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ENTREPRENEURS' WORK WITH FACTORS FOR SUCCESS IN A START-UP BUSINESS

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ABSTRACT

TITLE: "Entrepreneurs' work with Factors for Success in a Start-up Business"

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PURPOSE: The purpose of this study is to examine whether there are any key factors for success to look for in launching a new business that affects the subsequent performance of the venture. Further on, the study will examine if there are any differences between believed and actual factors for success for an entrepreneur and the key factors for success given by existing theory. The purpose of looking in to the assumed gap between existing theory and entrepreneurs' believed and actual factors is to distinguish factors that make start-ups evolve. It is then important to investigate how they have worked with their business start-up and how they have worked with key factors for success in order to understand the impacts of their decisions.

METHOD: In order to establish an empirical foundation for the study a quantitative research were conducted on 282 companies. Out of these companies 127 were sorted out and 20 companies were randomly selected to be part of a qualitative research. Structured interviews were made with both over- and under performers.

THEORETICAL PERSPECTIVE: Effectuation, Sarasvathy, S. (2001)

CONCLUSIONS: The factors for success vary depending which environment the start-up is active in. There are no right or wrong factors, the importance lies in finding the suitable factors for the start-up. It is rather the way of working with the factors than the factors itself that is crucial for succeeding. The entrepreneurs work more intuitively than static with factors.

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1. INTRODUCTION

It is widely recognized that entrepreneurs are a major source of economic growth for many economies (Davidsson *et al.*, 1994; NUTEK, 2003; Storey, 1994). Through innovation and technology-improvement the entrepreneurship generates economic growth. The process develops new knowledge that could be converted in to products and services (Schumpeter 1934: Shane and Venkataraman, 2000: NUTEK, 2003). Because of start-up businesses' importance, it would be likely to assume that there exists one or a number of *well-recognized* theories and models specifically made to aid entrepreneurs in their start-ups [start-up business may in forward be mentioned as start-up(s), start-up firm(s) or –company(-ies)]. Before this thesis had started its research we found that such well-established theories were scarce, maybe nonexistent?

The failure rate for businesses over industries is not homogenous but generally we know that a big part of them fail in their efforts to build a business (ITSP, s2008:001; Van de Ven *et. al.*, 1984; Cooper and Dunkelberg, 1981). Many of the started firms fail to survive more than two to three years (NUTEK, 2003; Klofsten, 2002) therefore it is logical to assume that one takes a risk in starting a business. Even though entrepreneurship and innovation are hot topics today, and that there actually is an increasing flow of articles concerning them, still little is known and the topics have gaps that needs to be filled and studied (Shane, 2004). If we can get a better understanding of what makes some start-ups succeed better than others that could decrease the risk of failure and hopefully engage more to become entrepreneurs. As the start-ups have great impact on the economy - creating growth, job opportunities, innovations etc. – is it important to understand

their process better. Considering these facts, the study of start-up factors for success really becomes an opportune topic.

It is important to understand how entrepreneurs and start-ups work e.g. how they make decisions and work with various entrepreneurial tools/factors. There are difficulties in studying and comparing start-ups over different industries. A factor for success could be of more importance in one industry than in another because the industry has different prerequisites. Researchers have often focused on longitudinal research – studies on repeated observations of the same items over long periods of time – in order to understand the factors that separate success from failure. They have had problems to compare their results over industries (Sarasvathy, 2001). As an alternative, it is possible to focus on how entrepreneurs make decisions and work with different believed- and theoretical factors of success. Because all entrepreneurs, no regarding what type of industry he/she is in, make decisions and since they influence the result of the start-up, that process is more relevant to understand. Since this type of research is relatively new we find that it is of importance to study this subject further.

1.2 PURPOSE

The purpose of this study is to examine whether there are any key factors for success to look for in launching a new business that affects the subsequent performance of the venture. Further on, the study will examine if there are any differences between believed and actual factors for success for an entrepreneur and the key factors for success given by existing theory. The purpose of looking in to the assumed gap between existing theory and entrepreneurs' believed and actual factors is to distinguish factors that make start-ups evolve. It is then important to investigate how they have worked with their business start-up and how they have worked with key factors for success in order to understand the impacts of their decisions.

1.3 RESEARCH QUESTION

Based on the introduction and the given purpose this study seeks to answer:

Are there any key factors for success for start-up businesses, how do entrepreneurs work with them and how do they stand in comparison with existing theories in the field?

1.4 LIMITATIONS

During the writing of this thesis different choices have been made. Some tradeoffs have been necessary to make. They are discussed below in order to show which effects the choices have had on the thesis and how they have been handled.

The companies in the population have all gone through a similar process at the same consultant office. In this way they have all been influenced by the same process and therefore they are in some sense alike in their way of behaving.

The theory for this thesis does not sort facts in black and white. Therefore it should not shut out any findings or conclusions. When choosing one major theory there could be limitations in that the theory might be subjective and only showing one side of the problem.

An additional restriction to this thesis is that business success only has been tested through annual turnover, tax contribution, number of employees and number of active years. The measurement of business success can be debated and include other parameters e.g. return on investment, market share etc.

1.5 DISPOSITION

- 2. Literature Review** The chapter presents the different theories that support the purpose of this thesis and it creates an understanding on the researched area. The purpose is to get a perspective of phases in a start-up process and what this thesis is focusing on. The term “entrepreneur” is described and its role in a start-up of a business. Finally, the chapter present relevant theories on different factors of success as well as motivate the choice of theory.
- 3. Method** This chapter describes the practical considerations of the research design applied in the present study. The chapter begins discussing why a quantitative research method was chosen for the empirical data and why a small part of the study applies a qualitative method. Further, the research sample and the sample criteria used to identify the participants of the study are discussed. Thereafter, the chapter discusses how the interviews was designed and conducted.
- 4. Empirical Findings** The outcome of the quantitative- and the qualitative research is shown. Both populations which made the base for the research are described. The respondents' answers from the interviews are presented in a summarized version and numeric tables.
- 5. Discussion** Our own thoughts and reflection is in this chapter presented. It is an open discussion about both factors and perspectives. It gives our view of the empirical finding but does not aim to present a comparison between empirical and theoretical findings.

- 6. Analysis** The analysis will compare the empirical findings with the theoretical framework. It will present the analysis of the factors for success. The way the factors were handled is, in the end of the chapter, examined through an Effectuation perspective.
- 7. Conclusion** Conclusions made upon the results from the empirical findings, as discussed in Analysis and Discussion, are presented in this chapter. The chapter finalizes with a recommendation of further studies.
- 8. Criticism of chosen method** In this chapter the chosen method will be criticized. The collection of data will be presented so the process could be followed. The risk with secondary data from different sources and interviews is discussed. A discussion about the thesis reliability and validity will show the thesis transferability.

2. LITERATURE REVIEW

The chapter presents the different theories that support the purpose of this thesis and it creates an understanding on the researched area. The purpose is to get a perspective of phases in a start-up process and what this thesis is focusing on. The term “entrepreneur” is described and its role in a start-up of a business. Finally, the chapter present relevant theories on different factors of success as well as motivate the choice of theory.

2.1 LITERATURE BACKGROUND

Different articles with different authors present different answers to succeed with a start-up business. Classical proven theories are sometimes used – e.g. VRIO (Barney, 1996), Porter’s 5-forces (Porter, 2008), Three Generic Strategies (Porter in Grant, 2008) – as guidance and suggestion in order to succeed with a business start-up. They are not however initially created for start-ups. Many articles, non-regarding which theory they proceed from, study the relationship, not the causality, between different factors that would help start-ups and they often admit that a larger study-sample is needed to improve their result. It might be one of the reasons why little is actually known about various success factors for start-up businesses and it makes it more difficult to find a theory that differentiates itself from others. It also leaves the door wide-open for more studies on the topic.

Scientists have not yet agreed on single description/definition of what an entrepreneur is (Howorth *et al.*, 2005). Throughout time there have emerged various perspectives and theories on how to classify and understand certain characteristics of successful businesses and certain traits possessed by successful entrepreneurs. This has been a traditional view of entrepreneurship research. But

there has been a shift the last two decades to a more process-oriented view with the aim for understanding the subject as a continues learning process. The shift is e.g. focusing on entrepreneurs' experience and their ability of recognizing and ceasing opportunities (Politis, 2008).

A perspective that recently has emerged is the Effectual approach which means that entrepreneurs need a preference for effective decision making. This means that a success of a start-up is depended on entrepreneurs' iterative learning techniques and experimental thinking. An entrepreneur's different means and aspirations lead to various effects. An opportunity taking and trial-and-error learning technique lead effectuators to calculate on risk, preferably over revenue, in order to minimize potential losses and keep various alternatives and opportunities active (Sarasvathy, 2001).

Starting up a firm can be an uncertain and fussy task and therefore it is important to have a plan (Atherton, 2007). It is difficult for a newly started firm to simply rely on former experience or habits to succeed which makes it even more important to have a theoretical framework. A theoretical framework can help and make it easier for a firm to achieve and locate their goals since theory can connect action and performance (Campbell, 1988). On the other hand, some mean you should not marginalize the benefits gained from a person's experience and it is important with human-action in order to make firms evolve (Locke and Lathlam, 1990: Politis, 2008).

A Causuator is a classical thinker, e.g. Michael Porter and Philip Kotler, and they would agree with Atherton (2007) that it is important to have a plan – a strategy – in order to be successful. The Causuators teach a predictive reasoning. According to the Effectuators, the traditional and classical view of new venture creating is made by the Causuators' (Sarasvathy, 2001). They teach how the entrepreneurs should identify the optimal alternative in order to reach their goals in the most effective way. A causuator is e.g. taught to choose the best advertizing bureau to do their advertizing or to choose the target market which has the best potential return on investment.

Whether strategies have the impact they are said to have in classical theory have been discussed and criticized. As Classical theories are build on the mantra analyze, plan and implement, the Evolutionary perspective believe that successful strategies emerges as natural processes. Managers cannot predict them but only make sure that decisions made today are the best possible to fit their current options. They way of the Evolutionist is to keep cost low and to keep you options open (Whittington, 2001).

The Evolutionist believes that future oriented planning is irrelevant because the future is to unpredictable and complex which makes it hard to predict. Because of the dynamic structure of the market you cannot foretell the competitive nature of it. If you cannot predict it then you cannot plan for it. Successful strategies instead emerge as a natural process (Whittington, 2001).

The Classical and Evolutionary strategies e.g. rhyme well with the Causuator and Effectuator approach. The Classical and Causuator theories relate and Evolutionary and Effectual do too. A start-up business and an entrepreneur(s) can follow different paths of strategies in order to succeed. It is not said that one approach is better than the others and therefore the entrepreneur(s) must choose by themselves. That does not necessarily mean that they make an explicit choice as it as well could be implicit. Since the Classical approach is dominating the way we are thinking about strategy today (Whittington, 2001) e.g. competitive analyses, market research etc. it is interesting to classify if start-ups dominantly works according to that process or if they work with a mix or more according to e.g. the Effectuator- and Evolutionist approach.

2.1.1 THE ENTREPRENEUR

We think that the entrepreneur is an important character to understand. It has different descriptions in literature and therefore we will give it some attention. But

the term also needs to be defined in order to be able to grasp different phases of a business start-up.

There have been a large number of studies on the theme “entrepreneur”. But researchers have not yet reached a consensus whether how to define entrepreneur/entrepreneurship and the topic still generates a lot of debate (Low, 2001). The nature of entrepreneurship, according to some studies, involves variable issues of ownership and control (Steinmetz and Wright, 1989). Others write that it is merely the birth of a start-up business that defines the entrepreneur (Reynolds and Miller, 1992). It has also been argued that an entrepreneur is defined by his/hers innovativeness (Schumpeter, 1934). One could also say that entrepreneurs are opportunity takers and that a definition therefore should include opportunity recognition (Shane and Venkataraman, 2000). But entrepreneurship can be based on more than just its characteristic. Some mean that an entrepreneur can have multiple characteristics and research should therefore be focused on what the entrepreneur do. (Howorth *et al*, 2005) and Sarasvathy (2001) suggests that it is the actions of a person that defines him/her as an entrepreneur.

2.1.2 THE START-UP PROCESS

A business goes through different phases during its lifetime. These phases can be described and presented in a lifecycle. A business lifecycle can be divided into four phases: *start- and expansion*, *break-through*, *growth* and *maturity* (Skärvad and Olsson, 2003). The different phases are presented in Figure 2.1 “The Business Life Cycle” based on Skärvad and Olsson (2003, pp. 18).

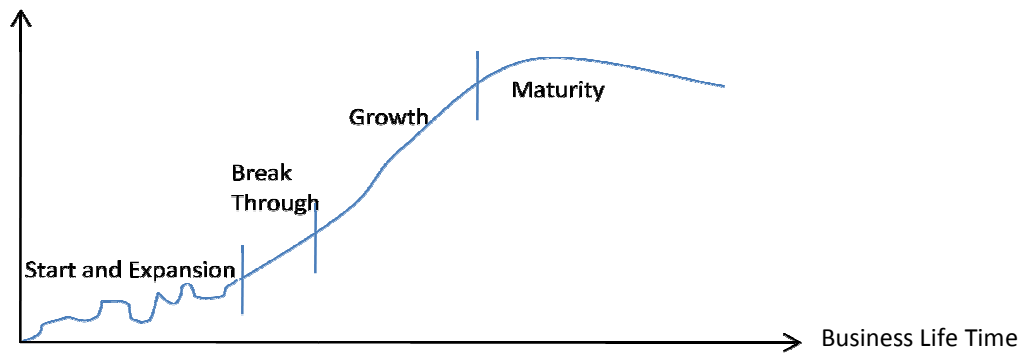


Figure 2.1 – The Business Life Cycle
(Skärvad and Olsson, 2003, pp. 18)

Businesses do not however always have the same lifetime and they can move through the phases differently. Some never gets a commercial breakthrough, some peak very quickly and drop as fast, while others harvest their cash cow and successively phase out with a longer maturity phase.

When the entrepreneur starts his/hers business there are several phases that it has to go through before the business is acknowledge as an established company. Four phases are often mentioned to describe the start-up process. The *first phase* is the intention to start a business. The *second phase* is when the business concept is developed and the opportunity is recognized. At the *third phase*, the entrepreneur has gathered resourced and the organization is created. When the start-up business reaches the *fourth phase* - the final phase - the business starts to interact and exchange with the market (Shapero and Sokol, 1982; Krueger *et al*, 2000).

The thesis use the different phases to explain where in the phases the investigated start-ups are. Kubr *et al* (2005) presents a similar view of the different phases of a business start up as previously. An idea is often a trigger to start a business. If the idea is going to become a reality, it needs an entrepreneur. The entrepreneur is therefore involved from the start with the idea as it takes its first step – *the first phase*. At *the first phase*, the entrepreneur sets the business idea and evaluates if it is viable – *development of the business idea* – to get potential investors interested. In *the second phase*, the entrepreneur writes a business plan based on the business idea – *business planning* – in order to get financial means from investors. It is not until *the third phase*, that the “real” work starts – *start- and expansion phase*. At

this point, the entrepreneur needs to build a functioning business with the goal to create a successful company that generates profit and offers people a product, service, etc. The early investors often withdraw at this point and the business is ready to stand on its own feet and hopefully become an *established company* – which is the *fourth phase* (Kubr *et al*, 2005). The different phases are graphically shown in Figure 2.2 “Four phases of Business Start-up” and it is based on Kubr *et al* (2005).

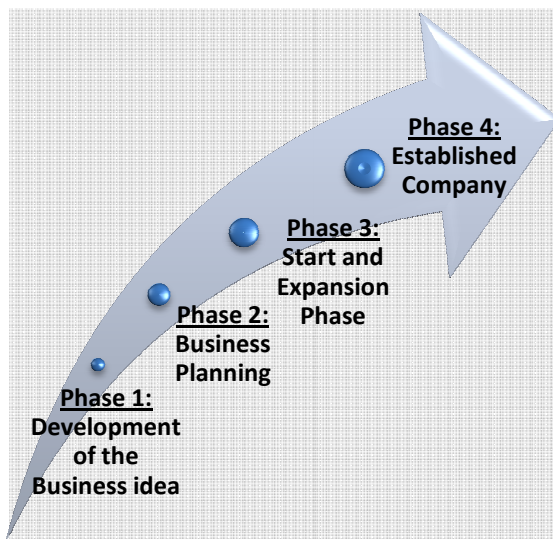


Figure 2.2 – Four Phases of Business Start-up based on Kubr *et al* (2005)

The studied businesses have reached the break-through phase of the *Business Life Cycle* (Skärvad and Olsson, 2003) and that can be compared of being in the commercialization phase in *The Four Phases of a Business Start-up* (Kubr *et al*, 2005). They are standing on the edge of becoming an established company as they are in the process of moving into the growth and maturity phase.

Skärvad and Olsson's (2003) shows the lifetime of a business and Kubr's *et al* (2005) is used to better explain what could occur in the *Start* and *Breakthrough* phase of the Business Life Cycle. The thesis has used the different start-up-phase-theories in order to explain that there are different perspectives of the phases and on when a start-up “start” and when it's not a start-up anymore.

If an entrepreneur fails in its first start-up attempt that does not necessarily mean that it is the end of the start-up process. One could instead say that it is the start of

a longer start-up process that follows a less direct path. It might be that the same entrepreneur that failed the first times succeeds in later efforts. The entrepreneur can use the experience from previous failures and turn that knowledge into something positive in another business. Saras Sarasvathy (2001) writes in her article that there is no linear approach to concepts as “success” or “sustainable competitive advantage” and means that “success” cannot be digitally measured in black or white. The Effectuator theory suggests that there is more than one effect from a decision, which implies that if you fail in your start-up of a business that does not necessarily mean that you have failed as an entrepreneur. The failure of the first start-up may result to a successful second start-up and the entrepreneur is therefore “successful”. The first, second or third business started are ones of many possible and contingent combinations of a given set of means with which the entrepreneur begins with.

2.2 EXISTING THEORY

2.2.1 KEY FACTORS FOR SUCCESS

The trigger for starting a business is the opportunity to develop a business idea. Therefore if you do not have a business idea, you have no business (Kubr *et al*, 2005). If you have developed a business idea then you can think of other factors that could aid you in your aim for business success.

In the theoretical studies we have stumbled upon several key-factors for success. It is not rare to read about a research that underpin a factor for success and then, some minutes later, read a different research that undermine the importance of that very same factor. There are many types of industries in the world and therefore it is understandable to assume that there are many different factors for success. Reasonably they should vary depending on which industry the business start-up is in. There could be a different start-up process whether one is starting a

high-tech medical firm from starting a restaurant, clothing store, consultant bureau etc. It is difficult to compare factors between different types of industries (Sarasvathy, 2001).

The choice of different factors of success and the theories behind them is based upon the factors that we could see as important based on the company's answers in the interviews. The factors the companies thought would be important and what factors that actually became important were compared to the theory of Sarasvathy. The chosen factors, based upon this selection, were investigated and the theories behind them are presented below.

2.2.1.1 STRATEGY

When you play any type of game, it is often helpful to have a strategy in order to win. We believe that before you start a game you have to decide what your goals are, how you are going to reach those goals and who your opponent(s) is. Some people just understand how the "game" is played and therefore succeed even without having a direct plan for what they are doing. But what is strategy? Robert M. Grant (2008, pp. 17) writes that,

"Strategy is the means by which individuals or organizations achieve their objectives."

The *means* that Grant (2008) writes about are the plans, policies and principles that guide and combine numerous specific actions. A good strategy should include four factors in order for it to be successful: Goals that are simple, consistent and long term, Understanding of the competitive environment, Objective appraisal of resources and Effective implementation (Grant, 2008, pp. 7-11). Grant (2008) furthermore writes that the people in our society that have reached success have gone to those who have managed their career most effectively. It does not have to be the ones that are the most skilled or intelligent that are the high-achievers but instead it is the ones that best can combine the four criteria's of a successful strategy.

There is more than one perspective on how to create a strategy. E.g. a strategist can try to understand and cope with competition – “Porters Five Forces” (Porter, 2008) – or review your strengths and weaknesses of the firm by analyzing resources – “The VRIO framework” (Barney, 1996). But in the end, the theories are often just different tools of analyzing in order answer the questions of *where*- and *how* you should compete and then set up the correct *goals*.

Making a strategy is not however a one way street. If it was so, it would be quite easy to make and implement one. There are numerous views of what a strategy is and scientist cannot even agree upon one definition of what it is (Whittington, 2001). Richard Whittington (2001) has presented different generic perspectives on strategy in order to understand what strategy can be and how it is used in different contexts (the Evolutionary approach was described quite thoroughly in previous chapter – 2.1).

The Classical approach relies on rational planning and believes that strategy is a rational process. If you plan and analyze correct you will have control of the internal and external environment and it will give a long term advantage. The final outcome is to make as much profit as possible. Classical strategies are often the textbook examples taught today e.g. Philip Kotler (2008), Michael Porter (2008) and Jay Barney (1996). They are built to analyze, plan and command and the strategies are often made and implemented by managers (Whittington, 2001).

Whittington's (2001) perspective on how strategies are created could have different impacts on the start-up of a business. The strategies do not however mutually exclude each other. It is the actions of the entrepreneur(s) that forms what the end-result will be of its start-up.

2.2.1.2 BUSINESS PLAN

A business plan has an important role and it impacts on several different factors that could have great influence on the overall performance of the business. It forces the entrepreneur(s) to systematically think through their business idea, it shows if there are any gaps in the plan and it forces the entrepreneur(s) to work structured, focused and towards a common objective. Not only does it do that, but it also helps with the communication between different stakeholders, both internally and externally. The business plan gives an overview of what resources that exist and it simulates the real deal. It is the foundation and the implementation of the business idea and necessary to attract investors, as they often only support a project that has a well worked through and sustainable business plan (Kubr *et al*, 2005; Schneider, 2002).

Even though important factors are highlighted in a business plan there has not yet appeared an accepted definition of a “business plan” neither a standard model for how it should look like (Morris *et al*, 2005). A business plan has many qualities and offers a wide range of attributes to the start-up business. However, not everyone is convinced that it has such an important impact as previously written.

Lange *et al* (2007) have made a study about whether writing a formal business plan before launching a new venture affects the performance of the start-up or not. According to what they found, there was no difference between a start-up launched with a business plan and a start-up launched without it. A business plan is therefore quite overestimated, but only if the entrepreneur doesn't need a significant amount of start-up capital. Then a business plan is needed in order to attract investors. It is suggested to wait with writing a business plan until the firm has started to grow and you need external capital. Famous businesses like Apple, Microsoft and Wal-Mart started without a written business plan (Lange *et al*, 2007).

2.2.1.3 SELLING THE IDEA

Schiffman (1998) writes that it is important how the entrepreneur sell and how committed he/she is to the sales process. It is even more important than raising capital. Instead of focusing on selling their products or services entrepreneurs focus too much on details. Entrepreneurs are often experts in their given field but they have never made a sales call or closed a deal. Therefore we think they have to learn how to be a good salesman.

In order to convince potential customers to buy from them it is important for a start up business to have a good first customer reference. Some businesses, especially high-tech businesses, are more dependent on this factor than others in different industries. Start-up technology businesses often need a good first customer reference in order to increase and back their credibility (Roukolainen and Makela, 2007).

2.2.1.4 NETWORKING AND STRATEGIC ALLIANCES

2.2.1.4.1 Networking

Networking as a tool for growing and developing your business is getting more and more acknowledge in literature (Brass *et al*, 2004). Networks have a wide range of key effects in entrepreneurial processes e.g. opportunity recognition and resource acquiring (Ardichvilli *et al*. 2003; Batjargal 2003).

Entrepreneurs shape their network to satisfy their needs. They do so by searching and selecting people from whom they can form ties with. Entrepreneurs will turn to similar people as long as they give them useful information. As soon as they stop, entrepreneurs will turn to their friends or other strong ties in order to gain substantial information. Weak ties can be upgraded to strong ties as well as they

can be dropped. Entrepreneurs search and drop ties to the changing needs of their business start-up (Elfring and Hulsink, 2007).

Strong ties, professional business relationships, friends and family members are important factors in the start-up of a business as they provide access to resources and trusted feedback. When businesses grow, weaker ties will be more and more important as they often offer new opportunities to the start-up. If the start-up wants to expand, they eventually need these weaker ties. Weaker ties can in turn in to strong ties. Then they can offer qualities that they have not been able offer before, e.g. legitimacy (Elfring and Hulsink, 2007).

2.2.1.4.2 Strategic Alliances

If you are an expert on everything then you are truly unique. But there are people that believe that they are and in their determination they do not take the opportunity to seek guidance among others. By not doing so we know that opportunities might go by.

Strategic alliances can be defined as any independently inter-firm link that constitutes of exchange, sharing and co-development (Gulati, 1995, 1998). It is cooperation and collaboration that distinguish a strategic alliance from other inter-business relations. Strategic alliances have become an increasingly interesting factor as a mean for developing growth. They have been shown to be an effective tool in transferring knowledge (Doz, 1996) and learning (Inkpen and Crossan, 1995) as well as, spreading risk (Hennart, 1988). Strategic alliances are made in hope of getting a competitive edge against competitors.

In order to differentiate different types of strategic alliances, the thesis has used Refik Culpan's model (2008, pp. 99) of "Strategic Alliances" Figure 2.3.

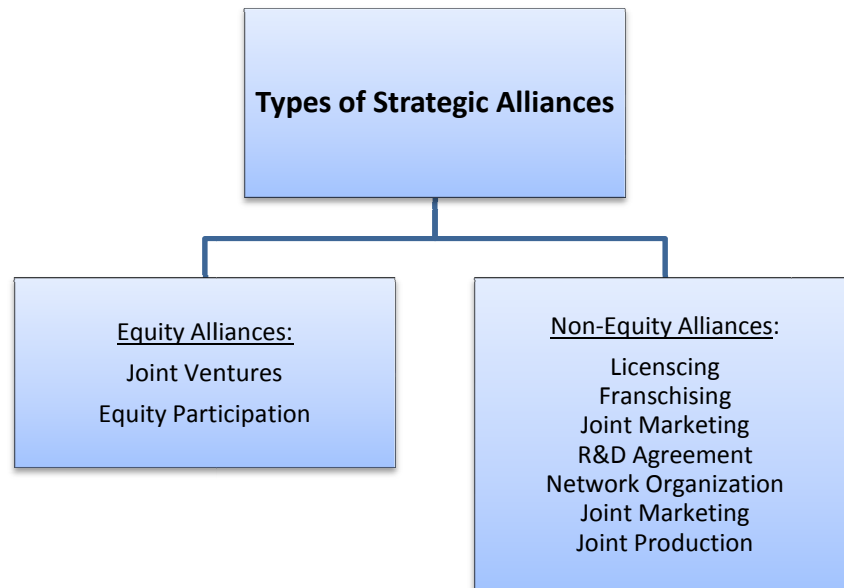


Figure 2.3 Strategic Alliances

Non-equity alliances are partnerships that do not include investment of equity by partners meanwhile Equity alliances do.

2.2.1.5 KNOWLEDGE AND EXPERIENCE

We believe that if you have experience or training in starting a business it would help you in your next business start-up process. If higher knowledge is good or not can be discussed and one could say it would be good to be a bit naïve and therefore less scared about the risks.

Some studies point out that individuals with former experience of- or training on entrepreneurship have a higher like-hood of starting their own business and being better at it (Schamp and Deschoolmeester, 1998). Individuals, who have been engaged in several start-ups earlier in their life, called *habitual entrepreneurs*, seemed to have developed a better understanding and problem-solving-ability. They are also better on exploiting opportunities (Shane, 2000). This type of trial and error thinking rimes well with the effectuator approach, since iterative learning techniques are a natural process of the start-up creation process (Sarasvathy, 2001).

The categorization of entrepreneurial learning is based on the start-up experience of the individual. A habitual entrepreneur is one that multiply times have started up a business and the “first-timer” is a novice entrepreneur and that refers to the limited experience. When and if a novice entrepreneur start up a second business that makes him/her in to a habitual entrepreneur (Westhead and Wright, 1998).

A large number of studies have been made when they studied the difference between novice and habitual entrepreneurs when they evaluated the performance of their businesses. Few of them have found actual evidence or direct relation between experience, habitual entrepreneurs, and better business performance (Politis, 2008).

Other research is instead focused difference of the mindset alt. behavior of the habitual and novice entrepreneur. The studies point out the importance of the habitual entrepreneurs' mindset and how that helps to recognize opportunities and solve upcoming problems (McGrath and MacMillan, 2000). It is tacit knowledge, gained through multiple start-ups, that helps the entrepreneur's in his decision-making process about new business opportunities (Sarasvathy, 2001).

Diamanto Politis (2008) found that habitual and novice entrepreneurs differ with their skills of coping with newness, their preference of effectual reasoning and their attitudes to risk of failure. When these three skills are combined, the experience of them can be regarded as a valuable asset in the start-up process and eventually improve business performance. Politis (2008) clarifies the role of start-up experience as a source of learning. Habitual entrepreneurs have learned and gained this experienced when starting businesses (Politis, 2008).

2.2.1.6 POLITICS

It is important to have a good cooperation with your fellow co-workers, partners, stakeholders etc. We know that if everyone does not pull in the same direction, a

lot of time and effort will be spend on discussions and meetings in order to get along. It is therefore, according to us, important to choose the right partners and co-workers in order to make the start-up succeed. Many start-ups are certainly started by one person but that does not necessarily trivialize the importance. All businesses have cooperation with someone, if it isn't internally its externally, e.g. investors, suppliers, complementors, customers, etc.

In order to minimize tensions and therefore increase the chance of success, there are three core components: clear vision, a superior business model and passionate leadership. It is only a few who can combine all three and if so, those are the ones that become most successful (Brill and Kish, 2005). In this case, it is the importance of a clear vision and a passionate leadership that are interesting. Those two factors are the ones that make people pull in the same direction.

“Clear vision keeps an organization focused, serves as a recruiting backdrop, and keeps everyone rowing in the same direction”

Brill and Kish (2005, pp. 66)

Strong and passionate leadership defines the organization – its values and principles that the rest will strive to fulfill. The two factors have in the end a great impact on the culture of the organization (Brill and Kish, 2005). Even if it is a small business with three to four employees a good culture can have impact. Anyone who has been working in a group probably knows that it is difficult to keep a positive attitude if there is one person that always is negative. One person could destroy the balance, no regarding if the group exists of three, ten or dozens of people.

2.2.1.7 LOCATION

It is commonly said that being at the right place at the right time could be the difference between failure and success. Therefore we would like to point out the location as important to the entrepreneur and his/hers company. If placed in the

right surroundings the right networks and the right knowledge are at hand and ready to use. Consequently, the location could be a factor for success.

In order to help the networks to grow and attract the knowledge the city has to be attractive. Leif Edvinsson (2006) writes in his article *“Aspects on the city as a knowledge tool”* that the city regime must clearly show its intention of being a knowledge leader to attract the right companies and institutions. Edvinsson (2006, pp. 7) write:

“The city can be seen as the structural capital surrounding the human capital and connecting the human capital with the structural capital to give a higher value adding for the knowledge worker.”

By this Edvinsson (2006) means that a city must see itself as a knowledge harbour where relations can be built, where knowledge can be bunkered and unloaded. Taking this in consideration it shows how important it is for an entrepreneur to be in the right location to be able to present its knowledge and to gain new experiences.

But creating the right surroundings and the possibilities to grow a network is not a given way of success. The resources have to be used in a correct manner. As pointed out by Di Gregorio and Shane (2003) different universities produces different numbers of start-ups. This depending on how well the start-ups are helped to go from idea to a launch at a market. Di Gregorio and Shane (2003) write that there is not much of a point to produce start-ups if they don't result in new companies.

If summarised, Edvinsson (2006) means that in order to grow knowledge you got to have the right surroundings and Di Gregorio and Shane (2003) write that the surroundings must be used effectively. Taking them both in consideration the location is an important base where to grow knowledge. But it can't be isolated since it has to work with other networks on other locations in order to develop

knowledge. The location is your harbour from where you can make travels to other harbours to unload or load knowledge (Edvinsson, 2006).

2.3 CHOICE OF THEORY

This thesis aims to explain rather than define the term entrepreneur. There is no intention for this thesis to argue for one or another concept. Instead, the factors for success should be possible to apply on any definition of an entrepreneur. This thesis leans to the direction that the entrepreneurs are “doers” and therefore, it is how they handle different factors and actions that are interesting to analyze.

As the concepts start-up and entrepreneur are difficult to define they are also difficult to apply homogenously over different industries. This could be one of the reasons why there still doesn't exist a unanimous definition on these two key-concepts.

Sara Sarasvathy's (2001) *Theory of Effectuation* presents a different point of view that differs from the Classical “plan, analyze and implement thinking” that has dominated the theoretical-framework the last couple of decades. This theory will help us to get an insight in the start-up business. It will support the thesis in an analysis of if different means, contingent human aspirations and their ability to adapt, are of more importance than the approach Causuators' (Classicalists) have been teaching. Sarasvathy's (2001) theory will be used to study the way the entrepreneurs manage the different factors that could play an important role in having a successful start-up business.

One of the most important aspects of analyzing the start-up businesses from an effectuator and causuator approach is that they primarily look at how the entrepreneur(s) think and act. It separates the more tangible factors for success from the entrepreneur(s) so that the way to success can be compared over

different industries. Then it is not the factors, i.e. a business plan or location, that are of most importance but instead the way the entrepreneur(s) work with them to create their future. The thesis will look on the factors for success with a pair of “Effectuator-spectacles”.

2.3.1 THEORY OF EFFECTUATION

Sarasvathy (2001) defines in her article the process of causation and effectuation:

“Causation processes take a particular effect as given and focus on selecting between means to create that effect. Effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means.”

Sarasvathy, S. (2001: 245)

Sarasvathy explains the theory by relating it to the process of cooking a dinner. The generalized end goal is the dinner – both in the causation- and effectuation process. The difference is the method that gets them there. Causation looks at the end goal first which is the menu and its list of ingredients. The chef then shops the ingredients from the list and focuses on selecting effective ways to prepare the dinner (Sarasvathy, 2001).

Effectuation has another approach to the process of making dinner. The chef looks through what ingredients and utensils he/she has. Then the chef cooks a dinner from what he/she has. The chef has multiples ways of making it now, as he/she has to imagine possible menus based on the given ingredients and utensils, choose the menu and then prepare the meal (Sarasvathy, 2001).

Effectuation and causation do not mutually have to exclude each other. They can occur simultaneously, overlapping and link over different context of decisions and actions (Sarasvathy, 2001).

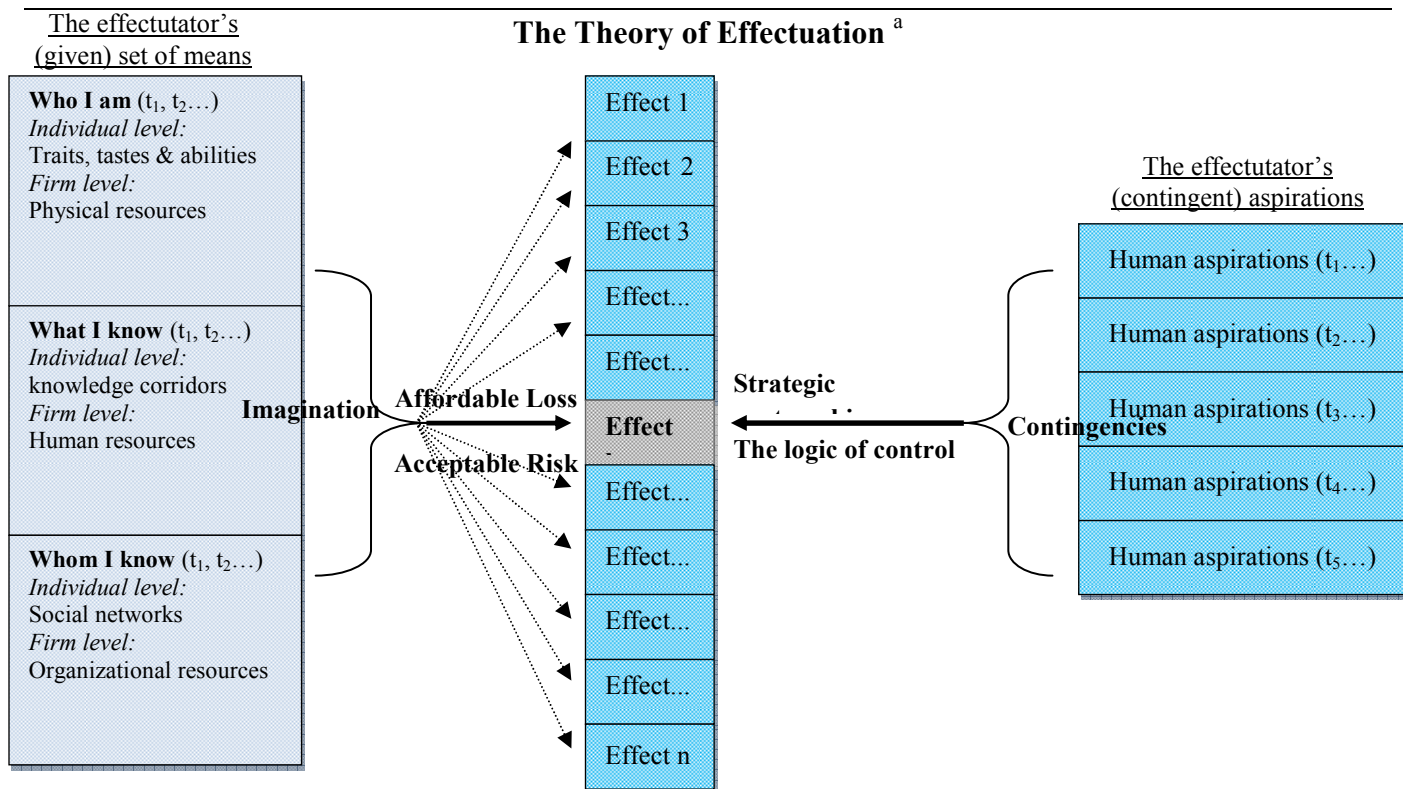
A textbook causation process is Philip Kotler's (2008) segmentation, targeting and positioning process. It starts from analyzing the long-run opportunities in the market, researching and selecting market, designing marketing strategies, planning marketing programs and efforts of organizing, implementing and controlling the market. The process takes time, demands a lot of analytical effort and often needs a larger amount of resources. This paradigm that we have been following suggests that we proceed inward from a predetermined market to an optimal target segment (Sarasvathi, 2001). In contradiction, effectuation starts with a particular set of means and allows goals to emerge contingently. It is the characteristics of the decision maker (the entrepreneur), *who they are, what they know* and *whom they know* (means) that results in what direction the business is going. The effectuator merely pursues his/hers goal with the means available to him/her to create the effect wanted (Sarasvathy, 2001).

The logic concerning effectual thinking is based on how they see the future. They view the future differently from causators and therefore they act in another way. Causators believe that they can control the future to the extent that they can predict it. That is why today's researchers and scientists have made a big effort in order to create predictive models. Effectuators believe that, to the extent that they can control the future, they do not need to predict it (Sarasvathy, 2001: 252).

When we believe that the future is unpredictable but we think that we can control it, then how can we predict it alt. make calculations on it? If a lottery is based on ten white and ten blue balls in an urn, and one ball is drawn at a time, we can calculate the odds or risk on which ball that is due to be drawn next. That is a model of a risky but predictable future. But if the lottery doesn't give away how many balls or color there are in the urn then it will make it quite much harder to calculate risk. The most logical reasoning would then be to watch the urn and see which balls that comes out and through time discover a pattern. This is a model of an uncertain but learnable future that in time becomes predictable. Causators work and believe in this way (Sarasvathy, 2001).

The effectual logic believes however that the future is not out there to be discovered but instead made out of every step or decisions that you make. An effectuator would in the lottery metaphor put in all white balls he/she can find and look for others with white balls and ask them to put them in until they are certain of the lottery's outcome. According to the effectuators, this is how entrepreneurs use their logic to create new markets (new urns). Effectuators are people who are in the business of creating the future (Sarasvathy, 2001).

The Theory of Effectuation is graphically shown and explained in Figure 2.4.



^a Effectuation begins with a given set of means and contingent human aspirations to select from a set of possible effects imagined by the effectuator(s). Both means and aspirations change over time. The particular effect selected is a function of the level of loss or risk acceptable to the effectuator(s), as well as the degree of control over the future that the effectuator(s) achieves through strategic partnerships along the way.

Figure 2.4 The theory of effectuation based on Sarasvathy (2001, pp. 253)

The study wants to bring forward the individual, the entrepreneur(s), non-regarding of which type of industry it is active in. The Theory of Effectuation helps the thesis in doing that as the processes, according to Sarasvathy (2001), are

applicable over industries. It is then interesting to see how the entrepreneurs are handling different factors of success as they could vary depending on which industry they are active in.

3. METHOD

This chapter describes the practical considerations of the research design applied in the present study. The chapter begins discussing why a quantitative research method was chosen for the empirical data and why a small part of the study applies a qualitative method. Further, the research sample and the sample criteria used to identify the participants of the study are discussed. Thereafter, the chapter discusses how the interviews was designed and conducted.

In order to try the research question and find facts that supported it or proved it wrong, it had to be empirically tried. Trying the research question empirically required a suitable group and it was necessary to find an accessible group so interviews and data could be gathered. The group or population did also have to be in the start-up phase that the thesis wanted to investigate. After a discussion with our mentor, assistant professor Per-Hugo Skärvad, we found out that Marianne Larsson at Teknopol (www.teknopol.se) needed a study on the companies that had gone through the process at Teknopol over the last ten to fifteen years. The contact with Marianne Larsson gave us a good overview of the types of companies she could provide. The population that Marianne Larsson gave us served our purpose well and it offered suitable candidates to which the empirical study could be based on.

3.1 RESEARCH SAMPLE

The research sample was achieved through a dataset that constitutes of start-up firms that have been connected to Teknopol – a company which specializes in the business development of early stage ventures with high commercial potential

(www.teknopol.se). They are a government owned company that help start-ups with business-counseling and networking. Teknopol is located in Lund – Sweden and they currently operate from the science park *IDEON*. They work with companies located in the southern parts of Sweden (Skåne, Blekinge, southern Småland and Gotland). Teknopol works with companies during periods of two to three years but also for shorter periods depending on what the clients want. *Teknopol* has a development-model that their clients work with and it guides them through the process of going from a start-up business to becoming an established company. The clients that Teknopol preferably works with closely, for longer periods are in the industries: Cleantech, ICT, Life Science, BioTech and Food Industry (www.teknopol.se). They can work with any type of business, but prefer to have longer relations with the companies that work within their area expertise.

The cleantech industry contains different industries and fields. It contains complex industry activities as agriculture, energy efficiency, new energy sources, life science research and a lot more activities that try to solve the challenges of environmental friendly industries. This is a highly research based industry that works closely with universities and science-parks. In both Europe and US half of all start-ups from the academia and half of all patents originate from this type of industries. This development has affected the size of venture capital given to the cleantech industries which has grown with over ten percent over the last five years in both Europe and US to a total of \$7.27 billion (Cooke, 2008).

The investigated population given by Teknopol have in common that they all have been through the process at Teknopol. All companies in the group have been given thirty consulting hours or more by Teknopol. They are based in Lund and they mainly work within the industries stated above. The population have been sorted after different criteria and studied in a quantitative- and qualitative way. In the quantitative study there were 282 companies and in the qualitative study there were 127 companies. Teknopol were interested in the quantitative study of the 282 companies and how they developed over the years. The qualitative study was presented to Teknopol as soon as it was done and before the work with this theses

continued. The part of the presentation to Teknopol were the 282 companies developments were illustrated is shown in Appendix 2.

To be able to investigate and look for factors of success we needed to find companies that made results above average and companies that did not deliver as good results. The chosen companies have been limited out through different filters in the data base. The criteria used were companies that survived during the chosen period, companies that had a yearly growth in turnover under or over 30 percent and a number of active years under ten years.

To be able to describe the companies more revealingly, the companies have been anonymized. In this way the companies are protected and they can answer more freely. The fact that the population comes from Teknopol has not been kept a secret to give the population context and credibility (Bryman and Bell, 2003).

3.2 CHOICE OF RESEARCH METHOD

Since we were given the population from Teknopol we started somewhat at the middle of the quantitative research process. When considering the large number of entities in the population the choice of a quantitative research method for our empirical data was given. It is important to make clear that when the survey for Teknopol was over, we made our own selection of companies that we wanted to study more thoroughly in our aim to answer our research question. We made a smaller selection of ten companies that had performed better than the others in the study. We also chose ten companies that had poorer result than the rest. This selection was done in a qualitative research method. This selection was made to search after factors for success.

In this thesis *success* is defined as an event that has accomplished its intended purpose (<http://wordnet.princeton.edu/perl/webwn?s=success>). An assumption is made that there can be different purposes for a business but that all start-up

businesses must at least have an overarching goal to survive. Survival could therefore in this case be a definition for success. However some companies want more than just survival. They also want to grow their businesses. To minimize the thesis's risk of investigating companies that are sleeping or are content with surviving, the study search for companies that are growing and distinguishes them as more successful than others. Consequently, *success* in the thesis is measured from the criteria: growth in annual turnover, growth in number of employees, revenues and tax contribution to the state. For the qualitative research success was defined as an active company the year 2006 which had a yearly growth of turnover above 30 percent. A yearly growth below 30 percent was considered as under performance.

3.3 QUANTITATIVE RESEARCH

The population that we made our quantitative research on was, as mentioned, given to us by Teknopol. All the companies in the population have in common that they been through the process at Teknopol and been dedicated more than 30 consulting hours. With this list as reference we made a database in Excel where all companies were given an own page. To make this study as consequent as possible we made some frames of reference where only the companies placing themselves within the frames were made a part of the investigation. By making these frames of reference we were able to categorize the companies on an objective basis.

All data for the quantitative research was gathered from the database Affärsdata which is an official homepage from Bolagsverket where registered companies' financial data is presented. The data is based on the companies' yearly reports which have been audited and therefore they are to be considered a reliable source.

3.4 QUALITATIVE RESEARCH

The qualitative research has been conducted through interviews with totally twenty companies. Ten of these companies have performed over average and ten of them have performed under average. The companies have been randomly selected so they will be as good represents of the population as possible. By choosing randomly the chosen companies will represent the average company and give us a fair picture of the population (Dahmström 2000). The random selection may have some flaws but we believe it to be the best way of making an objective population to investigate.

Out of the over- and under-performers a random selection has been made. In both groups this selection was made among 20 to 25 companies. First ten companies in both groups were randomly selected. But in order to have reserves, in case of not getting in contact with the companies, five more were selected. To get in contact with the companies turned out to be more difficult than expected and to get an interview was even harder. This resulted in that all the 20 to 25 companies in both group were contacted in the effort of getting ten respondents. In this way a lot of contacts have been made to be able to get a sufficient number of respondents. The result became nine companies in the group of over performers and seven companies in the group of under performers. Taken in consideration the original aim of ten companies in both groups it resulted in an 80 percent answering rate. We have followed the recommendations given by Dahmström (2000) on the subject of how to the answering-rate should be described.

3.4.1 INTERVIEWS

To be able to make interviews that could make a foundation to our investigation it was important that the questions were based on valid theory. The theory by Sarasvathy (2001) with the factors of being an effectuator or a causuator made the foundation to our interviews.

Before we started to contact our respondents we sent an e-mail through Marianne Larsson at Teknopol so that the respondents could be prepared and make thoughtful answers. The interviews were made over telephone and under a limited time to make sure that we as interviewer didn't become influenced by the first respondents and change our view or assumptions. We made the calls in a quiet surrounding so that we and the respondents didn't get disturbed. With the questionnaire in front of us we placed the questions to the respondents and this will make it possible to make the study again within the same model.

The first three questions were quite open and of discussion character and were asked to get a picture of the companies own beliefs in success or failure. The questions were built around the factors presented below in Figure 3.1 "Triangular Relation". The factors believed-, actual- and theoretical factors of success are put together so the study through the questions can be able to penetrate what the companies themselves thought about their own factors of success.

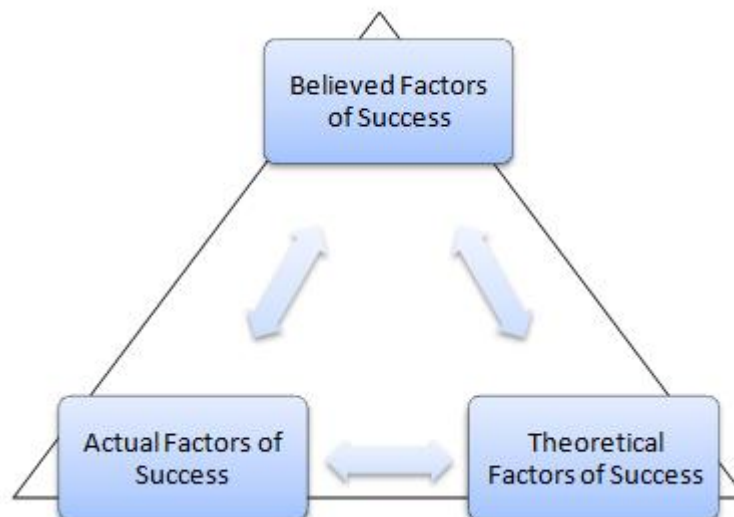


Figure 3.1 – Triangular Relation

The three questions were:

- When the company started, what factors did you believe was going to be of most importance in taking you forward?

- What were the actual factors that made your company evolve?
- Which factors would you have wished for to take you even further?

After the three first open questions the respondents were asked to rate their answers from one to five depending on how important they felt it to an effectuator or a causator during the start-up phase. If they chose “one” it meant that they totally agreed to the first part of the question which could be analyzed as if they felt it important to be an effectuator. If they chose “five” they agreed to the second part of the question and the answer could be considered as if they agreed to be a causator during the start-up. The respondent’s didn’t know if the question placed them as a causator or an effectuator. The questions were:

- Affordable loss, rather than expected returns?
- Strategic alliances, rather than competitive analysis?
- Exploiting of contingencies, rather than preexisting knowledge?
- Control of an unpredictable future, rather than prediction of an uncertain one?
- Focus on forming alliances and partnerships, rather than market research and competitive analyses, long-term planning and forecasting?

Since the questions were formed after a theory it was sometimes necessary to explain the questions to the respondents. To help the respondent, without influencing the answers, a few comments were added to each question. In this way all the interviews were conducted with the same helping comments and the influence on the respondent kept to a minimum. By explaining when necessary it helped the respondents to think their answers through and analyze their actions. With more thought through answers the interviews became more substantial.

4. EMPIRICAL FINDINGS

The outcome of the quantitative- and the qualitative research is shown. Both populations which made the base for the research are described. The respondents' answers from the interviews are presented in a summarized version and numeric tables.

4.1 QUANTITATIVE RESEARCH POPULATION

The population given from Teknopol was at a total of 282 companies. The companies were from different business but the majority was from the core business of Teknopol: Cleantech, ICT, Life Science, BioTech and Food Industry. These names from the population were put against the register at Affärsdata as mentioned before to sort out the ones that still were active and within our research limitations. After the search at Affärsdata the population that fitted within our researched limitations had gone down to the total of 127 companies.

The companies' data were presented by five main criteria to be able to measure their performance. The criteria were chosen after a discussion with Teknopol and with the thought of having measurements that could be implemented on other populations. The criteria were:

- If the company still were registered at the year of 2006
- The average growth in turnover for the company since they started
- The average growth in number of employees in the company since they started
- The company's tax-contribution since they started

- The company's result for the year of 2006

By choosing the criteria that the company should be registered in 2006 made it possible to sort out companies whom become bankrupt or been taken off the market. Of the 127 companies which were studied 88 percent were still registered in 2006.

Turnover is a good measurement to look at to determine if the company is growing or just hanging in there. Some of the company's had an extreme growth in turnover at the same time as some other companies actually had a declining turnover. Overall the companies had an average growth in their turnover since they started of 199 percent.

A company doesn't only contribute to the society with their knowledge or technical solutions, they are also important as employers. Therefore, is the criteria of average growth in number of employees in the company since they started interesting to look at. The average growth for the companies was 18 percent which can look as a small contribution compared with the figures for growth of turnover.

The tax-contribution for the companies was calculated from their registered cost of employees. The assumption for all companies was the same. Tax-contribution per employee was calculated at a rate of 40 percent in social contribution and 30 percent in income tax. The assumption of the tax-contribution was only focused on the contribution from employment and not on taxes from company revenues. This because the revenues were not consequently presented by the companies and can by tax purposes be delayed over time. Based on these assumptions, the average tax-contribution of the companies were 3 021(k SEK).

To look at the result of 2006 and not 2007 was an active choice since the study in this way could neglect companies that started under 2007 and whom would present a non-result. Companies started under 2007 would have affected the

statistics in an unfair way since it would look like they made a non-result but in reality presented their result in the year of 2008. By this active choice the study made a much more fair picture of the population and its performance. Of the companies that still were registered in 2006 according to the criteria 24 percent or 29 companies achieved a positive result.

An interesting fact that we discovered during the first step of the quantitative research was that start-ups with less thought through or “silly” names had a very slim survival or success rate.

4.2 QUALITATIVE RESEARCH POPULATION

The smaller population that became our sample for the qualitative research was sorted out from the quantitative population in the database. The companies were chosen so they could be in the top achievers or the ones with lower performance. They were sorted after if they existed in the year 2006, if they had an annual growth of turnover under or above 30 percent and had been active for less than ten years. In this way ten companies could be randomly chosen from the ones that performed well and them who left a bit more to wish for.

The level of yearly growth in turnover was for the companies that performed above 30 percent at an average of 501 percent. There were only 51 companies of the total population of 127 companies that placed themselves in the top group. In the Over-Performer group there were some firms with extreme figures but they were not among the randomly chosen ones. All types of companies were represented in this group and no business was a clear top achiever.

Among the companies that performed a yearly growth less than 30 percent the average growth was actually negative at a level of -30 percent. The group consisted of 45 companies that were overachieved by 82 of the other companies in the total population. Also in this group there were some companies that had

extreme figures and these were not taken in consideration when the randomly selection were made. All types of companies were represented as well in this group.

4.3 THREE QUESTIONS – THREE CRITERIA

In these questions the study has looked for the factors that the companies themselves thought were important through the start-up process. The questions as presented in *3.4.1 Interviews* were made to find out the factors believed to be important, factors that actually became important and factors the theory suggested would have been important and if the companies thought so.

4.3.1 THE FIRST QUESTION

The first question:

When the company started, what factors did you believe was going to be of most importance in taking you forward?

All companies believed in their own knowledge. The knowledge could take different forms such as knowledge in technical solutions, the latest knowledge in its medical field because of a scientific breakthrough or the best knowledge in handling a unique resource. One company stated:

“We thought our high competence in the field thanks to our research background and our network from the research years would be a great foundation to build a business on...”

December 2008

Throughout the interviews the respondents pointed out that they believed that their knowledge and their ability to work with and use a professional network would become central. Some companies pointed out the fact that they thought it

would be important to build strong alliances from the start, which they could get funds and reach markets through. It was not only the network or alliances outside the company that would be important. But also the relations within the company and with its customers would be crucial for the development and success of the firm. One more consultative company said:

“To succeed we knew that our communication both internal and external had to work.”

December 2008

Some companies believed that their location in Lund would be in their favour when starting a researched based company. The companies mentioned that the location and the network that comes with it gave the courage to start their own business. Many believed that the courage and support from the network would help them to succeed. One company thought that the fact that knowledge and resources were so close would give them an advantage against companies from other cities.

Many of the companies mentioned the necessity of funding when starting a company. Some thought that it would be a crucial factor that they managed to get substantial contribution from venture capital and governmental funds when they started their company. As many others, one company pointed out the importance of being able to collect financial capital through strategic alliances. One of them said:

“Through strategic alliances we hoped to get in contact with the right financial contributors...”

December 2008

4.3.2 THE SECOND QUESTION

The second question:

What were the actual factors that made your company evolve?

The second question focused on what factors that actually brought the company forward. Some companies had been able to predict which factors that would be important for them and therefore their actual factors of success were the same as their believed factors of success. Others talked about that when they came in contact with the market they found out that they possessed other qualities than they thought from the start.

The companies that believed so hard in their product or technology that they thought it would sell itself found out that when they reached the market they had to work on the relation towards its customers. They found that their unique knowledge was wanted but the customers had their demands and expectations which they had to fulfill. One company with high expectations on their technology said:

“We became more customer-orientated and listened to the major companies. This made us more focused.”

December 2008

If the company believed that alliances would be of importance when they started they often claimed that the alliances also became important to take them forward. These companies often worked on their relations and placed a lot of hope in that the alliances would have a strategic impact in their success.

Taken the two aspects knowledge and network in consideration, many companies pointed on the fact of being in the right surroundings. The fact of being a part of the academic world in Lund and its closeness to research were according to a number of companies a crucial factor to take the step and start a company. One company mentioned the closeness like this:

“Our close relation to LTH (Lund University Faculty of Engineering) and the science park IDEON made a positive impact on our network...”

December 2008

Others mentioned the importance of getting and keeping the patent of the product or invention on which they based their business. To be able to get a protecting patent the companies pointed out that they needed funding since the patent-process is long and costly. The necessity of patent was pointed out by one company:

“The patent was of great importance to protect us against being copied by others...”

December 2008

Those companies that believed that their unique competence would be their competitive advantage often got proven right. They claimed that this was of great importance because of the business they were in. Competence is according to the companies of great importance in the scientific world.

Many companies pointed out the importance of having a good relationship with the bank to be able to handle loans quickly. Some companies pointed out the fact that their alliances worked and that they through the alliances could get funding's were an important factor. In the answers there was a clear pattern that the companies believed that only the ones with a good capital structure would succeed.

Some of the businesses highlighted the importance of being able to recognize and exploit opportunities. If you can see opportunities emerge, that is a big step. But you need more than just the ability to recognize opportunities. You need an ability that makes you good at exploiting and turning them into something positive. That is, according to one of the companies, the aspect that separates winners from losers.

4.3.3 THE THIRD QUESTION

The third question:

Which factors would you have wanted to add that could have made you evolve even better?

In the third question where the companies answered on the question what factor that would have helped them to get further, both economic factors and commercial knowledge shined through. The companies confessed that they lacked knowledge in the commercial process and that they focused too hard on getting the product, the technique or the alliances better. Instead, or parallel with this they wished they had paid more attention to the phase when the product should hit the market.

The most common factor that the companies would have wanted more of was the financial nature. They missed both more structured venture capital and easier reached venture capital. The companies thought it was too complicated and time consuming to search for fundings. In what way the companies wanted improvement of the venture capital process or the governmental contributions they were not always able to say. Two companies mentioned this:

“... we would have been more pleased over tax exceptions or social contribution exceptions rather than external capital...”

December 2008

“If the venture capital would have longer horizons and deeper commitment the situation for us would have been more stable.”

December 2008

Another factor that some companies mentioned was the lack of experience or seniority. They wished they would have more help with the way of leading a company. It was mentioned that maybe the venture capital would come with a

senior adviser. One company would have been more helped by a senior adviser than the small contributions that came from the government.

4.4 ORIENTATION: EFFECTUATOR OR CAUSUATOR

At the second part of the interview, we asked five check-up questions. This was done in order to evaluate if the researched businesses have been more influenced by an effectuator- or causuator approach in their start-up process. The interviewed objects had all been with the firm since its birth. Very few found it difficult to answer the questions but if they did not understand we asked the question again with a further explanation to it. Some did not only categorize the questions from one to five but also motivated their answers. The questions we asked were in a manner so that the respondents had to answer what he/she preferred. They chose between two alternatives and answered “one” if they fully agreed with the first alternative and “five” if they fully agreed with the second alternative. The first alternative represents a typical effectuator way of acting and the second shows the process of the causuator. They could choose to agree with both alternatives by answering in-between (3) if they thought that they had functioned somewhat like both alternatives. The five check-up questions were based on Sarasvathy's article (2001: 252) and asked (see Table 4.1 “Questions on perspective”):

	Question	Further explanation (if needed)
I	Affordable loss, rather than expected returns?	<i>Did you calculate on how much loss that was affordable and experimented with many different strategies with the given limited means, rather than focusing on maximizing the potential returns for a decision by selecting optimal strategies?</i>
II	Strategic alliances, rather than competitive analysis?	<i>The second question never needed further explanation</i>
III	Exploiting of contingencies, rather than pre-existing knowledge?	<i>Did you exploit contingencies that arose over time, rather than make use of pre-existing knowledge, e.g. new technology that formed the source of competitive advantage?</i>
IV	Control of an unpredictable future, rather than prediction of an uncertain one?	<i>What do you find most logical? a) To the extent that we can control the future, we do not need to predict it; or b) To the extent that we can predict the future, we can control it</i>
V	Dive straight into seat-of-the-pants marketing/selling activities and alliances, rather than carefully designed surveys and test marketing?	<i>The fifth question never needed further explanation</i>

Table 4.1 Questions on Perspective

When the interviews were done we took all of the values and sorted them into Table 4.2 “Answers on Perspective” in order to be able to see how the questions- and the start-ups answers varied. A plus (+) shows that the business was an over-performer and a minus (-) represents a business that under-perform. The table gives us the answers from the start-up businesses, the mean value for: each question (at the bottom), for each company (to the right) and a mean-value for all businesses (bottom-right-corner).

BUSINESS	PERFORMANCE	Q. I	Q. II	Q. III	Q. IV	Q. V	Mean-Value (Businesses)
A	+	4	1	2	3	1	2,2
B	+	5	2	1	1	1	2
C	+	1	3	4	1	3	2,4
D	+	1	1	3	5	3	2,6
E	+	3	5	5	5	3	4,2
F	+	1	1	3	3	1	1,8
G	+	5	1	3	3	1	2,6
H	+	1	2	2	4	1	2
I	+	3	2	4	2	2	2,6
J	-	2	4	4	4	5	3,8
K	-	1	2	4	5	5	3,4
L	-	5	1	3	3	1	2,6
M	-	1	1	5	5	5	3,4
N	-	4	1	4	3	1	2,6
O	-	1	3	2	1	3	2
P	-	1	3	1	2	2	1,8
Mean-Value (Qs)		2,4	2,1	3,1	3,1	2,4	2,6

Table 4.2 Answers on Perspective

Since the mean-value for all firms is 2.6 it shows us that all the start-ups, as one group, are a bit more effectuators than causuators. But because that it is close to 3 it could also suggests that they have more or less been working with both perspectives.

The mean-value for question two (Q. II) is 2.1 and it indicates that start-ups have focused more on strategic alliances than competitive analysis. 69 percent answered with a 1 or a 2 on that question. There are only two businesses that answered above 3 on question two whilst three thought they have been focusing on both equally much.

The start-ups did also more or less prefer to work with “effectuator-factors” on question one (Q.I) and five (Q.V) (since they have a mean value of 2.4). On question one; nine out of the sixteen companies answered below 3 whilst five answered above it. There were also nine start-ups that answered below 3 on

question five, but only three that answered above it (with a 5) whilst four firms were “stuck-in-the-middle”.

The mean value of questions three (Q.III) and four (Q.IV) is 3.1, and it shows that the firms have worked accordingly to both processes of effectuator and causuator. Six of the start-ups answered to the effectuator approach and six of them to the causuator approach, whilst four of them worked accordingly to both processes. The results from question four didn't differ much as five start-ups answered below 3, five with a 3 and six above 3.

Because there has been a slight loss of start-ups during the interviews there is less empirical evidence on the “Under-Performers” (7) than the “Over-Performers” (9). How this has affected the thesis is more thoroughly described in the chapter *3.4 Qualitative Research Population*.

4.4.1 OVER-PERFORMERS VS. UNDER-PERFORMERS

Since the thesis aims to present if there are any key factors for success among start-ups, the next step was to separate the Over-Performers (OP) from the Under-Performers (UP) in order to see if the answers varied. See Table 4.3 for “Over-Performers” and Table 4.4 for “Under-Performers”.

Over-Performers	Q. I	Q. II	Q. III	Q. IV	Q. V	Mean-Value (Businesses)
A	4	1	2	3	1	2,2
B	5	2	1	1	1	2
C	1	3	4	1	3	2,4
D	1	1	3	5	3	2,6
E	3	5	5	5	3	4,2
F	1	1	3	3	1	1,8
G	5	1	3	3	1	2,6
H	1	2	2	4	1	2
I	3	2	4	2	2	2,6
Mean- Value (Qs)	2,7	2,0	3,0	3,0	1,8	2,5

Table 4.3 Over-performers

Under-Performers	Q. I	Q. II	Q. III	Q. IV	Q. V	Mean-Value (Businesses)
J	2	4	4	4	5	3,8
K	1	2	4	5	5	3,4
L	5	1	3	3	1	2,6
M	1	1	5	5	5	3,4
N	4	1	4	3	1	2,6
O	1	3	2	1	3	2
P	1	3	1	2	2	1,8
Mean- Value (Qs)	1,9	3,2	3,2	2,4	2,6	2,8

Table 4.4 Under-performers

Both of the groups have a total mean-value that is below 3 which indicates that they are both more effectuators than causuators. The UP:s are however quite close to 3 with their mean-value of 2.8 with could show that they have worked a bit more with the causuator approach. If we look more closely on the OP:s, “Mean-Value (Business)” column, we can see that it is only one start-up that is a causuator – firm E. Amongst the UP:s the result is more inconsistent as 43 percent of them have a mean-value that is above 3 while the remaining firms are below 3. The three businesses that have a higher mean-value than 3 on the “Business column” are businesses J, K and M. The others, L, N, O and P, have a total mean-value that is below 3 which indicates that they are effectuators rather than causuators.

The spread between OP:s total mean-value (2.5) and UP:s on the total mean-value (2.8) is 0.3. The individual factor that has the biggest spread between the groups, 1.2 points, is from Q.II (that they prefer strategic alliances, rather than competitive analysis). The second biggest spread is 0.8 and appears on the questions I and V. The OP:s have a higher mean-value (2.7) on Q.I while they attain a lower mean-value on Q.V (1.8). The spread is 0.6 between the two groups on Q.IV and the smallest spread, 0.2, is on Q.III.

When comparing the answers' mean-values between the questions and within their own group, it is a notable fact that the OP:s spread between the questions are at biggest in comparison to the other questions on Q.V (1.2) and Q.II (1.0).

In the UP group the biggest spread (1.3) is from the lowest mean-value at Q.I to the highest on Q.II and Q.III. Q.IV has a rather low mean-value in comparison to the others in the group and the spread between its highest is 0.8.

5. DISCUSSION

Our own thoughts and reflection is in this chapter presented. It is an open discussion about both factors and perspectives. It gives our view of the empirical finding but does not aim to present a comparison between empirical and theoretical findings

When we started this thesis we thought that many entrepreneurs started their companies because they strongly believed in their idea. We also thought that the start-ups focused too much on their product and technical solution rather than on how they could get their product to the market. It was these thoughts that gave us the idea to look for factors for success at start-up companies and how the entrepreneurs handled these factors.

Through the study we have met a lot of companies that had a strong belief in their product or technical solution. Companies thought that if they get the best product with the best solution they would succeed. The companies have also believed that their knowledge is unique and superior to others. This could be seen as they were quite overconfident and that they put to high beliefs in themselves. We believe that the companies actually have unique competences and revolutionary products, but as they say themselves, we also believe they lack the knowledge of being a salesman and ability to commercialize the idea. Even if you have a good idea, product or service and a well written business plan, it will not matter if you cannot sell it to people/investors. The myth of how the intelligent, brilliant but maybe slightly introverted engineer's start-up can fail in spite of an excellent product is quite underpinned. It fails because the engineer doesn't know how to sell. Maybe, in order to succeed, the engineer should have turned for help in order to find partners and form strategic alliances. Some of the companies points out they would have favored help from senior mentors with e.g. new "business angles" that

would not only offer them money but also some of their experience. The mentorship where knowledge can be inherited one generation of entrepreneurs to the next is something we believe in. We think that what often is needed is good advice.

A business plan could have an important role to play in the business start-up. Even though it offers several positive attributes, e.g. puts up a vision and mission, the main objective for it should maybe be to attract investors. If the entrepreneur is not in-need of an extensive amount of capital it might make the business plan a redundant factor of success. Instead of putting time and effort in making a business plan that time could instead been focused on other areas, e.g. selling, networking, forming alliances etc.

The companies present the fact of being located in Lund as a factor for success. A factor that can be connected with the fact that there is a high concentration of knowledge and research resources in Lund. As well as this certainly is a factor for success we ask ourselves if it also could be a bubble. By this we mean that the high concentration of new started companies gives the impression that you can make a company out of any idea. It might be so that some of those companies that fail to survive shouldn't have been companies but a contribution to a process in an already existing company. Every small idea can't become a surviving company but joint together they could form a winning concept.

Almost every company that we talked to mentioned the factor financing. It is certain that many of high-tech companies cannot make it without a type of funding. But we were surprised by that companies can get governmental contributions and venture capital with few or no strings attached. It could be so that the survival rate of the start-ups would increase if they were, in order to get the funding, obligated to work with the start-up full time. Some investors should for sure demand that.

The idea about entrepreneurs and start-up businesses was that they would work more like Effectuators than Causuators. If they do so that would put various

factors for success in different perspectives than they have in been before. A business plan wouldn't always be a good alternative to make unless you need substantial amount of venture capital, competitive analyzes may be overestimated since it is better to form your own market and compete on your alternatives. The importance of having a good customer reference is increased since effectuators rather "cut to the chase" and sell their product before making traditional market research.

The start-ups seemed to favor an idea of always be ready. It is an entrepreneur's ability to turn something unexpected into something profitable. The entrepreneurs seem work like Effectuators as they highlight the importance of being able to recognize and exploit opportunities. When opportunities emerge it is important to act, since the door on them might close pretty fast. That minimizes the time for analyzing and planning. Instead, know you goal and minimize the time of preparing, just do it, take a decision. Start acting and then move within your certain frames. The businesses should rely on their culture, core competence to know where they are going when they pursue various opportunities.

Valid experience is stated to be of importance both by the empirical and theoretical findings. The experience should specially come from work with previous start-ups and other market launching. We believe that the experience can be found and gained in other areas as well (others than just entrepreneurial). A person can, for example, be working on a global company that tries to create a market, for their products/services, in none exploited areas/countries. The way to attack and reach that market would probably be similar to how an entrepreneur would start. This means that it is possible to get "entrepreneurial-experience" from different types of activities. All experience, work-related or not, would help in a business start-up. We would say that it is a big different between a novice entrepreneur that has a lot of working-experience than from a novice entrepreneur that has none. It could open up for a discussion whether that term needs an update.

One peculiar thing we noticed through the quantitative research was that companies with names that looked less worked through had a lover rate of

survival than companies with more thought through names. A more thought through name does as well indicate that the entrepreneurs really want this, they want the start-up to work, they can work hard for it and they really believe in it. We suppose that the companies with names that looked less worked through had a less worked through structure and less committed entrepreneurs. That might be a reason for why they had a lower survival rate.

We believe that all of the factors for success that the thesis has brought up are important for a start-up business. An entrepreneur should value these types of factors and work with them in the way that suits his/hers business the best. The factors should not be neglected but the entrepreneur shouldn't either rely on them too much since they don't always have the same impact or meaning on all start-ups performance. *Knowledge and Experience*, *Networking* and *Selling the idea* seem to be the factors that would be of most important for a successful business start-up. To have a lot of or be good at these factors could be crucial for all business start-ups. If the entrepreneur knows how to handle these he/she can also master other factors in a beneficial manner. Good *networking* skills aids the entrepreneur in making the most on the *location* the business is situated in. *Experience* for example helps the start-up to make better decisions (in *strategy*, *politics*) and avoid pit-falls. *Selling the idea* actually brings in financial means and it helps the entrepreneur to master the *business plan*.

6. ANALYSIS

The analysis will compare the empirical findings and the theoretical framework. It will present the analysis of the factors for success. The way the factors were handled will be, in the end of the chapter, examined through an Effectuation perspective.

6.1 KNOWLEDGE AND EXPERIENCE

As shown in the Empirical Findings many of the companies believed that their knowledge and their ability to work with their network would be of importance to take them further. They thought of working with their network in a way to get the right contacts that could give them things such as funding and financial contacts to the right clients and business partners. They relied on the fact that their knowledge would be so strong and hopefully unique that it could give them an advantage. The companies often talked about their knowledge and experiences in their own field or business.

Many companies proved to be right to believe in their knowledge. They claimed that their unique knowledge was the one factor that actual gave them success in the market they were in. But at the same time they realized that they could not only have great knowledge in their own field but they also had to manage the business process. According to the theoretical framework it is a great benefit to have knowledge about starting and running a business. Schamp and Deschoolmeester (1998) point out that person with experience from running and starting business are more likely to succeed with a start-up if they try. This underlines the fact that you will not benefit from a better knowledge in your own field, no matter how superior, if you can't manage the business.

The interviewed companies pointed out the importance of recognizing and seizing opportunities. This was said to be the factor that actually separates winners from losers. Theory agrees with this and means that an entrepreneur is more likely to see and grasp opportunities if he/she has experience from previous start-ups and market launches (McGrath and MacMillan, 2000).

More experience in how to run a business was something that the companies mentioned as a factor they could have needed more of. They mentioned seniority or mentorship as factors as source for learning and help with the business process. The fact that novice entrepreneurs need experience gets support by Politis (2008). Politis (2008) says that the novice entrepreneur has a lot to learn from the habitual entrepreneur whom possesses experience and knowledge from previous start-ups.

6.2 NETWORKING

The companies thought that their networks would have importance to if they would succeed or not. They put great believe in that the network could give them the right contacts, e.g. to help them in selling their product and help them get financial support. A functional and big network is something that a habitual entrepreneur got and something the novice has to build up (Politis, 2008). Therefore it could be questioned if it was correct of the companies to have such faith in their network before they even started their business. The network that the companies may have meant could have been the ones made out of friends, family and colleges which are the basic network that the bigger and more professional network can build upon (Elfring and Hulsink, 2007).

The network gets a lot of credit when the companies mentioned their actual factors for success. They also point out that the relation with their bank was and still is of importance. Some companies meant that an even better relation with the bank and the financial contributors would have helped them get further. A

habitual entrepreneur would have had these contacts and would not have needed to establish them over and over again (Politis, 2008).

The companies in the study don't mention the importance of maintaining and growing their network, they only say that the network is important. But it is just as important to maintain the network or it will lose its value. Elfring and Hulsink (2007) say that the entrepreneur has to turn to different persons and contacts to get the right information and support. If they get the information that they need and the support that takes them the further, they may stay with their contacts. But if they aren't strengthened by the contact they should drop it or let it rest.

6.3 LOCATION

The fact that the companies were placed in Lund was a factor that the companies believed could be a factor for success. They thought that their closeness to resources as knowledge and research centers would give them opportunities that companies on other locations wouldn't get. According to Edvinsson (2006) the surroundings are of great important to attract the right people and their skills. And it is this situation of being at the right place with the right people that the companies believed that they had to take advantage of.

One company pointed out that they were able to succeed thanks to the closeness to LTH and the science park IDEON. This underlines what Edvinsson (2006) says about creating the right harbors for knowledge to be gathered or unloaded. Apparently Lund University has managed to create an environment where both the academia and the business world could work together. This achievement is according to Di Gregorio and Shane (2003) the most important one since there is no meaning of creating start-ups sprung from the academia if they don't grow in to profitable companies.

No company said that they wanted to have been in other surroundings when the thesis asked “if there were any factors that they missed that would have got them further”. The companies may be so satisfied with their location that they didn't even consider another location as an option. If so, this also gives support to Edvinsson (2006) and his theory about a harbour from which the company can search knowledge from and where they can meet new contacts.

6.4 POLITICS

None of the companies directly said that they thought that the leadership in their organisation would or actually has been a factor that has taken them further. But several companies mentioned that they thought that their strong belief in their product or technology would be of importance. This could be compared to the necessity of having a clear vision that keeps the organisation focused as said by Brill and Kish (2005). Meaning that the companies with strong belief in their product actually shared a common goal which serves as their vision and focus.

What impact the leadership has had in the different companies is not investigated but as stated above the strong belief in their product gives the organizations the same objective. To have an organization that works in the same direction, it is important to find co-workers and partners that shares the company vision. The fact that the companies are located in Lund may have helped them in finding people with the suitable education and visions. People with similar interests often gather in the same places and regions as described under 2.2.1.7 Location.

6.5 STRATEGY

None of the companies mentioned strategy as a factor of believed or actual success. This may be surprising since it often is a mantra in the education at the university that you got to have a strategy for everything you do. It may be

explained with Grants (2008, pp. 17) definition of strategy: “*Strategy is the means by which individuals or organizations achieve their objectives.*” meaning that the companies’ way of working with their means was their strategy. By working with the means that the companies possessed they have developed a strategy along the way. This might show that the entrepreneur didn’t always follow the theory but handles the foundations of the theory in a way that it becomes his/hers advantage. As Grant (2008) write, it is not the one with the best strategy that succeeds but the one that manage the components of the strategy.

That none of the companies thought of strategy as it classically is stated contributes to the idea that strategies can evolve in different ways. The Evolutionist or Procesualist approach presented by Whittington (2001) could be a more suitable way of strategy development for a start-up. This way of building a strategy should give the company more room to grasp different opportunities and be more open to new paths.

6.6 SELLING THE IDEA

To take the step and start a company all of the respondents had to believe in their idea. But many of the companies became aware that when they reached the market it was not enough that themselves believed in the idea, the customers had to like it as well. As one company mentioned, they switched from product orientation to customer orientation and this ability to “switch” was mentioned as a factor of success. This is explained by Schiffman (1998) whom states that you can know every detail of you product but you have to be a good salesman to get it out on the market.

When reaching a market as a start-up it is important to have a big and/or highly respected first customer as reference (Roukolainen and Makela, 2007). This was something that the companies mentioned and described as alliances with the right clients. If they got the right clients they could work from that foundation and develop further. The importance of the alliances was clear to the companies both as a believed factor of success, but it was also proven for some to be an actual factor of success.

Those companies that thought that their unique product or solution would be their factor of success were, as mentioned in the empirical work, proven to be right. When having a unique product, the product may sell itself. The persons behind the product with great belief in it will still have to learn to be salesman. The companies pointed out that they lacked experience of selling. Again the theory by Politis (2008) about novice and habitual entrepreneurs becomes important. It shows the importance of letting knowledge travel from seniors to juniors.

6.7 BUSINESS PLAN

Many of the companies mentioned financial factors as necessary to succeed both when they were asked about their believed factors, actual factors and the factors they wished they had. The theory makes it clear that a good business plan helps in the search for funding. It could therefore be important that the companies develop a business plan that they can show to a bank or investors. Kubr *et al* (2005) and Schneider (2002) writes that the business plan gives the whole picture of the start-up. This might be necessary to get the right support in form of capital, mentorship or business incubators.

6.8 THEORY OF EFFECTUATION

If we make an assumption that all the researched start-ups wanted to survive and grow, that would make out to be the general imaginations and aspirations (goals) of the firms. It is then interesting to see how the different means and contingencies have affected the outcomes of the firms.

The factors that this thesis has investigated are viewed as different set of means in the Effectuation Theory. When we look at the *individual level* of the entrepreneur, the different factors are categorized through *who they are*, *what they know* and *whom they know*. The studied start-up businesses have often concluded of one, two, three or four coworkers and this make the *individual level* interesting to look at since it is what the individuals bring to the table that formed their business.

According to the empirical findings, the start-up firms thought that factors that had made a big impact on the outcome of their business were: knowledge in their field, experience of starting a business, networking, strategic alliances, selling their idea/product/service, the location of their business, attraction of investors and how they had functioned with partners and coworkers. It is possible to

categorize these factors into the Effectuator's given set of means by Sarasvathy (2001) – see Figure 6.1 “Effectuator means”.



Figure 6.1 Effectuator Means

It is the entrepreneurs' responsibility to use the means in the best possible way in order to reach their aspirations. How the entrepreneur uses the means, non-regarding what type of industry the entrepreneur is active in, affect the subsequent performance of the start-up (Sarasvathy, 2001). That implies that an entrepreneur not automatically succeeds if he/she is given the right factors/mean to work with. If the entrepreneur can't use them in a good way, he/she will not reach the imagined result.

6.8.1 THE START-UP BUSINESSES

During the interviews with the investigated start-ups, the thesis wanted answers on if they had had worked as effectuators or causuators. The findings show that the processes have been influenced by the effectuator approach slightly more than the causuator. But the mean-value of 2.6 shows us that the effectuator approach isn't dominating the causuator's and it indicates that the perspectives in some way overlap. It is nothing wrong with the fact that the perspectives could overlap and, as Sarasvathy (2001) points out, they don't mutually exclude each other. The start-ups have however been working with their means (factors) in different ways.

Some of the total mean-values' on the questions turned more to an Effectuator approach (Q.I; Q.II and Q.V) than the others (Q.III and Q.IV). None of the questions' total mean-values are however close of being interpreted to that the start-ups have been working very much to the Causuator approach. The mean-

values implies and relate to what Sarasvathy (2001) writes about entrepreneurs; that start-ups prefer to work with strategic alliances, “seat-of-the-pants” marketing/selling and experimenting with strategies/opportunities with less calculation in their start-ups. Some of the businesses interviewed were however quite confident in their knowledge as a competitive advantage and that made an impact on Q.III which made it to be less dominated by the Effectuator approach. Q.IV was also “stuck-in-the-middle” and both processes influenced it more or less the same.

Question II, “Strategic alliances, rather than competitive analysis?” is dominated by the Effectual approach and the mean-value of that question is 2.1. When the thesis made its interviews, the respondents did not separate the terms *Strategic Alliances* and *Networking*. The terms are connected to each other but according to theory they do not have the same interpretation. When making the interviews and asking upon their *Strategic Alliances*, it was interpreted and understood to involve *Networking*. The mean-value (2.1) shows that the start-ups prefer strategic alliances, rather than competitive analyses. That implies that they do not in general follow the models from strategic textbooks by e.g. Grant (2008) or Kotler (2008).

Sarasvathy (2001) mean that success cannot be measured in black and white. It isn't the end of an entrepreneur when he/she fails in business. It might not even be the end of the start-up just because the first try failed. The thesis did however try to analyze if there were any differences between how more successful start-ups had worked compared to less successful ones.

6.8.1.1 OVER- AND UNDER-PERFORMERS

A notable detail is that the mean value for the OP:s Q.II is 2.0 whilst the UP:s are 3.2. That is the biggest numerical spread amongst the mean-values' of the five questions. This implies that Sarasvathy is right about that it is preferable to focus on strategic alliances and partnerships rather than competitive analyses e.g. long

term planning, market research etc. Since the start-ups who'd focused on strategic alliances performed better than the others it suggests that an entrepreneur should focus on it in order to perform well.

The second biggest spread between the groups is the one on Q.V (0.8). This show that it ought to be better to act and dive straight into marketing and selling than than to go forward more carefully.

Question III didn't offer any suggestion whether one approach is better than the other since both groups had a mix of both perspectives and ended up with mean values of 3.0 (OP) and 3.2 (UP).

Question I and IV is on the contrary higher in the OP group than in the UP's (working less as effectuators). The spread on Q.I is quite high and the UP's has the second lowest figure of the questions' mean-values. Since the OP's has a higher score it suggests that it might not be better to experiment to much with numerous strategies. The OP's has had a mix of both perspectives. As Sarasvathy writes, the two perspectives can overlap, but according to the theory entrepreneurs should prefer to work according to the effectuator approach. Because this study shows that the better performing businesses have used a mix, it implies that it can be better to have so.

The last question, Q.IV, is also lower in the UP group. But the same dilemma as stated above occurs. The OP group isn't dominated by the causuator approach; they have been influenced by both perspectives (3.0). The question is about how they perceive their future to be, and since they see it in through both perspectives, it is difficult to imply that the one of the two approaches would be better than the other.

In general, the OP's has lower total mean-value on their question (2.5). It suggests that a start-up that is more effectuator oriented perform better than a start-up that is more off a causuator. The factors that have demonstrated to be of best use in order to perform well are; strategic alliances, "seat-of-the-pants"

marketing/selling and optimal/focused strategies, rather than competitive analysis, careful designed surveys, test-marketing, and experimental with strategies.

What must be stated is also that none of the two groups' questions mean-value are higher than 3.2, and it indicates that most of the start-ups have worked more as effectuators. However, the OP's has worked with the effectuator approach more on some factors than the UP's and less on some. The OP's choices/combinations might be a reason for why they have performed better.

The theory of Effectuation (Sarasvathy, 2001) is confirmed, by the researched sample, to be on the right track. It seems like entrepreneurs prefer to work like Effectuators. As the mean-values haven't reached a conclusive causuator result it implies that they do not single-handed work like that. If they touch upon that approach in is due to that they mix the two approaches. It is rare to see dominating causuator start-ups in the empirical findings since there only are four firms that have a higher mean-value of 3.0 and only two higher than 3.5.

7. CONCLUSIONS

Conclusions made upon the results from the empirical findings, as discussed in Analysis and Discussion, are presented in this chapter. The chapter finalizes with a recommendation of further studies.

It isn't easy to say that one factor would be a factor for success. The number of key factors could go from being a few to being several factors. Since the number of key factors could vary, it is important for an entrepreneur to find the right factors for his/hers start-up business.

Entrepreneurs often work from an iterative learning process, trial-and-error learning. This is how they meet their factors. A failed start-up can give an entrepreneur valuable experience which could help him/her to succeed in the next start-up. The more they know and have worked with the factors, the better they can handle them. Entrepreneurship is an ongoing process and the entrepreneur can better manage it the more experience he/she has. We draw the conclusion that the Effectuation approach is a good way to describe how the entrepreneur works and should work with important factors. Our empirical findings support this conclusion. However, in order to prove and to statistically ensure it, a larger research sample is necessary.

According to our empirical findings we draw the conclusion that start-ups work more intuitively with the factors rather than statically. We don't mean that the causator approach is wrong, but we can see that the entrepreneurs act more according to the effectuator and it seems like they perform better.

The companies in the population state that strategic alliances should have a significant impact of the development of their start-up. The importance of the factor is supported by the fact that the Over-Performing start-ups that have focused more on it than the Under-Performers'. The Over-Performers showed a greater will in directly starting with their marketing and selling in comparison to the Under-Performers who were more careful.

The Under-Performing start-ups seemed to be less focused on a strategy and they experimented more than what the Over-Performers did. By this we draw the conclusion that it is important to recognize and exploit opportunities but it is also important that you don't stray too far away from your path. The mix of being focused and open-minded for new inputs is a successful way of handling your factors.

We can see a clear correlation between the answers given for believed and actual factors for success when the factor was of an intangible character. If the entrepreneur believed strong enough in a factor that was crucial to them, it also became an important one. It shows that the entrepreneur works with its factors in an effectuator approach, the entrepreneur makes the best out of the factors he/she got at hand.

7.1 FURTHER STUDIES

This thesis has covered a selection of companies located in southern parts of Sweden and in a high-tech industry. The companies have been quite homogenous in a way that they base their knowledge on research. It would be interesting to expand the study on to more varied population and over a longer period of time. This would enhance the chances of making more general conclusion about the entrepreneur and its way of handling important factor in its start-up business.

The study could also be done from a gender perspective. This might give answers upon if sex influences the way entrepreneurs handle important factors in start-up businesses. It could also be interesting to do the same investigation from a social and cultural perspective.

8. CRITICISM OF CHOSEN METHOD

In this chapter the chosen method will be criticized. The collection of data will be presented so the process could be followed. The risk with secondary data from different sources and interviews is discussed. A discussion about the thesis reliability and validity will show the thesis transferability.

8.1 PROCESSING THE DATA

The data came from, as mentioned, one quantitative study and one qualitative study where both results were, directly or after converting, presented in numbers. By using figures we could sort the data in to different categories and evaluate them as fair as possible. This gives the study more credibility and the difficulty of evaluating written answers could be ignored. The use of figures makes it possible to do the survey again on the same or on a different population and make the same conclusions as we make.

8.1.2 PRIMARY DATA

The primary data have been, as earlier described, collected through interviews with selected companies. By sending the questions to the companies in advance, it enhanced the possibility that the most suitable person would be the one answering the questions. There is always a risk that the respondent will try to answer in a way that makes him or her look better than they perform. But we believe that we have collected a representative data which can be a foundation to our analysis and conclusions.

When the interviews were done they were presented in a summarized form. This was made to make it easier for the reader to get an overview of the respondent's answers. If all the answers and discussions from the respondents should have been presented it would have been a very large text and it hard to overview. One option would have been to categorize the answers in to different groups and present them in form of tables. In this way, the summarized information could be lost as well. We believe that the summarization gives a fair picture of the respondent answers and discussions. The quotes give the text good examples from the respondents' answers.

8.1.3 SECONDARY DATA

The secondary data for this study comes in two ways. The register from Teknopol is our most crucial secondary data from which we have collected the names of the companies that made the population for the quantitative research. The register has also made the foundation to our qualitative research since it is based on the results from the qualitative research.

The second most crucial data is collected from Affärsdata. This is important secondary data since the quantitative study is based on these figures. There is a risk when using collected data that data have gone missing during the collection phase or when it was presented (Dahmström 2000). This is also a problem in our case but since the data is based on the yearly financial reports it should be as accurate as possible. We strongly believe that this is the most effective and accurate way of collecting data about the companies. The fact that it is based on yearly financial reports which has been audited makes the data extra valid.

The way of doing interviews with a questionnaire and graded answers is called Structured Interviews and is a good way to protect the reliability of the study. The standardization of questions and the categorization of the answers make the

differences between the interviewers as small as possible. It gives the results from the interviews a higher value and objectivity. (Bryman and Bell 2003).

8.1.4 LITERATURE SEARCH

It is always of great importance to be critical towards the secondary sources of which we gather information so it is of relevance to our study and so that it originates from reliable sources. The sources have been collected after certain criteria. Published sources as books have been found after recommendation from our mentor or our contacts in Teknopol or CIRCLE. The books used for theoretical purposes are all written in the field of start-up business or entrepreneurship.

Articles have been found through the database ELIN@lund which is the official database for electronically stored articles at the Library of Lund University. The search words used were: start up, start up business, business start up, start up and success factors, entrepreneurs, entrepreneurship and new ventures, strategic alliances and start-up, networking and start*, business plan. According to the ambition of gathering the latest knowledge we have tried to use as recent articles as possible and always look for other articles that are criticizing the first chosen one. We have also used Google.scholar to find articles from other studies which we couldn't find through ELIN@lund. Google.scholar is a quite new service and not entirely independent but we believe it to be a great compliment to the services provided by the university. The usage of the internet has made it possible to find recent statistics at NUTEK.se and company information at pages such as TEKNOPOL.se among others.

8.1.5 RELIABILITY

To make a study or investigation that keeps its reliability, it is important to conduct it in a way so that it could be repeated by other investigators and give a

valid result (Bryman and Bell, 2002). To keep the reliability in our study we have used standardized forms for our database in Excel and strict criterias for which companies we studied. By doing this and by using public data from Affärsdata we believe that this study could be done by others and with a valid result. During our work with the database we made a instruction guide to Teknopol so they can use the database in different ways to look at different scenarios. This manual makes it possible for others to follow our work and usage of the data.

As mentioned before we made the interviews from a questionnaire and this will keep the reliability for the qualitative research. By using our questionnaire other investigators can make similar studies on other or the same population as ours. Combining the database and the questionnaire the reliability of our study is kept very high and makes the reproduction of it highly doable.

8.1.6 VALIDITY

There is two ways of validity. The first is Internal Validity that is if we as investigators have been able to make such a study that gives us answers on our research question. The other part of the validity is External Validity and that is if the study maintains such a good quality that the results could be used in other fields. In this thesis the Internal Validity is maintained since the research question is answered based on the given population and within its limitations. The External Validity is affected of the limited group of respondents but gives at the same time general indications useful for studies to come.

There is a possibility to transfer general findings from the study, but more detailed and specific findings cannot be transferred to other groups with different backgrounds (Bryman and Bell, 2005). For this thesis it means that findings about the entrepreneurial driving forces towards success can be transferred. But conclusions about what specific resources that was crucial in this study cannot be transferred and used on other groups. This makes the Sarasvathy (2001) theory

useful since it describes the way the entrepreneur works with its resources and possibilities rather than pointing out specific ways to success.

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APPENDIX 1 – TEMPLATE FOR TELEPHONE INTERVIEWS

Company Name: _____

Date of Interview: _____

- What were the actual factors that made your company evolve?
- When the company started, what factors did you believe was going to be of most importance in taking you forward?
- Which factors would you have wanted to add that could have made you evolve even better?

	Question	Further explanation (if needed)
I	Affordable loss, rather than expected returns?	<i>Did you calculate on how much loss that was affordable and experimented with many different strategies with the given limited means, rather than focusing on maximizing the potential returns for a decision by selecting optimal strategies?</i>
II	Strategic alliances, rather than competitive analysis?	
III	Exploiting of contingencies, rather than pre-existing knowledge?	<i>Did you exploit contingencies that arose over time, rather than make use of pre-existing knowledge, e.g. new technology that formed the source of competitive advantage?</i>
IV	Control of an unpredictable future, rather than prediction of an uncertain one?	<i>What do you find most logical? a) To the extent that we can control the future, we do not need to predict it; or b) To the extent that we can predict the future, we can control it</i>
V	Dive straight into seat-of-the-pants marketing/selling activities and alliances, rather than carefully designed surveys and test marketing?	

APPENDIX 2 – PART OF PRESENTATION TEKNOPOL

