

**INNOVATION, ENTREPRENEURSHIP, MANAGEMENT SERIES**

**INNOVATION AND TECHNOLOGY SET**



**Volume 7**

# **Open Innovation**

*Corporate Incubator*

**Pascal Latouche**

**ISTE**

**WILEY**



## Open Innovation

*To my family, and in particular  
Quentin, Lucas, Julian,  
Geneviève and Aude*

*To Chantal and Thierry*

**Innovation and Technology Set**

coordinated by  
Chantal Ammi

Volume 7

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**iSTE**

**WILEY**

First published 2019 in Great Britain and the United States by ISTE Ltd and John Wiley & Sons, Inc.

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John Wiley & Sons, Inc.  
111 River Street  
Hoboken, NJ 07030  
USA

[www.wiley.com](http://www.wiley.com)

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Library of Congress Control Number: 2018957896

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British Library Cataloguing-in-Publication Data  
A CIP record for this book is available from the British Library  
ISBN 978-1-78630-324-0

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## Acknowledgments

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*Dedicated to Frigg... Thank you for existing!*

I have spent countless evenings and weekends meeting with developers, start-ups and many players in this fascinating ecosystem for the development of technological innovation.

No doubt it will be difficult to thank all those who have allowed me, voluntarily or involuntarily, to write this book, an extension of my doctorate started in November 2013 and conducted over four years.

Numerous people, whether family, friends and professionals, from all walks of life, have always known how to provide me with a whole new perspective on myself, and on my own perceptions of my surroundings.

I take this opportunity to personally thank them all here.



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## Preface

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The sphere that I am approaching in this work is far from unknown to me. I have already practiced it for several years, as it is a passion of mine. In terms of passions, I have many others, such as those of science fiction and even antiquity. What is their relationship with the topic of this book?

In science fiction, there is almost always a hero smart enough to resolve an extraordinary situation. Antiquity is synonymous with mythical stories involving good guys, as well as bad monsters and cruel gods. Science fiction, like antiquity, projects me into a world which, far from making me forget what I feel, captures images of what I encounter, or even of what I imagine myself experiencing. Should I remind you about Troy's story? Probably not. Why this metaphor, given the main theme of this book – the corporate incubator? Here are some elements that I leave you to freely interpret through this division of roles...

Ulysses is the manager of the corporate incubator. The Trojan horse is the structure of the business incubator. The latter carries within its belly the best start-ups. The Citadel of Troy is the big company. There is a certain hierarchy in Troy, with its King (the CEO), its princes (the Executive Board), its nobles (senior executives) and the people (the employees). It should be noted that the king and princes of Troy fervently desire that the horse, the offering of the Greeks (the ecosystem of the start-ups), enters the citadel. In any case, this is what they reveal to us. Finally, regardless of the real motives, we will have to find ways to deal with the Troy syndrome so that the horse is not a vehicle of fear and disorder for those who welcome him, but on the contrary is a source of peace and fertility. This is not a simple concept as the subtle mix of fear and fascination, inspired by start-ups, is indeed present in the minds of all Trojans, regardless of their rank.

This story, which began a long time ago, is still being written before your very eyes. I do not know how it ends. I confine myself to this work to simply explain the mechanisms of it. Happy reading!

Pascal LATOUCHE  
October 2018

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## Introduction

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I wanted to write this book aimed at the widest possible audience, as a natural extension of my personal doctoral research conducted from 2013 to 2017. In this book, I will try to make accessible the “whys” and “hows”, the fruits of the observations, analyses and interpretations I have made throughout this personal research, so as to somewhat raise consciousness of the phenomenon of the “corporate incubator”. For ease of writing, corporate incubation of start-ups will from now on be referred to by the abbreviation “CI”. The notions of managerial innovation, as well as open innovation – which will also be mentioned – will be referred to as “MI” and “OI” respectively.

To recognize that this story began several years ago, I might have entitled it *Once Upon A Time There Was Corporate Incubation*, but I preferred the title: *Open Innovation: The Corporate Incubator*. This sober title reflects my desire to understand OI by describing the reality of CI. I do not want to discuss the subject, as is so often done in the press: a subject for hype, where the communication teams of large groups provide many people to explain to us how it is “cool”, “useful” and “highly strategic” to work with start-ups within large groups. Although we cannot deny these aspects, the reality is that corporate incubation is far from being a fairy tale or a gently flowing stream for those who are in charge of this kind of set-up. Actors in corporate incubation will enact a process of uptake and transformation of products or services originating from start-ups, by deploying a particular know-how based on multiple interactions and trying to blaze a trail in the specific context of the industrial processes of large groups. To properly carry out this task, CI teams will demonstrate strong *managerial resilience*<sup>1</sup> when faced with internal actors in the large group.

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<sup>1</sup> This term is not used here in the meaning arising from the field of psychology. It suggests the fact that these managers will, in the context of their structure, encounter difficulties and pitfalls, which they must cope with in order to continue to move forward ceaselessly towards their goal.

The purpose of the book, as you will realize, refers to my own experience only to decode what I see and what I hear. This is an important point, because the goal is not to project myself into the reality of what I see and what I hear, but in fact to decode it, in order to better understand the reality of the other, and doubtless in turn to better understand my own reality.

## The mysteries of CI

In the wider sense, CI is a managerial innovation<sup>2</sup> which, as I will show, is complex in that it mobilizes numerous internal actors in a large group and may “consume” those who are responsible for it. I use the term “consume”, at the risk of objections that the term is too strong. The approach demands a lot of energy and skill on the part of leaders. These latter must in fact open the minds of actors such as managers and collaborators towards new practices. This entails re-inventing the fabric of innovation, in fact creating a whole new setting, in the context of large groups as firms where the context for action is necessarily bureaucratic with little appetite for risk-taking. Start-ups are symbols of risks and uncertainties. CI may risk being perceived by some internal actors within large groups as *a Trojan horse*. In fact, CI brings start-ups into the citadel of the large group, thus disturbing the tranquility of its inhabitants. The citadel within its high walls is in fact a place which has accumulated the spoils of war over long years. The paradox is that it is still these same large groups who have wanted this to happen, for whatever visible or invisible reasons.

Top and middle managers and collaborators, although realizing the urgent need to adapt to the changes forced on us by digital technology, are however not natural facilitators and sometimes, unwittingly, act as brakes on conversion and mobilization. Paradigm shifts in work are scary, and this is nothing new. The awareness that the traditional firm and its business model are besieged by a myriad of innovating start-ups, and that it is necessary to have a dialog with the latter, is certain. However, between awareness and implementation, there is a path to be trodden. To this must be added that, for many, it is easier to comment on things for appearance’s sake, than to do them or to contribute to doing them, let alone helping to do them. Handshakes between start-ups and large groups, with photographers at the ready, are much more common than the establishment of real alliances.

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2 We may define managerial innovation as: “the generation and implementation of a management practice, process, structure, or technique that is new to the state of the art and is intended to further organizational goals” (Birkinshaw, Hamel and Mol, 2008, p. 829), or again as: “the adoption, by an organization, of practices and methods of management which are new to it, in the goal of improving its overall performance”. (Le Roy, Robert and Giuliani, 2013, p. 84).



The structure of CI, its manager and its team, will have to face many traps, tests and uncertainties to find their place and to try, despite everything, to reach the goal: to get their large group to work with start-ups. The leaders of CI, if they wish to succeed in their mission, therefore have the heavy task of being aware of the need to simultaneously manage the social and organizational aspects of their company's environment. For this reason related to efforts at deployment, the sustainability of CI, the umpteenth reinvention of OI, is to this day still not certain without very broad awareness.

Confronted with so many statements, the reader will doubtless quickly wonder who the author of this book is. Also, before going further, I would like to share with you, transparently, my background; some facets of which, no doubt, have motivated me to carry out this research that is so time-consuming and sometimes of such a delicate nature.

### **Manager and researcher... and why not?**

I must admit that, as a practitioner of open innovation and the leader of a corporate incubator in a large French group with international reach, I have often wondered how to accomplish my mission and to implement this structure. Numerous questions arose, and I have spoken to, conferred with and seen many people in order to forge my own opinion and to act. This has worked rather well, but I did not understand why and how I was acting. As I recall, I had two months in which to launch the CI. It is difficult to look at yourself while in the process of acting! Very soon, I wanted to take a useful step back, and naturally thought about writing up this reflection in an academic framework in parallel with my mission in the company. I like to say that it puzzled me a lot: how had I done what I did, and how could I do better subsequently? This first reflex, to combine the professional and personal, was implicitly guided by my desire for coherence, or in any case my belief that research work, just like my own job after all, could constitute one thing and even everything. This rapidly forged conviction was moreover supported by certain acquaintances whom I then had in the academic community, as an occasional teacher during my periods of leave.

In any case, for reasons I do not wish to go into here, I then restricted this reflection to the purely personal level. Reflections, interpretations and opinions are only those of the author of this book at a personal level, and I want to clearly emphasize this. When time is made up – very fortunately as well – of evenings, weekends and holidays, it can then become elastic for those who want it to be. This time has been and is very useful for me. I thus began, in a personal capacity, my research work and considered this approach to be a great opportunity to observe more “scientifically” the work of my peers, for the benefit of both academic and managerial realms.

Just like any demonstration based on empirical observation, I believe it is right to honor the CIs of my peers, who also convinced me that there was a problem to be solved. In any case, I, just like my counterparts in other major groups, had one in particular: we had launched our CI, but exactly how were we going to do it and transform things...? To our knowledge, the fluid start-up–large group relationship has not to this day been recognized, regardless of the context in which it is expressed. This is at least one of the few benefits provided by the countless commentators on start-up–large group relationships. Everyone can thus agree on the existence of a problem to be solved.

## Peers in CI

The major feature of the first example of a corporate incubator (CI A) relates to the way in which it emerged. It was the direct fruit of the imagination of a CEO, who after its birth acted somewhat paternally towards it. Two other features may be mentioned. The first involves the youth of the incubation set-up at the moment when we began our discussions. The CEO and his ExCom took some time to decide on the launch. Far from being a sign of indecision, this was in fact a reflection of a carefully considered dynamic. I explored this case in its phase of emergence. Another feature relates to the diversity of missions that this incubator aims to undertake, under the impetus of this same CEO. This case thus presents three special features, with the CEO as the central lever. Its context is at the same time managerial (the “thing” of the leader), temporal (young CI) and concerning ambitions (the breadth of its missions). These are all fascinating aspects of reflection, to the extent that we might realize that, just like the approach of OI in the wider sense, CI may reveal itself to be plural. Different missions and ambitions may result in types of work which are themselves different.

The special feature of CI B relates to the fact that it is an incubator with quite considerable means, and at the same time it seems to face particular competition within the large group which supports it. It is a contrast which I find very interesting, as it again illustrates a personal belief according to which there is no correlation between available means and the ability to control one’s environment. Controlling one’s environment, or in any case avoiding submitting to it, supposes, on the contrary, an understanding of the mechanisms linked to the approaches which one implements. CI B shows us that money does not buy happiness when you want to re-invent the relationship between start-ups and the large group, in a framework of important internal competition.

To present the case of CI C, I will talk about “the company” to refer to the immediate environment of the CI, and “the group” to refer to a wider framework of which the company is part. In fact, this company was bought by a large international group, which is well-known and recognized for innovation. This company itself had a culture very much oriented towards innovation, and already practiced certain forms of open innovation – mainly of the *inbound innovation* type – when the decision was taken to launch a CI. To what extent would this multicultural of innovation favor the adoption of CI? This motivated me to consider this case, about which I would have said in advance that this fertile soil would doubtless comprise a facilitating element. I then supposed that this context would no doubt allow me to confirm a preconceived idea: after all, in a multicultural company which, furthermore, is already very inclined towards open innovation, it is easier to work with start-ups. I was then taken by surprise by this case, which confirmed that the work of introducing start-ups within companies remains something that requires decided effort. It seems to be something for which one almost needs a vocation.

The case of CI D provided important lessons in the context of my research, as the CI is led by different areas of the company involved, and it also developed intrapreneurship, beyond entrepreneurship. In contrast with the preceding cases, intrapreneurship is therefore not a wish or an aspiration, but a reality in addition to the reality of entrepreneurship. These highlights – structural distribution, entrepreneurship plus intrapreneurship – make this case a very interesting example to analyze in detail. We can doubtless imagine that these two-headed creatures are not neutral with regard to the managerial work to be carried out to facilitate the adoption of CI D.

As for CI E, note that it presents a configuration that I had never observed up to then. In fact, everything suggests that this CI is run as a start-up, which continuously and very quickly adapts its arrangements over time, to the point where we can justifiably speak of a pivot. This term “pivot”, as most insiders know, is often used when we speak of a start-up which changes its business model in the wider sense. The case of CI E is thus unique and fully reflects how adaptation, that is, the manipulation of the characteristics of a structure, constitutes the motor of managerial work. Adaptation expresses the translation *in situ* of the mechanism, in particular for its appropriation by internal actors of the large group. It is this aspect on which I will insist in the analysis of this case, and which led me to fully regard CI E as a real start-up.

I hope to have whetted your appetite for discovering a slice of the history of the five Trojan horses which these CIs comprise, and the implementation difficulties associated with them. It is also appropriate to expand somewhat on my intentions in the context of this introduction. The difficulties of which I speak are, on the one hand, not specific to these CIs, and on the other hand, not without solutions.

## CI is a rehash of OI

We note that in the field of innovation, large groups have long-practiced pooling of resources and expertise by opening a certain section of their laboratories to third parties or external partners, so as to take advantage of collaboration and to create value for the different stakeholders. Producing innovation is expensive, at least in terms of time and resources. Collaboration with external partners may represent several advantages, in particular providing new knowledge, or cost savings depending on the project, as proposed in the seminal work of Chesbrough in 2003 on the concept of open innovation (OI).

Over the last decade, we have also witnessed a democratization of this notion of OI, to the point where the latter is today an umbrella term which refers to different practices. Among the reasons which contribute to this extension of meaning, we may cite the phenomenon of collaborative social networks and other digital platforms which have appeared in recent years, allowing people coming from different companies to share and to innovate together. We may even speak of a state of mind or a culture of OI (Duval, Speidel, 2014; Dabrowska, Savitskaya, 2014).

Concerning OI, the end of the 1990s (almost 30 years ago now) were characterized by the rapid development of structures that we describe in the wider sense as “incubators” of start-ups, as much in the United States as in France and in the rest of the world. Incubators are a relatively recent object in the field of management, and a few clarifications are necessary. The AFE<sup>3</sup> describes an incubator thus: “a support structure for the creation of companies, an incubator has the goal of transforming an innovative idea into an efficient company”. This definition is, however, quite restrictive, as it assimilates an incubator and thus incubation to the transformation of an idea into a new company, which is far from being an end in itself and may be widely disputed.

Until the 2000s, the theme of “Incubators and support systems for entrepreneurship” (Filion, 1997), including incubators, was little studied, and some argue that there was no universal and common definition for the different types of incubation structures (Fayolle, 2002; Hackett and Dilts, 2004). This is all the more clear as social factors relating to nations as well as to available resources may come into play (Lalkaka and Bishop, 1996; Kumar and Kumar, 1997; Cariola, 1999), as do the activities, goals and people associated with an incubator (Albert *et al.*, 2003). Specific adaptation work must therefore be carried out on each occasion by the leaders of these structures. In the context of my research, I propose a definition which, I hope, will summarize our knowledge to date.

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3 *Agence France Entrepreneur* (French Enterprise Agency): [www.apce.com/pid6246/les-incubateurs.html?C=173#Qu%27est-ce%20qu%27un%20incubateur%20?](http://www.apce.com/pid6246/les-incubateurs.html?C=173#Qu%27est-ce%20qu%27un%20incubateur%20?)

The reality of OI, like the emergence of the dynamic of incubation of innovative solutions issuing from start-ups, has contributed to anchoring even more the context of large groups in business ecosystems (Moore, 1993, 1996, 1998, 2006; Iansiti and Levien, 2004; Peltoniemi and Vuori, 2004; Gueguen, 2008; Isckia, 2011, 2014). These ecosystems are populated with heterogeneous actors, generally blessed with complementary skills (Ben Letaifa, Gratacap and Isckia, 2013). The business models of the large groups are permanently decomposing and recomposing, under the influence of phenomena such as convergence, the arrival of new actors and in particular innovative start-ups which dream of nothing but reinventing the rules of business. The large groups are led to collaborate (Lawrence *et al.*, 2002) with these start-ups through dedicated structures: CI, our famous Trojan horse, launched by the major groups themselves.

In the entrepreneurial literature, CI – for which I offer a definition here – is often a structure which arises to carry out tactical or strategic alliances with start-ups or even direct investments (capital acquisitions) in start-ups. CI thus characterizes a form of open innovation, today currently practiced in large groups but which still remains little studied in depth, as we previously noted.

I have chosen to concentrate on this particular form of OI, that is, CI, as the latter requires collaboration with many actors both internal and external to the company to carry out its primary mission: reinventing the fabric of innovation. To attain its goal, the leader or manager of the CI must necessarily forge close links with other actors within the company, in the face of numerous socio-organizational difficulties. This requires the manager of the CI not only to carry out their task of supporting start-ups, but also in consequence to stimulate and encourage the production of innovations produced by these same start-ups, to the benefit of the large group (and of the start-ups, to remain fair).

Collaboration with other entities within the group, potential clients of the start-ups, is thus indispensable because the CI is not intended to be a line of business. Building this collaboration remains the essential mission vested in the leader of the CI. This latter must find its place, or rather must negotiate its place, in the field (or, more simply, the environment) of the large group. The goal of this negotiation is the adaptation of the incubation (CI) process, in other words its institutional alignment within the complex organizational field of the large group. The outcome of the adaptation process conditions the institutionalization of the CI – its recognition within the organization of the large group – which becomes an additional motor for the fabric of innovation within the group, welcomed by the latter (in any case in words, and/or at least under pressure).

Analysis of CIs may consequently be extended to the modalities of adopting OI in the wider sense, thus rehabilitating what is the very essence of open innovation: an approach which requires subsequent work by managers, and not a mechanism or a funnel for the production of innovation, as certain OI authors suggest. Here, we see a problem which deserves our attention, lest we remain at the point of statements and vain incantations as to the importance of start-up–large group relationships.

## **The problem to be solved**

My initial research subject, like the work which follows on from it, is precisely part of an overall schema where the company pilots its innovation process by mobilizing many internal and external actors and competences, in order to develop and establish the so-called “entrepreneurial” policies. These latter are embodied in various practices such as spinning-off, externalization of projects, alliances with external structures, investment, sale of technologies, sponsoring of external digital activities or even strategic watchfulness. All of these approaches are part of OI and present the latter as a way for the company to reappropriate an entrepreneurial logic which is sadly too often lost in large groups. This phenomenon is nothing abnormal and, according to Mintzberg, it is a logical consequence of organizational development (Mintzberg, 1982).

If the managers of these entrepreneurial schemes are supposed to be able to take advantage of the benefits of a large group, they must, however, manage several contingent factors, in particular negotiating with their various stakeholders the strategic position of their schemes within the organization of the group, their independence, their power and notably their capacity to mobilize internal resources, the sustainability of their mission and possible conflicts between the goals of external actors and those of the large group. These elements of understanding illustrate the social and organizational double challenge with which OI initiatives are faced, and justify the reason for which I put the emphasis on the question of “how to do it?”, because succeeding in such a challenge will require maneuvering with finesse, and it must even include a kind of self-sacrifice. On the one hand, it involves negotiating integration within the large group and being the extension of its innovation strategy, and on the other hand, it involves effectively collaborating with external actors, the start-ups. In other words, the leader of the CI must put in place a new paradigm of innovation in the complex context of the large group. We should also add, and this in no way simplifies things, that external and internal actors are far from perceiving reality in the same way, and I will return throughout this work to this difference in mindset.

The theme therefore seems simple (in its statement) and general in its expression, to echo the difficulties which large companies may encounter in implementing mechanisms for open innovation. My research theme was “the adoption of open innovation in large groups”, a sober subject which might be considered today an essential goal for many large industrial groups. As the reader will have understood, I have particularly focused my attention on one particular form of innovation used by large groups to manage their relationships with start-ups – in other words, CIs. My research question progressively transformed into: “what is the nature of the managerial work required to facilitate the adoption of a managerial innovation like the corporate incubator?”. This question could also be put in less academic and more direct terms: “how to do it when you’re the manager of a corporate incubator?”.

It should be noted that “how to do it?” could be understood to mean what types of start-ups to recruit, the services to offer them or even modes of operation. My research path has rejected these aspects as such. If I have mentioned them, it seemed to me, over time, that reflection on the question of “how to do it?” was much more fundamental and should carefully address the day-to-day managerial actions and practices enacted by the managers of these structures. I wanted to open the black box of the CI and look at what the people who run it really do, that is, the interactions between the direct and indirect actors in CI.

To address this research question, I have mobilized and progressively linked several notions and concepts. I could not avoid addressing them in this book, as their importance is such that they constitute a useful base for understanding certain results. This does not involve justifying the relevance of my observations and analyses, but rather, on the contrary, sharing concepts and notions which have echoed my thoughts. These notions and concepts, far from mere words, are very concrete and accessible and may prove useful to a wide number in multiple contexts or themes of reflection.

Armed with these concepts and notions, it was simpler (just a little) to open the black box of the actions and practices actually implemented by actors in order to have mechanisms of open innovation adopted within the business, that is, ensuring the spread of a form of open innovation (the CI).

The proposed concepts are perhaps not the only ones which may illuminate this black box. I would rather say that they comprise some major “pragmatic markers” which have allowed me to reach certain conclusions. I present them only in this introduction as information and for all useful purposes.

## Pragmatic markers

During my journey, three notions emerged: institutional work (Oliver, 1991; Lawrence and Suddaby, 2006; Lawrence, Suddaby and Leca, 2009; Slimane and Leca, 2010), translation (Callon, 1986; Latour, 1994) and adaptation (Mamman, 2009; Ansari *et al.*, 2010). It is useful to explain them simply because they will provide readers with useful landmarks to enter the heart of this book, and even to see beyond.

### *Institutional work*

In the adopted approach, the concept of institutional work allows us to better grasp the nature of the work carried out by the actors from an organizational point of view.

The notion of institutional work occupies an important place in my framework of analysis, as it allows us to extend and enlarge our understanding of change (in the process of its enactment) among all the actors involved in the organizational dynamics, regardless of their goals with respect to the institution. It is the desire to better understand the relationships between actors and institutions, as well as the processes at work, which is at the origin of the concept of institutional work. The latter is defined by Lawrence and Suddaby, its developers in 2006, as being: “the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions” (Lawrence and Suddaby, 2006, p. 215). These authors distinguish three types of institutional work. The work of *institutional creation* corresponds to establishing new practices, new routines and new standards. The work of *institutional maintenance* suggests that existing actors, favored by the institutions, will try to ensure their maintenance. As for the work of *destabilization of institutions*, it corresponds to the approaches of actors who, desiring a change, will seek to convince other actors to turn away from existing institutions. With each of these types of work is associated a mix of specific practices. The reader will appreciate the simplicity with which it is possible to embrace this concept of institutional work. It is in fact very intuitive, particularly for all those who work in companies or institutions.

In this context, it is obviously the work of institutional creation which has my full attention, without, of course, forgetting those who in contrast (actors other than those of the CI) will try to keep things as they are, even for some to destabilize the nascent structure which the CI represents. Politicking within large organizations is not unusual and there is no need at all to be offended by it, but simply to remember it as an unavoidable feature.



## **Translation**

The theory of translation explains that innovation (in the broad sense) progressively develops during its diffusion/adoption under the impetus of actors who carry out the real work of alliances and influences. A new approach, a new structure, is thus disseminated according to the interests of various people over time. The individuals, their actions, and thus their social interactions, constitute different levels of analysis in this theory. In this perspective, the definition of success is linked to the degree of maturity during the process of transformation, and not to the results generated by the approach or the structure. Success is when the question no longer arises of the legitimacy of the approach or the structure. And if there are no further questions, it is because the interests of various people have been fulfilled. The approach or the institution then gains status in the organization in general.

This theory also caught my attention, despite its orientation towards an indicator which somehow assesses the level of anchoring of an approach or a structure in the organization, and not towards the results generated by the approach or the structure.

In fact, I previously stated that the CI will have to mobilize numerous energies and in particular those of actors in large groups, actors who are yet not directly within the CI and whose interests are variable. To understand translation is therefore to understand the mechanisms by which certain actions are made possible. After all, whether I am a marketer or an engineer, over time I have built up interactions with various and diverse service providers, approved by my company. So, why should I change my habits and work with start-ups on the pretext of the CI, unless the CI can translate its actions in such a way as to convince me of its interest?

The strong social dimension of this theory makes it a powerful tool which has been widely used to understand what really happens between the CI and its related internal actors. This theory may well also have various applications for many managers.

## **Adaptation**

During the process of dissemination/adoption of a structure, actors will continue to refine and modify the latter to stimulate and strengthen its adoption. Every structure, and more generally everything, can be characterized. Actors thus manipulate characteristics, in order to modify the structure, and thus adapt it to be better accepted by the intended target. It is thus quite natural that the concept of