

The Role of Middle Managers in the Implementation of a Corporate Incubator: A Case Study in the Automotive Sector

Rebecca Hirte

“ Ideas are a commodity. Execution of them is not. ”

Michael Dell
Dell Chairman and CEO

Lately, there has been a growing tendency of corporations to establish corporate incubators as a strategic tool of transformation. However, the managers of those incubators are often lacking the appropriate knowledge and experience when it comes to setting the right framework for implementing such novel innovation units. In this context, the role of middle managers needs to be re-evaluated in order to support them with the right toolset for such an endeavour to become successful. This article analyzes the role of middle managers in the implementation of a corporate incubator by conducting an in-depth single case study within a large German automotive company. In addition to insights from a comprehensive literature review, the study's interviews with 13 experts reveal challenges as well as key success factors from the perspective of middle managers on the stated research problem. In particular, the ability of middle managers to influence employees and top management has been considered with the aim of avoiding resistance and failure. The findings from this study contribute to the research streams of corporate incubation and middle management. In addition, the findings are particularly relevant for managers of large corporations who are facing the challenge of transforming their organization due to digitalization and unpredictable developments in the market.

Introduction

Currently, established corporations are facing significant challenges due to digital transformation, which is blurring borders between traditional sectors and new market entrants, which in turn, affect the corporations' innovation endeavours (Gao et al., 2016). Thus, in order to advance their innovation activities, many large corporations implement new centres of innovation, for example, corporate incubators, where employees have the opportunity to work on new business models within a protected environment (Klandt & Brüning, 2002).

According to Weiblen and Chesbrough (2015), corporate incubators aim to provide an atmosphere in which “innovation can grow better than in the slow and bureaucratic parent organization”. In connection with this, corporate incubators represent a strategic tool for re-defining established processes and structures, which creates a non-bureaucratic environment (Ford et al., 2010).

Existing incubation literature mainly focuses on the classification of different types of incubators (e.g., Barbero et al., 2012) and the impact on their environment (e.g., Colombo & Delmastro, 2002). The latter research stream particularly incorporates studies on incubator tenants as well as economic spill-over effects (Becker & Gassmann, 2006). However, the challenge of successfully implementing such a novel innovation unit within an established corporation from the perspective of middle managers has been neglected by researchers so far.

In general, corporate incubators are classified at the intersection between corporate venturing and business incubation (Ford et al., 2010) and therefore refer to the corporate entrepreneurship literature. Hereby, a decentralized innovation approach as well as a high degree of management support are considered essential (e.g., Scheepers, 2011). Thus, the role of middle managers as an interface between employees and top management (Balogun, 2007) should be included in this context.

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Research on middle management highlights two major streams: the strategic contribution of middle managers within organizations and their role in connection with organizational change (Rezvani, 2017). To date, no explicit research on middle management in the field of corporate incubation has been conducted, which indicates a significant gap.

Given that middle managers often struggle with applying the right measures for a successful implementation of new entities (Floyd & Woolridge, 1994; Kuyvenhoven & Buss, 2011), and especially due to the role of a lack of specific knowledge about their specific function and expertise in connection with the case of corporate incubation (e.g., Hornsby et al., 2002), avoiding a high risk of failure requires a deeper analysis of this issue. This research aims to combine the research fields of corporate incubation and middle management in order to contribute to closing the mentioned research gaps. Furthermore, practical recommendations for the successful implementation of a corporate incubator would be relevant to middle and upper management of such incubators. Therefore, the following research question has been analyzed:

What challenges occur during the implementation of a corporate incubator and how can middle managers successfully guide this process?

In order to provide a more detailed understanding of the research topic, the following section depicts the theoretical framework of the outlined problem statement. In addition, the presented research question is analyzed by the aid of 13 qualitative expert interviews that highlight practical lessons learned, critical success factors, and challenges within the studied context. Finally, the conclusion of this article incorporates relevant implications for research and practice, as well as limitations of this study.

Theoretical Framework

Corporate incubators as a catalyst for innovation

The concept of incubation dates back to 1959 when a large factory building was provided to several founders and small firms for a favourable fee (Adkins, 2002). Throughout the years, incubators developed from offering infrastructure in form of affordable office space and shared resources in the first generation (Lalkaka, 2000) to the current approach of supporting various facets of novel ventures by financial support, shared resources, office space, business support, and access to networks (Hansen et al., 2000).

Corporate incubators represent an instrument of typically large corporations to enhance their R&D-based innovation activities with the aim of developing novel business opportunities (Gassmann & Becker, 2006b). According to Smilor (1987), corporate incubators are “managed as professional service firms, acting in the larger interest of their parent corporation while leveraging their knowledge networks”. Furthermore, several studies describe them as “specialized corporate units that hatch new businesses by providing physical resources and support” (Colombo & Delmastro, 2002; Hansen et al., 2000; Seidel, 2001). Based on their analysis of 25 case studies, Becker and Gassmann (2006) proposed four different archetypes of corporate incubators: the fast profit incubator, the leveraging incubator, the in-sourcing incubator, and the market incubator.

Such new incubation entities are applied by firms in order to enable small and agile teams to operate within a flexible and non-bureaucratic environment. Thereby, involved employees are encouraged to adopt new perspectives and apart from their usual way of thinking, which at the same time has the potential to speed up their operations (Ford et al., 2010; Von Zedtwitz, 2003). In connection with this, existing research shed light on the incubation process, which basically incorporates three phases: pre-incubation, incubation, and post-incubation (e.g., Bergek & Norrman, 2008; Hackett & Dilts, 2004). During the pre-incubation phase, the screening and selection of incubator tenants take place, as well as the preparation of the program with respect to (financial) resources (Gassmann & Becker, 2006a). The main incubation phase refers to the incubator’s support services for business development (Gerlach & Brem, 2015) and the post-incubation phase addresses the ventures’ exit and consolidation (Ratinho, 2011).

Furthermore, a significant number of studies focuses on a corporate incubator’s impact on its environment, which for instance depends on the selection criteria of tenants (e.g., Bergek & Norrman, 2008; Hackett & Dilts, 2004; Soetanto, 2004). Several studies attempt to define success factors for the outcome of corporate incubation and thereby, for instance, refer to client-specific metrics (Bøllingtoft & Ulhøi, 2005; Lee & Osteryoung, 2004). According to Allen and McCluskey (1991), the value proposition of incubators strongly depends on the provided infrastructure and other service offers, which is supported by several authors (De Cleyn et al., 2013; Hansen et al., 2000; Lewis, 2002;). While existing studies provide valuable insights for the corporate incubation approach itself, the last phase after the incubation as

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well as the implementation of such an entity beforehand have been rather neglected so far. However, as both aspects also seem to be significant for the outcome of incubation, this study has the aim to provide a contribution to this gap in the research.

Given that corporate incubators represent a strategic tool for organizations, which entails change and transformation, the capabilities of managers – especially on an intermediate level – to steer such an endeavour becomes highly relevant with respect to a diligent implementation and employees' perception of such a new unit.

The middle manager's role within an organization

The importance of middle managers in contemporary organizations was first addressed by the study of Bower in 1970. In this context, Uyterhoeven (1989) defined a middle manager as "a general manager who is responsible for a particular business unit at the intermediate level of the corporate history". Existing studies incorporate intensive research on the role of middle managers within firms (e.g., Fenton-O'Creevy, 2000; Raghu Raman, 2009), their impact on employee involvement (Fenton-O'Creevy, 1998), or human resources and middle managers (Currie & Procter, 2001). In addition, several key studies need to be mentioned in the context of middle management, such as Floyd and Wooldridge's (1992) analysis of the strategic role of middle managers or Wang and Schneider's (2003) longitudinal study on the dynamics of multicultural leadership team development.

Further research has analyzed the role of middle managers and their contributions in connection with entrepreneurship and strategy (e.g., Drucker, 1985; Pinchott, 1985; Zahra, 1991). In particular, middle managers take on the following roles for effective corporate entrepreneurship: innovator, risk taker, and facilitator of organizational learning (Burgess, 2013). Quinn (1985) highlighted the value and importance of middle managers in connection with the innovation process of established corporations. Furthermore, a middle manager's expertise (Raghu Raman, 2009) with regards to the firm's internal environment has the potential to positively influence systems, processes, and the management of resources (Geisler, 1993), and therefore their contribution to corporate entrepreneurship (Burgess, 2013). As most senior managers do not actively participate in any day-to-day operations, middle managers represent a crucial vehicle for communicating the firm's mission, goals, and priorities to employees. Thereby, they apply formal as well as informal ap-

proaches to support idea generation and innovations within the firm's strategic framework (Burgelman, 1983). Furthermore, middle managers encourage corporate entrepreneurial activities by providing rewards and allowing their staff to take risks (Kanter, 1985). According to Schiersmann and Thiel (2008), particularly within large organizations, middle management is often responsible for the promotion of agility and transformation. Therefore, the attitude and initiative of middle managers decisively impact the success of any organizational transformation initiative (e.g., Osterman, 2009).

Besides an extensive body of research on middle management within several fields, the role of middle managers has not been analyzed in connection with corporate incubators, which depicts a rather new scenario for firms in transition. Therefore, the following analysis aims to tackle this research gap using an in-depth single case study approach.

Methodological Approach

In order to analyze the depicted problem statement, this research relies on the methodological approach of an in-depth single case study based on qualitative data. According to Yin (2011), this research design is especially suitable for studies in underexplored research areas. Furthermore, single case studies are recommended if researchers seek deeper understanding of the subject and want to study a group of people.

The presented case study has been conducted in collaboration with a large multinational German corporation from the automotive sector. This type of organization is often characterized by practitioners and scholars as reluctant to change (e.g., Brunninge et al., 2007). This research object was also chosen because its innovation endeavours, corporate structure, and culture are considered comparable to many established global players of the manufacturing sector and, thus, the findings may be applicable beyond the automotive industry. Furthermore, the selected organization had been in the process of implementing an organization-wide cultural change program during the time of data collection. This endeavour included several corporate initiatives, such as building up a corporate incubator in order to foster intrapreneurship and business model innovations among all employees.

Qualitative data in form of 13 expert interviews with middle managers was collected between March and April in 2017 using the approach of Gläser and Laudel

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(2010). Thereby, the interview subjects were selected such that the diversity of sex, age (between 33 to 57 years), working area, and seniority (5.5 years on average) covered a broad perspective. However, all experts were required to be team leaders or department heads. Three experts were familiar with the concept of a corporate incubator; the others were not. Furthermore, all experts were German and have been working in German locations within the organization. The preparation of a semi-structured interview guideline incorporated a prior analysis of internal documents, preliminary talks with middle managers, as well as academic conclusions of existing studies in business psychology and related fields (e.g., Faulbaum et al., 2009).

In order to avoid biased responses, the selected experts were asked about their assessment of peer behaviour among other middle managers in connection with the introduction of the corporate incubator. Altogether, the experts referred to concrete issues and solution approaches derived from their day-to-day experience within their field of operation. In addition to the collected qualitative data, further internal and external data as well as presentations and studies have been taken into account in order to enhance the validity of the material. The collected data was analyzed by qualitative content analysis according to Mayring (2015). In order to create a system of categories, the transcribed data material has been coded by the aid of several theoretical change models, as described earlier.

Findings

The presented case study has identified challenges as well as key measures middle managers can undertake in order to successfully implement a corporate incubator and the accompanied transformation. Therefore, depicted statements of interviewed experts have been aligned with existing theoretical approaches and models. The following section describes conducted findings with the aid of anchor citations that represent essential lessons learned from practice. In addition, the mentioned challenges and success factors are divided according to individual and organizational perspectives.

Based on the role of middle managers as change agents in the existing literature, this study particularly considered their change orientation, which refers to their efforts to foster change. Even though prior internal analyses indicated a negative correlation between age and change orientation, the analyzed qualitative data has not validated this assumption. Demographic data, in-

cluding age or period of employment, could not have been connected to the experts' willingness to change. However, longer employment with the company led to a subtle feeling of security. Furthermore, all interviewed experts indicated that they have experienced several transformation initiatives before the analyzed implementation of a corporate incubator. However, none of them expressed the feeling of urgency at the beginning of such challenges:

"No, not really. So far, my work life has been shaped by the concern of competitors outperforming us. But I've never experienced any fear of working in an industry that might soon not exist anymore." (Expert 6)

In this case, middle managers seem to underestimate the sense of urgency, which is addressed by the initiated implementation of a novel innovation unit. As also highlighted by Kotter (2012), this attitude is often found in large corporations, where employees and managers rely on past successes and high availability of resources. Consequently, middle managers will eventually transfer this attitude to their teams.

Referring to Lewin's (2012) field theory, involved experts clearly validated the required balance between accelerating and retarding forces, which is expressed by the need for resting periods within a change process:

"And you also need some periods for recovery from change. Your employees need phases in which they can establish continuity and operational excellence." (Expert 6)

Accordingly, in connection with the implementation of a corporate incubator, middle managers highlight the importance of time for employees to get used to such a new entity in order to adopt novel working conditions.

The collected qualitative data reveals that middle managers' understanding of their own role during the implementation of a corporate incubator incorporates the following descriptions: driver, expert, enabler, innovator, pacemaker, motivator, and project lead. Accordingly, the self-perception of their role mainly refers to their supporting function and to enabling their employees to become innovators from the bottom-up. However, several statements indicated that the responsibility of middle managers still needs to be adapted to advanced requirements of a more agile innovation environment:

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"I believe that there certainly is a need for action. I clearly see the responsibility of a modern manager in terms of supporting this change process, and I think we need to do more and become broader in this context." (Expert 5)

With respect to middle managers' ability to influence employees' perception of a novel incubation unit, their impact on employees has been described as the following:

"I can either motivate them by saying that I'm convinced of this initiative and highlighting the advantages or I could also cause the opposite – if I was a bad manager." (Expert 10)

Moreover, most experts stated the important aspect that their own ambition towards transformation needs to be integrated within their team in order to be successful:

"I believe the most important aspect refers to the team's ability to have an impact on such initiatives. So the team has to say which processes are necessary and important from their point of view. And I need to listen to them and include their opinions and feedback. I need to define the right methods and processes together with my team." (Expert 3)

In this context, opportunities for middle managers to receive individual training have been addressed. In general, the analyzed corporation offered plenty of workshops in the field of change management, which certainly supports their efforts in implementing a new work environment. However, middle managers complained about missing capacity for participating in these measures. With respect to their superiors, all middle managers explained that their power of influence on top-managers seems to be high as well, even though this type of relationship requires "more effort" (Expert 7). In this context, included experts especially mentioned that top-managers mostly accept their proposals and support their ideas:

"Yes, in principle they depend on my input. Obviously, it only works like this." (Expert 4)

In addition to providing a better understanding of the role of middle managers in the implementation of a corporate incubator, the following section highlights challenges that might lead to resistance and failure of such transformation initiatives. Furthermore, success factors in the studied context on an individual and organizational level have been suggested in order to prevent fail-

ure. On an individual level, middle managers refer to challenges being based on the following aspects: willingness to adapt to new work environment by established employees (Expert 1), need for security (Expert 2), feeling of too rapid change (Expert 7), strong micro-management (Expert 9), and need for different and novel skills of employees (Expert 5). In addition, on an organizational level, middle managers feel like their decision making is negatively affected by their area of responsibility that is too extensive (Expert 1, Expert 2, and Expert 9). Furthermore, missing transparency and communication (Expert 2, Expert 4, Expert 7, and Expert 9) were named, as well as a mismatch between agile project management for radical innovation projects and existing corporate structures and processes (Expert 2). Another statement refers to barriers to collaboration between small businesses or new ventures and corporates in the field of innovation (Expert 6). Last but not least, little cooperation between internal business units is considered as a challenge (Expert 6). With respect to the implementation of a corporate incubator in particular, Expert 1 suggested the compensation of temporary capacity loss during the time of incubation as an essential challenge that needs to be addressed by appropriate measures in advance. Furthermore, Expert 4 highlighted additional personnel requirements in case of a spin-off after a successful incubation.

In contrast, several key measures for a successful implementation of a corporate incubator have been named by the interviewed middle managers. These include the following dimensions on an individual level: decision-making by operative teams (Expert 1), open feedback culture (Expert 2), team goals instead of individual goals (Expert 3), feeling of responsibility (Expert 3), as well as exemplifying culture of change by middle and top management (Expert 4). Furthermore, on an organizational level, the appointment of an additional board member who is responsible for digital transformation and the accompanied change, in particular, is considered crucial (Expert 3). The reduction of hierarchy levels and increased responsibility of employees (Expert 4), as well as target-group-specific communication about required changes (Expert 6 and Expert 7), reinforced job-rotation of middle managers for an increased portfolio of experience (Expert 6), and an early detection and elimination of less promising projects (Expert 3) were named as well. Regarding the implementation of a corporate incubator, the interviewed experts mentioned the following success factors: ensuring sufficient and skilled workforce as temporary replacement (all experts), flexible working hours for increased innovation activities and training (Expert 2), systematic

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enhancement of employee motivation for intrapreneurship activities (Expert 1), and stronger exchange with the external startup world in order to learn and adopt new processes (Expert 3).

In summary, the findings represent helpful insights for the successful implementation of a corporate incubator, which requires a new and agile working environment (see Table 1). Thereby, middle managers have the opportunity to make use of their decisive role within their organization and positively impact employees during times of transformation. Presented challenges and success factors will help corporations to initiate the management of such new innovation entities.

Conclusion

This research has combined existing perceptions of middle management with the case of implementing a corporate incubator, which has not been addressed by existing studies so far. As middle managers have been depicted as decisive actors within change projects and organizational transformation in general, the presented study has focused on their role within a new context. Thereby, several existing studies have been complemented by considering a current case. The suggested findings represent a basis for future studies that can further research in the field of middle management as well as corporate incubation.

Table 1. The perspectives of middle managers on the successful implementation of a corporate incubator

A Middle Manager's Role: <i>driver – expert – enabler – innovator – pacemaker – motivator – project lead</i>	
Key Challenges	Key Success Factors
<p><i>Individual level</i></p> <ul style="list-style-type: none"> • Willingness to adapt to a new work environment • Need for security • Feeling of too-rapid change • Strong micro-management • Need for different/novel skills 	<p><i>Individual level</i></p> <ul style="list-style-type: none"> • Decision making by operative teams • Open feedback culture • Team goals instead of individual goals • Feeling of responsibility • Exemplifying cultural change by managers
<p><i>Organizational level</i></p> <ul style="list-style-type: none"> • Too broad area of responsibility • Missing transparency and communication • Mismatch between agile project management and existing corporate structures and processes • Barriers to collaboration between new ventures and corporates • Little cooperation between internal business units • Temporary loss of capacity during incubation • Additional personnel requirements in case of spin-offs 	<p><i>Organizational level</i></p> <ul style="list-style-type: none"> • Appointment of board member for transformation • Reduction of hierarchy levels • Target-group specific communication • Reinforced job rotation for increased portfolio of experience • Ensuring personnel with required skills • Flexible working hours for increased innovation activities • Systematic enhancement of employees' motivation for intrapreneurship • Strong exchange with external startup world for knowledge spillovers

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The findings from this study are particularly relevant for managers of large corporations who are facing the challenge of transforming their organization due to digitalization and unpredictable developments in the market. Corporate incubators are becoming an increasingly popular instrument for many corporations in order to advance their innovation activities. However, managers still struggle regarding their successful implementation, as many lessons learned can only be revealed after several years of running them in practice. Indeed, this study suffers from this same time limitation. A further limitation of this study is the restricted sample of selected experts, who all operate within one organization and the same cultural context. Further studies might enhance this approach by considering different organizations and regions. This study aims to support middle managers, who represent the interface between top management and employees, during the implementation of such an instrument for innovation and change. The findings from this research clearly outline challenges, as well as key measures from the perspective of a middle manager and thereby provide a basis for their decision making before and while they are building up a new entity for incubation.

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