theory. Dickel et al. (2021), for example, show that early personal experience with social entrepreneurship during childhood is a strong impetus for the extent of future social entrepreneurial activity. Taken together, the effect of imprinting on an individual entrepreneur directly influences the decision-making processes, goals, and ultimately the organizational development of the venture. Paired with the effectual venture development approach, it is reasonable to assume that we observe peer effects in a SBI setting.

### *2.4.3. Peer effects in social business incubators*

As previously mentioned, all BIs operate in cohorts. Given that a spot in an incubator is competitive, and any BI can select each cohort member, the composition of a cohort is exogenous to the founding team (Hasan & Koning, 2019). Moreover, incubatees within one incubator can be described as peers, similar to a rather random composition of the participants of a new university lecture. While they share the common interest in participating in the incubator (lecture), the background of each venture (student) is quite different. However, due to the connection and more importantly, interaction with each other, peer groups and consequently, peer effects emerge. Studies consistently find that peer groups can be powerful reference points for an individual's behaviour (Nanda & Sørensen, 2010a). In general, social learning theory suggests that individuals model their behaviour after similar others (Bandura, 1986). For example, does observation and experience sharing allow founders to learn from the behaviours, strategies, and outcomes of others (Giannetti & Simonov, 2009). Imitation and adoption of best practices play a central role, particularly for entrepreneurs facing uncertainty, as they adopt the behaviours of other peers, that potentially dealt with this problem before, enriching and complementing the training offerings of the incubator management (Kacperczyk, 2013). There is support for this argument from cohort composition literature, where more developed ventures serve as guidance points and role models for younger ventures within one incubation cohort (Gätjen, 2021; Winston Smith et al., 2015).

Social interactions also facilitate decision-making processes. Lerner & Malmendier (2013) show that positive feedback from peers can validate entrepreneurial decisions, while criticism may deter certain actions. These social cues influence individual behaviour and consequently decision-making. Additionally, social learning engages cognitive processes such as attention, retention, and motivation. Peer exchange enhances focus on relevant information, supports memory, and stimulates entrepreneurial initiative (Kacperczyk, 2013). Ultimately, peer interactions contribute to the reduction of uncertainty by offering practical advice, shared experiences, and emotional support, making the entrepreneurial journey more manageable.

## *2.5. Summary and divergence*

The literature suggests some differences between social entrepreneurs (SEs) and commercial entrepreneurs (CEs). The different motivations to start the venture are the primary ones, but other factors, such as personal and professional background, can also play a role. Crucially, though, different types of ventures need different support; that is why social business incubators (SBIs) emerged. Interestingly, the limited literature finds some differences in the offerings of these types of incubators, compared to their commercial counterparts. For example, do SBIs tend to focus less on shared spaces to foster exchange than commercial BIs (Redondo & Camarero, 2019). Moreover, SEs in an SBA setting valued the collaboration with other peers the least important out of all the offerings of the SBA (Pandey et al., 2017). Nonetheless, access to networks through the incubator is continuously valued among the most important offerings of SBIs. It appears that the peers of a cohort do not offer the same value to the founder as tailored support through the incubator does. Even though this might seem obvious, it has strong implications for the incubation design because it heavily fosters community development and a collaborative environment. It would consequently be of huge interest, how incubatees in an SBI experience the usefulness of peer exchange and the reasoning behind it.

One explanation for these results could be the lack of strategic focus of current social incubators. A lack of this focus could lead to a cohort that is too broad for collaboration since operation takes place in too many different stages or industries (Tötterman & Sten, 2005). Focusing more on the social aspect of the venture than on the industry might hinder collaboration efforts, resulting in less social capital exchange. The ideal cohort heterogeneity in SBIs is, by now, not understood, which makes it hard for SBI management to select the cohort with the potential for synergies in mind.

In addition to a strong intrinsic motivation to establish a social rather than a purely commercial venture, social entrepreneurs are usually deeply committed to addressing underserved societal needs and improving the well-being of others. This pronounced orientation toward social impact should be accompanied by a heightened willingness to support those around them. It can therefore be assumed that such pro-social tendencies are not limited to their external beneficiaries but also extend to interactions with peers. As a result, one would expect a greater degree of mutual support and collaboration within cohorts of social entrepreneurs, observable through knowledge-sharing, emotional encouragement, and collective problem-solving, than in commercially oriented business incubators.

As a result of social capital exchange in incubator settings, gained access to knowledge, experiences from other founders, or guidance from mentors likely has implications for venture development. After all, the goal of an incubator is to enhance the decisions of the incubatees on their venture. But because social capital is not only exchanged between incubatee and mentor but also among other incubatees, this social capital exchange likely complements the offerings of the SBI.

This thesis aims to understand and enrich the effects of social capital exchange within a social business incubator and how this affects venture development.

### **3. Method**

#### *3.1. Social Impact Award*

To uncover the previously developed incomplete answers, to what extent social capital plays a role in current SBIs, I am working together with the Social Impact Award (SIA). This SBI was founded by Peter Vandor in 2009 and today is actively operating across 26 countries, with 181 ventures incubated in 2024, and over 1350 since its foundation (SIA Impact Report 2024, 2025). The incubator offers a yearly four-month incubation phase for promising social start-ups previously selected through a competition. Each incubation has four cornerstones.

First, end of June, all participants are onboarded in a two-hour welcome call. In this call, the program is introduced, and participants can ask questions and get to know each other in breakout rooms. Moreover, it is already emphasized that the incubation period is not a competition, but an environment of collaboration. This strong focus is present everywhere in SIA. The first in-person event takes place mid-July and is a two-day bootcamp in Germany. All participants from Germany and Austria are invited to participate with two people per team. The focus is on getting to know the other teams as well as the mentors. While the two days are organized, they provide an opportunity for informal exchange after the workshops at dinner or a bar afterwards. The same structure applies to the mid-term bootcamp that takes place a month later in Vienna. Between the bootcamps, there is no official contact point, but peers can exchange information through a Slack channel. The last in-person event is the closing bootcamp, where all teams pitch their ventures. The bootcamp is three days overall, one day being the award ceremony. After that, the incubation is officially over.

Part of being an alumnus is the invitation to the SIA summit, where all finalists are invited to join. With over 150 participants, the summit is effectively a conference, with speakers, and the possibility of meeting the international SIA community. The summit takes place end of November and is less structured than the bootcamps, allowing for more informal exchange. Every alumnus can buy a ticket to the SIA summit for all subsequent years. The alumni community of further supported through international offerings like webinars, and additionally, local offerings, depending on the city. According to the organizers, these offerings should be enhanced a lot, though, given that the current utilization of these offerings is low.

The SIA incubation is structured around a three-stage developmental framework: problem–solution fit, business model, and operations. Each of the ten selected ventures is paired with a mentor for ten hours of one-on-one sparring over the incubation period. Mentoring follows the

three-stage framework but is adapted to the venture's individual progress, as assessed by the mentor.

Sessions follow a consistent format: they begin with a review of recent progress, followed by goal-setting for the upcoming phase. Mentors provide strategic feedback and act as gatekeepers, determining when a venture is ready to advance. Progression is neither linear nor time-bound, as ventures may remain in a stage for extended periods or return to earlier phases if needed.

The first stage focuses on understanding beneficiaries, defining the social issue, shaping an appropriate solution, and identifying impact indicators. Validation through interviews, market analysis, and prototyping is expected before advancing. The second stage involves business model development, including value proposition design, customer definition, and basic financial structure. The final stage supports implementation planning, financial strategy, marketing, and team capacity building. Between sessions, ventures are expected to advance independently on agreed milestones.

To support them, SIA offers a range of resources, including an online platform hosting videos, templates, toolkits, and guiding materials. Ventures can also book expert sessions to receive tailored guidance on specific aspects of their project.

Importantly, not all ventures are expected to reach the operations phase within the incubation period, and success is not measured by the number of stages completed. The final jury evaluation takes into account a venture's overall potential and the depth of progress made during incubation. Connected to this, it is highlighted multiple times during onboarding that the incubation phase is not a competition. Instead, it encourages all finalist ventures to see themselves as collaborators, fostering a strong sense of cohort spirit. Peer-to-peer exchange, mutual support are considered essential components of the incubation process.

In addition to the developmental support, the program includes an outreach component. Each finalist is guided in producing a short video pitch, which is shared on the SIA platform as part of a public voting campaign. This community-voting initiative increases the visibility of each venture and helps them attract early followers and potential partners. The venture that receives the most votes is honoured with the community award.

Last, mentor selection at SIA follows a needs-based matching process that begins only after the participating ventures have been selected. This sequencing allows the program team to consider the specific thematic focus and developmental needs of each venture when identifying suitable mentors. Selection criteria include the mentors' professional background, domain expertise, and prior experience with early-stage ventures or social innovation projects. The objective is to

ensure that mentors are not only qualified but also able to provide targeted, context-relevant support to the assigned teams.

### *3.2. Sampling*

Given the collaboration with the SIA, only participants from the incubation phase of this program were interviewed. Hence, the sample is a purposive convenience sample. The sample contains participants of German and Austrian SIA cohorts of the years 2021, 2022, and 2023, as well as of winning projects and regular finalists. Overall, team members of eleven different projects and five different cohorts were interviewed for approximately 25 to 40 minutes to gather the data, resulting in a sample size of eleven. All the interviewed people were somehow involved during the incubation period, with varying levels of engagement. Additionally, all interviewed participants had leading roles in the projects during the incubation. Two out of eleven interviewed people did not speak German and participated only by speaking English. Participants were contacted via email or LinkedIn request, as well as personal contacts. Each interviewee provided informed consent and was assured anonymity. While the sample is limited due to the purposive scope of the study, theoretical saturation was approached as no substantially new themes emerged in the final interviews. This suggests that the core dimensions relevant to the research question were sufficiently captured.

Interviewees are numbered in the chronological order in which the interviews were conducted. In the results section, for example, the third interviewee is referred to as "SE3". The transcripts of each interview can be requested from the author.

### *3.3. Method*

This thesis employs a qualitative research design grounded in a mixed deductive-inductive approach to content analysis. This method is used to understand how social capital exchange takes place in the SIA and what benefits emerge from this for the incubatees. Ultimately, this thesis aims to determine whether the exchange is even useful and how it influences venture development. Following the principles of qualitative content analysis of Mayring & Fenzl (2019) categories were initially developed deductively from the existing literature and later

revised and extended based on the data collected through interviews. This strategy enables the integration of established theoretical knowledge with insights that emerge directly from the data.

The initial category system was informed by key concepts and theoretical frameworks identified during the literature review. These served as structuring codes, providing a foundation for the development of primary analytical dimensions. However, as interviews were conducted and transcribed, it became clear that the literature-based framework alone did not fully capture the complexity of the interview data. Accordingly, the coding scheme was revised inductively, allowing new subcategories to emerge and existing ones to be adapted in light of the empirical material. The coding scheme was organized into a two-level hierarchy, consisting of primary codes representing broader thematic categories and secondary codes capturing more specific subthemes that emerged inductively during data analysis (Gioia et al., 2013). This hierarchical structure allows for both theoretical abstraction and empirical depth in the interpretation of the data. The coding process was conducted manually using Microsoft Excel, with each transcript analysed and codes systematically tracked in a matrix to ensure consistency and traceability.

The final coding scheme was thus the product of a two-step process: first, the deductive derivation of initial categories from the literature, and second, their inductive refinement through close reading and line-by-line analysis of the interview transcripts. This dynamic development ensured both theoretical grounding and empirical openness, consistent with the recommendations of Miles & Huberman (1994) for flexible yet systematic coding procedures. Table 1 presents an exemplary coding agenda for one second-level code, and Table 2 provides an overview of all codes from the final coding agenda. The entire coding agenda can be found in the appendix.

**Table 1:** Exemplary Coding Agenda

Second layer codes	First layer Codes	Example
Group identity establishment	the participation in SIA gives me a sense of belonging	<i>“Yes, absolutely. It's totally a family.”</i> (SE3)

**Table 2:** Overview of the codes for the interview analysis

Third layer codes	Second layer codes
Social environment within the incubator	Competition vs community within the cohort

	Establishment of professional networks during SIA
	Perception of cohort diversity
	Exchange in professional networks
Effects of social capital gain	Group identity establishment
	Peer effects on venture development
	Motivation to work on the project
	Credibility of the project

For the qualitative content analysis, the interview transcripts were carefully reviewed, and relevant passages were assigned to the codes. These segments were collected in a structured list. This process allowed for a reduction of the material to the most pertinent content related to the research questions. In the results section, the collected segments were critically assessed, and the most illustrative examples were selected to represent the findings.

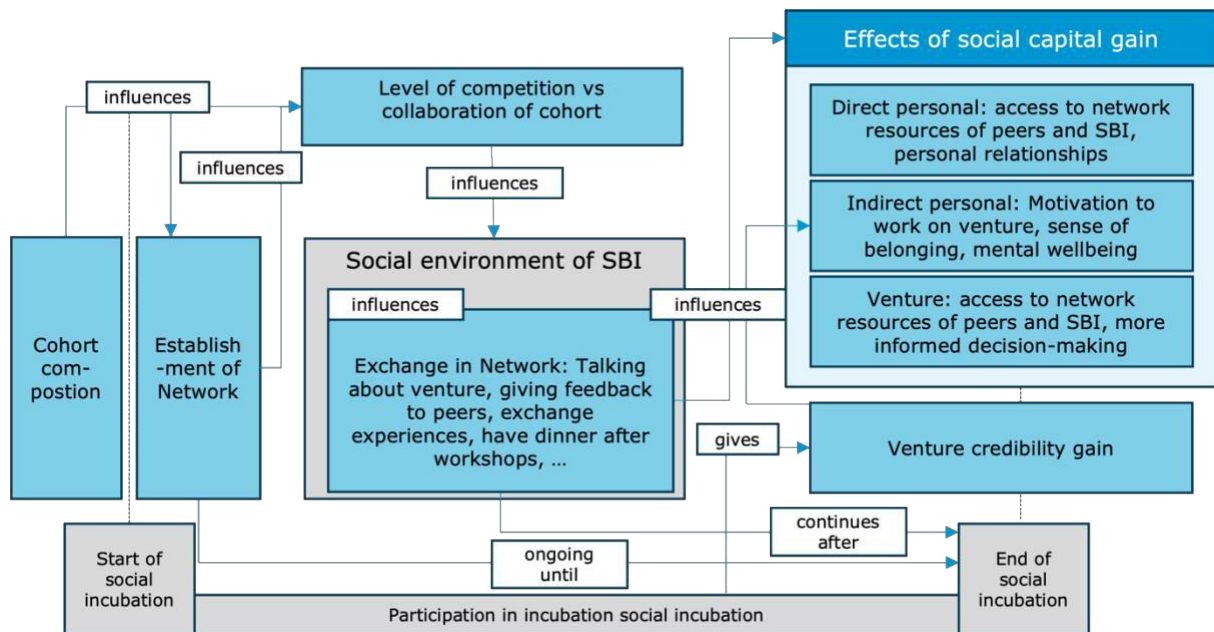
In the final step of our analysis, I abstracted the second-order codes into two aggregate theoretical dimensions (Gioia et al., 2013). This allowed me to develop a model that shows the interconnected dimensions of social capital exchange during and beyond the incubation period. The first dimension deals with the establishment of networks and the emerging social incubator environment, while the second dimension includes all the occurring effects of this environment.

## 4. Results

The goal of this thesis is to better understand the social capital exchange and development of social entrepreneurs in the context of an incubation phase in a social business incubator, and how this exchange affects venture development.

Based on my data, I have developed a model that connects the dimensions that are important for social capital exchange and illustrates how this exchange influences venture development.

### 4.1. Model description



**Figure 2:** Social capital exchange in social business incubators and effects

The model needs to be read from left to right and in the direction of the arrows. It is a process model that captures the social capital exchange from the social incubation start to end and beyond.

In the first step, the model describes how the initial composition of the cohort influences the initial establishment of networks across all ventures, which in turn jointly influences the initial level of competition or collaboration of the cohort.

The early-stage level of collaboration significantly affects the social environment of the SBI, which influences the level of exchange within the cohort. This exchange results in social capital gains. It can occur anywhere and at any time during incubation, and its effects are widespread,

yet they can be clustered along three main dimensions: direct personal, indirect personal, and venture. The three dimensions cannot be seen separately, as, for example, the access to network resources of peers and SBI is an individual social capital gain in the first place, which gets utilized to develop the venture. Yet, in case the venture stops, the network accessibility remains. The same is applicable for indirect personal social capital gains. The social environment of an SBI influences the establishment of a group identity, which can be observable in an individual's sense of belonging to this group. This feeling fosters individual well-being and simultaneously the motivation to work on the venture. Therefore, the effects of social capital gains during social incubation are interconnected and multi-layered.

Important to mention that the establishment of networks continuously happens during the social incubation period, and the exchange within these networks, as well as the effects resulting from that exchange, continue after the end of the social incubation period. This means that the social environment of an SBI is in constant development, usually, to a more trustworthy environment, as the incubatees get emotionally closer over time.

Last, the venture credibility is unaffected by the social capital exchange within the SBI. The credibility does not come from any peer interaction, but through the participation itself. Therefore, once selected to participate in the SBI, the credibility gain is an asset of the venture. Noteworthy, does this credibility gain influence indirect social capital gains, as motivation to work on the venture.

#### *4.2. Formation of the social environment within a social business incubator*

The previously described model prescribes that social capital exchange, or more broadly, a higher social capital, is beneficial, either individually, for the venture, or both. While the literature indicates this, I wanted to understand first whether this assumption holds, and how important the social capital exchange really is, since, in the case of low importance, the facilitation of it in an SBI setting would have to be evaluated according to the importance.

My findings indicate that access to a wide network is fundamental. It is frequently described as: *“Essential, essential. Business development without a network is virtually impossible”* (SE1 & SE9). Another interviewee underlined this: *“Oh my goodness, everything! Access is essential. It is really about knowing people who can open doors for you”* (SE4). All eleven interviewees emphasized the importance of accessibility, five of them described access as fundamentally

important, and the most important thing they gained from participating in the incubator. Thus, the facilitation of a thriving, collaborating social incubator environment (SIE) is very important, as this is where the actual social capital exchange happens.

As described in the model, my findings indicate that the SBI social environment is influenced by the level of collaboration of its incubatees. This level is influenced by two interrelated things: First, the exogenous cohort composition, and second, the initial establishment of networks. I will go into depth on cohort composition at a later stage, but for now, it is sufficient to understand that the composition of a cohort partly determines who talks with whom. For example, does one founder state that they worked closely together with similar projects.

*„Yes, there was definitely a group, I think there were two or three in total, who were involved in circular economy, so we often worked together. So you usually did the exercises with those who were most similar to you in order to get feedback, or rather more specific feedback“ (SE1).*

This composition is not at all limited to venture similarity, as *“you always look for things you have in common when you try to talk to new people” (SE1)*. Therefore, the initial composition can facilitate the establishment of networks at the beginning of the incubation period, as more similar projects or people are more likely to connect more easily. However, the result should be taken with a grain of salt, as a similar cohort composition does have some drawbacks too. I will pick this up at a later stage.

While similarities help to start a conversation, the creation of networks and exchange with others can happen in countless ways. My findings show that the low-barrier get-togethers after or in between the workshops emerged consistently as specifically beneficial interactions. This implicitly requires in-person gatherings, which some of the interviewees positively highlight.

*„I think it's very beneficial to spend three days together“ (SE7)*

*„I think the most valuable thing for a group like this is to meet in person and then spend time together between workshops“ (SE4)*

*“The boot camps are for sure very cool; they definitely bring people together” (SE10)*

*“Definitely the time outside the workshop is the part that you get a lot of support or are able to create that kinds of connections, but not just within the peers, also within the SIA members.” (SE11)*

Consistent throughout all interviews, incubatees emphasized that the loose get-together without an agenda or a dedicated purpose of being together allows for “*really deep connections*” (SE10) after spending time in the workshops. According to the interviewee, the workshop helps to work on one’s own ideas and get to know the other ideas, but the intense exchange over the projects happens afterwards. This perception is dominant.

Noteworthy, one interviewee did feel included based on the language barrier that was present in these unofficial gatherings. While the official language is English, the vast majority of German-speaking participants speak mostly in German during the unofficial parts. In this sample, “*it was hard to connect and network during events*” (SE8) for one of the two interviewed English-speaking participants.

Taken together, I find a very high level of collaboration from the beginning in my sample. Moreover, no one described that they felt any kind of unhealthy competition, but most interviewees stated that they established a collaborative, friendship-based relationship with their peers.

*„It wasn't rivalry or anything like that, but rather a friendly relationship.“* (SE7)

*„I don't feel that there was any competitive thinking at SIA. I found everyone to be very collegial and very open.“* (SE9)

*„For me, it wasn't competitive at all. Until the final award pitch, I didn't really think about the fact that we were competing against each other.“* (SE10)

The good relationships with other peers established a trustworthy, very supportive, and motivating environment in the cohorts.

*„We play with open cards“* (SE9)

*„Yes, indeed. The trust was there, and we also shared where our pain points are.“* (SE6)

*„I believe that the more honest you were during the incubation period, the more your group was able to help you and the more you gained from the experience.“* (SE10)

All interviewees described this as very positive, and highly valued the atmosphere in the incubator.

During the incubation, the incubatees establish relationships, depending also on personal preferences. A few interviewees, for example, indicated that „It's very much about personal things.“ (SE3) and *“It depends totally on the person. [...] With others, I would definitely say no, but that's just because of personal preference.”* (SE4)

Another Interviewee formulated more clearly that there were *„one or two teams that we didn't get along with so well. But that's okay.”* (SE1)

Overall, in all cohorts, some subgroups emerged, interestingly not only because of operating synergies, but also, to an extent, based on personal empathy.

When it comes to the actual social capital exchange within the incubator, incubatees' exchange varies significantly from team to team, as some rely heavily on their mentor, while others do not utilize their mentor or the experts at all. Additionally, the type of question or topic is relevant to the interaction sought by each founder. For example, one founder emphasized the crucial role of other peers for her:

*“I see it constantly, constantly, that the glasses and the perspective that the founder can give you no consultant, can bring them because the consultant does not live the reality of a startup. That founder lives your reality, or has lived in your reality. The consultant they know just the ABC. But in the reality, ABC, they don't come in order. Sometimes it's the A, sometimes it's C, sometimes B but the founders, they have lived it and they can give you that perspective. Hey, what's happening? Don't freak out if ABC comes together [...] and it is that emotional part of it that they are in it with you because they have lived it”* (SE11).

That's why this founder would contact other peers over SIA members, and also because the founder was aware that the incubator could not help her sufficiently to overcome the issue at hand, due to resource constraints.

*“Not at all to the SIA, it was more about the peers after the SIA. Sometimes, yeah, we discuss it, but I know they don't have resources”* (SE11).

Other founders behaved completely differently. On the one hand, one interviewed founder did not utilize the SIA offer at all, because they did not get along well with their mentor, and a potential expert was unavailable. Another interviewee mentioned that within their cohort, some did not get along with their mentor well, and in my interviews, some just did not utilize the mentoring for unspecified reasons.

On the other hand, approximately 50% of founders intensively used SIA experts or mentors.

*“It was pretty cool to use the experts. Because we said, hey, we want to do it this way and that way. And then they immediately said, that's nice, but have you thought about this and that? And then, of course, you realised that it helps when you see the big picture.”* (SE6)

*“We also took advantage of the mentor sessions, which offered a wide range of options that we really appreciated, especially the networking opportunities.”* (SE10)

*“Our mentor definitely gave us input that led us to say, maybe we'll use these channels and focus on them.”* (SE7)

*“We worked with an expert because he was extremely helpful. He was our coach at the time. Even in the early stages, he taught us about many pitfalls and things to avoid, shared a lot of know-how with us, and then guided us to an incubator, which we are currently participating in.”* (SE5)

Additionally, four participants gained direct benefits through the mentor's network. For one venture, it was even the first partner that enabled a cascade and kicked off the success. On top of that, the social capital of SIA to other corporate partners and investors turned out to be beneficial contacts for some incubatees.

*“And when we were fundraising, SIA's connections helped us there too, because they also have a certain network of investors with whom we are in contact, and those were really good leads, like the ones that were linked there.”* (SE10)

Overall, while the incubator offers valuable access to mentors and partners, not all founders find them equally important and beneficial. At the same time, almost all tenants used the peers in the cohort to share their ideas and exchange feedback with them.

*“I believe that it is particularly important in the early stages to enrich new ideas and gather feedback.”* (SE1)

*“I think the most helpful thing about the whole incubation process is simply seeing that there are so many different projects, how they deal with similar issues, perhaps even what solutions they choose, who their contact persons are, etc.” (SE9)*

*“Hey, I have this issue within the team. What should I do? Or like, how do you handle the team dynamic? Or was the question of the contracts, like shareholder agreement, what should I think about in my shareholder agreement? What should I think about in my articles of association? These are practical ones.” (SE11)*

*“There was a lot of feedback on the ideas, so you hear the pitch or you have an idea yourself, and you perhaps say to people, ‘Hey, you really need to talk to X and Y,’ so that you proactively provide some points of contact. The whole community was actually very proactive in that regard. Of course. Lots of exchange. How do you do it? How do you organise your tasks? What tools do you use?” (SE2)*

Moreover, incubatees benefit from one another by being confronted with different situations, which *“definitely helped to broaden my horizons”* (SE6). So incubatees really utilized each other’s different situations to understand how other founders navigate the early stages of their venture, and reflect, whether this is beneficial for themselves.

But this is not all. Especially when it comes to hands-on problems, like contacting an institution for funds or similar, so in general situations that overlap, incubatees rely on their network to double-check and get background information. One interviewee describes the community as very proactive and supportive when it comes to potential network contacts. This observation is consistent across the sample.

Last, some peers used the cohort not directly for feedback but to exchange personal topics or to get a feeling for the social entrepreneurship scene.

*“It was cool to interact with people who are at roughly the same stage and to get a bit of an insight into how it all works. [...] I think that's also a way of getting a feeling for the bubble and for the people around you. It definitely helped.” (SE7)*

Given the acceptance of ideation stage ventures in SIA, the collection of experiences of inexperienced founders through the cohort seems logical. More on that in the peer effects part.

Overall, peers use both the incubator and the peers when it comes to accessing social capital resources. My sample shows how different and nuanced participants within the SIE are used, and as outlined before, how the cohort composition affects the level of collaboration in a cohort, and therefore the overall social environment. In order to effectively facilitate social capital gains from an incubator perspective, the selection of ventures into the cohort should be prioritized.

However, the ideal cohort composition is not fully understood. That is why I tried to better understand what matters to peers and how they evaluate the composition of their cohort.

My findings before indicate already that operating synergies might not be the only priority in a cohort, as some founders focus especially on personal relationships. In my sample, there are mixed findings:

*“I think the question is a bit of a double-edged sword” (SE5)*

*“because both have advantages and disadvantages. So, I think it's very difficult to decide which one to choose.” (SE4)*

While some participants value a homogeneous cohort in terms of industry, others say they benefited from the diverse composition.

*„Of course, it [a homogeneous cohort] has advantages, but I also see advantages in the composition that exists there.” (SE3)*

*„So I would say that it was generally good that it was very diverse.“ (SE6)*

And on the other hand:

*„Yes, there was definitely a group, I think there were two or three in total, who were involved in circular economy, so we often worked together. So you usually did the exercises with those who were most similar to you in order to get feedback, or rather more specific feedback.“ (SE1)*

*“And we had a few other colleagues who were actually in the same industry as us, and together we were a little more involved in the health sector. We exchanged a lot of ideas and experiences about what worked well.” (SE10)*

One interviewee shared the experience from another incubation program. It was a dedicated AI program where all founders gathered together for one month. The founder describes this setting as very beneficial because *“we're still maybe in different industries, but we are all united by AI technology needs. So we can discuss like which prototypes to use to make this AI possible or where to find some AI developers. So yeah, we still have some common topics.”* (SE8) Further, according to this interviewee, there was still no competition, because AI is so big. The synergies described by the quote are absent in the social incubator, according to this founder.

*“I mean, it's still united by social ecological topic, but still it's like super, super different topics and still different product readiness.”* (SE8).

Important to mention is that this incubator design was very different, as it was a 30-day in-person camp, compared to the shorter and less in-person design of SIA. The insights nonetheless reveal that homogeneous cohorts can very well work together if they have the time to get to know each other.

Two additional founders addressed this argument that competition arises within a cohort because projects participate in the same industry.

*“That's one of the big myths. Anyone who has ever started something themselves knows that it's not the case that when you share information, you immediately become a competitor. [...] you can't just copy a venture; you need so many things to do that, it's incredibly complicated. So, sharing information with people who are working on the same topic can only help you move forward.”* (SE1)

*“Of course, this composition of topics and different approaches is helpful in order to see a lot and perhaps even think outside the box. But I believe it is still helpful to have something that is relevant to your own topic and aims to solve similar problems.”* (SE9).

Contrary to that, one founder positively highlights the connection to social purpose. According to the founder,

*“It's just that the support I get is very different. It's not about the tech. It's not about the customer part. If for the customer, I go to my urban tech startups. For tech, I got to my AI tech startups for the part that is about the emotional support and basically the team, the core mission. The*

*social part is the part that we wanted to achieve with. The mission part. [...] With the social ones, is just where is your mission standing? It's just, where is your heart? [...] And that is like the connection that helps you to get back to your roots.”* (SE11)

The founder actively uses other social entrepreneurs to refocus the social element of the venture. Later, the founder explains that *“It's just a very different dynamic in terms of empathy and emotional intelligence”*(SE11) compared to other types of entrepreneurs. Therefore, the founder emphasizes that a heterogeneous cohort was *“quite helpful, because as I said, at the end of the day, it doesn't really matter if you're a tech, urban tech, I don't know, fintech, educational tech, it does not really matter. At the end of the day, is just that social part that connects you”* (SE11). At the same time, the founder stated that a homogeneous cohort that aligns on both, social and product level, *“would be amazing. But I don't believe it's possible, because of a wide range of sectors”* (SE11).

To summarize the cohort composition in terms of industry, my findings illustrate the numerous dimensions the exchange with peers has. All interviewees who had a similar project in their cohort stated that it was beneficial to exchange with the other founders, while some noted the positive effects of different ventures, and to also have the possibility to get outside views. A minority of founders emphasize the positive effects of a fully homogeneous cohort.

In terms of the development stage, the opinions are more similar. In general, the earlier ventures strongly benefit from the presence of more experienced ones.

*„I found it helpful to see how people who are further along deal with certain issues. They have already had these experiences. So, it's probably more helpful for us than vice versa. But I think a certain amount of heterogeneity is a good thing.“* (SE9)

*“But for us, that [the presence of more experienced ventures] was amazing because then I would sit beside like a startup who is talking to the customer and it would give me a lot of perspective, and to be honest, those are the ones that I'm still in contact with.”* (SE11)

More experienced projects did not say that they liked the composition in terms of stage diversity, but also did not comment that they wished for more. Generally, findings indicate that a more diverse development stage is more beneficial than a diverse industry.

Moreover, as one interviewee highlights, *"there is hardly any exchange about the industry. There is hardly any exchange about the product itself. For example, people would say, OK, how did you do that? Which network did you approach for investors, and then all these things are similar, even though you might be doing different things. So I don't see any great advantage in clustering this into interest groups."* (SE3).

This indicates that a cohort is able to identify similarities and also gain beneficial insights from founders outside of their branch.

Overall, findings show the complexity of this topic. While some participants enjoyed a diverse cohort, both in terms of industry and stage, some founders, especially the ones with similar ventures in the cohort, stated that this homogeneity in the cohort benefited them. Yet, some of the interviewees advocating for homogeneity acknowledged some diversity in the cohort. Further, the findings indicate that the social mission is an important overarching goal that all teams unite within a cohort, and the exchange beyond venture-specific topics should not be excluded from the discussion of an ideal cohort composition.

#### *4.3. Effects of social capital gain on incubatees*

The effects of exchanging with peers, mentors, and experts promise to be the key benefit of an incubation program. To answer the second research question, 'How does the gained social capital influence venture development?' I asked the interviewees to explain how they utilized their peers.

As previously mentioned, as the effects are not clearly distinguishable, some effects are previously mentioned to describe the perception of the cohort composition. The arguments can be taken together.

However, generally, the findings can be categorized across three distinct dimensions. Direct personal gains, as the accessibility of a peer's network, indirect personal gains, as a sense of belonging, increased motivation, and last, venture gains, which describe the effects on the venture itself, as improved decision making. While the overlap with personal gains is quite big, it is important to distinguish them, because in the case of venture termination, the personal effects remain. Put differently, the personal network access can be used for different things than for venture-related topics, and therefore has to be seen separately from venture gains.

Findings indicate that all interviewed incubatees use the social capital gained during the incubation period to learn from their peers.

*“Yes, of course. Especially when it comes to financing, funding, and so on.” (SE1)*

*“I think that's one of the most valuable aspects of these things. When you're in the early stages, I think you often just have this thing you want to do, and depending on your personality, you're either like, ‘Yes, you can do it, this and that,’ or maybe the other way around, like, ‘Oh, it's really difficult, I don't know.’ And then getting that third or fourth opinion from outside, telling you, I think that's too optimistic, or this and that could be difficult, take a look. And I think that exchange and feedback from others is very valuable.” (SE10)*

Overall, all peers used their cohort members as “*idea challengers*” (SE10) or, more broadly, providers of feedback. Some founders were more into it than others, with no pattern observable, why this is the case.

Interestingly, the majority of interviewees also exchanged about operational challenges, ranging from minor questions to strategic decisions as financing.

*„Yes, definitely. It was about very, very basic technical stuff. Then you talk to them all about it, like, how did you build your website? Yes, here with Webflow and so on. Can you show me how? Okay, I'll do that too.“ (SE2)*

*“Yes, which backend system do we use, which programming language is the most sustainable, where are there the fewest errors, etc., so really technical stuff. You then discuss this with people who have more experience.” (SE5)*

Further, the degree of peer effects is connected to personal sympathy to others and not based on operating similarities. For example, one interviewee mentioned that they “*developed a bit of a friendship with the other team. Because we realised, okay, we get along well, we understand each other. They know my business model, I know theirs. We don't have to explain everything from scratch again. And that made it easy for you to give good feedback and stuff*” (SE5).

In general, several interviewees emphasized the development of deeper relationships with other peers, ranging from romantic relationships to ongoing contact with peers of their cohort, which they make use of in some situations.

Overall, incubatees exchange and “*sometimes you've already had the problem and say, hey, this is how we solved it*” (SE10). In most cases, incubatees did not collaborate deeper than trying to support each other, meaning their own resources were not utilized to help others. However, in two cases, peers shared their own documents with other peers to support them, and one team even coded parts of another venture’s code, because one team needed that support. Interestingly, the founder described strong learning effects for their project during that phase.

Next to direct personal effects that initially match strongly with venture effects, also indirect personal effects are widely observable in my sample.

In each cohort, the participation and interaction with other peers and SIA staff lead to the establishment of a group identity and a sense of belonging to the SIA and to each other. Many are still in contact with each other and feel still as SIA alumni.

*“I do believe that it is a sense of belonging, because you have this drive through your project to change something for the better.”* (SE9)

*“I still consider myself a SIA alumnus.”* (SE6)

Some subgroups developed insider and their own subgroup identity. This was not present in all interviews, though, and only observable in a few participants. Again, emphasized by some, that they got closer to people they like, and it is these people they are still close with today. Nonetheless, everybody confirmed that they feel a (strong) sense of belonging to the incubator. This belonging is more present within each cohort, but also to other cohorts, to a lesser extent. For example, did it help some people to reach out to other participants from other cohorts, to introduce themselves.

Importantly, within my sample, there are differences in the sense of belonging. While some feel it stronger, “*Yes, absolutely. Yes, it's totally like a family*” (SE3), others wish for more, or just did not feel it as strong: “*Yes, I think there is definitely potential for more*” (SE4).

The connection to the incubator is not only relevant from a social capital point of view, but also supports social entrepreneurs in their identity. For example, one interviewee found it:

*“extremely important to find other people who had a similar dream, who had a similar outlook on life, and who didn't think they were the only ones in the district or the only ones in the city, but that there were lots of people all over the world who shared the same principle, and then you feel like you belong to a group. You have an identity that others can also identify with. And then, as an entrepreneur, you have a certain kind of legitimacy. Okay, I'm not crazy, I'm not too social, and I'm not out of touch.”* (SE3)

Despite only one person hinting at that kind of support through the incubator, it shows the variety of indirect personal effects that the incubator and the cohort support. The quantification or attribution of benefits is very difficult, but it is safe to assume that it increases the social entrepreneur's motivation to work on the project, and from an incubator perspective, the identification with the SBI.

This connects to the second very present finding of my sample: the effects on individuals' motivation.

Consistent throughout all interviews is that people entering the incubation repeatedly mention that the surroundings are exciting and motivating to them. One founder described his first impression like this:

*“And that was, in my opinion, the most impressive thing, because you immediately get the impression that these are highly motivated people. Everyone who gathers here is extremely motivated and helpful. I think that helped us a lot.”* (SE10)

This feeling is repetitively mentioned, going so far as to say that one earlier venture felt *“extreme performance pressure”* (SE7) because they were surprised by how far some peers had already developed.

Other teams gained motivation through the valuable feedback from the experts and the cohort.

*“And hearing this feedback, I didn't find it demotivating, but actually motivating”* (SE9).

These diverse motivation channels make some incubatees feel indirectly motivated by the SIA in general.

*“Whenever you go home from an award ceremony or an event, you always feel like there are so many positive, optimistic people trying to make things happen, and that just gives you a different kind of energy”* (SE1).

Other participants, who did not win any final award, were severely encouraged by a SIA employee to *“stick with it and not let it get you down, because it's just an award and not an evaluation of our project. So, SIA spirit was awesome in that case”* (SE4).

For one other interviewee, *“the exchange [with other peers] is very important on a motivational level”* (SE3).

Thus, the driver of motivation is very diverse and can occur in numerous ways. Important to mention is that the questionnaire did not specifically ask for the motivation, but the interviewees highlighted it themselves. It again underlines the diverse effects that indirectly happen from a collaborative cohort.

Last, several interviewees mentioned that participating in the SIA benefited their credibility and legitimacy. Overall, four interviewees mentioned this credibility gain without being directly asked for it, while one winner emphasized that only winning the award is credibility-gaining, simply because there are so many awards that just participating is not enough. Out of the four interviewees mentioning the credibility gain, three did win some of the awards in the incubation phase, while only one project “just” participated. That interviewee emphasized, though, that *“in general, you can say that we were among the finalists of the SIA. That definitely gave us a boost, because it creates credibility, like, “Oh, they’ve already been selected before.” It shows we’re capable, we’re being noticed by others. You could tell afterwards, with other funding programs, that we were probably selected partly because of that”* (SE4).

Important within the scope of this thesis is that this venture credibility gain is not directly connected to a social capital exchange or gain, as the selection itself is the credibility-gaining step. Yet, the selection *“definitely gave us a boost”* (SE4) and therefore contributes to a generally increased motivation to work on the venture.

Overall, my findings show and connect the establishment and effects of social capital gains in social business incubators. The establishment takes place early in the first meetings, and especially in low-barrier environments, many founders seek to connect and exchange their knowledge. The cohort composition plays an important role, as it determines how easily founders initially interact, as well as how easily knowledge is transferred. However, industry-

unrelated ventures also exchange in some cases frequently, because the founders get along well, as they speak about other similarities, not concerning industry knowledge, for example, financing. Striking, very young ventures strongly benefit from exchange with more experienced founders. Also, the exchange with mentors or experts provided by the incubator is usually very helpful, however, not all participants used them equally. Moreover, my findings underline the significance of a collaborative and trustworthy environment, present in all my cohorts. This is the foundation of deep exchange, which allows for the social capital gain effects.

While the majority of social capital gains happen through experience sharing and connections to beneficial contacts from peers and mentors, indirect effects, as an increased motivation to work on the project and a sense of belonging to the cohort and incubator, increase the well-being of the incubatees by a hard-to-quantify amount.

## 5. Discussion

The purpose of this thesis is to examine how social business incubators facilitate social capital development of their incubatees and whether this affects organizational development of the venture.

The facilitation of social capital during the incubation can be distinguished across two dimensions: the incubator and the cohort peers.

Starting with the incubator, so experts, mentors, and partners, previous studies emphasized the crucial role of all to overcome resource scarcity in the infancy phase of the venture (Hansen et al., 2000; Scillitoe & Chakrabarti, 2010). Founders can use them to access their networks or experience. Contrarily, Pettersen et al. (2015) and Tötterman & Sten (2005) state that the incubator fails to systematically provide incubatees with otherwise unreachable resources, questioning the social capital facilitation of incubators.

My findings show that both mentors and experts and as well as partners of the incubator, help some incubatees a lot. An explanation for that could be that SIA selects mentors after accepting the incubatees, trying to match the mentors in the best possible way. Enabled through this selection process, for example, one mentor was able to provide the first contact to the incubatee because the mentor was connected within the industry of the designated venture. This approach might allow SIA to partly overcome the problem of providing generic resources or try to tailor the incubator offers to the needs of its incubatees, countering the issue of generic support of the incubator found in other studies. So, if the incubator manages to systematically provide tailored resources to its incubatees, it could substantially increase venture success through both expertise and networks of the people who support the ventures.

In line with previous research, the connection to partners and investors was also positively underlined in my sample (Hansen et al., 2000). Contrary, one tech-focused founder, who could not utilize these offerings due to the unavailability of experts and personal reasons with their mentor, described the incubation overall as less valuable compared to others. This emphasized the relevance of also providing specialized social ventures, with access to experts in this area (Hansen et al., 2000; Pettersen et al., 2015). At the same time, does this tailored access enable a social incubator to systematically provide critical bridging social capital to its incubatees, as demonstrated before, partly contradicting the findings of Pettersen et al. (2015), that incubators fail to provide just that.

The second dimension of social capital development deals with cohort peers. These are determined by the cohort composition, which the incubator selects. While Pandey et al. (2017) results suggest that the interaction among peers is of low importance compared to other offerings in an SBA setting, Gätjen (2021) finds that more diverse business accelerator cohorts benefit from higher industry diversity, due to non-redundant, cross-sectional network ties, a reduced fear of competition, and a higher willingness to support peers, as there is no fight for similar resources. Moreover, a higher stage diversity benefits younger ventures, as they become motivated by the achievement of the more mature ones, which serve as role models for their cohorts.

My findings complement this research. First, in terms of stage diversity, I observe very similar behaviour, underlining the positive outcomes of composing a social incubation cohort with diverse stages. Younger ventures strongly benefit from the experience and exchange with more mature peers, as it gives founders practical guidance as well as motivation to work on their venture.

In terms of industry diversity, my findings are more diverse. As outlined in chapter 2.5, I assumed that SBIs might be too diverse in their offerings to enable mutually beneficial peer collaboration, as the cohort might be too heterogeneous. While one founder confirmed this hypothesis, some other founders disagree and confirm previous research, as they describe that despite industry differences, they exchange with peers over other topics they have in common, such as financing. The discussion of technology happens elsewhere, for example, with experts, or outside the incubator, with previously gained networks (Gätjen, 2021; Pettersen et al., 2015). For that reason, a diverse cohort is beneficial to them, as exchanging with founders with different backgrounds broadens their horizons.

On the other side, a small majority of founders in my sample underlined the benefits of a more homogeneous cohort, due to the exchange of industry practices. Despite the similarities in terms of industry, no competition emerges, as the ventures are still too different to fight for the same resources. Thus, these founders benefited strongly from exchange with founders from the same industry, as *“sharing information with people who are working on the same topic can only help you move forward”* (SE1).

Many of the founders, who had a peer in their cohort who operated in a similar industry, underlined the advantages of this exchange, as they could discuss on a more detailed, technical level. At the same time, SEs advocating for a homogeneous cohort underlined that competition would not be helpful within the incubator. This confirms previous research on cohort composition, but highlights that similar ventures are not necessarily competitors.

Overall, operating in the same industry tends to benefit social incubation cohorts, although some diversity is beneficial in complementing their own industry-specific approaches.

An ideal cohort, thus, is composed of high stage diversity and medium industry diversity. This partly opposes the findings of Pandey et al. (2017), as my cohort valued their peers a lot. One explanation could be the different stages of the ventures, where more advanced founders in an SBA setting might not value the exchange about other ideas anymore at the same level, as they have a better idea of where they want to develop their venture, making peer exchange less valuable, compared to potentially more beneficial direct support of the accelerator. On the other side, less experienced founders in an SBI setting have more demand for industry expertise, thus value a more homogeneous cohort.

However, my data suggests an additional, currently underexplored reason for collaboration beyond shared venture characteristics: the role of personal relationships.

Founders or founding teams enter the program as individuals, initially engaging based on personal preferences, potentially driven by opportunistic behaviour, but also driven by social instincts, as a sense of belonging and social acceptance.

Multiple founders underlined that the strongest relationships they formed in that incubation were the ones they got along well with, for some, even without any venture similarity. Also, founders who did not establish any ongoing relationships with other peers highlighted the interactions with peers over non-incubation-related topics for relationship establishment.

In general, the establishment of social ties with other peers can happen through more ways than venture similarities. One interviewee describes that “*you always look for common ground when you try to talk to new people*” (SE1), which is why it falls short to limit the scope to the venture when trying to understand how the cohorts facilitate social capital exchange across founders. While venture similarities certainly are one common ground, similar hobbies, interests, or backgrounds could also serve as one. For that reason, an SBI would benefit from looking not only at the ventures but also at the founders when composing a new cohort.

Connected to this, I want to point out another thing regarding collaboration within the incubator.

Previous research shows that individuals become social entrepreneurs because of certain characteristics. This process of self-selection tends to attract people who are more empathetic than other entrepreneurs. As outlined in chapter 2.5, the unique blend of characteristics, such as a high level of empathy, prosocial motivation, compassion, and a desire to benefit society,

may foster the development of a more collaborative cohort (Germak & Robinson, 2014; Miller et al., 2012). One interviewee describes that she has never met an “*asshole-founder*” (SE11) in an SE context, and she never had problems explaining her product to SEs, which is different when she speaks with tech founders, for example.

Tötterman and Sten (2005) emphasize that when a sense of community and shared purpose is present, incubatees tend to align their behavior with group norms and expectations. Such environments encourage prosocial behaviour and discourage attempts to benefit at the expense of peers.

From a social capital point of view, a high level of cognitive social capital emerges from belonging to a group with a strong identity (Nahapiet & Ghoshal, 1998b). In turn, a high level of trust and support is present in this group. Despite my sample only partly shows the emergence of insiders, or other signs of shared language, the presence and the belonging to a group with an identity are very high.

Taken together, the interplay of founder characteristics and the desire to be part of a founder community could be the main difference compared to other types of incubators.

It helps to explain why my sample shows an exceptionally high sense of belonging to the incubator and its peers, even up to four years after their incubation. Additionally, does it help to explain why the levels of mutual trust and support stand out, as all of the interviewees describe a collaborative atmosphere, with many founders open to discussing even important business topics with their peers. Furthermore, not one interviewee felt competition during the incubation period. This partly contradicts previous findings and could be attributable to the differences among founder characteristics (Tötterman & Sten, 2005).

Finally, the founders, who were involved stronger during the incubation, are also the ones who perceive this feeling stronger than the founders, who were, for different reasons, less involved. This circles back to the argument made above, that ventures should not only be selected by industry and stage, but the founders as well, as they are the ones who influence the establishment of a collaborative environment in the cohort.

Overall, when discussing the collaboration between founders, it falls short to disregard founder characteristics. So did the majority of founders emphasize that personal preferences determined with whom they spent more time during the in-person events.

This has implications for cohort composition: just as personal fit is crucial within teams, a good fit between a founder and the cohort may enhance collaboration during incubation, not only with peers but also with mentors and experts. Similar to the increased success of well-composed

teams, I would expect cohorts that get along well to perform better, given the previously mentioned reasons of high degrees of trust and collaboration.

Ultimately, I want to emphasize the importance of the social incubator design. For example, cohorts physically separated show significantly lower levels of collaboration (Tötterman & Sten, 2005), underscoring the need to give room for low-barrier interactions between founders (Nicolopoulou, 2014). All incubators, therefore, have to balance their design with their intended offering to maximize social capital facilitation. Despite cohort interactions being shown to be very valuable to some incubatees, not only for venture development, any type of incubator could opt for one-on-one mentor interactions with carefully selected mentors, and still turn out to be very successful with that approach, as mentors, too, prove to be able to support young social ventures significantly. However, with this design, the social capital development of the incubatees would be quite different.

These subtle differences could be important when interpreting the results of Sansone et al. (2020), who find that Italian SBIs make less use of shared spaces compared to other types of BIs, contrary to the previously underlined benefits.

Building on the first research question, the second research question explores how this social capital gain influences organizational development. As shown in the findings, the nature and depth of exchange vary across the sample, reflecting differing levels of initiative and intent behind peer engagement. Literature suggests that early-stage ventures often evolve through an effectuative approach, making them particularly receptive to peer and mentor influence in incubation settings (Fang et al., 2010; Gätjen, 2021; Lerner & Malmendier, 2013; Winston Smith et al., 2015). Additionally, diverse founder backgrounds within a randomly composed cohort introduce heterogeneous behavioral patterns shaped by individual imprinting (Estrin et al., 2016; Marquis & Tilcsik, 2013).

As a consequence, peer effects were expected within social business incubators as well. The data shows that both mentor input and peer interaction influenced decision-making processes and organizational development in many different cases.

The reason for the occurrence of peer effects, however, does not seem to emerge primarily from the founders' imprint, but rather from experiences, education, or expertise, thus the human capital. The different human capital of founders could be explained by imprinting theory; however, my data does not address this topic sufficiently.

The primary driver of peer effects promises to be the social learning environment created by the incubator (Fang et al., 2010). As described in chapter 2.3.4, venture decisions are connected to the direct and indirect observations and exchange with other peers, mentors, and experts made during the incubation period. (Bandura, 1986; Giannetti & Simonov, 2009; Nanda & Sørensen, 2010b). This is also observable in my sample.

Also, as mentioned before, social capital has three dimensions. Surprisingly, all three dimensions have consequences on venture development, as, for example, through cognitive social capital, the founder's motivation to work on the project is influenced. This primarily happens through peers, where the structural social capital gains facilitated by the incubator are observable in access to partners or investors. Therefore, the incubator and the peers have complementary effects on venture development (Kacperczyk, 2013).

Importantly, influence reaches beyond not only the incubation phase, but also over the lifetime of the initial projects, as founders who terminated their venture by now still feel the gained social capital as accessible. It underlines the cognitive dimension, fostered by the sense of belonging to the community during the incubation (Nahapiet & Ghoshal, 1998b). These efforts show the value for both, founder and the incubator when maintaining an active community.

Last, my findings confirm Lounsbury & Glynn (2001) as several founders mentioned they benefited from the credibility of being a SIA finalist. Being selected by an SBI had a signalling effect that gave both founders and the venture itself validity, but also likely access to resources, like another incubation program, for one venture.

### *5.1. Practical implications*

The findings of this thesis highlight several practical implications for the design and operation of SBIs.

The facilitation of social capital is essential to a successful incubation phase; that's why it should be prioritized by the SBI.

The SBI itself should pursue active partner management to be able to connect its ventures to promising established players. In an SE context, many ventures seek public funding or partners, as local authorities, public institutions, and others, often publicly administered matters. Therefore, among others, an SBI should include offerings tailored to the needs of social ventures.

The same is applicable when it comes to mentors and experts. An example of the SIA incubator shows the enhanced success of choosing the mentors after the ventures, to match the most promising ones, and to maximize success.

When it comes to the equally important social capital development among peers, the incubator plays a key role when composing the cohort. Next to balancing industry and stage of the cohort, my findings suggest considering founder characteristics into the composition too, as some deep relationships are rooted in personal connections. An SBI could add an interview with the founding team in the application process to ensure the founding team fits the personal requirements to create a collaborative cohort.

An SBI can further reinforce this collaborative culture by intentionally fostering a sense of group identity and shared purpose. Regular in-person interactions, informal gatherings, and opportunities for unstructured peer exchange can strengthen cognitive social capital and enhance the sense of belonging among incubatees. The continued engagement of founders with their cohort years after incubation underscores the value of such community-building efforts.

Finally, the symbolic value of being selected by a reputable SBI serves as a powerful signal of legitimacy and credibility. This signal can enhance founders' access to resources and open doors to new opportunities. Therefore, SBIs should recognize the broader reputational role they play and ensure that selection processes uphold high standards. This signalling function not only benefits individual ventures but also contributes to the wider positioning and influence of the incubator in the social innovation ecosystem.

## *5.2. Practical implications for the Social Impact Award*

In addition to the previously made implications, this thesis suggests several implications for the design of the SIA incubation program specifically. First, the program's consistent emphasis on collaboration, from onboarding to in-person events, aligns with theoretical perspectives that highlight the importance of trust and shared identity in enabling social capital exchange (Nahapiet & Ghoshal, 1998b; Tötterman & Sten, 2005). This framing should be maintained, as it fosters peer-level interaction in a non-competitive setting. Second, the mentor selection process, based on venture industry, maturity, and assessed needs, reflects good practice in incubator design. Tailored matching increases the likelihood of forming bridging ties, a key mechanism of support in resource-constrained contexts (Hansen et al., 2000). At the same time

does this thesis show the importance of personal preferences, which could be considered in the future, to reduce non-utilization of the valuable offer.

A focus should be put on expanding the pool of external experts available to ventures. As Hansen et al. (2000) argue, superior incubators facilitate access to diverse, strategically relevant external actors. The current setup offers individualized guidance but lacks broader expert input in specialized domains. One incubatee stressed that an AI expert she would have needed was unavailable, showing the need to expand this network.

Moreover, the alumni network represents an underused resource. Increased engagement with alumni could support knowledge transfer and network expansion, particularly given the shared context and stage similarity. Prior research confirms the value of alumni relations for incubator-based support systems (Tötterman & Sten, 2005; Vedel & Gabarret, 2014). Similarly, some incubatees emphasized the current alumni efforts of SIA, while others explicitly wished for more. A well-designed offering that balances schedules and communicates clear expectations can further strengthen the already well-established SIA community.

Finally, while SIA does not formally select ventures thematically, subclusters tend to form organically. Integrating synergy potential into cohort selection by considering potential collaborations could strengthen internal exchange dynamics (Cohen et al., 2019; Gätjen, 2021).

### *5.3. Theoretical contributions*

This thesis contributes to the academic literature at the intersection of social entrepreneurship, social capital theory, and incubation research in several ways.

First, it advances our understanding of social capital development within social business incubators (SBIs). While previous studies have emphasized the importance of bridging social capital for entrepreneurs (Burt, 1992; Hansen et al., 2000), the mechanisms through which such capital is created within SBIs have remained underexplored. This thesis shows that the development of social capital among incubatees is not automatic but contingent upon specific environmental conditions, particularly the social environment, cohort composition, and trust-building mechanisms within the program. It also emphasizes the role of a high degree of cognitive social capital as a foundation of collaborative behaviour (Nahapiet & Ghoshal, 1998b).

Second, the thesis contributes to the incubation literature by offering a critical reflection on the cohort composition in SBIs. While prior studies have addressed the role of industry, size, or

development stage in shaping cohort dynamics for BIs (Cohen et al., 2019; Gätjen, 2021), this study highlights that, especially, the previously identified benefits of industry diversity do not occur in SBI cohorts. On the contrary, my findings suggest that some similar peers in a cohort benefit from the collaboration, supporting the ongoing specialization in the incubation landscape (Schmerber, 2024).

By addressing these dimensions, this thesis deepens the theoretical understanding of how social incubators function.

#### *5.4. Limitations*

This thesis does have some limitations. The first being the missing generalizability. Given that this thesis only interviewed eleven social entrepreneurs, participating in five different cohorts in Austria and Germany at only one incubator, the findings are very much incubator-related. Despite the high conformity with the literature and a theoretical saturation during the interviews, it is not possible to transfer my findings to other social incubators. The SIA focuses a lot on a collaborative environment and emphasizes right from the beginning that participation is not a competition. Additionally, SIA selects the mentors after selecting the ventures to match the best possible mentor with each incubatee. This likely enhances the SIA offering, as it helps overcome the limitations of generic resources, mentioned in the offerings of other incubators. Also, incubator-related settings, like cohort size and composition, can significantly influence other findings. Given the similarity of my interviews in that aspect, it is difficult to generalize my findings for all SBIs.

Second, this thesis also features a significant selection bias as well as non-response bias. A frequent difficulty in incubator studies is the information collection of unsuccessful ventures (Vedel & Gabarret, 2014). While my sample features four incubatees that did not win any prizes, as well as three incubatees that have cancelled their project by now, my thesis faces another challenge. Due to the importance of social relationships in this thesis, it would have added immense value to gain more perspectives of incubatees who did not experience that “*SIA spirit*” (SE4). My sample includes different experiences, but it lacks perspectives of either unsatisfied or possibly excluded peers who did not align with the overall positive cohort energy, or from a sufficient number of participants in each cohort to cross-validate an inclusive group dynamic. It was several times mentioned in the interviews that there were people who were not as active as the ones I talked to, as well as cohort members who were just not as sympathetic.

This was no majority, yet a few interviewees indicated that the cohort was not always a complete match. It might be more related to general characteristics, yet my sample lacks a complete picture of social interactions within even one cohort. Thus, this thesis fails to fully explain cohort dynamics and consequently cohort compositions for other cohorts.

The last limitation of this study relates to the online incubation phase of the 2021 cohort. While only two of the eleven interviewees are in this batch, it was emphasized numerous times by the interviewees that the in-person events were the most beneficial to establish social relationships, networks, and ultimately gain social capital. While the two interviewees do not show fundamentally different results, especially the intensity of group identity appears to be lower than for other participants.

At the same time, this enriches my sample when it comes to unaddressed points of this thesis, where future research is necessary or interesting.

### *5.5. Future research suggestions*

This thesis enriches the already complex and insufficiently understood ideal cohort composition for a social business incubator by showing how personal relationships influence the social capital exchange. Being one of the first academic papers that addresses this topic, as far as I am aware, does not provide an answer to a pressing topic within the social business incubation setting.

While my findings show both a preference for a diverse and similar cohort in both stage and industry, commercial BI literature as well as current trends point to a more fragmented BI landscape (Schmerber, 2024).

In addition to this, my data is not sufficient to answer the question of an ideal cohort composition. My findings lean towards a more homogeneous composition; however, my data does not provide sufficient reasoning to develop a generalizable model.

Moreover, my findings suggest that founder characteristics influence the level of collaboration and, consequently, social capital development. Future studies could analyse to what extent the founder characteristics should be evaluated in composing an SBI cohort, also to confirm my findings in a different SBI.

A second question resulting from the findings of this thesis is the comparison to fully remote (social) incubators. There are certainly benefits, a remote incubation program can give its incubatees; however, the majority of incubatees describe the low-barrier exchange with their

peers as extremely valuable, some even as the most valuable asset of the incubation. Therefore, comparing a (social) incubator of similar settings in terms of time and size could evaluate the offer of fully remote incubators. Especially interesting would be a comparison to a social incubator, because of the mentioned importance of collaboration, as well as the indicated higher openness and supportiveness of social entrepreneurs.

## 6. Conclusion

This thesis aims to better understand the social capital effects occurring in social business incubators. More precisely, the question is whether social business incubators facilitate the network development of their tenants, and if the tenants value the exchange at all. Given the strong academic evidence of the immense value of network development, this thesis aims to understand how networks are established during incubation, how they are utilized, and what effects occur following the exchange with peers.

To answer these questions, I collaborate with the Social Impact Award (SIA). My sample includes eleven participants from five different cohorts in Germany and Austria over the years 2021 to 2023.

The first finding is that social entrepreneurs find network resourceless and access as fundamental to the success of their projects. Multiple interviewees emphasize that for the growth of their ventures, knowing people who can benefit their project is essential. Consequently, networking is a major activity during the incubation period. Thus, facilitating network development is crucial for SBIs.

The second finding is that this social capital exchange, or network development, primarily occurs in low-barrier settings, such as during breaks or after a workshop day, when interacting with peers in a less formal setting. Most interviewees state that this exchange led to a deeper connection, friendships, and an establishment of group identity, as well as a sense of belonging. Implicitly, all interviewees confirmed the importance of in-person events because they set the stage for the most valuable, informal exchange in between.

Third, during incubation, peers utilize each other for a variety of reasons. While some peers exchange mostly on a personal level, others challenge their ideas, and others deeply exchange about operational topics like website design. Also, more strategic topics like financing were discussed frequently in all cohorts. Therefore, to answer my second research question, peer effects during and partly incubation are significant and play a substantial role in the success of each venture. Overall, while some incubatees rely more on the incubator resources, others rely more on peer resources. It can be concluded, though, that both are indispensable for SBIs.

Connecting to the fourth finding, the difficulty in accessing the ideal cohort composition of SBIs. My sample gives arguments in favour and against a homogeneous or heterogeneous cohort composition, indicating the need for future research. While my findings confirm the positive effects of stage composition, a higher industry composition does not seem as beneficial to all incubatees. Moreover, my findings underscore the importance of considering founder

characteristics in the cohort composition, as venture-related characteristics fall short in fully explaining the reasons why founders engage in networking during incubation. Contrarily, personal preferences play a previously neglected role in academic literature.

Given the importance of peer networks, though, the ideal cohort composition remains a pressing question in SBI literature.

Last, the indirect network effects that occur in such settings need to be highlighted. All incubatees emphasize the high level of support and trust in their cohort, resulting in a very collaborative environment that sticks with them until today, in some cases, four years later. The connection to the incubator, the sense of belonging, and the motivation many interviewees gain from it are hard to measure, yet they are an asset of the incubator that might be more valuable than the incubation itself. Thus, the incubator should carefully consider who they allow to enter this community, not only based on composition, but more on personal fit, to ensure the supportive, trust-based, safe-haven identity facilitates the support in operational questions. After all, social capital is developed with people; thus, the more collaborative the SBI environment is, the deeper the exchange can happen.

## Appendix

### Interview coding scheme

Third layer codes	Second layer codes	First layer codes	Examples
Social environment within the incubator	Competition vs community within the cohort	non-competitive environment created by SIA stimulates cooperation and exchange	Well, for me, it wasn't really competitive at all. Until the final award pitch, I didn't really think about the fact that we were competing against each other.
		SIA created a supportive environment	Totally positive, very motivating, supportive, and on the same level.
		I share critical insights with my peers without fearing disadvantage	Yes, even critical topics
		SIA created a trustworthy environment	
		Some peers in my cohort were not as close as others for personal preferences	
	Exchange in professional networks	description of how networks get utilized	Exactly, but you write to each other when you have problems or other concerns.
		I am in occasional contact with members of my cohort	It's quite a personal matter.
		members of the cohort helped me to obtain critical network resources	
	Establishment of professional networks during SIA	The SIA incubation facilitated network development	Yes, definitely. For example, we met a mentor there who has been with us for many years.

		<p>description of location and type of network establishment</p>	<p>But the majority, as I said earlier, as I said earlier, is networking, and networking mostly took place during the breaks. Or you go out for dinner together in the evening, there are networking sessions or something like that, there were also... Again and again, there were rooms where you could discuss the content together.</p>
		<p>The Sia initiated gatherings helped to establish prof. networks</p>	<p>Basically, the coolest thing about the boot camps was chatting and exchanging ideas with the other founders, because we all have similar problems and challenges. And it was nice to just talk and brainstorm together.</p>
		<p>The Sia initiated gatherings helped to maintain prof. networks</p>	
<p>Effects of social capital gain</p>	<p>Perception of cohort diversity</p>	<p>The establishment and accessibility of networks is relevant to my project</p>	<p>It is essential. Business development without a network is actually impossible.</p>
		<p>a heterogenous cohort is beneficial for learning</p>	<p>But basically, I found it helpful to see how people who are further along deal with certain issues. They have already had these experiences. So it was probably more helpful for us than vice versa. But I think a certain amount of</p>

			heterogeneity is a good thing.
		a heterogenous cohort makes peer learning difficult	In terms of content, there was relatively little for xxx due to the diversity of the various start-ups.
		a homogenous cohort is beneficial for learning	That's one of the big myths. Anyone who has ever started something themselves knows that it's not the case that when you share information, you immediately become a competitor. On the contrary, you can't just copy a venture; you need so many things to do that, it's incredibly indescribable. So sharing information with people who are working on the same topic can only help you move forward.
		a homogenous cohort facilitates competition	
		The cohort mix enabled collaboration	
		the cohort was too diverse for collaboration	
	Motivation to work on the project	SIA directly motivates incubatees to pursue the venture	
		SIA indirectly motivates incubatees to pursue the venture	And that was, in my opinion, the most impressive aspect, because it immediately conveys an impression of highly motivated individuals. Everyone who gathers here is extremely motivated

			and helpful. I believe that this has been of great assistance to us.
	Credibility of the project	Credibility is important for my project	
		SIA helped me gaining credibility	The prize has given us so much prestige.
Peer effects on venture development		I exchanged with peers about business practices	Yes, there were definitely one or two 'aha' moments when it came to the business model, where certain implementation points were discussed, and he simply understood better, OK, yes, that's right. And that then shaped the business plan in the long term and that we focused on that. That definitely happened with our cohort.
		I exchanged with peers about strategic business decisions	Yes, of course. Especially when it comes to financing, funding and so on.
		I can think of decisions of peers I later recalled	
		I implemented feedback based on a recommendation	Yes, definitely. Tips and such that were implemented afterwards, in any case. And I think sometimes tips for our industry and so on.
		Collaborative environment allowed for exchange on project development	
		I don't feel experienced enough	

		to give helpful feedback	
	Group identity establishment	the participation in SIA gives me a sense of belonging	I do believe that it is a sense of belonging, because you have this drive through your project to change something for the better. You may also face similar challenges. We have already gone through incubation, while they are still facing it. I believe that this creates a bond and you get the feeling that you simply understand each other when you talk to each other.
		Within my cohort emerged groups with unique characteristics	
		SIA helped to establish longer lasting relationships	
		Trough SIA I developed a social identity with other peers, shown trough shared codes/language	

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