Pollinate Impact

ENABLING IMPACT ENABLERS

# *Do diversified Revenue Streams make incubators resilient?*

# What's Inside

# Abstract

This literature review examines the critical role that diversified revenue streams play in enhancing the financial sustainability and resilience of impact incubators. Drawing on academic and practitioner studies from 2013 to 2023, the review synthesizes evidence on revenue models, sectoral trends, and geographic patterns across incubators across the globe. Findings reveal that while philanthropic and donor funding remain the dominant revenue sources, fee-based models, equity participation, and corporate partnerships are increasingly adopted to supplement funding gaps. However, empirical data related to different revenue streams, linking them to measurable financial sustainability outcomes and resilience remains limited, particularly in low-income regions and underrepresented sectors beyond cleantech. The review identifies key evidence gaps, including the need for standardized collection and measurement of data and greater Global South representation. It concludes by emphasizing the necessity for longitudinal, context-sensitive research to inform more sustainable and resilient incubator ecosystems, especially within the emerging markets.



# Key words

Impact Incubators, Revenue Diversification, Hybrid Revenue Model, Financial Sustainability, Organizational Resilience

# Introduction

Impact incubators have emerged as critical intermediaries within entrepreneurial ecosystems, particularly in addressing complex social and environmental challenges. These organizations provide early-stage ventures with infrastructure, technical support, and financial backing, nurturing enterprises that prioritize social outcomes. However, ensuring the financial sustainability of incubators themselves remains an ongoing challenge, especially given their historical dependence on donor-driven models (King et al., 2015; Low et al., 2016). Recent scholarship increasingly emphasizes the role of diversified revenue streams as a mechanism to enhance both sustainability and resilience. This review synthesizes academic and practitioner literature from across the globe to examine the types of revenue streams employed by impact incubators globally, explores their relationship with financial sustainability, and identifies key evidence gaps, with a particular focus on incubator resilience.

# Methodology

This literature review draws on 14 academic and practitioner sources published between 2013 and 2023, encompassing global, regional, and sector-specific studies. Methodologies across the reviewed papers include case studies, surveys, interviews, and business model analyses. Together, these sources offer relevant insights into the types of revenue streams adopted by impact incubators, their implications for financial sustainability, and emerging gaps in understanding incubator resilience.

# Findings: Revenue Streams employed by Impact Incubators

## A. Philanthropic and Donor Funding

Across geographies, incubators—particularly those operating in emerging economies—exhibit a heavy reliance on philanthropic capital, development grants, and public sector support. Low et al. (2016), in their survey of 15 incubators across Asia, reveal that all of the 13 incubators surveyed by them received some form of grant funding, making up 5% to 100% of their total funding budget. Only three incubators derive some form of revenue from their incubatees, but these are insignificant amounts. A study from 2013 by Lall et al. (2013) found out, from their survey, that the 74 per cent of incubators relied on philanthropic money for the 54 per cent of funding. Additionally, a global survey by GALI, conducted in 2016, found that over 60 % of their 139 respondents reported that they used either government or philanthropic funding to operate their programs (Cohen & Hochberg, 2017). These studies suggest higher dominance of Philanthropic and donor funding in the revenue model of impact incubators especially those at their early stages.

King's study *Impact Accelerators: Strategic Options for Development and Implementation* (2015) and Beckett's study *Exploring Incubator Business Models* (2014) emphasized that in emerging economies, philanthropic and development agency grants form the backbone of most incubator financing. Similar findings are echoed by Bosley (2020), who illustrates that Iraq's Five One Labs, operating in a post-conflict setting, depends extensively on international donor support. Bizzozero's (2017) comparative study of Italian social incubators also reinforces this pattern, highlighting subsidies and public funds as foundational to incubator survival, particularly for those serving marginalized populations. While such funding mechanisms support mission alignment, overdependence introduces sustainability risks, as observed in multiple studies (Valero et al., 2021; Gianoncelli et al., 2020).

Notably, Pierrakis et al. (2023) caution that higher levels of government involvement among cleantech incubators appear to correlate with fewer income diversification strategies, whereas lower levels of government involvement increase the likelihood of the incubator's proclivity to pursue different fundraising and income generation revenues.

## B. Service Fees and Membership based Revenue

Fee-for-service models have gained prominence as a strategy to supplement philanthropic support. These include tenant rents, mentorship fees, and coworking subscriptions. King et al. (2015) observe that one-third of hybrid incubators and accelerators globally employ such models, enhancing financial self-sufficiency. In India, as documented by Bound et al. (2016), revenue-sharing agreements and workspace rentals constitute important income streams, though their application remains uneven, particularly in low-income states. For instance, incubators in the U.S. derive considerable income from tenant fees, whereas those in emerging markets rely more on subsidized offerings (Bhatli & Cumberland, 2015).

Pierrakis et al. (2023) noted that 41% CTIs in their sample generated some income by renting offices or charging for the services they provide. This proportion is higher in high-income countries (44%), as opposed to 33% in medium- and low-income countries. 28% of all incubators in their sample had adopted this model, which is more prevalent in medium- and low-income countries (38%) compared with high-income countries (24%). Interestingly, GALI's global survey (2016) of 139 incubators paints the same picture where it was found that around 70 % of revenue-generating accelerators are headquartered in an emerging market, while the others were more evenly split between being headquartered in high-income countries and emerging markets (Cohen & Hochberg, 2017).

However, the extent to which service fees contribute meaningfully varies by region and stage of ecosystem maturity. Valero et al. (2021) report that, in the U.S., government grants account for 22% of incubator revenue, while service fees contribute only 17%, underscoring the limited autonomy achieved through such mechanisms in nascent ecosystems. Additionally, BFA Global's report Accelerators Approaches to Funding Startups + Sustainability (2021) cautions that over-reliance on these sources, especially in early-stage ecosystems, may limit accessibility for marginalized entrepreneurs.

## C. Equity Stakes and Investment Returns

Several incubators adopt investment-based models, taking equity in incubated ventures with the prospect of future returns (Good Incubation in India: Strategies for Supporting Social Enterprise in Challenging Contexts, 2016; Cohen & Hochberg, 2017). Though promising, this approach entails long gestation periods and high risk, especially in social enterprise ecosystems where profitability is not always the primary objective. Evidence from BFA Global (2021) and Bound et al. (2016) suggests that while equity participation aligns incubators with long-term startup success, actual financial returns are delayed, with low liquidity posing sustainability challenges. Beckett et al. (2019) propose dual business models combining equity strategies with immediate revenue streams to mitigate cash flow uncertainties.

### D. Corporate Partnerships and Community-Supported Models

Corporate funding, particularly in Europe, constitutes a substantial revenue source, with Gianoncelli et al. (2020) finding that 57% of incubator income in their European sample derives from corporate collaborations. Conversely, in fragile contexts such as Iraq, community-driven crowdfunding initiatives, as documented by Bosley (2020), foster localized ownership while supplementing formal funding channels. Yet, scalability of these approaches remains limited, particularly in economically volatile regions.

## Discussion of reviewed literature

The academic and practitioner literature on incubator revenue models has grown substantially in recent years. However, much of this **research remains heavily concentrated on technology or commercial incubators in high-income, developed economies**. Out of the ten studies reviewed, at least four- Bizzozero (2017), Pierrakis et al. (2023), Beckett et al. (2019), and Bhatli & Cumberland (2015)- focus primarily on incubators serving technology, cleantech, or commercial sectors. This thematic focus limits the transferability of findings to incubators operating in more complex social, environmental, or marginalized community contexts. As Bizzozero (2017) demonstrates in the Italian setting, even social incubators are often evaluated using frameworks derived from traditional commercial models, despite their heightened financial sustainability challenges.

Compounding this issue is the **lack of context-specific research** examining how incubator revenue models must adapt to different political, economic, and institutional environments. Only three of the reviewed studies—Bound et al. (2016), Bosley (2020), and Low et al. (2016)—offer insights grounded in emerging markets or fragile contexts such as India, Iraq, and Southeast Asia. These studies reveal that incubators in such settings face unique structural barriers, including weak entrepreneurial ecosystems, limited private sector engagement, and donor-driven funding cycles that often crowd out more sustainable alternatives. Bosley's (2020) work on Iraq, for instance, highlights how Five One Labs relies on international donor support in a post-conflict context, while localized crowdfunding initiatives have only supplemented, rather than replaced, dependency on external subsidies.

Within this constrained research landscape, several studies converge on the **critical role of hybrid revenue models in building more resilient, financially sustainable incubators**- particularly in frontier markets. Six of the ten reviewed papers- including King et al. (2015), Beckett et al. (2019), Gianoncelli et al. (2020), Low et al. (2016), Bound et al. (2016), and Pierrakis et al. (2023)-advocate for diversified revenue streams blending philanthropic funding with fee-for-service models, corporate partnerships, or equity-based approaches. King et al. (2015), for example, emphasize the strategic need for incubators in frontier markets to reduce reliance on donor capital through hybrid financing models. Similarly, Gianoncelli et al. (2020) highlight that corporate partnerships constitute a substantial income source, particularly in Europe, with 57% of incubator revenue in their study derived from such collaborations.

While alternate revenue streams exist and their importance is widely acknowledged, **most incubators- especially those in early development stages- continue to depend heavily on philanthropic or government support.** This dependency is evident in at least five of the reviewed studies, including Low et al. (2016), King et al. (2015), Beckett et al. (2019), Bosley (2020), and Valero et al. (2021). Low et al. (2016) reveal that all 13 incubators surveyed in Asia received grant funding, which constituted between 5% and 100% of their total budgets. Bound et al. (2016), focusing on India, also observed that while revenue-sharing agreements and workspace fees emerged as nascent income sources, donor dependency still remains high, especially in low-income states. Moreover, even incubators actively seeking to diversify their revenue streams face considerable challenges in doing so. Bizzozero (2017) identifies capital acquisition challenges and dependence on external subsidies as key resilience barriers for social incubators. Likewise, Valero et al. (2021) reinforce this concern, finding that over 50% of U.S. non-profit incubators struggle to maintain resilience due to grant dependence and limited unrestricted funding. Social Incubator Benchmarking report from US notes that the top Social Incubators in US have few best practices that adds to their success- Awareness of a sustainable business model to complement the funding that they get from various sources, Diversifying the revenue stream and balancing the core objectives with financial sustainability (Bhatli & Cumberland, 2015). These findings underscore that the transition from donor-dependence to diversified, self-sustaining revenue models is complex and fraught with structural barriers, particularly for incubators serving marginalized communities.

Adding to these challenges is the **broader difficulty incubators face in developing a sustainable funding model for themselves**. While the reviewed literature consistently positions revenue diversification as central to achieving financial sustainability, empirical proof of this linkage remains sparse. Gianoncelli et al. (2020) mention that 59% of the respondents from their study stated that developing a sustainable funding model is the main challenge faced by their incubator or accelerator. On a similar note, a Social Incubator Benchmarking study was conducted in 2015 on Social Incubators in the US wherein PopTech and SEED SPOT (two Incubators studied) noted that reaching financial sustainability and creating a sustainable funding model are the major challenges that they face, respectively (Bhatli & Cumberland, 2015). Bizzozero (2017) similarly notes that Italian social incubators exhibit persistent fragility due to narrow revenue bases, while Pierrakis et al. (2023) reveal that cleantech incubators with diversified funding portfolios report higher operational stability. At the same time, King et al. (2015) advocate for hybrid partnership structures blending fee-for-service models with philanthropic support to offset inherent volatility. Yet, as Valero et al. (2021) caution, nonprofit incubators face systemic barriers- such as reliance on restricted grants- that constrain revenue flexibility. Gaps persist regarding long-term sustainability outcomes, with many studies focusing on short-term revenue structures without evaluating resilience in the face of crises or funding shocks.

Despite the growing emphasis on revenue diversification, the extent to which **alternate funding models consistently deliver financial sustainability and resilience remains unclear**, primarily due to a lack of longitudinal, empirical data. Eight of the fourteen reviewed studies- including Bizzozero (2017), King et al. (2015), Pierrakis et al. (2023), Valero et al. (2021), Gianoncelli et al. (2020), Bound et al. (2016), Beckett et al. (2019), and Low et al. (2016)- acknowledge this critical evidence gap. Current research provides only point-in-time snapshots, limiting understanding of whether hybrid revenue models produce sustainable, repeatable outcomes over time. As Pierrakis et al. (2023) observe, cleantech incubators with diversified funding portfolios exhibit higher operational stability, yet causality remains difficult to establish without multi-year data.

This gap in evidence extends to incubator resilience more broadly. While revenue diversification is frequently posited as enhancing resilience- the ability of incubators to adapt to external shocks, funding disruptions, or environmental uncertainties- only few studies systematically assess this relationship. Notably, Gianoncelli et al. (2020) highlight that non-financial support mechanisms, such as network building and corporate partnerships, play an essential role in enhancing resilience, even when revenue diversification remains incomplete. However, empirical studies linking specific revenue structures to measurable resilience outcomes remain scarce, particularly in Global South contexts.

Collectively, these research limitations underscore the urgent need for more context-sensitive, longitudinal studies that rigorously evaluate the financial sustainability and resilience of incubators across diverse geographies and sectors. Without such evidence, practitioners, policymakers, and funders lack the insights necessary to design effective, scalable revenue models capable of sustaining incubators as durable catalysts for social innovation.

## Geographic and Sectoral Concentration in Existing Research

A pronounced geographic bias toward Global North case studies is evident, with limited comparative data from low-income regions or diverse sectors beyond cleantech and general social enterprise. Pierrakis et al. (2023) acknowledge this limitation, urging further research on incubators operating in resource-constrained environments. Bosley's (2020) work on Iraq remains a rare example from a post-conflict setting, while Low et al. (2016) and Bound et al. (2016) provide valuable, albeit limited, insights into Asian incubators.

Sectoral concentration is equally evident. Cleantech incubators currently dominate academic discourse in terms of global analysis, as seen in Pierrakis et al. (2023), whereas incubators operating in education, workforce development, or cultural sectors remain significantly underrepresented, despite their growing relevance in Global South ecosystems.

Furthermore, Valero et al. (2021), in their survey of three U.S. regions, found that nonprofit incubators rely on an average of 2.7 different revenue sources, compared to 1.9 for incubators that are private, for-profit, or university-affiliated. This finding suggests that nonprofit incubators actively pursue diversification, yet their overrepresentation in Global North studies further skews the available evidence base.

## Gaps and Limitations in Existing Literature

Despite growing research, significant gaps persist. The literature review is an attempt to analyse and identify the critical research gaps in existing literature as presented below:

1. **Lack of Longitudinal, Empirical Data**: Most studies (e.g., King et al., 2015; Bizzozero, 2017) emphasize revenue diversification as a pathway to sustainability but offer limited longitudinal, empirical data to assess the consistency of these approaches over time for sustainability outcomes. Without multi-year analysis, it is impossible to establish a clear correlation between alternative revenue models and actual financial sustainability outcomes. Bizzozero (2017) also highlighted the two most important limitations to the research- the quantity and the level of detail of the data which would have led to more significant results and richer insights.

2. **Measurement Challenges**: There is an absence of standardized frameworks for evaluating incubator sustainability and resilience. Bizzozero (2017) and Beckett et al. (2019) highlight the lack of consistent metrics, making cross-comparisons and benchmarking difficult. This gap hampers both academic understanding and practical decision-making for incubator managers and funders.
3. **Regional and Sectoral Imbalances**: A pronounced Global North bias persists across the reviewed literature, with the majority of research (7 out of 10 sources) focused on high-income settings and sectors such as cleantech (Pierrakis et al., 2023). Incubators operating in low-income regions, post-conflict environments, or sectors like education and workforce development remain underrepresented, limiting the applicability of findings to these critical contexts (Bosley, 2020; Low et al., 2016; Bound et al., 2016).
4. **Underdeveloped Analysis of Resilience**: While diversification is assumed to enhance resilience, systematic assessments directly linking revenue structures to an incubator's ability to withstand financial or operational shocks are limited (Gianoncelli et al., 2020; Valero et al., 2021). This represents a significant blind spot in current research.
5. **Limited Context**-Specific Research: Aside from isolated examples such as Bosley (2020) in Iraq and Bound et al. (2016) in India, there is little research that accounts for the unique challenges and opportunities faced by incubators in specific political, economic, and institutional environments.

From the practice standpoint, given the growing significance of social incubators in fostering social entrepreneurship development and facilitation of local entrepreneurial eco-systems, understanding what they are and what they do can increase their exposure to support and funding needed for social investing Valero et al. (2021). Therefore, future research aimed at creating a better understanding of how these incubators operate can be useful for all stakeholders.

# Recommendation from the reviewed literature

Recommendations across literature stress on the importance of diversified revenue strategies, greater public-private collaboration, and enhanced ecosystem linkages. Notably, the reliance on philanthropic capital remains unsustainable long-term without complementary income streams. They can be noted as follows:

- **Encouraging hybrid revenue models** combining philanthropy, service fees, and investments (King et al., 2015; Beckett et al., 2019). Interestingly, Beckett et al. (2019) observed that operations of the incubators studied included a separate business running in parallel with the incubator that is like an engine for the incubator. But the nature of that business also established a synergistic relationship with the incubator clients.

  A respondent in the study on CleanTech Incubators stated "Because we were forced to find our own money, we are a more resilient platform today, can face shocks, have pushed ourselves to be more creative. This has made us stronger".

World Bank's case studies on PSG STEP and TREC STEP shed light on the importance of revenue diversification among incubators. Both these incubators achieved self-sustainability once their initial donation or external funding expired. While PSG STEP focused on Rental incomes, TREC STEP made training and development projects major sources of its revenue with Development projects becoming 80% of its revenue after the end of its sponsorship ("Financing an Incubator," 2019).

- **Strengthening data collection frameworks for revenue performance** and resilience (Bizzozero, 2017). The study Social Impact Incubators or the Social Impact of Incubators: a comparative analysis of Italian organizations (2017) highlighted limited comparative data on the revenue performance of social incubators versus traditional ones. Furthermore, GALI brief on Entrepreneurship & Acceleration (2017) noted a lack of transparency and standardized metrics to evaluate financial sustainability across global incubators. The World Bank in its training Manual to finance an incubator also highlights the importance of monitoring the financial performance of the incubator towards financial sustainability ("Financing an Incubator," 2019).

- **Enhancing ecosystem linkages and building public-private partnerships** to reduce overreliance on grants (Gianoncelli et al., 2020; Bound et al., 2016). Few incubators studied by Bound et al. (2016) in India are completely financially sustainable without grant or philanthropic income, but many have developed income generation strategies (like office/desk space and charging membership fees from incubatees or other 'community' members, such as angel investors. CSR) that allow them greater independence from funders and more financial security. Gianoncelli et al. (2020) also recommend that Incubators and accelerators should strengthen their relationships with capital providers as well as with each other. Top Social Incubators in the US realize the importance of a big network and to achieve this, they organize more events than the average incubators which complements their already larger base of contacts in governments and large organizations (Bhatli & Cumberland, 2015). These findings suggest that they should share more information and resources between themselves, creating synergies, and fostering partnerships with stakeholders, such as universities and governments ensuring collective resilience during times of shock.
- **Expanding comparative research in Global South incubator settings** to bridge existing knowledge gaps (Bosley, 2020; Pierrakis et al., 2023). The study Cleantech incubators within the sustainable entrepreneurial ecosystem: Fundraising sources, income generation strategies, and the role of public support (2024) underscored insufficient research on cleantech incubators in low-income countries.

# Conclusion and Scope for Future Research

Ensuring the financial sustainability and resilience of impact incubators depends on their ability to adopt diversified, context-appropriate revenue models. While existing literature highlights the importance of hybrid approaches blending philanthropy, service fees, corporate partnerships, and investments, empirical evidence demonstrating how these strategies translate into long-term sustainability remains limited. The current research landscape is constrained by geographic and sectoral biases, as well as a lack of longitudinal data linking revenue diversification to measurable resilience.

Addressing these gaps requires greater emphasis on context-specific case studies, particularly from underrepresented regions and sectors in the Global South. Such research will provide practical insights into how diverse revenue streams function in real-world incubator settings, equipping funders, policymakers, and practitioners with the evidence needed to design more resilient, sustainable support models for social innovation.

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***If you want to go fast, go alone.***

***If you want to go far, go together.***

~ African Proverb

Go with us!