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Article

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Organizational best practices of company builders – a qualitative study

Abstract

In this paper we qualitatively explore the phenomenon of *company builders* – a new form of venture incubation that has only recently been established. The paper distinguishes company builders from other incubation models, analyses their organizational structure and maps their new venture creation process. Based on a multiple case study of nine company builders located in three European start-up hubs, we find that organizational structures of company builders are dependent on organization size. Company builders with less than 50 employees tend to feature functional line organizations, while larger company builders feature project-matrix organizations. In terms of venture creation process, company builders follow a seven step process, which is mapped in terms of inputs, activities and outputs. We discuss the implications of this study for the extant literature and offer directions for future research.

1 Introduction

Successfully navigating the venture creation process is a difficult endeavour (Shepherd/Patzelt 2017). While there is no agreement in scientific literature regarding the chances of success for start-ups (Yang/Aldrich 2012), failure rates are typically reported to be in the 40 to 60 percent range within five years of founding (Löfsten 2016; Eurostat 2013). Therefore, entrepreneurial activity is innately characterized by uncertainty and risk (Shane/Venkataraman 2000). Over the past decades, research institutes, corporates and investors alike have developed different forms of incubation models to reduce this risk (Pauwels et al. 2016). Today, incubators of all types are an integral part of the entrepeneurship ecosystem, with more than 1,250 incubators existent in the United States and about 300 in Germany (Mian et al. 2016).

Among the newest generation of incubation models are so-called company builders (also referred to as start-up studios or venture builders), which try to reduce risk by following a rigorous new venture creation process and inserting a stronger influence over the venture development through substantial equity holdings (Köhler/Baumann 2016). Recent headlines in popular entrepreneurship media provide evidence of the growing importance of the company builder model.

In 2013, the leading start-up news site TechCrunch reported on the “rise of company builders” (Rao 2013: 1) and its counterpart VentureBeat predicted in 2015, that “we’re going to see a lot more venture-building organizations emerging” (Diallo 2015: 1).

While the literature on incubators is quite established (Mian et al. 2016; Barbero et al. 2014) and the research on accelerators is steadily increasing (Pauwels et al. 2016), so far only the practice-oriented literature has started to comprehensively cover the topic of company builders. To our best knowledge, the so far only scientific study on the topic is a single case study of Köhler & Baumann (2016). At the same time, the continuously increasing economic success of players like Rocket Internet, Team Europe and Allianz X calls for a more fundamental analysis and a better understanding of this emergent form of organization, which seems to have a lasting imprint on the entrepreneurship landscape. Moreover, extant incubation research has repeatedly called for taking into account the heterogeneity of incubation models and understanding its implications (cf. Barbero et al. 2014; Pauwels et al. 2016). Finally, Hausberg and Korreck (2017) recently pointed out the lack of scientific understanding of the company builder model and Köhler & Baumann (2016) noted that “fruitful avenues [...] exist for more fine-grained work on single organizational dimensions and processes [of company builders]“ (p. 31).

In our study, we take up these recent calls for research and aim to explore the following research questions to make a substantial contribution to this new field of research:

- What are the defining elements of company builders and how can company builders be distinguished from other incubation models (in particular traditional incubators and accelerators)?
- How can the organizational structures of company builders be defined?
- Which new venture creation process do company builders follow?

Given that no comprehensive understanding of the company builder phenomenon exists so far, field work and grounded theory “is more likely to generate novel and accurate insights into the phenomenon under study than reliance on either past research or office-bound thought experiments” (Brown/Eisenhardt 1997: 2). Thus, our study follows a multiple-case study approach, drawing on nine semi-structured interviews with the managing directors and/or decision-makers of nine company builders located in the European start-up hubs Munich (Germany), Berlin (Germany) and Budapest (Hungary).

Our study yields several new insights. First, we contribute to the emergent field of research on company builders (cf. Köhler/Baumann 2016) by providing a definition of this incubation form and distinguishing it from other forms of incubation. Second, we contribute to the incubation

literature as we are the first to describe the organizational structures of company builders. More specifically, we find that company builders with less than 50 employees feature functional organizations, while larger company builders have matrix structures. This is important as organizational characteristics materially shape the business undertaking and have a substantial impact on performance (Gulati et al. 2012; Dalton et al. 1980). Third, we make a contribution to the literature on the venture creation process (Bhave 1994; Vogel 2017). So far, research has focused on understanding the process steps followed by entrepreneurs from opportunity recognition to exploitation. However, the process flows in an incubation setting have not been studied so far. We fill this gap by laying out the venture creation process followed by ventures in different company builder settings and derive a generic venture creation process for this new form of entrepreneurial incubation.

2 Theoretical context

2.1 Incubation models

An incubator is commonly defined as an institution that supports start-ups in manifold ways to increase their chance of survival and accelerate their economic development (Pauwels et al. 2016). The type of support that start-ups receive depends on the respective incubation model (Barbero et al. 2014) and comprises access to capital (Aernoudt 2004), networks (Bergek/Norrman 2008), know-how (Cohen/Hochberg 2014), and office space (Vanderstraeten/Matthyssens 2012). Since the foundation of the first US-incubators in the 1950s (Mian et al. 2016) the original incubation approach has substantially evolved and developed into distinctly different operating models (Bruneel et al. 2012; Grimaldi/Grandi 2005).

While a broad range of typologies can be found in the literature (cf. Barbero et al. 2014; Phan et al. 2005), the predominant incubation models can be separated into three categories: (i) traditional incubators, (ii) accelerators, and (iii) company builders (see also Exhibit 1). This distinction is necessary as “different [types of] incubators achieve different results“ (Barbero et al. 2014: 152). We provide a short description of the different typologies and a short summary of the respective state of the literature in the following sub-sections.

	Traditional incubators	Accelerators	Company builders
Existing since	• 1950s	• 2005	• 2007
Definition	• A catalyst tool for economic development which provides entrepreneurs with a range of business resources and services (NBIA, 2007)	• Organization, which aims to accelerate new venture creation by providing education and mentoring to cohorts of ventures during a limited time (Cohen & Hochberg, 2014)	• *No scholarly definition existing*
Examples	• Stanford Research Park • WHU Incubator	• Y Combinator • TechStars	• Rocket Internet • Etventure

Exhibit 1: Typologies of incubators

2.1.1 Traditional Incubators

According to the National Business Incubation Association (NBIA), a business incubator is a catalyst tool for economic development which provides entrepreneurs with a range of business resources and services (NBIA 2007). Incubators have been in existence since the 1950s, when Stanford University established its Stanford Research Park and laid the ground-work for a model that has been replicated globally (Mian et al. 2016). As a result, a substantial body of research has been published on incubators over the past decades.

Existing research has mainly revolved around classifying the various incubator models around the globe (Zedtwitz/Grimaldi 2006; Etzkowitz 2004; Grimaldi/Grandi 2005) and assessing their performance (Rothaermel/Thursby 2005; Colombo/Delmastro 2002; Mian 1997). Only little attention has been given to incubators' organizational structures and their interaction with start-up firms during the venture creation process. The only studies that have taken a procedural perspective on incubation have been conducted by Bergek & Normann (2008), Rubin et al. (2015), and Gassmann & Becker (2006). Bergek & Normann (2008) illustrated a structural best-practice framework for incubators in terms of selecting incubatees, providing the right services and engaging in an effective form of collaboration. Rubin et al. (2015) reported on the differences in information flows and knowledge sharing among incubators from Israel and incubators from Australia. Gassmann & Becker (2006) qualitatively explored tangible and intangible ressource flows in the corporate incubator setting.

2.1.2 Accelerators

Ever since the foundation of San Francisco-based Y Combinator in 2005, accelerators have been proliferating (Cohen/Hochberg 2014). Experts estimate that today more than 3,000 accelerators exist globally (Cohen 2013; Cohen/Hochberg 2014). While there is no academic consensus on a definition of accelerators (Isabelle 2013), characterizations of accelerators commonly encompass the following elements: a 3-6 months program for a cohort of early-stage start-ups that includes mentoring and the opportunity to publicly present their ideas to inves-tors in a public pitch event or demo-day (Pauwels et al. 2016; Cohen/Hochberg 2014; Hochberg 2016; Wise/Valliere 2014). Isabelle (2013) also points out that accelerators are typically for-profit organizations, whereas traditional incubators tend to be non-profit.

In contrast to traditional incubators, accelerators explicitly focus on accelerating the growth of firms (Isabelle 2013). Moreover, they are not mainly designed to provide physical resources or office support services over a long period of time, but they usually offer pre-seed investment in exchange for small equity stakes and are well-connected with business angels and small-scale individual investors (Pauwels et al. 2016; Radojevich-Kelly/Hoffmann 2012; Miller/Bound 2011).

2.1.3 Company builders

The company builder model has only been established a few years ago and has so far received only limited scientific attention. In the practice-oriented literature, the term company builder is not used consistently. Other terms which are typically used synonymously are start-up studio (Bliemel et al. 2013), venture builder (Diallo 2015), or start-up factory (Köhler/Baumann 2016). This diversity is also reflected in the attempts to define this new form of organization (Köhler/Baumann 2016). Based on the lack of scientific definitions, we put forward a definition:

> A company builder is a type of organization, that launches new ventures based on a systematic venture creation process. Company builders independently drive the process from idea generation, the hiring of the co-founders to early fundraising. In return, company builders control a substantial part of the new venture's equity, thereby exerting significant influence over the new venture development way beyond the initiation phase.

From prior academic research we have insights on the governance relationship between the company builder organization and its associated start-ups. Köhler & Baumann (2016) studied the renowned company builder Rocket Internet in a single case study to find that company builders seem to remarkably differ from traditional incubators in terms of ownership, decision-making, incentives and collaboration. The authors report that company builders hold substantially higher

equity stakes, therefore exerting more influence over decision-making, in some cases even centrally orchestrating the entire development of the venture. Additionally, company builders grant substantially less equity to founders but tend to pay them salaries. Lastly, company builders collaborate with their start-ups open-endedly thus differing from the time-restricted incubator model (Köhler/Baumann 2016).

Furthermore, non-academic studies show that company builders are studio-like holding operations which develop multiple startups in parallel leveraging reusable infrastructure and cross-disciplinary teams (Mocker/Murphy 2014). Thus they are essentially organizations that build new companies using in-house resources following a clearly defined blueprint process (Diallo 2015; Szigeti 2015).

While initial groundwork has been laid with respect to company builders, no comprehensive understanding of this phenomenon exists so far. In particular the understanding of the organizational structures employed by company builders is fairly limited to date. Given the importance of organizational structure for essential corporate outcomes such as effectiveness and success (e.g. Zheng et al. 2010), we intend to fill this gap with our research.

2.2 Venture creation process

The creation of new ventures is fundamental for economic growth, innovation and job creation (Gartner 2004). While entrepreneurship research has so far made substantial inroads towards understanding entrepreneurial cognition (e.g., Gruber et al. 2013; Keh et al. 2002), as well as the antecedants (Krueger 2007; McMullen/Shepherd 2006) and outcomes of entrepreneurial action (Foss et al. 2007), the understanding of venture creation from a process perspective is still fairly limited (Shepherd/Patzelt 2017).

This aforementioned lack of understanding is particularly surprising given the early works of Churchill & Lewis (1983) and Bhave (1994) on the venture creation process and the profound literature in the adjacent field of creativity and innovation management (Vogel 2017). The latter maps the evolution from idea generation via the stage-gate concept refinement process to the market launch (Jolly 1997).

What we know so far is that there are different triggers that can stimulate the identification of the opportunity (Alvarez et al. 2013), as well as different paths to develop the concept and exploit the opportunity (Bhave 1994; McMullen/Shepherd 2006). Vogel (2017) has recently extended this field of research by providing a conceptual framework which clearly describes the phases of the

new venture creation process: (i) trigger, (ii) idea-generation, (iii) concept incubation, (iv) concept evaluation and ultimately (v) exploitation.

Moreover, practice-oriented literature has also provided important concepts. Blank (2013) has conceptualized a two-phase customer development process: (i) the search for a business model which is based on a fundamental customer understanding and (ii) the execution of the business model. In addition, Eric Ries (2011) has described an iterative 3-step venture creation process along the phases (i) build, (ii) measure, and (iii) learn. This process is characterized by early prototypes and systematic customer feedback followed by iterative product and business development cycles that allow start-ups to generate a viable product and business model in a short time frame.

At the same time, the current theorizing around the venture creation process is limited. Shepherd & Patzelt (2017) therefore call for a better understanding of the early stages of the entrepreneurial process, urging scholars to "investigating the numerous activities that make up entrepreneurial action because it will provide the foundation for theorizing about and testing microfoundation models of entrepreneurial action" (p. 29-30). In addition, to the best knowledge of the authors, no research has been carried out so far analyzing the venture creation process in the incubator or company builder-setting, which is a clear blind spot of current entrepreneurship research.

3 Data and methods

3.1 Research design

Given the nascent state of research on company builders, we grounded our theorizing in data and employed a multiple case study approach. Multiple case study research is most appropriate if the phenomenon of study is more or less unknown, or if no comprehensive theory has been established (Edmondson/Mcmanus 2007). Based on Eisenhardt & Graebner (2007), "a major reason for the popularity and relevance of theory building from case studies is that it is one of the best (if not the best) of the bridges from rich qualitative evidence to mainstream deductive research" (p. 25).

For our research we used a theoretical sampling approach (Miles/Huberman 1994). We started our sampling by only contacting company builders that met our strict definition. This approach is consistent with other incubator and accelerator studies (cf. Pauwels et al. 2016). We defined com-

pany builders as organizations with the following characteristics: (1) The company builder independently drives the new venture creation process from idea generation to early fund-raising; (2) Co-founders are hired by the company builder's management team; (3) The com-pany builder controls a substantial part of the new venture's equity; (4) The company builder supports the venture without time-restrictions. Applying above criteria, we identified 34 European company builders. Of the 34 company builders contacted, nine ultimately agreed to participate.

3.2 Data collection

Information on organizational structures and organizational processes are typically not publicly available and only rarely documented in the required depth for our analyses purposes. Therefore, we used two main data sources. Our primary data source was semi-structured interviews with the managing directors of the nine company builders. In one case (Rocket Internet) we were only able to get access to the founder of a portfolio company and thus were only able to get an outside-in perspective. We made use of an interview guide with 13 open-ended questions to explore topics such as the company builder's history, organizational structure, venture creation process, financing structure and success criteria (see Appendix 1). We initially asked broadly framed questions related to the topic before following up with several deep-dive questions to capture all relevant aspects. Interviews which lasted between 35 and 95 minutes were recorded and transcribed comprising in total 55 pages of written text. Our secondary data source were publicly available articles on the company builders as well as organizational charts and process descriptions that were obtained from the research subjects for analysis purposes. We made use of the secondary data sources to triangulate our research findings and to complement insights from the interviews with more granular process descriptions, which we received from some research subjects. The use of secondary sources is recom-mended for qualitative research undertakings to increase the validity and reliability of the re-search (Golafshani 2003). Table 1 provides an overview of the analyzed company builders.

Table 1: Overview of the sample

Company builder	Ownership	Location	Founding year	Role of interview partner
Rocket Internet	Publicly listed	Berlin	2007	CEO of a portfolio company
Etventure	Private	Berlin	2010	Head of Company Building
Allianz X	Corporate	Munich	2016	Managing Director
Mantro	Private	Munich	2005	CEO
Drukka Startup Studio	Private	Budapest	2011	COO
WattX	Corporate	Berlin	2015	CEO
Venture Stars	Private	Munich	2011	Managing Director
Rheingau Founders	Private	Berlin	2008	Anonymous
Siemens Novel Businesses	Corporate	Munich	2013	CEO

3.3 Data analysis

For our data analysis we followed the qualitative content analysis methodology devised by Mayring (2015). We coded the interviews according to an inductive coding strategy (Corbin/Strauss 2008). An initial coding scheme based on constructs relevant to our research questions was constantly revised throughout the iterative coding process (cf. Miles/Huberman 1994). Ultimately, our coding system comprised 6 categories and 23 sub-categories (see Appendix 2). For our analysis purposes we worked with a comprehensive ta-ble that contained interview quotes for each of the 23 sub-categories and for each of the cas-es analyzed. After analyzing the cases one-by-one in a single case analysis (Yin 2013), we pro-ceeded with a cross-case comparison between the nine incubators (Eisenhardt 1989).

For the mapping and comparison of the venture creation processes we followed a structured analysis procedure, which contained six steps. Steps 1-3 provided the macro-analysis, while steps 4-6 provided the micro-analysis of the venture creation process.

1. The individual venture-creation processes of the respective company builders were mapped on a high aggregation level. The cases were presented horizontally for further analysis.

2. The process steps of the different cases which fit together thematically were arranged horizontally. We made sure that the logical arrangement and sequence of the process steps remained intact.

3. We then developed the overarching process phases which comprehensively and logically described similar process steps.

4. To add more granularity to our analysis, all existing process-relevant data regarding the process steps obtained from the interviews were compiled. This included milestones, input, activities, tasks and output.

5. We then assigned this data to the relevant process steps.

6. Finally, an appropriate visualization method was chosen, with which the theoretical system's micro-level developed in steps 4 and 5 could be visualized in conjunction with the macro-level developed in steps 1 to 3.

4 Findings

4.1 Organizational structure

In terms of organizational structure our data revealed that company builders feature either functional or matrix organizations. More specifically, four out of the nine cases analyzed featured a matrix organization, combining a functional and a [venture] project organization. The other five cases featured functional organizations (see also Table 2). In functional organizations, departments are grouped by function (e.g. marketing, finance) and each employee reports to his/her functional superior (Daft et al. 2014). Matrix organizations are "a mixed form in which traditional hierarchy is overlaid by some form of lateral authority, influence, or communication" (Kuprenas 2003: 51).

Table 2: Organizational structures

Company builder	Number of employees	Organizational structure
Rocket Internet	~ 300	Matrix Organization
Etventure	~ 300	Matrix Organization
Allianz X	~ 60	Matrix Organization
Mantro	~ 50	Matrix Organization
Drukka Startup Studio	30	Functional Organization
WattX	20	Functional Organization
Venture Stars	10	Functional Organization
Rheingau Founders	10	Functional Organization
Siemens Novel Businesses	8	Functional Organization

The differentiated structural approaches are not related to different organizational strategies pursued but are a mere matter of organizational size. Company builders with less than 50 employees do not have the resources to provide a breadth of services, offer depth of specializations, and dedicated project team staffing. The larger company builders (with more than 50 employees) on the other hand, temporarily allocate dedicated resources with specialist backgrounds to the venture projects.

Exhibits 2 and 3 show two exemplary organizational structures – one of a company builder with a functional organization (Drukka Startup Studio) and one with a matrix organization (Rocket Internet).

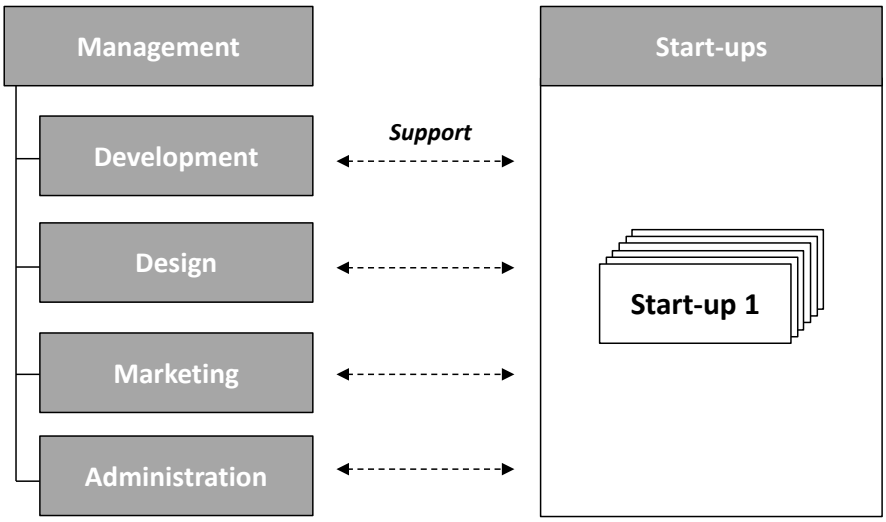

Exhibit 2: Organizational structure of Drukka Startup Studio (Functional organization)

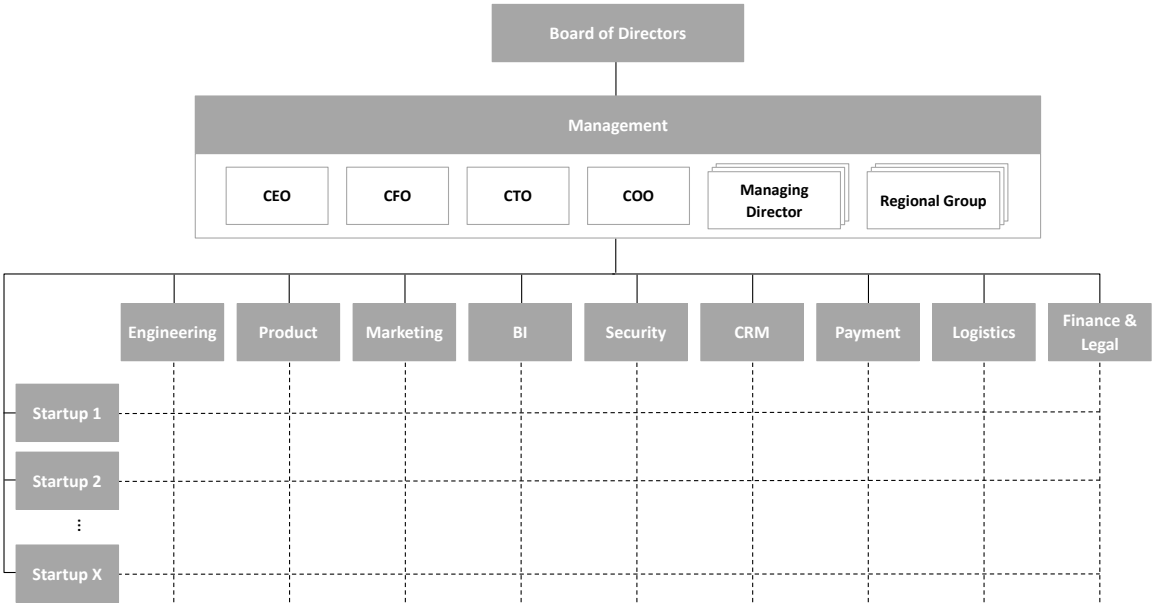

Exhibit 3: Organizational structure of Rocket Internet (Matrix organization)

We also find that regardless of company size, company builders tend not to be hierarchical. While hierarchies formally exist, they are interpreted rather loosely, as a Managing Director of the company builder Venture Stars reports: "[...] our organizational structure is very flat. [...] We don't even have departments or teams, we only have functional areas". Similarly, the CEO of WATTx notes that "you will not find a lot of structure [in our company builder] […] Of course you will find some structure, but structure does not mean hierarchy".

All company builders in our sample provide office space, financing, mentoring and coaching services and provide administrative and operational support. The extensiveness and breadth of support provided by the company builder varies greatly, due to differences in size but also differences in strategy. For example, company builder WATTx stresses the importance of not providing too much support: "We generally support our teams, but for a start-up there is nothing more important than standing on one's own feet and operating in a self-sufficient manner." This stands in contrast to the approach by Rheingau Founders, who try to provide a comprehensive support package for its ventures: "We support through our network, know-how and experience. We have a clear mentoring function. But we also offer co-working spaces and all start-ups have access to central assistance services."

4.2 Venture creation process

Based on the results of our empirical investigation, we mapped the venture creation processes of the company builders. We then analyzed each empirically-collected process on a standalone basis (within-case analysis), before we proceeded with a cross-case comparison of the cases and a derivation of an aggregated venture creation process. Since the depths of the collected data differed substantially, we were only able to analyze six of the nine cases in our within-case and cross-case analyses.

Each analyzed company builder has established its own company building process, yet with varying degrees of process orientation. While some company builders have developed a formal process description (e.g., Mantro), others follow a rather informal process based on experience and business acumen (e.g., Venture Stars). These two extreme cases – one very formal, one very informal – will be presented in the following.

Company builder Mantro has developed a "digital innovation process" which consists of 5 phases (see also Exhibit 4). Based on an initial business idea, prototypes are built in order to conduct a first customer validation (Ideation phase). Prototypes are then iteratively tested and optimized to obtain a validated product concept (Validation phase). During the incubation phase, the team develops a first product version with key features and starts operating as an independent entity. The product is then optimized for the mass market (Product Nurture phase) before a fully operational company is set up (Scale phase).

In contrast, company builder Venture Stars follows a less formal process. As the Managing Director of Venture Stars puts it: "We are not standardized and process-oriented. This is why our co-founders also have to think and act entrepreneurial." At the same time, Venture Stars follows a sequential 6-step process initiated by conducting a market screening of different industries based on a data-driven scoring model (Market Research phase) (see also Exhibit 4). Promising industries are further analyzed in a deep-dive phase. Validating potential target markets is done by building minimum viable products, collecting customer feedback and calcu-lating business cases (Validation phase). Thereafter, the founder team is recruited and the product is launched (Going Live phase). Then the new company is established and external funding is secured (Setup Phase). Finally, the business starts its operations and gains traction and scale (Traction phase).

We then extended our case-specific findings by aggregating the different venture creation processes into one combined process that unitedly describes the procedural approach of the company builders analyzed. In the following, we will describe this process in detail.

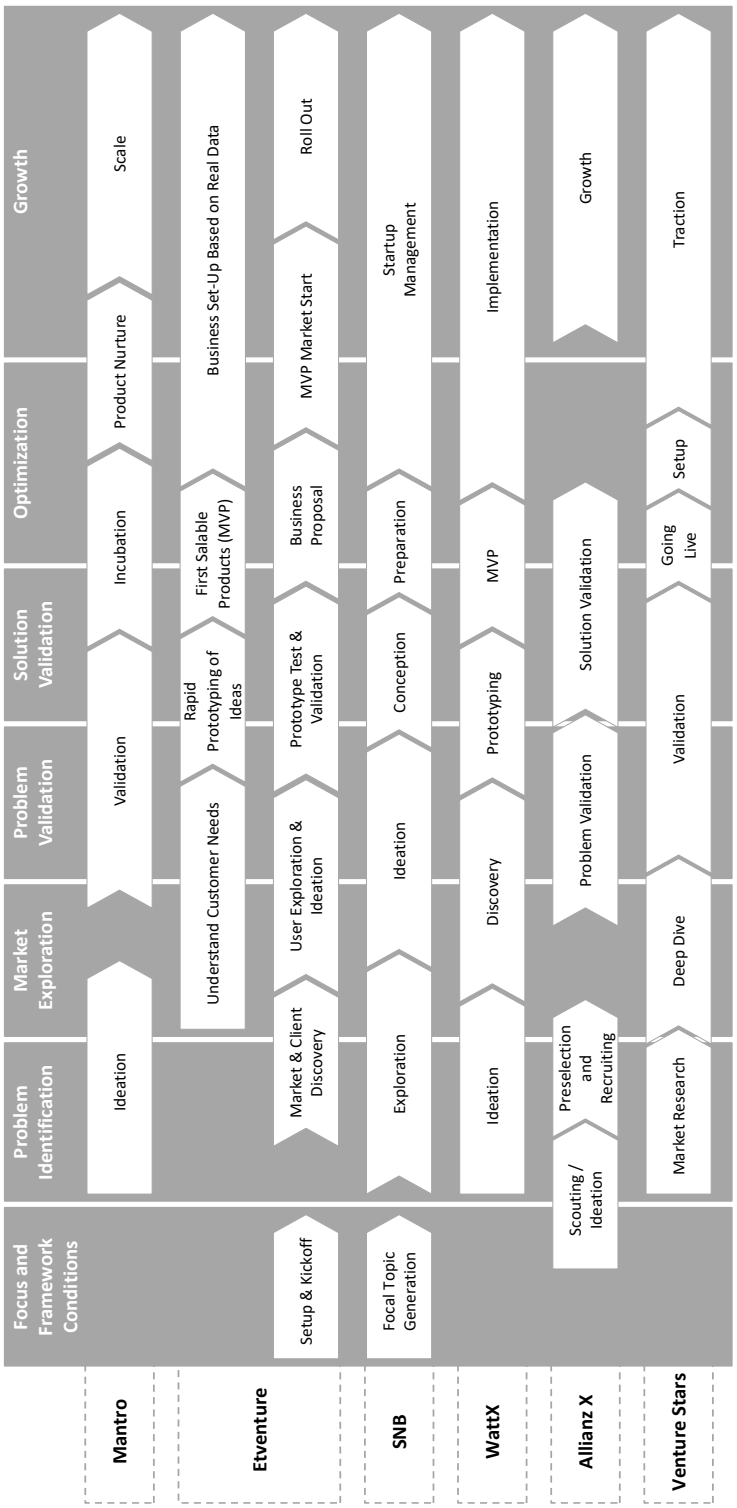

Exhibit 4: Venture creation processes of the sample

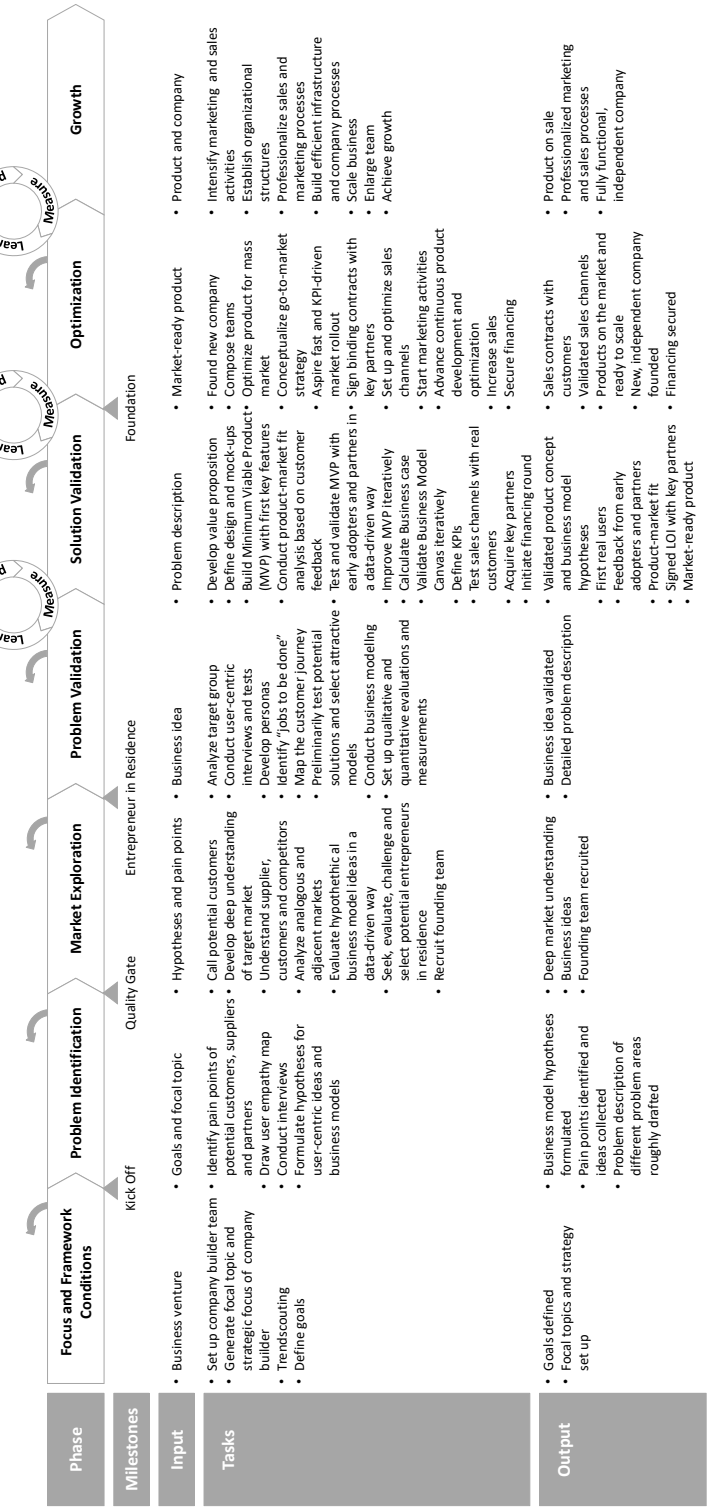

Exhibit 5: Aggregated venture creation process of the sample

The aggregated venture creation process of our sample can be divided into seven steps (see also Exhibit 5):

1. First, the business project is aligned with the focus of the company builder and the framework conditions are defined. Trends are analyzed and the objectives of the venture are defined.
2. After a kick-off event, potential customer problems are identified. Business model hypotheses are developed in a user-centered manner, various pain points of potential customers are identified, and ideas which could be implemented as a new business idea are collected. For all problem areas problem descriptions are documented.

Before the hypotheses and problem areas are analyzed more deeply, they are reviewed within a quality gate, in which the following criteria must be answered positively:

- *Proximity:* Is the business idea close enough to the company builder's strategy?
- *Feasibility:* Is the business idea feasible within the company builder context? (technology, resources, know-how, market access)
- *Significance:* Does the business idea address unresolved and significant customer problems?
- *Potential:* Is the addressable market large enough to start a new company?

3. After the hypotheses and problem areas have passed through the quality gate, the market exploration phase follows. The team develops a deep understanding of the market (i.e. customers, suppliers, competitors) as well as adjacent markets. Furthermore, the first hypothetical business ideas are developed and evaluated in a data-driven way. In addition, the founding team is recruited.
4. In the fourth step, the problem underlying the developed business idea is validated and described in detail. This requires a detailed qualitative as well as quantitative analysis of the target groups. This is supported by various design thinking methods.
5. Thereafter, a suitable solution is validated. Both the product concept and business model hypotheses need to be validated in conjunction with convincing first users and gathering feedback from early adopters. After this phase the product-market fit must be achieved and a market-ready product should be available.

Problem- and solution-validation are worked out in an iterative process which is compiled step by step with a data-driven lean startup cycle according to Ries (2011).

6. After the market-ready product is developed, it is being optimized and a new, independent company is founded. In addition, financing is secured, contracts with customers are closed and sales channels validated, so that scaling can begin.
7. During the growth phase the aim is to build a fully functional and independent company. To do so, structures and processes are put in place, the teams are enlarged and the business is scaled.

Once the founder team has been recruited, its responsibility is increasing over time. The company builder itself gradually draws back from the decision-making and operations of the portfolio company. Collaboration only happens when needed but still there is an ongoing mentoring and coaching relationship. Additionally, financial controlling is conducted by the company builder. In most cases, the company builder is in the lead of the upcoming financing rounds as it typically has better access to investors.

5 Discussion and implications

5.1 Theoretical implications

We motivated this study by the limited theorizing and empirical work on the subject of company builders. We discuss our theoretical contributions to the literature on company builders, incubation models and the venture creation process.

Existing research on company builders primarily goes back to Köhler & Baumann (2016). In their research they compare the governance structure of company builders and traditional incubators and find that company builders operate a more centralized operating model. We extend the research of Köhler & Baumann (2016) by providing a definition of this form of incubation and distinguishing it from other forms of incubation. Based on our cases studied, company builders feature the following characteristics: (i) they follow a defined venture creation process, (ii) independently drive the process from idea generation to early fundraising with no or limited involvement of the founders, (iii) control a substantial equity stake, and thereby (iv) exert a substantial influence over the new venture's development way beyond the initiation phase. Given the confusion which exists in the scientific debate on incubation models (Hausberg/Korreck 2017) we hope this will increase the clarity going forward.

We also contribute to the research on incubation. While the incubation literature is relatively established, only few studies have so far focused on organizational topics. We extend the findings

of Bergek & Normann (2008), Rubin et al. (2015) and Gassmann & Becker (2006), who have focused on incubatee selection, information sharing and ressource flows, by taking a structural perspective. Our finding that company builders with less than 50 employees feature functional organizations, while larger company builders follow a matrix structure is important as organizational characteristics materially shape the business undertaking and have a substantial impact on performance (Gulati et al. 2012; Dalton et al. 1980). Therefore, we hope that our description of existing organizational structures in this incubation model will prove ele-mentary for future studies on the topic.

Finally, we contribute to the literature on the venture creation process (Bhave 1994; Vogel 2017). So far, research has focused on understanding the process steps followed by entrepreneurs from opportunity recognition to exploitation. However, the process flows in an incubation setting have not been studied so far. We fill this gap by laying out the venture creation process followed by ventures in different company builder settings and derive a generic venture creation process for this new form of entrepreneurship. Given that institutional contexts matter greatly in the unfolding of new venture creation (Auschra et al. 2016), our conceptualization may be helpful to both researchers and practicioners involved in company builder settings.

5.2 Practical implications

Our study also has implications for practitioners. Foremost, our findings have implications for the top management of company builders or top managers of corporates who want to increase corporate innovation. Our study provides a 7-step venture creation process which can be used as a blueprint for rigorously managing the new venture creation process. While some start-ups in our study (e.g. Venture Stars) stressed the importance of flexibility regarding the adherence to the venture creation process, all interviewees agreed upon the importance of an established process, which serves as a guiding light in the often tumultuous days of early-stage start-ups. Closely following this best-practice process should help company builders to increase the effectiveness of their venture output and corporate managers to tap new sources of innovation.

In addition, our findings also provide guidance for top managers of company builders in terms of organizational structure. Our study shows that below a company builder size of 50 employees a functional line organization is sensible, while above this threshold a project-matrix setup becomes more effective. Given the lack of research on this topic and the difficulty to compare organizational structures of company builders to other types of organization, this insight should help leaders of company builders to make the right structural choices.

5.3 Limitations, future research, and conclusions

As all studies, this study is not without limitations. First, this paper is based on company builders located in the European start-up hubs Munich, Berlin and Budapest. These regions might not be representative of Europe. As geographic context might have an influence on the organizational designs and venture creation processes pursued (Levie et al. 2014), future research should test our findings in other parts of the world. Second, as for all case-based research, the generalizability of our insights are limited by the small sample size. Future studies should pursue quantitative approaches to test our findings.

This study also provides several avenues for future research in order to further deepen our understanding of company builders. For one, researchers could build on the emerging literature of equity distribution (Breugst et al. 2015) to determine optimal equity splits between company builder and founder team. Further, research can incorporate the literature on entrepreneurial team composition (Knockaert et al. 2011; Ensley/Hmieleski 2005) to find out if and how venture teams of company builders should be configured differently to set out for success. In addition, the vast literature on founder personality (Jong et al. 2012) can be leveraged to study psychological properties of co-founders in the company builder context, given the different incentive schemes and diminished risk profile. Finally, established research on incubator success (Rothaermel/Thursby 2005; Colombo/Delmastro 2002; Mian 1997) can be extended to this new incubation variant in order to understand similarities and differences of company builders.

To conclude, company builders are an increasingly important form of incubation. At the same time, research has so far neglected this emerging field, and failed to provide insight into the structure and workings of company builders. Against this backdrop, we generated important insights with this study that have novel implications for the incubation literature at large and the research on company builders in particular. We hope that our findings will provide the way for future research that will further enhance our understanding on this important phenomenon.

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Appendix

Appendix 1: Interview guide

	Interview questions
Introduction & general information	1. Please describe your company as well as the history of your company. 2. What is your role/function in the company? 3. How do you define the term „company builder"?
Organizational structure	4. Please describe the size and organizational structure of the company. 5. What different departments and teams exist in your company? 6. Where and how are decisions taken in your company? 7. Are resources shared between company builder and portfolio companies?
Organizational processes	8. Please walk me through the process from the initial idea until the foundation of the portfolio company. a. What are the different process steps? b. What are the activities in the various steps? c. Which persons are involved? d. What is the timing/sequencing of the activities? e. Are activities aligned with resources? f. Which methods are used? g. When and how are decisions taken? h. Are there clearly defined processes, milestones and/or quality gates? i. How is the team staffed and what are criteria for the team's composition? 9. What happens post-foundation? a. How do you collaborate and allocate resources after the foundation of the company? b. What are the initial process steps post-foundation?
Ownership structure	10. How is your company builder financed? 11. How would your describe the business model? 12. Can you fill me in on your compensation and incentive model? 13. How does the equity distribution look like for a new venture?

Appendix 2: Coding system

Categories	Sub-categories
General information	1. Year of foundation 2. Number of employees 3. Important milestones 4. Function of the interview partner 5. Definition of „company builder“
Organizational structure	6. Organizational structure 7. Activities and teams 8. Decision-making (corporate) 9. Ressource allocation (corporate)
Organizational processes	10. New venture creation process (from idea to foundation) 11. Process steps 12. Activities per process step 13. Spatial organization of process 14. Methods used 15. Decision-making (NVC process) 16. Milestones / quality gates
Staffing	17. Staffing / team composition
Post-foundation	18. Resource allocation (post foundation) 19. Process steps post foundation
Financing & ownership	20. Financing of company builder 21. Description of business model 22. Compensation and incentive system 23. Equity distribution

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