MASTER

The startup process with early customer involvement
insights from a small and young technology firm

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Insights from a small and young technology firm

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Abstract
This research is about the startup process of young firms with early customer involvement. The aim of this research is to gain insights and understanding into how the startup process with respect to early customer involvement unfolds. Data has been gathered by means of a single case study, using multiple sources of data. The results show that the startup process is comprised of two distinct, yet interrelated processes: a process characterized by ad hoc actions and a process characterized by vision-based actions. These two processes are triggered by the amount of resources available. In case of sufficiently available resources in the eyes of the young firm, more vision-based actions are performed, where the young firms focus on achieving their goals based on their vision and chasing/creating their favored market. In case of insufficiently available resources in the eyes of the young firm, they will perform more ad hoc actions, which are actions aimed at gaining revenues as quickly as possible, which implies that they derive from their desired path. The startup process is experiential, and as the young firm executes its vision-based and ad hoc actions, they learn how to put their product in the market.

Key words: product development, marketing, sales, sales learning curve, business models, business model configuration, entrepreneurial passion, sales techniques, customer support, effectuation, adaptation, total product design concept, angel investing, sales person’s characteristics, entrepreneurial characteristics, new venture team composition, probe-and-learn, organizational learning, mindful trial-and-error, learning agility, value propositions
Management Summary

Context and Problem definition
Entrepreneurship is a key driver in economic growth (Song et al., 2008). However, nearly 80% of the young firms fail within 5 years. More than half of the entrepreneurial teams acknowledge that they started to involve the customer too late and consider it as one of the major pitfalls for young firms (Onyemah et al., 2013). It is proposed that early customer involvement is a key requirement for young firms in their startup process. This research is performed in the context of the startup process of young firms with early customer involvement. A young firm refers to a company younger than five years old (Chandler et al., 2005). The startup process refers the first activities of the founders (e.g. registering at the chamber of commerce) until the official launch of the product (Korunka et al., 2003).

The problem for young firms is that they have difficulties in matching the product to the customer in this early stage. One of the main causes is that the product is still in its development phase and therefore to many potential customers seen as ‘incomplete.’ The young firm goes through an iterative process where they have to create a product, establish a customer base, and develop a business model. Based on the context of this research, the following main research question has been defined:

**How does the startup process unfold with respect to customer building processes?**
This research question will be answered with the help of three sub-questions:

1. **What are the constitutional elements of the startup process with respect to customer building?**
2. **How are these constitutional elements linked empirically?**
3. **Where are the bottlenecks with respect to customer building?**

Conceptual background
The context of this research is early customer involvement in the startup process of young firms. A theory that connects to this context is effectuation theory (Sarasvathy, 2001). Effectuation theory is characterized by involving potential stakeholders from the very start. The philosophy is to create a network of stakeholders and (partly) shape the future environment in and around the young firm with the means that are available. An important party of stakeholders are (potential) customers. This party is highlighted in this research. Hence, the theoretical background embodies the customer building processes. Within the field of new product development (NPD), the probe-and-learn process (Lynn et al., 1996; Joseph & Coviello, 2012), refers to the iterative process of young firm producing early versions (probes) of the product, adapt it with help of customer feedback, and reintroduces it. In the field of sales and marketing, two key processes are considered within the conceptual background: the customer development process (Blank, 2005) and the entrepreneur-friendly sales model (Onyemah et al., 2013). The customer development process is more marketing-related and refers to a four-phased iterative process of identifying the key customers and building a customer base. The entrepreneur-friendly sales model (Onyemah et al., 2012) is more sales-oriented and faces delineates the main issues of selling a product in the startup process. Mostly intersected with business model development, but also intersected with sales, is the sales learning curve (Leslie & Holloway, 2006) which refers to a three-phased process in developing a sales model and standardizing internal processes. A graphical presentation is shown in figure i.
**Research Design-Methodology**

This research is done by means of a single case study at a young social media firm, called TruQu Ltd. This research can be classified as qualitative research, which refers to a “real world setting where the researcher does not attempt to manipulate the phenomenon of interest” (Patton, 2001, p.39). For a period of 6 months, data has been gathered via multiple sources to ensure triangulation of data: internal semi-structured interviews, observations of company- (potential) customer meetings, observations of the weekly meetings, and secondary data in the form of archival documented data. Furthermore, informal interactions have also contributed to enrichment of the data.

The data has been analyzed by means of a template approach, which refers to observing and interpreting the data based on prior research and theoretical perspectives (Crabtree & Miller, 1999).

**Results**

The data analysis encompass fifteen documented weekly meetings, three internal semi-structured interviews, ten company visits, and thirty documents of archival data. Three main phases can be distinguished in the startup process: proposition stating, customer discovery & validation, and business model establishment & standardization. In the proposition stating phase, ideas about the product, market, and firm are formulated. In the customer discovery & validation phase, the young firm explores and exploits its ideas with potential customers. This leads to understanding of the customer needs and the market. The business model establishment & standardization phase refers to making the ideas part of the business model because they contribute to offering value to both the customer and the firm. The young firm iterates continuously between these three phases, but mostly between the proposition stating and customer discovery & validation phases. The startup process is influenced by the availability of resources: it plays a constitutional part in the types of actions taken by the young firm. Further exploitation of the data showed that the bottleneck of the startup process floats around the availability of resources and what is referred to as mindful trial-and-error: balancing planned and ad hoc actions in an experiential way. The young firm plan their desired actions and strive to execute those actions, which are more long-term oriented. However, due to
limited resources, it can be necessary to derive from the initial path because short-term revenues are needed to survive. The young firm has to balance those issues. A graphical presentation of this process is shown in figure ii by means of a causal-loop diagram.

Figure ii: bottlenecks in the effectual startup process

The young firm goes through a learning process where they balance two distinct, but yet interrelated processes. The one always at cost of the other because they compete for the same resources (March, 1991). The startup process unfolds in a way that the young firm goes through a learning process where they perform ad-hoc actions for the short term and vision-based actions when they have sufficient resources to perform those actions. As time passes, they gain more understanding of the market, their company, their product, and a business model which should eventually lead to survival and growth. Furthermore, as time passes, it becomes easier to acquire customers due to the learning process and a more complete product.

**Recommendations**

The challenge for young firms lies in the decision-making process of actions to perform, also taking into account the financial resources. From effectuation theory, one of the main actions to perform is to collaborate with other parties (e.g. Sarasvathy, 2001). A combination of the data analysis and academic literature shows that the so-called bilateral partnerships are the most valuable for young firms, especially with parties that also play the role of customer and have complementary resources. A bilateral partnership refers to a partnership with mutual advantage for both parties (Lee et al., 2001). The partner will be committed as a customer to have a beneficial product for themselves and it will guide the young firm in which way to go. However, the young firm should also be conscious of not exploiting too much with a few parties, because they should eventually be able to upscale to unknown potential target customers. Therefore, young firms should strive to find as many “earlyevangelists” as possible. An earlyevangelist refers to a customer who consciously experiences the need for the offered product by the young firm and is willing to pay for it (Blank, 2005). In the case of scarcity of resources, young firms might utilize their network to find customers because they have good relationships with those customers. For the short term this is good, but young firms should be
aware of the fact that finding early evangelists is at least as important. Furthermore, young firms should emphasize their flexibility towards their (potential) customers as a way of getting them willing to pay for the product.
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1. Introduction

“The first step toward success is taken when you refuse to be a captive of the environment in which you first find yourself.” - Mark Caine

1.1 Context

Entrepreneurs get an idea that gets them enthusiastic enough to turn it into a product or service that benefits a market and is both beneficial to them and a set of customers (Dew et al., 2008; Geroski, 2002). This implies that customers should be found to whom this product or service delivers value in a way that they are willing to pay for the product or service. In this research, the term ‘product’ refers to both a product and a service. In order to execute this idea, the entrepreneur will need to register him-or herself at chamber of commerce, to become a young firm. A young firm refers to a firm that is younger than five years old (Chandler et al., 2005). The “conversion” of the idea into a product that delivers value to both the customer and the entrepreneur is easier said than done. The proof of the difficulty in delivering a successful product is given by the fact that nearly 30% of the young firms no longer exist in a year’s time (ING, 2013), approximately 65% fail within their first four years (Shepherd et al., 2000), and after five years, almost 80% have failed (Song et al., 2008). Furthermore, Onyemah et al. (2013) point out that more than half of the entrepreneur start to approach potential customers once they finished the development of their product, which is regarded as a key misstep in the startup process. The startup process refers to the first activities of the founders (e.g. registering at the chamber of commerce) until the official launch of the product (Korunka et al., 2003). How is the high failure rate of young firms related to the misstep of involving potential customers too late? What a young firm initially does in the startup phase, is formulate a “hypothesis about what customers want, and how an enterprise can best meet those needs and get paid for doing so,” which refers to the definition of a business model (Teece, 2007, p.1329). Teece (2007) uses the term hypothesis, referring to relationships between variables that need to be tested for significance. This means that the young firm needs to validate their “hypothesis” in the marketplace in order to successfully build a company.

The startup process has been described in academic literature until the end of the 20th century as a chronological multi-phased process with the focus on prediction (e.g. Lynn et al., 1996); first develop the product and then find customers. Since the beginning of the 21st century, theories about iterative experiential startup processes have been developed, where effectuation theory by Sarasvathy (2001) plays a pivotal role in. In essence, effectuation is based on the principle that new goals and new means emerge over time in an iterative process, where the focus lies on early interactions with potential stakeholders. It is contrasted to causation. The key difference between effectuation and causation is that causation processes are based on prediction, under the assumption that the future environment is beyond the action-takers’ control, whereas effectuation is based on the assumption that the future environment is largely non-existent and can be shaped by means of cooperation with others, which links to Mark Caine’s quote. Within effectual processes, the focus is on “discovering customers” and “validating the startup’s product” (Blank 2005) in an iterative way. This early sales process involves experimentation and finding some customers that are willing to co-develop the entrepreneur’s new product (Coviello & Joseph 2012). Although characterized experimentations has received some attention, scholars have not given detailed insights into this process and its iterations.

1.1.1 Case description

This research is done into the context of a startup relying on early customer involvement to enhance and validate the value of its service. This young social media firm, called TruQu Ltd, has been the data source for a case study in the early process of customer involvement and validation. TruQu Ltd. is in the process of the development and launch of a social media platform, called TruQu.com. TruQu.com aims at providing reviews and ratings for professionals, freelancers, and organizations. TruQu Ltd. wants to create transparent portfolios for their customers based on these reviews and ratings, which
are initially project-based. These portfolios include a person’s personal information, specialisms, and a professional timeline. The professional timeline consists of projects the person has completed. For these projects, the person can request reviews to all stakeholders involved with that project. The reviewer (the person to whom the review is requested) has the possibility to review the reviewee (the person who requested the review). The reviewer will have the possibility to rate the reviewee on selected competences and comment on the strengths and points of improvement of the reviewee. In that manner, each user of TruQu.com creates a portfolio that is validated by other parties. The data of the portfolio can be used for the professional to both pitch himself/herself towards other parties in the market and to develop a personal development plan. Organizations will pay for using TruQu.com and will be the main source of revenues on the short-term. Organizations can utilize TruQu.com for three key reasons:

- As an internal rating and review system;
- As a tool to review and get reviewed by business partners and clients;
- As a pre-employment screening tool for potential employees or freelancers.

TruQu Ltd. wants to offer trust and quality with their tool. They are currently talking to their first (potential) B2B customers about how they want to utilize TruQu.com. The majority of the first customers come from the network of the two founders (i.e. Eelco Veltenaar and Bart Kollau). All types of organizations can be considered as potential customers for TruQu, but they mainly focus on consultancies, intermediaries, and secondments within their network. TruQu Ltd. tries to sell their software service and at the same time improves their product with help of customer feedback. Furthermore, TruQu Ltd. uses social media tools like LinkedIn, Twitter, Facebook, Google Analytics, Adwords, and newsletters to position itself into the market and at the same time collect feedback from (potential) customers and stakeholders.

Like most young firms, TruQu Ltd. has limited resources and still develop its product, positioning it in the market and strives to find effective and efficient strategies to survive and grow. Figure 1 shows an overview of TruQu Ltd.’s core activities.
1.2 Problem statement and research objectives

TruQu Ltd. is in their startup phase where they have to develop and validate their product, and at the same time strive to create a customer base for their product. They have to align the development of their product to the needs of different potential customers in order to create value for themselves and at the same time gather revenues to expand to grow further as a young firm, since they have limited resources. They operate in a dynamic environment and therefore face many uncertainties. Their potential customers they try to acquire are often enthusiastic about the idea and purpose of the product, but are not always directly willing to pay for the product, which has several main causes:

- The product is in the development phase and therefore “not finished”;
- The potential customers have different needs and remarks for how they would like to have their product improved before they buy it;
- The entrepreneurs are still in search of the “right” way to create and offer value to target the customer;
- The market conditions make prediction difficult. Hence, they deal with a high degree of uncertainty;
- They are in search of finding a proven financial model to become profitable;
- They have limited financial resources.

Summarizing the listed points, it can be concluded that the issue for a young firm like TruQu Ltd. is to create and offer value to the customer, having them willing to pay an amount of money for it to deliver a profitable product with limited resources. This is the core of a business model, following Teece’s definition (Teece, 2007). This leads to the following problem statement:

**Problem Statement:** The problem of a young firm like TruQu Ltd. is the lack of understanding of how to match their new product to the “right” customer, which jeopardizes cash flow and continuity.
Matching the product to the “right” customer can be done by means of two contrasting methods: the firm can search for customers who most closely match to the current product features, or they can adapt their product features to the needs of prospects they are talking to. Eventually, the product should create value for both the customer and the firm. Using Blank’s market type categories (Blank, 2005), TruQu Ltd. can be classified as a young firm operating in an existing market trying to resegment the market by creating a niche: there are several companies offering products to the same types of initial target customers, but TruQu Ltd. strives to create an innovation that is “radical enough to change the rule and shape of the market” (Blank, 2005, p.34). This market type is characterized by entrenched competitors and the young firm who will try to defend their market position.

Looking at the problem definition, it can be seen that a young firm encounters problems in developing a product that adds sufficient value to the potential customers they are talking to, and that every decision they make ensures them to develop a large customer base in order for the young firm to find or create a place in the market. The young firm needs to develop a product and create a customer base in order to establish a business model and build a company. The young firm goes through a learning and experiential process where they iteratively go through certain phases.

Many young firms start with an idea and see the opportunity to bring it to the market (Onyemah et al., 2013). In the effectual startup process, it is important to validate the ideas with potential customers whilst converting the idea into a product. In this process, new goals and new means emerge. Looking at the problem definition, it can be seen that a young firm like TruQu Ltd. has problems with the development of a product that adds sufficient value to the potential customers they are talking to, and that every decision they make ensures them to develop a large customer base in order for the young firm to find or create a place in the market. The young firm needs to develop a product and create a customer base in order to establish a business model and build a company. The young firm goes through a learning and experiential process where they iteratively go through certain phases.

**Main research question:**
How does the startup process unfold with respect to the customer building process?

The main research question is described in a broad manner to leave room for a deep investigation of the phenomena in the effectual startup process, which is a key characteristic of case study research (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Perry, 1998). The customer building process refers to the discovery, involvement, and acquisition of customers in the startup process. The aim of this research is to both validate the outlined customer building processes as described by Coviello & Joseph (2012), Blank (2005), Leslie & Holloway (2006), and Onyemah et al. (2013) and deliver a contribution to these processes by delineating what kind of issues practitioners experience. To give the research more focus, sub-questions are defined.
Sub-Questions:

1.1. What are the constitutional elements of the startup process with respect to customer building?
1.2. How are these constitutional elements linked empirically?
1.3. Where are the bottlenecks of the startup process with respect to customer building?

The emphasis within the startup process is on the customer building process; hence, the constitutional elements of customer building processes according to both theoretical insights and the data analysis are highlighted. The theoretical insights encompass the entrepreneurial-friendly sales model (Onyemah et al., 2013), the customer development process (Blank, 2005), the sales learning curve (Leslie & Holloway, 2006), and the probe-and-learn process (Coviello & Joseph, 2012; Lynn et al., 1996).

In the second sub-question, the links between the elements delineated in the first research question are displayed. Based on the coding results and a priori constructs, the way the start-up process with respect to customer building unfolds is shown.

Following up on the second sub-question, the bottlenecks in this process are identified and described. The high failure rate of young firms prove that young firms experience bottlenecks in the commercialization of their product. The bottlenecks that are unfolded by means of the data analysis will be delineated. Furthermore, improvements that can be made to the customer building process are given, based on the identified bottlenecks. These improvements will be based on theoretical insights and suggestions based on the data analysis.

1.2.1. Research objectives

The objective is to gain understanding into how the startup process with respect to customer building unfolds. In order to attack the problem statement and answer the research question, the following main research objective has been defined:

Research objective:
The research objective is to gain detailed insights and understanding into how the startup process with respect to customer building processes unfolds.

This research is performed by means of a case study; a single case study. A case study refers to the analyses of people, decisions, institutions, or other systems studied holistically by one or more methods. The case is the subject of phenomena that provides an analytic frame (Thomas, 2011). The young firm, TruQu Ltd., is in their startup phase during the time of research. Therefore, it should be explicitly noted that no final conclusions can be drawn on which actions lead to successful product commercialization. In addition, it should be explicitly noted that case study research is not intended to test theories by means of a data sample that is large enough to be representative, but that it is intended to gain new insights into theories (Eisenhardt & Graebner, 2007). In order to meet the research objective, participative research with recording observation of weekly internal company meetings, internal interviews, observations of company-customer meetings will be used. It will be complemented with archival data.

1.3 Thesis structure

This master thesis begins with a case description of the firm TruQu Ltd to further delineate the context of this research. Secondly, a theoretical background will be provided to describe the academic funding of this research. It begins with a delineation of effectuation theory, distilled into three categories: the origins, a detailed description of the theory, and the evolution of effectuation theory. Furthermore, insights are given to early customer involvement processes in the context of the startup process. Thirdly, the research design is delineated. This includes the data collection
method, which will occur by means of triangulation of multiple sources of qualitative data and the data analysis will be executed by means of a template analysis. Fourthly, the results of the case study will be discussed by means of a presentation of the startup process. This paper is finalized with a conclusion and a discussion. In the conclusion’s section, the research questions are answered by means of the results. In the discussion’s section, there will be reflected on this research and its results, also outlining contrasting and confirmatory academic insights. Furthermore, the limitations, implications (both theoretical and managerial), and suggestions for further research will be delineated.
2. Theoretical Background
In order to get a better understanding of the startup process with early customer involvement, effectuation literature is used for the theoretical background. This choice has been made based on the relevance of this theory in this context and it being one of the most prominent decision-making theories. After the delineation of effectuation theory, more in-depth insights into customer building processes are provided.

2.1 Effectuation
This section begins with a description of the origins of effectuation, followed by a delineation of effectuation and is concluded with the evolution of effectuation.

2.1.1 Origins of Effectuation
Entrepreneurs start with an idea about what they believe can be a success. To make it a success, they have to convert that idea to firm creation, product creation, and finding or creating a marketplace. This means that ‘things have to be created that are not there yet.’ The need from an academic point-of-view to address this issue started early in the twentieth century. James (1912) explicitly stated the question: how do we create something that is not there? Where does causality start? This question had not been answered along the 20th century. March (1982) further challenged the issue of ‘creating something that is not there’ by wondering how to make decisions and advise when the set of preferences are not known or doubtful. March (1982) stated that scholars ignored phenomena involving ambiguous, changing, and constructed goals and values. He made the following three statements:

1. “Goal development and choice are independent processes, conceptually and behaviorally.
2. The model of choice is never satisfied in fact and that deviations from the model accommodate the problems of introducing change.
3. the idea of changing goals is so intractable in a normative theory of choice that nothing can be said about it” (March, 1982, p.72).

In the following decades, the development of a theory that deals with the statements as defined by March (1982) stayed behind. Sarasvathy (2001) identified that in both academic literature and academic teaching programs, no or very limited attention had been paid to answering questions like: How do we make pricing decisions when the market, product, and/or firm does not exist? How do we hire someone for an organization that does not yet exist? How do we value a firm that did not exist five years ago and is barely forming in the present? Sarasvathy’s goal was to develop a decision model that helps to deal with the statements by March and answering the questions.

2.1.2 Delineation of Effectuation
Sarasvathy (2001) developed a decision model that was distilled into two opposing categories: causation versus effectuation. This decision model is delineated in an entrepreneurial context, but has also been applied to other fields like R&D (Brettel et al., 2012), marketing (Read et al., 2009a), management (Augier & Sarasvathy, 2004), and economics (Dew et al., 2004) over the years. Effectuation processes can be defined as “taking a set of means as given and focus on selecting between possible effects that can be created with that set of means” (Sarasvathy, 2001, p.245). Causation processes can be defined as “taking a particular effect as given and focus on selecting between means to create that effect” (Sarasvathy, 2001, p.245). These theories originate from the field of entrepreneurship and are used venture creation. The main difference between effectuation and causation is how goals are defined and reached. Within both approaches, the initial goal of the entrepreneur might be the same (e.g. to build a durable and successful organization). However, the effectual process interprets reaching this initial goal through the action taker looking at the available means and selecting upon available options. The emphasis on control is characterized by the point of
view of collaborating with stakeholders and together creating a product that creates value for all stakeholders (Sarasvathy et al., 2005). Where many scholars talk about recognizing opportunities, opportunities are ‘created’ through the effectual process. Within causation processes, action takers tend to reach goals by searching for the available means to reach those goals. The environment is seen as out their control and through market information acquisition processes, action takers predict how to reach those goals. Sarasvathy (2001) has defined five dimensions, comprised of opposing constructs:

- View of the future;
- Basis for taking action;
- Attitude towards outsiders;
- Attitude towards unexpected contingencies;
- View of risk and resources.

The five dimensions and their contrasts are shown in table 1.

Table 1: Differences between causal and effectual thought (Sarasvathy & Dew, 2005)

<table>
<thead>
<tr>
<th>Issue</th>
<th>Causal Approach</th>
<th>Effectual Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>View of the future</td>
<td>Predictive: Predictive logic casts the future as a continuation of the past.</td>
<td>Creative: The future is cocreated (at least in part) by willful agents, which may include investors, partners, and customers who “precommit” to the venture.</td>
</tr>
<tr>
<td></td>
<td>Accurate prediction is both necessary and useful.</td>
<td></td>
</tr>
<tr>
<td>Basis for taking action</td>
<td>Goals oriented: Goals, even when constrained by limited means, determine sub-goals and actions.</td>
<td>Means oriented: Goals emerge by imagining courses of action that begin from available means.</td>
</tr>
<tr>
<td>View of risk and resources</td>
<td>Expected return: Pursue new opportunities based on the (risk-adjusted) expected value. The focus is on the upside potential.</td>
<td>Affordable loss: Pursue satisfactory opportunities without investing more resources than stakeholders can afford to lose. Limit downside potential.</td>
</tr>
<tr>
<td>Attitude toward outsiders</td>
<td>Competitive analysis: Protect what you have and maximize your share of the opportunity.</td>
<td>Partnerships: Share what you have with committed partners because relationships (particularly with shared rewards) shape the trajectory of the opportunity.</td>
</tr>
<tr>
<td>Attitude toward unexpected events</td>
<td>Avoid: Surprise is bad. Prediction, planning, and focus enable the firm to minimize the impact of unexpected events.</td>
<td>Leverage: Surprise is good. Imaginative rethinking of possibilities transforms the unexpected into new opportunities.</td>
</tr>
</tbody>
</table>

As can be seen from table 1, the causal (predictive) and the effectual approach have opposing actions: the degree of uncertainty is a fundamental issue in deciding whether to apply an effectual or a causal process. Sarasvathy (2001) states that none of the two approaches is superior under all circumstances: it is proposed that under more certain circumstances, causation processes are most
appropriate, and under more uncertain situations an effectual approach is more appropriate (Sarasvathy, 2001; Brettel et al., 2012; Read et al., 2009a).

The basis for taking action in the effectual approach is driven by means available, which consist of three sub-constructs: who I am, who I know, and whom I know. The effectual process is seen as a cyclical process where the action-taker sets new goals and selects new means actions based on stakeholder communication and commitments. The causal process is a chronological process of actions (Sarasvathy et al., 2005). Figure 1 illustrates the flow of these two opposing approaches.

<table>
<thead>
<tr>
<th>A: The Effectual Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start</td>
</tr>
<tr>
<td>Assess Means:</td>
</tr>
<tr>
<td>- Who I am</td>
</tr>
<tr>
<td>- What I know</td>
</tr>
<tr>
<td>- Who I know</td>
</tr>
<tr>
<td>What can I do?</td>
</tr>
<tr>
<td>Interact with</td>
</tr>
<tr>
<td>people I know or meet</td>
</tr>
<tr>
<td>Obtain partner</td>
</tr>
<tr>
<td>commitments</td>
</tr>
<tr>
<td>New means</td>
</tr>
<tr>
<td>New goals</td>
</tr>
<tr>
<td>New Firms,</td>
</tr>
<tr>
<td>New Products, and</td>
</tr>
<tr>
<td>New Markets</td>
</tr>
<tr>
<td>Expert Entrepreneur 11:</td>
</tr>
<tr>
<td>“I think that what I would do is go to some people that I know today, people that are in this business, and talk to them.”</td>
</tr>
<tr>
<td>Converging Cycle of</td>
</tr>
<tr>
<td>Constraints</td>
</tr>
<tr>
<td>Expanding Cycle of</td>
</tr>
<tr>
<td>Resources</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B: The Predictive Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start</td>
</tr>
<tr>
<td>Identify an opportunity</td>
</tr>
<tr>
<td>for a new:</td>
</tr>
<tr>
<td>- product,</td>
</tr>
<tr>
<td>- firm,</td>
</tr>
<tr>
<td>- market,</td>
</tr>
<tr>
<td>Conduct competitive</td>
</tr>
<tr>
<td>analysis</td>
</tr>
<tr>
<td>Conduct market research</td>
</tr>
<tr>
<td>Develop a business plan</td>
</tr>
<tr>
<td>Acquire resources and</td>
</tr>
<tr>
<td>stakeholders appropriate</td>
</tr>
<tr>
<td>for implementing the plan</td>
</tr>
<tr>
<td>Adapt to the environment</td>
</tr>
<tr>
<td>as it changes over time</td>
</tr>
<tr>
<td>Manager 35: “I am not sure. I would have to do a lot more analysis than just a couple of minute’s worth. You know, when you are doing some number crunching, basically.”</td>
</tr>
<tr>
<td>Manager 17: “I think first you need the sales reps to go to the schools to create the initial demand.”</td>
</tr>
</tbody>
</table>

Figure 2: The effectual process versus the predictive process
source: (Read et al., 2009a, p.4)

Figure 2 shows how the effectual process focuses on creating new means and new goals along the way. The predictive process is seen as a chronological process, focused on reaching predetermined goals by means of accurate planning.

Looking at decision-making models, Wiltbank et al. (2006) have taken effectuation theory along into an holistic view of literature on decision-making models. They describe four key antecedents decision makers can base their decisions on:

1. They can base their decisions on prediction because they think the environment is beyond their control, but the future can be predicted and therefore invest in predictive techniques: This approach can be classified as the planning approach;
2. They can assume the environment is beyond their control and unpredictable and therefore perform short-term planning and flexible strategies, so they can adapt rapidly to changing environmental conditions: this approach can be classified as the adaptive approach;
3. They can assume that the environment is predictable, but can be shaped (partly) according to their vision: this approach can be classified as a visionary approach;
4. They can assume that the future environment is comprised of largely non-existent factors and shape the future through co-creation starting from their current means: this approach can be classified as a transformative approach.

These four approaches all have their own degree of both emphasis on prediction and control. The planning approach has a high emphasis on prediction, and low emphasis on control. The adaptive approach has low emphasis on both prediction and control. The visionary approach has high emphasis on both prediction and control. The transformative approach has low emphasis on prediction and high emphasis on control. The four key approaches as described by Wiltbank et al. (2006) are shown in figure 3.

<table>
<thead>
<tr>
<th>POSITIONING</th>
<th>CONSTRUCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>Visionary</td>
</tr>
<tr>
<td>Planning &amp; Positioning (Ansoff, 1979)</td>
<td>Corporate Imagination (Hamel and Prahalad, 1991)</td>
</tr>
<tr>
<td>Real Options (McGrah, 1999)</td>
<td>Shaping Strategies (Courtney et al., 1997)</td>
</tr>
<tr>
<td>Scenario Planning (Schoemaker, 2002)</td>
<td>Strategic Projection (Rindova &amp; Foti, 1999)</td>
</tr>
<tr>
<td>Fast Decision Making (Eisenhardt, 1989)</td>
<td>Value Curve Creation (Kim and Mauborgne, 1997)</td>
</tr>
<tr>
<td>Dynamic Capabilities (Teece, Pisano, and Shuen, 1997)</td>
<td>Backing into the Future (Hayes, 1985)</td>
</tr>
<tr>
<td>Incrementalism (Quinn, 1980)</td>
<td>Effectuation (Sarasvathy, 2001a)</td>
</tr>
<tr>
<td>Emergent Strategy (Mintzberg, 1994)</td>
<td>Transformative</td>
</tr>
<tr>
<td>Adaptive</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3: specific approaches to situational control

Effectuation can be seen as transformative by nature with its emphasis on control and a low degree of emphasis on prediction. The decisions made by strategic decision makers are dependent on several conditions. When a firm is in the situation that the prediction is easy because they have been in similar situations multiple times, a predictive approach is plausible to use. However, when a firm is in the situation that the market environment is largely unpredictable, for example in the case of a the launch of a radically innovative product, the emphasis might be more on a controlling approach.

2.1.3 The evolution of effectuation theory

Effectuation theory is a relatively young theory, dating from the beginning of the 21st century. It started as a theory applied into the entrepreneurial context (Sarasvathy, 2001). Business examples and academic literature were used to articulate and delineate effectuation opposed to causation. Sarasvathy et al. (2005) discuss the influence of effectuation in three views of entrepreneurial opportunity. In the same year, Sarasvathy & Dew (2005) supported the proposition that the effectual
process is an iterative process. Effectuation theory is further described and applied to the decision-making process for more established firms by Wiltbank et al., (2006) and the causal and effectual process have been described by means of four dimensions as described in section 2.1.2 by Dew et al. (2008) further delineated why effectuation theory is especially appropriate in the entrepreneurial context and draw comparisons with management in established large firms, based on the behavioral theory of the firm as described by Cyert & March (1963). Until 2008, in-depth understandings of effectuation have been articulated, but the theory had not been applied as basis for empirical research. Read et al. (2009a) and Dew et al. (2009) brought it into practice by comparing experts to novices in their decision-making process in the field of management and marketing. They have shown that expert entrepreneurs significantly more often apply an effectual approach in uncertain situations than novices. Read et al. (2009a) and Dew et al. (2009) pointed out that university programs should pay more attention to effectuation theory instead of the traditional entrepreneurship theory. What was still missing until this moment of time, was how effectuation was related to (new) venture performance. Read et al. (2009b) performed a meta-analysis where the goal was to show whether effectual approaches lead to higher new venture performance, where they found evidence that applying effectual constructs can lead to higher new venture performance, depending on the context where it was applied to and how the effectual dimensions were applied. Insights were given into how effectual constructs should be applied to enhance new venture performance: only partnerships where both parties share the risk, only selecting relevant means, consideration of worst-case scenario and risk management opposed to opportunity potential, and the ability change when confronted with new information have a significant positive influence on new venture performance. Chandler et al. (2011) performed a validation study of causal and effectual processes where they developed validated scales that measure causation and effectuation: they showed that pre-commitments are seen in both effectuation and causation processes, whereas the constructs affordable loss, experimentation, and flexibility can be seen as effectual constructs. Effectuation theory has further been applied to different organizational departments like R&D (Brettel et al., 2012), finance (Wiltbank et al., 2009), and marketing (Read et al., 2009a; Joseph & Coviello, 2012). An overview of effectuation theory is shown in table 2.

<table>
<thead>
<tr>
<th>Source</th>
<th>Goal of research</th>
<th>Nature of data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sarasvathy (2001)</td>
<td>Illustration of effectuation opposed to causation by means of business examples</td>
<td>thought experiments of 1 hypothetical and 1 historical business case</td>
</tr>
<tr>
<td>Sarasvathy et al. (2005)</td>
<td>Discussion of three views of entrepreneurial opportunity under the broader umbrella of three views of the market processes</td>
<td>Literature review: articulation of effectual and causal constructs</td>
</tr>
<tr>
<td>Sarasvathy &amp; Dew (2005)</td>
<td>The effectual process as iterative cycle opposed to the chronological causation process</td>
<td>Induction from two empirical investigations, a cognitive science-based investigation of entrepreneurial expertise, and a real time history of the RFID industry.</td>
</tr>
<tr>
<td>Source</td>
<td>Goal of research</td>
<td>Nature of data</td>
</tr>
<tr>
<td>------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Wiltbank et al. (2006)</td>
<td>Delineation of predictive versus controlling approaches in the context of strategic decision making</td>
<td>Literature review: delineation of effectual and causal constructs</td>
</tr>
<tr>
<td>Dew et al. (2008)</td>
<td>The behavioural theory in established large businesses compared to the behavioural theory in entrepreneurship: differences between the two contexts</td>
<td>Literature review: delineation of effectual and causal constructs</td>
</tr>
<tr>
<td>Dew et al. (2009)</td>
<td>Differences in entrepreneurial decision-making under uncertainty between expert entrepreneurs and novices. Expert entrepreneurs tend to apply more often an effectual approach under uncertain situations than novices</td>
<td>Protocol analysis (business game) among 27 expert entrepreneurs and 37 MBA students with little entrepreneurial experience</td>
</tr>
<tr>
<td>Read et al. (2009a)</td>
<td>Differences in marketing decision-making under uncertainty between expert entrepreneurs and novices. Expert entrepreneurs tend to apply more often an effectual approach under uncertain situations than novices</td>
<td>Protocol analysis (business game) among 27 expert entrepreneurs and 37 managers with little entrepreneurial experience</td>
</tr>
<tr>
<td>Wiltbank et al. (2009)</td>
<td>The vision of angel investors (predictive vs. Controlling) in their investment decisions and outcomes of those decisions</td>
<td>Survey among 121 angel investors</td>
</tr>
<tr>
<td>Song et al. (2010)</td>
<td>The relationships between new venture performance and formal market information acquisition processes and customer interactions in both established and emerging markets</td>
<td>Survey among 224 venture-backed new ventures</td>
</tr>
<tr>
<td>Source</td>
<td>Goal of research</td>
<td>Nature of data</td>
</tr>
<tr>
<td>----------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Chandler et al. (2011)</td>
<td>Empirical validation of the effectual and causal constructs. Causation measures are negatively related to measures of uncertainty. The experimentation sub-dimension of effectuation is positively related to measures of uncertainty, providing support for the theoretical conceptualization of causation and effectuation</td>
<td>35 Semi-structured interviews and a survey among 300 respondents</td>
</tr>
<tr>
<td>Fischer &amp; Reuber (2011)</td>
<td>The influence of social media interactions on the effectual process of entrepreneurs. A balanced way of interacting with the community positively influences the effectual process of entrepreneurs</td>
<td>Case study among 12 entrepreneurs: semi-structured interviews and collection of 6 months of Twitter interactions</td>
</tr>
<tr>
<td>Coviello &amp; Joseph (2012)</td>
<td>The creation of major innovations with early customer involvement: the differences between the successful and failed firms in how they involved the customer and experimented. Authors state that effectual capabilities are key success factors opposed to adaptive capabilities</td>
<td>Case study among 3 &quot;successful&quot; young firms and 3 &quot;failed&quot; young firms</td>
</tr>
<tr>
<td>Brettel et al. (2012)</td>
<td>The influence of effectual vs causal constructs in R&amp;D projects. Certain effectual constructs, i.e., focus on partnerships, affordable loss, and leveraging unexpected contingencies, have a positive impact on R&amp;D projects involving radical innovations. Causation constructs are positively related to R&amp;D projects involving incremental innovations</td>
<td>Qualitative study among 123 R&amp;D Manager and quantitative study among 400 respondents from firms in the Bureau van Dijk database of European companies</td>
</tr>
</tbody>
</table>

In general, effectuation theory is nowadays a widely recognized theory. Scholars have given a deep understanding of effectuation theory opposed to causation theory and scholars have also shown that it can be applied into various fields. However, scholars are not consistent with the terminology used to describe effectual constructs. Chandler et al. (2011) and Coviello & Joseph (2012) for example, use the terms flexibility and experimentation to describe leveraging unexpected contingencies and the iterative process where new goals and new means emerge. Besides the differences in dimensions between effectuation and causation, another important difference is that scholars have shown that the effectual process is an iterative process, where the action takers are in a “learning through
experimenting” process, whereas the causation process reflect a chronological process where action
takers go through phases only once. Furthermore, effectuation theory focuses on early interactions
with stakeholders, including (potential) customers.

2.2 Customer building processes
Entrepreneurs have the task of building a company, developing a product, and finding customers for
their product. Building a company refers to the standardization of internal tasks and functions within
the firm (Blank, 2005). The company building process is the result of the business model
development process, which is in its turn the result of the product development and customer
development process (Blank, 2005). Product development refers to transforming the idea of the
founder into a product or service that delivers value. Similar to effectuation theory, academic
literature is mainly focused on chronologic processes, with “late” customer involvement.
Conventional product development processes are viewed as staged or multi-phased (Lynn et al.
1996), being consistent with causation. Lynn et al. (1996) have delineated an unconventional product
development process, which is characterized by experimentation and short cycle times and early
customer involvement, referred to as the probe-and-learn process. The probe-and-learn concept
refers to continuously putting out (early) versions or parts of the product and receiving customer
feedback. The probe-and-learn process is comprised of three phases:
   1. Observing a site or customer before probing;
   2. Introducing the probe (i.e. a version of the product);
   3. Observing the effect on the site/customer.
Coviello & Joseph (2012) distill the unconventional product development process into five phases:
opportunity recognition, customer-based funding, development & testing, (wider) commercialization,
and feedback. This is not a chronological process, but an iterative process where customers are
involved from the start and play different roles in different phases of the process. Coviello & Joseph
(2012) integrate the product development process with the customer development process, distilling
customer roles and interactions into various stages of the product development process. Successful
young firms are able to develop a customer base comprised of close and weak ties between the firm
and the customer to reduce the risk of creating overly customized products which will add
insufficient value to a larger group of customers. Furthermore, young firms should focus on learning
through partnerships and mindful trial-and-error, referring to paying careful attention to customer
feedback and interpreting that in a mindful way.
Many entrepreneurs focus only on developing a product without involving the customer within
their startup process. What entrepreneurs do not always focus on correctly, is involving the customer
from the start (Blank, 2005; Coviello & Joseph, 2012; Onyemah et al., 2013). Many entrepreneurs do
this when their product is has been fully developed and therefore do not have the flexibility anymore
to adapt the product if the needs of the customer and the features of the product do not match
enough to satisfy the customers’ needs (Onyemah et al., 2013). The customer development process
should go hand in hand with the actual product development process. As described in this section,
Lynn et al. (1996) and Coviello & Joseph (2012) managed to delineate a product development
process where customers are involved in the beginning of the process.
As scholars point out that customers should be involved from the start and how they can play
different roles in the different phases of the startup process, it is important to know who to involve.
This process is referred to as the customer development process by Blank (2005). The customer
development process can be seen as an iterative process comprised of four phases: customer
discovery, customer validation, customer creation, and company building. A graphical presentation of
these four stages is shown in figure 4.
Four key questions should be answered in this customer development process (Blank, 2005):

- Have we identified a problem a customer wants solved?
- Does our product solve these customer needs?
- If so, do we have a viable and profitable business model?
- Have we learned enough to go out and sell?

These questions should preferably be answered in the customer discovery and validation phases. If a young firm is able to answer these questions, they have developed the backbone of their business model. A young firm starts with a vision about the needs of customer and how the offered product satisfies that need: this is basically a hypothesis (Teece, 2007; Blank, 2005). In the customer discovery phase, these hypotheses are ‘tested’: product probes are shown to potential customers and customer feedback is gathered. This process is followed by the customer validation phase, where the goal is to create a roadmap for repeatable sales and marketing: the hypotheses have been field-tested by successfully selling the product to early customers. The firm goes through a learning process where they eventually end up with a model where the product, market, and sales processes are interlocked in a way that it creates both value to the customer and the firm. Execution of the customer discovery and customer validation phases form the backbone of the business model.

Insights are gained into the following aspects:

- Market verification;
- Customer location;
- Tests of the perceived value of the product;
- Establishment of pricing and channel strategy;
- Checks of sales cycles and processes.

In the customer creation phase, the goal is to create end-user demand and drive that demand into the company’s sales channel (Blank, 2005). In the company building phase, the entrepreneurial team with informal tasks is transitioned to departments with formal tasks like sales, marketing, and business development. Many informal and fuzzy processes are then transitioned into formal and standardized processes.

Where young firms are advised to involve customers from the beginning of the startup process (Lynn et al., 1996; Coviello & Joseph, 2012; Blank, 2005), the problem they might face is how to interact with customers since the young firm has a product that is only partly developed or does not even exist. Along with the development of a product and the development of a customer base, young firms need to develop a sales model. Onyemah et al., (2013) zoom in on this process developed and delineated the process of developing a sales model. They distinguish two pivotal phases: idea generation and product execution. Within the idea generation phase, the young firm shares their idea with a select group of prospects and revise (or in the worst case drop) their idea based on the feedback of their prospect. Again, this is described as an iterative process where the idea can be revised multiple times. Before the young firm goes to the product execution phase, they develop and test their first probes with prospects and strive to obtain conditional commitments from prospects. After executing these phases, they get into the product execution phase. In this phase, the young firm generates leads from a larger group of prospects and identify the qualified prospects, which is actually consistent with the customer discovery process. Within this process, they use sales
techniques where they emphasize efficacy, credibility, flexibility and ability in delivering a product that delivers value to the customer: The young firm makes sure that they are able to address objections, based on the fact they are small and do not yet have a fully developed product. Consequently, they close the deal, deliver the product and follow up with customers. The “Entrepreneur-Friendly Sales Model” as described by Onyemah et al. (2013), is shown in figure 5.
Figure 5: The Entrepreneur-Friendly Sales Model (Onyemah et al., 2013)
After the first customers are acquired, the young firm should further validate and develop their sales model in order to scale up sales force and build their company. This sales model building process can be distilled into three phases: the initiation phase, traction phase, and execution phase (Leslie & Holloway, 2006). Leslie & Holloway (2006) refer to this process as the sales learning curve. The initiation phase refers to the phase where the product is offered to customers, but where relatively few customers are willing to buy the product. The end of the initiation phase is reached when the firm reaches its break-even point. The initiation phase is characterized by a relatively slow growth rate of sales numbers and the development of a sales model by the initial developers of the sales model (e.g. the CEO of the young firm). The traction phase is characterized by a high customer growth rate, but where the sales model components are still in development. Within this phase, the sales force can be expanded slowly. The traction phase ends where all components are interlocked and a structured sales model can be applied and satisfies the needs of the target customers. This is where the execution phase starts and the sales model is structured and standardized. A graphic representation of the sales learning curve is shown in figure 6. This model does not only encompass sales, but also aligning completion of the product development cycle (completeness, correctness, and fit) and marketing (positioning, promotion, and pricing).

Looking at the customer building process literature that can be applied to the startup process, it can be concluded that scholars have paid limited attention to the topic in this context. Especially in the 20th century, very limited attention has been paid to customer building in the startup process. Lynn et al. (1996) and Coviello & Joseph (2012) have delineated the product development process with early customer involvement through case studies, whereas both Leslie & Holloway (2006) and Blank (2005) utilize their 25 year experience in startup processes to delineate their views on customer building process. Onyemah et al., (2013) developed their entrepreneur-friendly sales model by interviews with 120 entrepreneurs in Hong Kong, Kenya, Mexico, Nigeria, the UK, and the USA. An overview of customer building process literature is shown in table 3. This means that especially in the cases of Leslie & Holloway (2006) and Blank (2005), their models have to be empirically validated. Academic literature on customer building processes is limited, but has been slowly expanding over the years. Early customer involvement within the startup process is not widely acknowledged in academic literature, but the awareness has been created by scholars. Customer building processes
have been described by a limited number of scholars, empirical validation of these models will increase the importance of this topic and foster evolution of this topic.

Table 3: overview of investigated customer building process

<table>
<thead>
<tr>
<th>Source</th>
<th>Topic</th>
<th>Nature of data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lynn et al. (1996)</td>
<td>Probe-and-learn processes: product development with early customer involvement in discontinuous innovations</td>
<td>Case study among 4 successful firms: 78 interviews</td>
</tr>
<tr>
<td>Blank (2005)</td>
<td>The customer development process as parallel process to New Product Development</td>
<td>Based on 25 years of experience as technology entrepreneur</td>
</tr>
<tr>
<td>Leslie &amp; Holloway (2006)</td>
<td>Building a sales model for a (nearly) full developed product</td>
<td>Based on 25 years of experience with startups and new product introductions</td>
</tr>
<tr>
<td>Onyemah et al. (2013)</td>
<td>Development of a sales model for entrepreneurs</td>
<td>Interviews with 120 entrepreneurs in Hong Kong, Kenya, Mexico, Nigeria, the UK, and the USA</td>
</tr>
</tbody>
</table>

2.3 Gaps in the literature

Through this literature review, two main research gaps have been identified. They are described in table 4 based on where they come from (whence) and why these gaps are important in this field. The two main gaps identified are how to balance effectual and causal actions and how young firms switch between various activities in their startup process.
Table 4: Gaps identified in the literature based on where they come from (whence) and why they are seen as gaps

<table>
<thead>
<tr>
<th>Gap 1</th>
<th>How to balance effectual and causal actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whence?</td>
<td>Scholars mention that successful young firms should display effectual characteristics (e.g. Coviello &amp; Joseph, 2012; Read et al., 2009b), but also should be able to find a mix between planned and ad-hoc actions. Vision-based actions are causal by nature, whereas ad-hoc actions are effectual by nature. However, no attention has been paid to how these actions should be balanced.</td>
</tr>
<tr>
<td>Why?</td>
<td>It is surprising that no attention has been paid to the issue how to balance effectual and causal approaches. It is proposed that young firms experience situations where they can better apply a causal approach and hence plan their actions due to a limited degree of uncertainty for example and in other situations can better apply an effectual approach.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gap 2</th>
<th>How young firms switch between various Activities in their startup process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whence?</td>
<td>Scholars have developed various models to delineate how to involve the customer in NPD (e.g. Coviello &amp; Joseph, 2012; Lynn et al., 1996), in marketing (e.g. Blank, 2005), in sales (e.g. Onyemah et al., 2013), and in business model development/company building (Leslie &amp; Holloway, 2006). Furthermore, effectuation theory has been applied into various fields. However, no attention has been paid to an holistic approach towards how these processes for young firms unfold.</td>
</tr>
<tr>
<td>Why?</td>
<td>The entrepreneurial team of a young firm has to create a product, a marketplace, and a company. However, no insights are provided in how these various activities should be managed</td>
</tr>
</tbody>
</table>

2.4 Relationships between Effectuation, NPD, and Customer Development processes

Strategic and tactical decisions in the startup process context can be based on effectuation theory. It reflects an iterative process where the focus is on creating new means and goals. Effectuation emphasizes control instead of prediction by means of focus on existing means, building partnerships, affordable loss, and leveraging unexpected contingencies (e.g. Sarasvathy, 2001; Wiltbank et al., 2006; Dew et al., 2008; Read et al., 2009a; Read et al., 2009b). Where especially in the 20th century scholars focused mainly on causation processes, scholars now have pointed out that effectuation theory can be very relevant and successful in many fields (e.g. Brettel et al., 2012; Read et al.,
How is effectuation aligned with NPD and customer development processes? This literature review points out that the effectual process encompasses a process that can be applied to many contexts. In this context, the effectual process is used in the context of the startup process of young firms. It is the umbrella for NPD and customer building processes. Lynn et al. (1996) and Coviello & Joseph have delineated NPD processes that are also iterative, experiential (i.e. experiencing through experimenting) and aimed at learning with prospect/customer interaction. Scholars point out that young firms should not only focus on product development, but also on customer building processes, which refer to the marketing and sales activities in the startup process in this literature review (Leslie & Holloway, 2006; Onyemah et al., 2013, Blank, 2005). Hence, the probe-and-learn based NPD process as described by Lynn et al. (1996) and Coviello & Joseph (2012), should be accompanied by the customer development process as described by Blank (2005). The customer development process is mainly about finding the ‘right’ customer and aligning the product to that customer. The entrepreneur-friendly sales model as described by Onyemah et al. (2013) is more focused on making sales in the startup phase: its focus lies on the bottlenecks and opportunities for entrepreneurs who strive to sell their product in the startup phase. Hence, it complements the customer development process in actually making a deal with a prospect. The sales learning curve as described by Leslie & Holloway (2006) encompasses the standardization of sales model in combination with insights into when to upscale the sales force.

To conclude, decisions within the startup process are based on effectuation theory. Within effectuation theory, young firms can decide whether to base their decisions on causal or effectual dimensions. Within this startup process, the young firm is develops its product according to the probe-and-learn process (Coviello & Joseph, 2012; Lynn et al., 1996) and simultaneously executes the customer development process. The customer development process is more of a marketing-type of process, whereas the entrepreneur-friendly sales model is more of a sales process. Hence, within the customer development process, the entrepreneur-friendly sales process guides the entrepreneurial team in acquiring their target customers. At the end of the startup process, the sales learning curve can take place to develop and standardize the sales model en upscale the sales force. The gap found in academic literature is what this process looks like for young firms. This literature review shows that young firms go through iterative, experiential processes, but not how they switch between and within the several processes. This research gap is illustrated in figure 7.

![Figure 7: The effectual startup process](image)
Two layers are represented in figure 7: the bottom layer is comprised of product development processes and marketing & sales processes (grey circles): the upper layer is comprised of business model development & company building processes (green circle). At the bottom layer, the tactical decisions are made. At the upper layer, strategic decisions are made. Product development and marketing & sales processes flow simultaneously throughout the startup process: the entrepreneurial team needs to develop their product and at the same time find customers for their product. These are two interrelated processes because the product has to be aligned to the customers' needs. The upper layer is proposed to be the result of the actions taken at the bottom layer: as the young firm progresses in their product development and marketing & sales, they start to build up their company and establish a business model. The proposition is that the entrepreneur shifts between these layers in an iterative and experiential manner. The pink rectangular blocks refer to the within-layer processes that are identified and delineated in this literature review. The place of the blocks represents their spot in these three layers. The probe-and-learn process is mainly focused on product development, but also encompasses the marketing and sales since early customer involvement plays a constitutional part in this NPD process. The customer development process as described by Blank (2005) is the intersection between marketing and business model development & company building: the first two phases of the customer development process, i.e. customer discovery and customer validation, are primarily focused on the identification of who the target customers should be, whereas the latter two phases, i.e. customer creation and company building, are phases where the business model will be established and the company will be built. These latter two phases of the customer development process are further complemented by the sales learning curve (Leslie & Holloway). It is mainly a sales process on the strategic level with an intersection of company building: the sales learning curve begins when the product is considered by the entrepreneurial team as far in its the development process and the entrepreneurial team has an idea who their target customers are. The sales learning curve can be applied for the process of upscaling the salesforce as the salesmodel progresses. Making the first sales is proposed to be the most difficult for young firms because the product is still in its development phase, the product and company are still unknown to many potential customers, and few people want to be the first customer. The entrepreneur-friendly sales model (Onyemah et al., 2013) can be used as a guideline for how the entrepreneurial team should make their first sales. It intersects between product development and sales because it delineates how meetings with customer influences the development of the product.

To conclude, the customer building processes are parts of the effectual startup process. The gap in this research is how these customer building processes are related to each other in practice and how the entrepreneurial team shifts between and within the layers in their startup process.

### 3. Methodology

This section describes how the case study will be performed with respect to the data sources, coding, and validity and reliability. Furthermore, a coding scheme based on a priori constructs will be developed.

#### 3.1 Case Study Research

This research can be classified as management research and will be qualitative, longitudinal, and exploratory by nature. Qualitative research refers to a “real world setting where the researcher does not attempt to manipulate the phenomenon of interest” (Patton, 2001, p.39). Management research should be both academically funded (rigorous) and practically relevant (Van Aken, 2005). In order to foster the practical usefulness of this research, the choice has been made to perform research in the form of a case study with multiple sources of data. All is based on a single case. From a practitioners’ point-of-view, this has the advantage that in-depth data can be generated, making it possible to provide a “rich” story, making it possible to richly describe the existence of a phenomenon
(Eisenhardt & Graebner, 2007; Siggelkow, 2007). The disadvantage is that cross-case validation of data will not be possible, making the strength of built theories less strong than can be done by doing research into a case comprised of multiple cases. Furthermore, it should be noted that this case study, based on a single case, has the aim to develop a theory based on issues of practitioners.

Case studies are more theory-building by nature (Perry, 1998). The opposite of theory-building is theory-testing: a survey is a theory-testing research method, meaning that hypotheses and propositions are formulated in advance, and relationships between variables and/or constructs are tested and statically validated. An important characteristic of theory-testing is that the sample of the data is large enough to produce valid and reliable results that can be generalized. In contrast, this is not a requirement of theory-building research: it is intended to gain new insights into theories (Eisenhardt & Graebner, 2007). Hence, a single case study can provide valid, reliable, and relevant new insights into theory. Eisenhardt (1989) has formulated the process of case studies. This is shown in table 2. This process is comprised of eight phases: getting started, selecting cases, crafting instruments and protocols, entering the field, analyzing data, shaping hypotheses, enfolding literature, and reaching closure. In order to make a case-study more valid and reliable, triangulation of data has been applied (Eisenhardt, 1989; Perry, 1998).

3.2 Data Collection
The data collection methods are chosen based on the available data sources at TruQu Ltd. that are considered as sufficient, based on the sampling sufficiency criterion as described by Morse et al. (2008). Both participative research and secondary data sources are selected to foster triangulation. It should be noted that triangulation of data has a slightly different meaning in qualitative research compared to quantitative research (Babour, 1998). In quantitative research, exceptions found through triangulation lead to disconfirmation of an hypothesis, whereas in qualitative research exceptions found through triangulation serve as input for the development of new theories.

3.2.1 Data through participatory research
The data gathered through participatory research serve as primary data sources for the theory development. The participatory part of this research can be classified as collegiate: the researcher works with the local people as colleague from the entrepreneurial team where the people from the entrepreneurial team have control over the process (Cornwall & Jewkes, 1995). The researcher participates in a process which lies outside his ultimate control. It should be noted that participatory research has its advantages and disadvantages. The advantage is a better understanding of the context. On the other hand, critics say that results might be biased because of the participation of the researcher. To decrease bias, the results of the analyses are validated by knowledgeable experts. The participatory data include weekly meetings and prospect/customer visits because these data sources are the best accessible data sources and are considered most appropriate for the single case study in order to foster rich stories.

3.2.1.1 Weekly meetings
The weekly meetings are done with all the company personnel of TruQu Ltd. The proceedings of the TruQu.com platform are discussed by means of customer feedback, competitive analysis, and internal ideas. These sessions play a constitutional part in the decision processes of TruQu.com. These sessions will be, tape recorded, documented and verified throughout the whole team via memos that will be e-mailed to every team member of TruQu Ltd. The tape recordings can help reanalyzing the meetings if necessary, making it possible to iterate between data and analysis (Eisenhardt, 1989; Morse et al., 2008).

3.2.1.2 Prospect/Customer visits
The case study will be based on prospect/customer visits where the firm-customer interaction process is observed and the consequences of those meetings. Due to the high stakes of the
prospect/customer visits and a potential danger of the Hawthorne type of effect (Campbell et al., 1995), which can dramatically influence the visit, the prospect/customer visits are not tape recorded.

3.2.1.3 Interviews and informal contacts
Aligned with the archival data, semi-structured interviews will be performed with the founders to get an overview of past actions. The founders are chosen because they are considered to be most knowledgeable (Morse et al., 2008). The structured part is based on the problem definition and the research question. The choice has been made to semi structure the interview because a priori constructs should give the interview guidance, and at the same time it should be explorative. The focus will be on the reasons why actions have taken place and their impact on the startup process. Furthermore, the researcher will be present for 6 months on a daily basis and informal contact moments and observation will contribute to data gathering.

The data sources are both real-time and retrospective, referring to data that has been gathered by looking at both past events and current events, what helps to mitigate bias (Leonard-Barton, 1990). To further mitigate bias, all transcribed data will be shown to organizational shown to the team of TruQu, meaning that they also function as highly knowledgeable informants. Knowledgeable informants refer to “people who view the focal phenomena from diverse perspectives” (Eisenhardt & Graebner, 2007, p.28). Case studies are more inductive and exploratory by nature: this means that a specific case is being studied to create more theoretical insights. The next step is to test these insights, for example by means of a survey (confirmatory, deductive research). It should be noted that this study is done with prior theory as guidance, providing a deductive element too (Perry, 1998), making this research benefiting existing theory, as well as providing room for new and useful theory, which meets Parkhe’s criterion of interplay between induction and deduction (Parkhe, 1993; Perry, 1998).

The amount of analyzed data will not be fixed in advance. In contrast, the data analysis will stop when theoretical saturation has been reached (Eisenhardt, 1989). Theoretical saturation refers to the point where phenomena have been seen before and incremental learning is minimal (Glaser & Strauss, 1967).

3.2.2 Secondary data

3.2.2.1 Archival data
TruQu Ltd. was established by the beginning of 2012. Archived documents will be studied to get an overview over past actions. Archival data gathering concerns studying documented actions and informal information gathering through participation in the young firm. Furthermore, historical events will also be discussed during the interviews.

3.3 Data coding and analysis
The data will be analyzed by means of a template. Such template analysis refers to observing and interpreting the data based on prior research and theoretical perspectives (Crabtree & Miller, 1999). It requires coding of raw data. The coding of the data can occur in three ways (King, 2004):
- Codes are defined a priori, based on the theoretical position of the research;
- Codes are developed after initial exploration of the data;
- Codes are partially defined a priori and partially developed after initial exploration of the data, which may depend on the epistemological position of the researchers.

For this study, codes are partially defined a priori and partially developed after initial exploration of the data. This decision has been made based on the fact that there is a relatively strong theoretical basis for the research, but both the experience of the researcher- referring to the epistemological position of the researcher- and the ability to leave room for further exploration as defined in the research question, lead to the decision made on the data analysis method. The coding process uses
framework concepts (e.g. phases from the customer development process). The gathered data will be coded, based on the framework concepts, where the events will be coded based on the nature of the event by means of a code, with memos that explain the code in further detail. These codes will be analyzed with help of the coding software program NVivo. Out of the coding process, the codes will be categorized further until constructs emerge, comprised of coding categories. With help of this way of data analysis, a framework of the findings will be built. The entire research methodology of this study has been examined by means of the theory-building process scheme developed by Eisenhardt (1989), shown in table 5. The first three columns refer to the criteria as delineated by Eisenhardt, the fourth column describes how this is done in this research.
### Table 5: Building theory from case study research

<table>
<thead>
<tr>
<th>Step</th>
<th>Activity</th>
<th>Reason</th>
<th>How this is done in my research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Getting Started</td>
<td>Definition of research question, possibly a priori constructs, Neither theory nor hypotheses</td>
<td>Focuses efforts. Provides better grounding of construct measures. Retains theoretical flexibility</td>
<td>One main research question defined. A priori constructs defined to further focus efforts and from the epistemological position of the researcher. No hypotheses created, retaining theoretical flexibility</td>
</tr>
<tr>
<td>Selecting Cases</td>
<td>Specified population, Theoretical, not random, sampling</td>
<td>Constrains extraneous variation and sharpens external validity. Focuses efforts on theoretically useful cases—i.e., those that replicate or extend theory by filling conceptual categories</td>
<td>Single-case study, making it possible to richly describe the existence of a phenomenon (Eisenhardt &amp; Graebner, 2007; Siggelkow, 2007)</td>
</tr>
<tr>
<td>Crafting Instruments and Protocols</td>
<td>Multiple data collection methods, Qualitative and quantitative data combined, multiple investigators</td>
<td>Strengthens grounding of theory by triangulation of evidence. Synergistic view of evidence. Fosters divergent perspectives and strengthens grounding</td>
<td>Data collection from 5 sources, both real-time and retrospective approach (Leonard-Barton, 1990). Due to resource constraints, only qualitative data and 1 investigator, but validation by means knowledgeable informants (Eisenhardt &amp; Graebner, 2007)</td>
</tr>
<tr>
<td>Entering the Field</td>
<td>Overlap data collection and analysis, including field notes, Flexible and opportunistic data collection, methods</td>
<td>Speeds analyses and reveals helpful adjustments to data collection. Allows investigators to take advantage of emergent themes and unique case features</td>
<td>Overlapping data collection and analysis by returning issues during different data collection methods. Field notes about striking issues are taken to help guide the data analysis and interpretation and asking questions like “what am I learning?”</td>
</tr>
<tr>
<td>Step</td>
<td>Activity</td>
<td>Reason</td>
<td>How this is done in my research</td>
</tr>
<tr>
<td>-----------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Analyzing Data</td>
<td>Within-case analysis. Cross-case pattern search using divergent techniques</td>
<td>Gains familiarity with data and preliminary theory generation. Forces investigators to look beyond initial impressions and see evidence through multiple lenses</td>
<td>Data analysis is based on single case, so cross-case analysis cannot be performed. Template analysis using predefined coding scheme with flexibility to adjust scheme by means of initial exploration of the data (King, 2004).</td>
</tr>
<tr>
<td>Shaping Hypotheses</td>
<td>Iterative tabulation of evidence for each construct. Replication, not sampling, logic across cases. Search evidence for &quot;why&quot; behind relationships</td>
<td>Sharpens construct definition, validity, and measurability. Confirms, extends, and sharpens theory. Builds internal validity.</td>
<td>Based on findings from data analysis, hypotheses or propositions will be formed</td>
</tr>
<tr>
<td>Enfolding Literature</td>
<td>Comparison with conflicting literature. Comparison with similar literature</td>
<td>Builds internal validity, raises theoretical level, and sharpens construct definitions. Sharpens generalizability, improves construct definition, and raises theoretical level.</td>
<td>Both similar and complementary literature and conflicting literature will be discussed</td>
</tr>
<tr>
<td>Reaching Closure</td>
<td>Theoretical saturation when possible</td>
<td>Ends process when marginal improvement becomes small</td>
<td>The amount of analyzed data will not be fixed in advance. In contrast, the data analysis will stop when theoretical saturation has been reached (Eisenhardt, 1989).</td>
</tr>
</tbody>
</table>
3.3.1 A Priori Coding Scheme

The coding scheme based on the theoretical position of this research is built around the effectual startup process framework as shown in figure 4. As basis for the coding scheme, the dimensions from effectuation theory (Sarasvathy, 2001), the probe-and-learn process (Coviello & Joseph, 2012; Lynn et al., 1996), the customer development process (Blank, 2005), the entrepreneur-friendly sales model (2013), and the sales learning curve (Leslie & Holloway, 2006) are taken as basis to be able to identify the various elements in the effectual startup process. Furthermore, room is left for detection of other phenomena that occur during the data analysis. The main strength and goal of this directed approach is that existing theory can be supported and extended (Hsei & Shannon, 2005). The coding process will be done in an iterative way by periodically revising the coding scheme in order to have a more accurate data interpretation. The coding scheme based on a priori constructs is shown in figure 8.
Figure 8: Template based on a priori constructs
4. Results

This section begins with a delineation of exploratory coding results. Secondly, the constitutional elements that resulted from the data analysis are delineated, followed by their linkage. This section is finalized by a delineation of the bottlenecks of the startup process.

4.1 The big picture

The data analysis has been done on the following documents:

- 15 documented weekly meetings, 30 hours and 55 pages of transcripts
- 3 interviews with people with the company, 3 hours and 6 pages of transcripts
- 10 company visit observations, 31 pages of transcripts
- Secondary data in the form of archival data, 30 documents

Archival data has been used as data source to place the information in context (Walrave et al., 2011). The total number of documents of the weekly meetings was 24, but theoretical saturation had been reached after the analysis of 15 documents (Eisenhardt, 1989). The data has been analyzed over a period of six months. Due to the richness of the data in combination with the achieved theoretical saturation, the choice has been made to base the analysis on data gathered throughout this whole period to get a more holistic view of the startup process. Figure 9 delineates the data analysis and aggregation. Besides the formal data gathering methods, it should be noted that the researcher has been participating in the company for a period of 6 months and therefore data could be gathered informally which also fostered placing the observations in context. A code refers to the classification of relevant quotes and statements identified on the micro-level of the analysis. A category refers to the grouping of multiple codes. Categories can be further grouped to concepts. The concepts are eventually grouped into clusters, which is the macro-level of analysis. It should be noted that in this analysis some groups of codes were directly transformed into concepts if not more than one category was found. To enhance trustworthiness, the results of the analysis were validated by knowledgeable experts in three ways:

1. The documents used for the data analysis were validated by the whole entrepreneurial team of TruQu Ltd.;
2. The CTO of TruQu Ltd. was shown how the data was coded and asked to do the coding for 10% of the data. The analysis results by this knowledgeable expert resembled with the analysis results by the researcher;
3. The final results were validated by the CEO, CCO, and CTO of TruQu Ltd.
The data was coded according to a priori constructs in a sense making manner, placing it in context. The a priori constructs were complemented by codes based on the identification of emerging patterns found in the data. The data analysis led to 97 codes. It should be noted that not all of those codes have been used for the final data results, since some were considered irrelevant. The codes were eventually placed into 4 main clusters: business model development & standardization, proposition stating, resource availability, and customer discovery & validation.

Table 6: Cluster and categories and their statistics based on sources and references

<table>
<thead>
<tr>
<th>Name</th>
<th>Sources</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Model Establishment &amp; Standardization</td>
<td>13</td>
<td>24</td>
</tr>
<tr>
<td>Proposition Stating</td>
<td>21</td>
<td>351</td>
</tr>
<tr>
<td>Proposition formulation</td>
<td>17</td>
<td>129</td>
</tr>
<tr>
<td>Idea formulation</td>
<td>16</td>
<td>64</td>
</tr>
<tr>
<td>Mindful trial-and-error</td>
<td>18</td>
<td>131</td>
</tr>
<tr>
<td>Resource Availability</td>
<td>17</td>
<td>50</td>
</tr>
<tr>
<td>Expansion of resources</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Lack of resources</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>Customer Discovery &amp; Validation</td>
<td>27</td>
<td>180</td>
</tr>
<tr>
<td>Customer understanding</td>
<td>15</td>
<td>37</td>
</tr>
<tr>
<td>Product exploitation with customer</td>
<td>24</td>
<td>64</td>
</tr>
<tr>
<td>Product exploration with Customer</td>
<td>20</td>
<td>72</td>
</tr>
</tbody>
</table>

Table 6 shows the number of sources and the numbers of references made to the different codes. The column ‘name’ refers to the name that has been assigned to the code. The bold names refer to
the clusters, the names under those clusters refer to the categories. The ‘source’ column refers to the number of sources the references to that code were identified at. The ‘reference’ column refers to the number of references made to that code. From these results, it can be seen that the proposition formulation concept has been referenced to the most. This is partly explained by the fact that the most commonly used data source are the documented weekly meetings, which are 15 documents. The data has been coded from multiple sources. See table 7 for details.

Table 7: Data source details

<table>
<thead>
<tr>
<th>Source</th>
<th>number of items</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly meetings</td>
<td>15</td>
<td>1368</td>
</tr>
<tr>
<td>Internal Interviews</td>
<td>3</td>
<td>237</td>
</tr>
<tr>
<td>Company visits</td>
<td>10</td>
<td>271</td>
</tr>
<tr>
<td>Archival data</td>
<td>30</td>
<td>91</td>
</tr>
</tbody>
</table>

The results from table 7 shows that most references have been made through the weekly meetings. This implies that this has been the most valuable source of data. This seems to be plausible for two main reasons. Firstly, most documents of that source were available. Secondly, all issues in and around the entrepreneurial firm were discussed during these meetings. The same accounts for the internal interviews, which is also illustrated by the relatively high number of references.

4.2 Constitutional elements of the startup process

From the template analysis, four clusters have been identified: resource availability, proposition stating, customer discovery & validation, and business model establishment & validation. The resource availability cluster refers to the resources the young firm has available. These resources are primarily financial by nature.

The proposition stating cluster refers to the phase where the entrepreneurial team formulates its ideas, arrange their actions, and develop probes of their product. The internal processes which are concerned with the actual development of the product are part of this concept. The proposition stating cluster is comprised idea formulation, proposition formulation, and mindful trial-and-error. The idea formulation concept refers to the phase where the entrepreneurial team (re)formulate their ideas about the product in general. In the proposition formulation concept, the entrepreneurial team form their propositions about how their ideas would address the problems of the potential customer, how their ideas will be profitable, how they should create demand for the product, and how they should position themselves into the market. The mindful trial-and-error concept refers to the concrete actions that are taken in the execution of the product.

The customer discovery & validation concept refers to customer validation, i.e., the externally oriented process where customers are involved and are therefore related to the sales/marketing processes. The customer discovery & validation concept is comprised of product exploration, product exploitation, and customer understanding. The product exploration concept refers to the product exploration with potential customers where the entrepreneurial team presents the idea and the product. The potential customer responds gives his/her feedback on the product. The potential customer gives its initial feedback on the product and responds whether he/she is interested in the product or not. The product exploitation concept refers to the process where the (potential) customer will be involved in further development of the product. The (potential) customer can play different roles, depending on its characteristics and the young firm establishes a relationship with the customer, where each customer can play a different type of role in the startup process. The customer understanding concept refers to the phase where the young firm know what their customer want and get an overview of the market.

The business model development & standardization cluster refers to the establishment of key components of the business model and the standardization of internal processes that enhance
building a company. See figures 10-1 till 10-3 for an overview of the categories, concepts, and clusters, that are accompanied by quotes that enhance sense-making and place micro-macro level results into context. The names of the B2B (potential) customers in quotes have been made anonymous for confidentiality reasons.
"We as founders experienced the need for a service like TruQu during our previous activities in the consultancy sector. In addition, there were similar types of reviews & rating services for consumer products, restaurants, hotels, etc., but there was no such service with the focus on professionals."

"We had the idea to develop a tool that’s primarily for freelancers, to help them, to get projects more easily"

"Instead of focusing sales on B2C customers, sales should be focused on B2B customers and the marketing on B2C customers."

"Companies are owner of the data in TruQu. We would have preferred it to be owned by the professional, but the companies pay for the product and will not accept professionals being owner of the data."

"If we can build something now that directly delivers revenues, we need to do that first and we will focus on our initial plan at a later time."

"We have to target smaller B2B leads in order to quickly close deals."

"If we manage to successfully build in the social aspect, we’ll break the market open."

"We think that virtual teams will be important; we have to develop a related feature to satisfy that need."

"It doesn’t matter that our product has its limitations now. However, every change we implement, should fit into our plans."

"In a years time, TruQu is totally focused on freelancers. What we’re discussing now, fits in our new way of thinking."

"We have made the assumption that people should be ‘forced’ to nuance between the different competences of the people they review: they might misuse the system otherwise."

"Our target B2B customers should be consultancies and secondments"
"I want to be able to compare my account managers with each other and this is possible with TruQu.com."

"When we started the development of TruQu, we contacted our business partner from Company D to give his feedback on our ideas."

"We would like to give our business unit managers extra rights within the system so they can manage their team without our intervention."

"Company D will perform an extensive security test for our product to see whether it fulfills the requirements and give their input on how to improve the security issues."

"I explained the team reviewing functionality at Company K and it they were very enthusiastic about it."

"We see that people are willing to pay for TruQu when it adds value to their commercial processes."

"For our employees, it is not completely clear why they should use TruQu and what kind of value it adds to them."

"People might be scared to request reviews & ratings. That's a potential pitfall for the product."

"We started the firm with a few 'launching customers' that helped us develop our product."

"As satisfied customer, we will give a presentation to other business units, explaining the benefits of TruQu and further upscale the product."

"TruQu currently struggles with 4 types of issues: appeal, lay-out, functionalities, and people wanting to do more with the product than it currently is able to do."

Figure 10-2: Data analysis and aggregation of customer discovery & validation cluster
Figure 10-3: data analysis and aggregation of resource availability and business model establishment & standardization clusters.

"We only have one software developer and we have too many things that we want to have done. Due to our lack of resources, we have to be flexible and prioritize our actions."

"Planning is very difficult with our limited resources. We have to think in scenarios and use our resources for what we can afford."

"We prioritize functionalities for B2B customers instead of B2C because we gather revenues more quickly via B2B customers."

"We have acquired a new customer with whom we will have a bilateral partnership. We have both extra financial resources and are now able to outsource some of our NPD activities to them."

"Guerilla Marketing is important for the acquisition of new customers because it allows us to create demand at the manager's side."

"It is clear that consultants ask feedback after the completion of feedback. TruQu adds value for them."

"We prioritize functionalities for B2B customers instead of B2C because we gather revenues more quickly via B2B customers."

"We're going to standardize our customer support. All customer questions can be sent to support@truqu.com."
4.3 The linkage between the identified elements

The results confirm that the startup process is seen as an iterative and ‘fuzzy’ process. It is not a rigid and deeply structured process. The clusters can be placed into input-process-output variables. The clusters proposition stating and customer discovery & validation, can be seen as process variables. Business model establishment & standardization is the result of proposition stating and customer discovery & validation and therefore classified as output variable. Resource availability is an input and output variable that influences the startup process in terms of what the possibilities of the entrepreneurial team are and is also influenced by the results of the acquisition of customers. Naturally, the process begins with the proposition stating cluster. The entrepreneurial team generates their ideas and formulate their expectations. Subsequently, the young firm begins to take their actions through what is called mindful trial-and-error (Joseph & Coviello, 2012). Based on their resources, they determine the actions they take and configure their product according to those mindful trial-and-error actions. Along with potential customers, the entrepreneurial team explores the product with potential customers who give their feedback on the product. Hereafter, the potential customers who are enthusiastic about the product start deliver their input and participate in the development of the product. In this phase, and in particular in the early development phases, the potential customer might invest in the product to get it further developed to their needs. The young firm establishes closer ties with some of the potential customers than with other potential customers. The business relationship between the stakeholders of the potential customer plays a constitutional role in this relationship. During the semi-structured interviews, the question was asked what the differences were between the potential customers who were actively involved in the development of the product and became customers and the customer who did not get involved and did not become customers.

“If we look at the customers who were most interested in the product and most actively delivered their input in the very beginning, it were the customers with whom we had the best relationship with.”

This quote illustrates that close business relationships are at least equally important in the customer building process as the idea of the product itself. With help of the input and participation of potential customers, the entrepreneurial team gets an understanding of what their potential customer wants. The young firm is able to validate whether their ideas and expectations were correct, which should lead to the acquisition of customer and hence cash flow. Some of their ideas and expectations might not be correct and therefore they might have to revise their ideas. This is the point where the process variables continuously iterate. The available resources will change (increase in case of a development investment or acquisition of a new customer or decrease when the no customers are acquired or no development investment are acquired) as result of this process and be an input variable at the same time. The linkage of the can be illustrated by means of the following quote:

“TruQu.com was initially destined for the freelancer. We assumed that they were willing to pay for the product because using it would enhance their position towards potential customers. However, the world seemed to be different than we thought.”

This quote helps underline several parts of the linkage between the elements of the startup process. The first sentence -“TruQu.com was initially destined for the freelancer”- highlights both the idea formulation and proposition formulation concepts, because the founders got the idea to develop the platform, that would add value to a targeted customer, which is the freelancer in this case. The second sentence -“We assumed that they were willing to pay for the product because using it would enhance their position towards potential customers”- further underlines the proposition formulation concept, where they proposition is formulated why the product would add value and why they would be willing to pay for the product. Hence, these two sentences illustrate concepts of the proposition stating cluster. The last part of the quote – “However, the world seemed to be different than we
thought”- refers to the entrepreneurial team identifying these target customers and finding out during the interactions between them that this is not the case. In this case, the entrepreneurial team worked out their idea and showed this developed idea - mainly expressed by means of an early version of the product (part of mindful trial-and-error)- found out that the potential customers of these freelancers did not actively experience this need and therefore led to freelancers not seeing the added value of the product. The discovery and understanding of this issue, led to the fact that the entrepreneurial team had to revise their concept for TruQu.com. They were not able get confirmatory feedback, which would lead to business model establishment and standardization, and at the same time they had utilized some of their resources for the effort they put in to develop and validate their idea. See figure 11 for a graphical presentation of the startup process.
Figure 11: the linkage between the clusters and concepts of the effectual startup process
Figure 11 shows the proposition stating cluster on the left with its concepts. The mindful trial-and-error concept is influenced by the resource availability cluster. The customer discovery & validation cluster is shown on the right. The dotted line from the exploitation concept to the resource availability cluster refers to potential customers who are willing to act as development buyer. Between the clusters proposition station and customer discovery & validation, the match between product and customer might take place. This leads to revenues and therefore an increase in availability of resource and can lead to the establishment of key business model components & standardization. Based on the coding results, most of the efforts by the entrepreneurial team are placed into the proposition stating and customer discovery & validation clusters. The entrepreneurial team enters the business model establishment & standardization phase when tasks can be standardized and a certain amount of stability has been reached. If the young firm is still looking for the ‘right’ customers, business model establishment & standardization are deserve the least attention. To underpin the fact that the true establishment of a business model & standardization elements do not occur frequently, the following quote is highlighted:

“A difficulty within our company is that our business model continuously evolves. Currently, our main source of revenues are the monthly fees we get from our B2B customers. In the near future, our main source of income will be through our partnership deal with Company F where we share the income of mutual customers. In the further future this could be something else. Therefore, we need to be flexible.”

This quote was given during one of the weekly meetings. It illustrates that the entrepreneurial team is continuously search for the right way to gain revenues, which is one of the key elements of a business model. Therefore, the actual establishment and further standardization stays behind and only occurs in case of elements clearly contributing to offering value to both the customer and the young firm itself and as is the case here, the young firm is still in search of finding the right way to offer value to themselves and to others in order to grow. If the young firm still struggles with this question, they go back and forth between proposition stating and customer discovery & validation.

4.4 Bottlenecks of the startup process

The identified bottlenecks float around the resource availability cluster and mindful trial-and-error concept of proposition formulation. The availability of resources play a constitutional role in the capabilities of the young firm in the execution of their actions. The availability of resources refers to financial resources in many cases, but can also refer to other types of resources, for example the arrival and departure of employees. The following quote helps underpin that the availability of resources influences the actions the young firm takes:

“If you have a big pot of money, you can easily execute your plans, but if you have limited resources, you have to be flexible and agile enough to deviate from your desired path.”

This quote was given during the interview with the CEO of TruQu Ltd. This quote helps underpin that the entrepreneurial team have their ideas of how they want to commercialize their product, but is not always able to execute them due to the lack of resources. This is where mindful trial-and-error comes in. From both the data analysis and a priori constructs (Coviello & Joseph, 2012), mindful trial-and-error is comprised of vision-based and ad hoc actions. The data analysis unfolds that vision-based actions are mainly associated with the availability of the necessary resources, whilst the lack of resources are mainly associated with ad hoc actions because the vision-based actions cannot be executed. These are two different types of processes. The vision-based action process refers to finding the fit between the young firm’s desired (end)product and their targeted customer. They lead to the validation of strategic goals and exploration of new means in order to proceed in achieving the desired goals.
The ad hoc actions refer to finding a market for the existing product. This leads to the development of short-term ad hoc goals, which lead to exploitation of the current means. Both processes are intended to lead to a match between customer and the product. A graphical presentation of these processes is shown in figure 12.
Figure 12: The bottlenecks of practitioners in the startup process: ad hoc actions versus vision-based actions.
The loop that starts with the vision-based actions, is a causal type of process, because it is about exploring new means. This can be explained by means of the following quote:

“TruQu.com is meant for the professional. Every feature we build in our product, should be adding value to the professional.”

This quote was given by one of the founders of the entrepreneurial team. He clearly states that TruQu.com is aimed at the professional and that every feature should be built for the professional. Hence, the actions that follow, should therefore be aligned to that vision. Those types of features are then validated with the potential customers, and the young firm will look for the means available to satisfy that customer.

The loop that starts with ad hoc actions, is effectual by (Sarasvathy, 2001), aligned to the characteristics of effectuation theory, where the focus is on exploitation of current means available by the young firm. The beginning of the ad hoc actions can be underpinned by means of the following quote:

“What is the fastest way towards revenues? We have to build those features first.”

This quote was given during one of the weekly meetings. There was a discussion going on of which features to implement into the new version of the product. The entrepreneurial team worked in cycles of releasing an update on TruQu.com every two weeks. The list of possible features was too long and extensive and therefore the team discussed which features to prioritize. The quote above illustrates that the priorities should be based on what would bring in revenues most rapidly. However, in this context, those features were destined for B2B customers and those features were not did directly add value to the professional, who is the actual target customer. The B2B customers are however able to pay for TruQu.com more rapidly if they were satisfied enough with its features. The reason that these priorities were set, was because of the lack of resources. Hence, the entrepreneurial team derives from its initial vision to perform ad hoc actions.

Figure 12 shows the bottlenecks by means of a causal-loop diagram, comprised of both a balancing (B) and reinforcing loop (R). The ad hoc actions based cycle, which is the effectual-type of loop, is mostly triggered by a low amount of available resources. The presence of a limited amount of resources forces the entrepreneurial team to undertake actions that lead to cash flow on the short term and derive from the entrepreneurial teams initial focus. The entrepreneurial team searches for any type of possible customers who are able to pay for the product on the short term based on the status quo. The following quote illustrates that:

“I am interested in acquiring every potential customer. I’m also trying to acquire our hosting company and the supplier of our new design.”

It might not always be the case that that potential customers directly willing to pay for the product, but would like to see some adaptations or improvements made before buying the product. These actions lead to the exploitation of current means. The new short term goals are underpinned by means of the two quotes below:

“We are going to change the hosting company for our website, mainly because Company D has some troubles with our current hosting from a security perspective. We can score a major deal if we succeed in acquiring Company D.”

“We will devote our coming release to the requests of Company Y: we can score a major deal with them and I believe other companies will also profit from it.”

The first quote refers to the fact that the entrepreneurial team is actively seeking for a deal on the short-term that will provide them with much needed revenues. In this case, the young firm is even willing to change their hosting company (new short-term goal) if it helps them to acquire Company D. The second quote refers to a total release cycle devoted to a potential customer. The short-term goal
in this manner is Company F that needs to be acquired and the young firm is willing to drop on their strategic goals if that leads to the acquisition of Company F in this case.

The actual match between customer and product, referring to a paying customer, has a positive influence on the financial resources. Until the entrepreneurial team has found a paying customer, this process further drains the availability of financial resources.

A richer amount of resources initially leads to the vision-based actions the entrepreneurial team wants to undertake. They set their strategic goals and validate those with their targeted potential customers in the marketplace. On the short term they might not directly lead to paying customers, but will lead to increase in market share, and proposed large revenues on the longer term. To underpin the need for resources, the following quote is highlighted:

“We have gathered external investments, so we are now able to further develop our product consistently according to our vision.”

This quote was given during a weekly meeting by the founders, and this quote illustrates that they were not able to develop the product according to their vision due to insufficient resources.

The way the entrepreneurial team envisions the way of finding paying customers, which was done later in the process with help of their previous experiences, where they try find and align the ad hoc- and vision-based actions they performed:

“The problem is not to get companies to sign a contract; the problem is to get them to become satisfied users of TruQu.com. If we create volume for our product by attracting professionals who use TruQu.com for free, their managers will eventually experience the need to pay for our product. We might not directly gain revenues, but we will be more successful on the long term.”

This quote is actually part of vision-based actions, but also the result of the experiences gained the ad hoc actions, which are the acquisition of B2B customers. They entrepreneurial team was able to successfully find a match between customer and product based on ad hoc actions, but did not achieve full satisfaction for both types of their customers. These experiences has provided them with the insights to rethink their actions. Hence, the way they execute their actions, changes over time as they learn as an organization. The entrepreneurial team puts in effort to execute their vision-based and ad hoc actions, which drain their resources.

The model as shown in figure 12 has an important overarching element: organizational learning. The young firm goes through a learning process, where they learn more about both the internal and external environment. The planned and ad-hoc actions are part of mindful trial-and-error, which is part of organizational learning. Both successful and unsuccessful actions are seen as part of the learning process. The quotes below are help underpin this:

“I do not believe that our startup process would be different if we had 20 extra software developers for instance. All our actions have been part of a learning process, and we would go through the same kind of process, even if we had more resources.”

This quote came from the CEO during an interview, where he confirms that learning is key to the startup process.

“Company D confirmed that we are on the right track: they said that if we would have just offered our product directly to their professionals, it would have been much easier to score a deal.”

This quote was given during a weekly meeting by the CCO, where they got the confirmation of the fact that the young firm correctly learned from their previous actions of focusing merely on the B2B customers, which were ad hoc, driven by the lack of resources.
“We struggle with correctly offering the relevance of TruQu.com. We have the potential, but we haven’t found the right formula yet. Via our deal with Company F, we are able to unleash our potential.”

This quote was given during the weekly meetings, where the founders announced that they established a partnership with a company that has complementary capabilities for TruQu Ltd. and vice versa. This partnership deal was established because the young firm utilized their network in the need of resources. This was an ad hoc based action, which actually led to a partnership where both parties could help eachother. For TruQu Ltd., it helped them to establish their vision-based goals, because Company F was closely working with their targeted customers, freelancers and professionals. For Company F, TruQu.com could provide transparency through their reviews & rating platform, which would give Company F a more reliable and stronger brand identity. This ad hoc based action led to the ability to execute the vision-based actions and therefore gave a boost towards the realization of the desired goals by the entrepreneurial team.

The quotes help underpin the startup process is actually comprised of the distinct, yet interrelated processes and as they learn by experiencing, they execute their actions. Their experiences influence how they execute their efforts according to the state of their resources, which is denoted by the dotted line between organizational learning and financial resources. Furthermore, finding a match between the product and the customer also fosters learning, because it confirms that the young firm offers value to the customer. This contributes to the establishment of the business model and standardization of tasks and processes. Hence, this is a higher level type of learning than solely the cycle of exploring and exploiting new means. This is indicated by the dotted green line going from “match between customer and product and “organizational learning.”

5. Discussion, managerial implications, and implications for future research

In this section, the results are discussed by means of its theoretical and managerial implications and academic literature. As stated in section 3, the results are discussed by means of complementary and contradicting literature (Eisenhardt, 1987). This section is finalized by the limitations and recommendations for further research.

5.1 Discussion of results

The results show interesting insights. Firstly, the startup process is characterized by the interplay between the formulation of actions to take and validating them in the marketplace, which is mainly concerned with the actual development of the product. The establishment of a business model and standardization of tasks are part of the startup process, but on a higher level than the customer discovery & validation and proposition stating phases. Secondly, practitioners struggle most with the execution of plans in combination with their available resources. Thirdly, organizational learning is key in the startup process: as young firms proceed in their startup process, they learn from their previous experiences and gradually establish a viable business. In addition, the startup process is characterized balancing vision-based actions and ad hoc actions.

Looking at the overarching element of the customer building process, i.e. effectuation, this research also shows interesting insights. In effectuation literature, no attention has been paid to balancing effectual and causal actions, where the availability of resources is an important moderating variable. It also shows the interplay between means-oriented actions and goal-oriented actions and focusing on affordable loss or expected return, triggered by organizational learning and financial resources. Practitioners struggle with balancing the two from the very beginning. Going deeper into this issue, it can be seen that the bottleneck is mainly built around what is referred to as mindful
trial-and-error, referring to performing both vision-based and ad hoc actions. This resembles partly what Coviello & Joseph (2012). The purpose of mindful trial-and-error is to “carry out regular activities and plans, observe outcomes, and then revise future action or understanding as needed. Unplanned trial-and-error learning may also occur” (Miner et al., 2001, p. 319). Coviello & Joseph (2012) highlight this aspect in the context of young firms and also link it to effectuation theory. However, it has remained to be rather vague what this process actually embodies in the startup process. The research results show that in the context of the startup process, it embodies the execution of vision-based actions and ad hoc actions. The ad hoc actions are primarily triggered by the lack of resources, which trigger the need to quickly acquire resources by means of revenues, investments, or partnerships. Furthermore, the potential customer can play different types of roles as Coviello & Joseph (2012) state. What has not been highlighted in their research, is the impact of the business relationship, especially in the beginning of the startup phase.

Based on the results, the data analysis comes down to balancing exploration and exploitation of means. Scholars have acknowledged that balancing exploration and exploitation is a key bottleneck for organizations (e.g. March, 1991; Politis, 2005, Uotila et al., 2009; Walrave et al., 2011). However, in the context of young firms in combination with resource availability, academic literature in this field is scarce. Most scholars have researched this phenomenon in the context of established firms, where the bottleneck identified is that the major threat of established firms is that they keep exploiting and fail or unsuccessfully explore leading to them falling in the ‘success trap’ (e.g. Walrave et al., 2011). The bottlenecks identified in the current study are closely aligned to how March (1991) described the phenomenon of exploration and exploitation. March states that exploration and exploitation are two interrelated, yet disparate process, derived from the fact that organizations or individuals are forced to make choices based on a set of experiences. There is always a trade-off between the two process because they battle for scarce resources (March, 1991). In the context of the current study, the ‘ad hoc actions’ refer to exploitation and the ‘vision-based actions’ to exploration. March (1991) also denotes that a high degree of exploitation is good on short-term, but self-destructive in the long run. The results of the data analysis underline the awareness of the entrepreneurial team on this aspect. The quote below helps underpin this:

“Company U is currently a valuable party to us because they pay for our product and promote it to others. However, on the long run, this will not be our target customer because they are not representative for what we embody.”

Company U is a customer of TruQu Ltd., but is not the typical type of customer they are looking for, because they do not believe that these types of customers will completely embody their vision.

Young firms are characterized by flexibility, which makes it more easy to respond rapidly to changing situations. That would imply that the ‘success trap’ as described by Walrave et al. (2011) does not necessary apply to the context of young firms. For young firms, the ‘trap’ is found in their availability of resources and influence it has on the decisions made. The results of vision-based actions might be visible on the long term, but the young firm does not have any guarantee that it will lead to the desired results, and it might use up too much of their scarce resources.

Based on the results of the analysis and the link with academic literature, the following propositions have been stated with respect to balancing ad hoc and vision-based actions:

**Proposition 1:** young firms that consciously are aware of their ad hoc actions and vision-based actions and strive towards the execution of performing those actions in an experiential manner, will be more successful than young firms that do not strive to consciously do so.

This proposition can be distilled into two sub-propositions, to delineate what young firms should do in case of a low amount of resources and a sufficient amount of resources:
**Proposition 1a:** young firms that are in stages of having very limited resources that succeed establish and utilize close business relations and establish bilateral partnerships with potential customers and suppliers are more likely to be successful than young firms that establish unilateral partnerships or no partnerships at all.

In the case of limited resources, young firms need to gain short-term revenues and gain more resources in order to survive. The potential stakeholders that do not only believe in the product, but even more in the people behind the product, will be more likely to invest or pay for the product. In terms of potential customers, the potential customers within the network can come from the network of the entrepreneurial team and should preferably have the characteristics that they are both closely aligned to the product and have close ties with people within the selling firm. In the ideal case, parties should be found that have complementary capabilities to the selling firm and vice versa. A partnership will enhance the resources and further guide the development process of the product and gain understanding of the market.

**Proposition 1b:** young firms that are in stages of having richer resources available that focus on finding their earlyvangelists will be more successful than young firms that focus on ad hoc based actions.

Earlyvangelists are potential customers who consciously experience a need, strive to find a solution for it, and are willing to pay for it. These customers will be most representative for the product for the young firms that strive to provide that solution those customers are looking for. Young firms should put their effort in finding and serving those types of customers instead of trying to sell it non-earlyvangelists whom young firms might think need the product, but only have the latent need.

Elements of the sales learning curve have not been found during the data analysis. This can be explained by the fact that the sales learning curve takes place after a product has is far in its development stage and therefore will play a significant role in the latter parts of the startup process or might not even play a role in the startup process at all. Taking the sales learning curve elements broader, the standardization of tasks and processes, taken together with business model establishment are likely to occur in a late stage of the startup process. Therefore, the following proposition has been stated:

**Proposition 2:** The establishment of the business model and standardization of tasks will mainly occur when the young firm is able to execute a repeatable sales model.

The customer development process of Blank (2005) shows many familiar points in this research. Blank (2005) describes the customer development process in a way where hypotheses are formulated and tested and validated. Furthermore, customer discovery and customer validation are the key processes identified. However, Blank (2005) describes it as a linear (though iterative) process where customer creation, i.e. the execution of a repeatable sales model normally comes before company building, but company building occurs during the startup process. People also come and go during the startup process, and the customer development process can be described as a process on the two different levels instead of as a linear process. The elements of the entrepreneur-friendly sales model (Onyemah et al., 2013) have their thread in the startup process identified in this research: the elements of the framework by Onyemah et al. (2013) are identified in this research. Onyemah et al. (2013) do not highlight the importance of the business relationships of the young firm’s members and the B2B customer stakeholders.

Another insight that has been gained confirms Onyemah et al.’s (2013) statement of offering discounts. The analysis of the performance shows that customers who were offered discounts were the customers who hardly used the product. The explanation for this might be that the deal was
closed based on the relationship and awarding the person instead of the customer being convinced of the added value of the product.

5.2 Practical Implications

The advantage of this case study is that detailed insights and rich stories can be generated. Therefore, several useful insights have been gathered to help practitioners who find their struggles in the startup process.

Key in the decision-making process in startup process are the availability of resources. Many young firms will encounter the problem with limited resources. One of the starting points of this research was that potential customers should be involved from the beginning. From the secondary data and interviews, it was encountered that in the early phases, (potential) customers actually did customer-based funding (Coviello & Joseph, 2012). The product has hardly been developed, and that makes it more difficult to ‘sell’ to ‘unknown’ target customers. The entrepreneurial team should do two things: search for their earlyvangelists, i.e. the target customer for the product, and utilize their network in order to expand their resources. The entrepreneurial team should be aware of the fact that they have to balance ad hoc actions and vision-based actions. A good way to give their startup process a boost for new opportunities, is through bilateral partnerships with either supplier-type of parties or earlyvangelist-type of customers. The entrepreneurial team should focus on building business relationships. The business relationship that the young firm and potential customer have or establish, plays a pivotal role in the acquisition of customers, especially in the early phases of the startup process. This can be explained by the fact that the customer-based funds are merely based on trust instead of product characteristics in that phase. The trap is that the young firm will focus too much and develop the product too much for this (potential) customer if they are not the initial target customer because the development and use of the product will be merely based on the relationship and not on the actual product characteristics, leading to a misfit with the market when getting to the ‘customer creation phase’, where end demand should be created (Blank, 2005).

It is not only important that the product gets sold, it is maybe even more important that the customers use the product. It is better for the entrepreneurial team to focus on finding the customers who are willing to pay the full price for the product than to put effort into the potential customers who want to get the product for the best possible price because they are not totally convinced. Offering discounts is not necessarily a bad thing, because it can provide the young firm the necessary financial resources to further execute their vision-based actions. The important thing is to be aware of the consequences of offering discounts. At the end of the day, it are the ‘earlyvangelists’ who should be seen as target customers (Blank, 2005): the parties who consciously experience the problem the product strives to solve and are willing to pay for it. These can be both the initial target customers and the ‘untargeted’ customers.

Young firms should be aware of all stakeholders in the sales process, especially in a B2B setting. The young firm should be aware of the length of a sales process per type of B2B customer. Where many firms see their limited size and resources as a limitation, young firms can leverage their limitations by emphasizing their flexibility. For example, they can respond rapidly to changing situations and supporting their (potential) customer. Extrapolating this characteristic, young firms are able to pay more personal attention to the (potential) customer due to their limited size and customer base, making it easier to satisfy this pool of customers.

5.3 Limitations and suggestions for further research

Like any research, this research has its limitations. Data about the personal characteristics of the entrepreneurial team have not been considered in this research. A small entrepreneurial team is logically very sensitive to the people in the team with respect to for example their decisions and vision and their level of entrepreneurial experience, sales capabilities, and technical capabilities.

The results of this study are especially relevant to young firms who are trying to find a niche in an existing market (Blank, 2005). This research is based on a single case study and therefore it
cannot be verified whether the same results apply to young firms which cannot be distilled into this category.

Furthermore, this research is based on a single case study of six months. The generalizability of the results of this study can be validated and expanded in further detail by means of a case study based on multiple cases. Furthermore, theory-testing (i.e. deductive) research should be done into validation and further empirical results into balancing the exploration and exploitation in the context of young firms. The formulated propositions can also be tested by means of deductive research. The data in this study was mainly based on real-time data: research into failed and successful firms in line with the results of this research can further validate and expand theory.

The data analysis has been done by means of retrospective and real-time data. However, it was not possible to perform an analysis throughout the whole startup process. A suggestion for further research would be that the data analysis encompasses the startup process from beginning till end.

6. Conclusion
The objective of this study was to gain detailed insights and understanding into how the startup process with respect to customer building processes unfolds. This main research question, guided by three sub-questions can now be answered.

The main research question was:

**How does the startup process unfold with respect to customer building processes?**

**Answer:**
The startup process is a process of two distinct, yet interrelated processes, which are a vision-based driven process and an ad-hoc driven process. These processes are triggered by the degree of available resources. The vision-based process refers to taking actions based on the vision of the entrepreneurial team, where they strive to validate their strategic goals and find the means to achieve those goals. With respect to the customer building process, it comes down to matching the product to the needs of the desired customer. The ad-hoc driven process refers to deriving from the desired path and the development of short-term goals, where the young firm strives to get most out of their current means. With respect to the customer building process, the entrepreneurial team strives to find any possible type of customer for their product and performing the affordable and necessary actions to acquire those customers and hence gain revenues in order to expand resources. The startup process is characterized by a learning process, which come from the execution of both vision-based and ad hoc actions. The lessons they learn impact how they execute their actions. Eventually, the entrepreneurial team needs to bring together their experiences from both these types of actions to a way where they can offer value to bring together these different types of markets where they serve a market which results in offering value to both the customer and themselves and hence establish a business model in order to grow as a company.

Sub-question 1.1:

**What are the constitutional elements of the startup process with respect to customer building?**

The first constitutional element is stating the ideas and expectations about the market, product, and company, accompanied by the execution of actions belonging to those ideas and expectations. The second constitutional element is the search for customers, involving them, and acquiring them, which leads to gaining understanding of the market. The third constitutional element is the availability of resources. The fourth constitutional element is the establishment of a business model and standardization of processes and tasks.
Sub-question 1.2:
How are these constitutional elements linked empirically?

Answer:
The entrepreneurial team goes through a process of stating and executing their ideas and expectations and at the same time validating them in the marketplace to gain understanding of the market. These two elements can be seen as process variables. Young firms continuously iterate between these two elements and in case of success, which in most cases happens when customers are acquired, elements of the business model are established and the young firm proceeds in structuring their tasks and process. The elements of stating and executing ideas, validating them in the marketplace, and establishment of the business model & standardization impact the availability of resources. Hence, this element is an output variable. The availability of resources also impacts the whole process in a which types of actions are performed by the entrepreneurial team and is both an input and output variable.

Sub-question 1.3:
Where are the bottlenecks of the startup process with respect to the customer building process?

Answer:
The bottlenecks found are stressed around the resource availability of resources and vision-based actions versus ad hoc actions. The ad hoc actions are necessary due to need for resources on the short term and the vision-based actions are needed to gain focus of the product. Two distinct, yet interrelated processes are identified: the ad hoc action-based process leads to exploitation of current means in order to reach short-term sub-goals, whereas the vision-based actions process leads to the exploration of new means in order to reach long-term goals. Finding the right balance is crucial to the young firm in order to grow successfully on both the long term and the short term. This whole process is iterative, characterized by learning: due to experiences, the young firm gains more understanding of how to develop their product, their market, their business model, and how to build a company.
References


