Community-based Entrepreneurship

New Venture Creation in the Sport industry

by

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Abstract

This paper attempts to extend the knowledge in entrepreneurial theory, through the expansion of traditional concepts for entrepreneurial processes, to identify a new phenomenon in new venture creation. In combination with previous research on entrepreneurial processes, creation theory, user entrepreneurs and community-driven innovation in the sport industry, the study will focus on a single in-depth case study, conducted on a new venture in the CrossFit industry. The findings in this paper aim to shed new light on how new ventures can be created within sport communities answering the following research question: *"How do entrepreneurial processes develop in community-based new ventures?"*

The conducted study is based on a qualitative research approach, where an instrumental case study is applied. Looking at one specific startup in the CrossFit industry, located in Helsingborg, Sweden, the empirical data was collected through semi-structured interviews and observations. The aim was to evaluate the entrepreneurial activities that arose in the new venture, as it was created within the CrossFit community.

Based on the results of this research, it can be concluded that new ventures created within a community, greatly benefit from having an experienced entrepreneur as a founder. Moreover, it seems that communities with strong personal ties are important for a successful new venture creation, in terms of high-quality customer feedback, product development and revenue. The outcome of the paper is a suggested new model for new venture creation, called "*community-based entrepreneurial process*".

Keywords: community, entrepreneurial process, professional-user entrepreneur, community-based entrepreneurship

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1   Introduction

New ventures play an important role in the economy of a country and in recent years' scholars have documented and studied various aspects of how these firms are being created (Barringer, 2010; Burns, 2014). An emerging and relatively undiscovered field in this sector are new ventures that were created within communities. Even though communities are a viable part of our everyday life, there are still many parts to discover from a researcher point of view within the field of entrepreneurship. A community can be your local sports club, local book club or a global brand that you relate to, providing you with a sense of belonging to people with the same viewpoints on life as you (McMillan et al., 1986). They are defined as "networks of interpersonal ties that provide sociability, support, information, a sense of belonging, and social identity" (Von Hippel, 2005, p.94). By emphasizing on the underlying factors and internal processes of the phenomenon surrounding community-based new ventures, the investigation will shed new light on existing theory and extend into a new branch, embracing new ventures created by professional-user entrepreneurs in a community environment.

When speaking of community-based new ventures in this paper, the authors refer to new ventures that emerged through communities, hence when the need is discovered through a community. When speaking of community-driven new ventures, the authors refer to new ventures making use of communities to innovate their product. Furthermore, the authors also make a differentiation between entrepreneurship and innovation in this paper. Entrepreneurship corresponds to the process of creating a new venture, and innovation correlates to the product development in an already existing new venture.

A multitude of scholars in Entrepreneurship have laid out concepts and frameworks describing how new ventures are created by individuals, with the help of communities. Von Hippel et al. (2006) draws a picture of how user innovators create products by identifying a personal need, innovate the product through a community and eventually creating a company. Von Hippel (2001) explains how communities can serve as an innovation mechanism prior to the entrepreneurial activities that arise within the community. Shah (2007) continues by stating how community members tend to stumble upon opportunities and become accidental entrepreneurs, hence not having any entrepreneurial intentions when developing a product.

Additionally, Selsky & Smith (1994) talk about community entrepreneurship in the context of social entrepreneurship and how a group of individuals that help local communities with an innovation, can be seen as community entrepreneurs. In consideration of the foregoing, current entrepreneurial theories surrounding new venture creation with a community aspect, investigate how communities themselves drive innovation of products forward and how people within the community develop entrepreneurial skills. Current theory reflects on community-based new ventures as either social non-profit ventures or new ventures with a community that developed over time. In contrast to existing theory laid out by previously named scholars (especially Shah, 2007), the case in this study is of exceptional character, since it involves an experienced and not unintentional entrepreneur, discovering an opportunity within a community and creating a new venture afterwards.

The phenomenon of community-based new ventures was discovered when approaching a CrossFit brand, with the intention of conducting a pilot study about the brand's presence on social media. When looking deeper into how they engaged the CrossFit community through social media, several different concepts were recognized, including product development, feedback loops and customer innovation (Desouza et al., 2008). As they started out as a community themselves, it was easy to link the concepts back to their background and realize the vital role of the community for the success and creation of the company.

1.1   Research Purpose

The purpose of this research paper is to analyze the phenomenon of how entrepreneurial processes within community-based new ventures develop. We further identify and explore challenges how entrepreneurs make use of communities, for the creation and expansion of new ventures. With insights gained from the CrossFit brand Northern Spirit combined with literature about the entrepreneurial process, creation theory, user entrepreneurship and community-based innovation, the initiation of a conceptual framework will be brought forward. By recognizing patterns and strong connections between theory and practice, as well as our own entrepreneurial and psychological interpretations of the process within community-based new ventures, this paper will look deeper into how communities can support entrepreneurs in the creation of new ventures.

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Moreover, the contributions of the conducted study will fill the gaps within entrepreneurial theory, regarding the creation of community-based new ventures. More specifically, it will initiate a further discussion regarding community-based new ventures, created by professional-user entrepreneurs. The research will point out factors seen in the development of new ventures that emerged from communities, as well as the interactions between communities and new ventures founded by professional-user entrepreneurs. The goal is to aid existing entrepreneurship theory with new concepts of new venture creation, through an expansion of the general entrepreneurial process by focusing on communities and individual entrepreneurs.

The study will also provide entrepreneurs with a better understanding of the benefits of creating a community before launching a new venture. Additionally, the entrepreneurs will gain knowledge about how communities advance entrepreneurial methods, helping them grasp the competitive advantages.

Further on, the findings of this research should indirectly inspire people in communities to take the next step in launching a new venture. By identify themselves with the personal traits and actions taken by the Northern Spirit team, community members should be more aware of the entrepreneurial opportunities that they possess within the community.

The research question that this paper aims to answer is the following:

"How do entrepreneurial processes develop in community-based new ventures?"

The research question will be answered through an in-depth case study of the creation of Northern Spirit. By initiating their journey as a community, they managed to establish themselves as a strong startup in a few years, with good profit margins. This makes an interesting process to conduct research on, by looking deeper into the factors that have contributed to the entrepreneurial processes within the community, as the new venture was created.

1.2   Outline of the Thesis

Following the introduction, this thesis consist of six sections in total. The second section reviews the existing literature connected to the theories about the entrepreneurial process, creation theory, user entrepreneurship and community-driven innovation in the sport industry.

The third section elaborates on the methodology used for the research process throughout the study, focusing on community-based new ventures such as Northern Spirit. The fourth section holds information about the analysis of the research results, where the findings are laid out and elaborated on. Section five initiates and holds a discussion, where reflections of the findings are being presented. Finally, section six presents the main insights derived from the research as a common conclusion, among the different sources of information. A proposal for further research will be included in section six as well.

2 Literature Review

This chapter will explore the relevant literature to understand the current study. Firstly, the basic concepts surrounding the traditional processes in entrepreneurship will be outlined. Furthermore, a differentiation between the discovery and creation theory will be explored, to explain to relevant use of the creation theory for the following paper. Following the previous theories, user entrepreneurship will be outlined and explained. The area of community-driven innovation will be discussed, in order to describe the mechanism of emerging startups through sporting communities. Finally, a summary and conclusion of the literature is conducted.

2.1 The Entrepreneurial Process

Current literature exploring the entrepreneurial processes within the field of entrepreneurship, is based on concepts brought forward a few decades ago. Along with the old-fashioned frameworks constructed by Bhave (1994), touching upon the steps in the entrepreneurial process, Burns (2014) displays an incomplete picture of how new ventures are created. The entrepreneurial process incorporates elements from the very start by recognizing opportunities (Baron, 2006), to receiving feedback in the later stages of new venture creation (Blank, 2013).

The concepts for entrepreneurial processes are strongly grounded on the theories about opportunity recognition outlined by Baron (2006), involving pattern recognition. This is defined as a framework that incorporates the three most key factors when it comes to recognizing business opportunities: Active search for opportunities, alertness to opportunities and prior knowledge of markets. Further on, Baron (2006) expands on the concepts behind pattern recognition and stresses the importance of being able to "connect the dots" as an entrepreneur, in order to discover business opportunities. By this being said, entrepreneurs use their cognitive framework to come up with prototypes and exemplars, that they then use to compare with trends and events in their surroundings. By training your alertness to opportunities you can become better at recognizing business opportunities without searching for them actively (Baron, 2006).

Furthermore, considering the basics of new venture creation, researchers have tried to lay out the possible types of new ventures that can be created through entrepreneurial activities. Burns (2014) puts forward six types of new ventures, including copycats, incremental product or service innovation, market development, disruptive innovation, market paradigm shift and new to the world industries. None of the above types of new ventures correlate to the concept of a community based new venture. The definition of an incremental product is when a gap is discovered in an already existing business. This can be considered as the type of new venture portrayed by Burns (2014) that is most similar to a community based new venture. Even though gaps can be discovered in a community based new venture, the incremental product-type has its limitation, as it doesn't touch upon how the gap is discovered, individually or jointly. This fact suits the aim of this paper, as the goal is to conduct research on how communities create entrepreneurial processes and how they sustain it.

Figure 1: Classic model of the entrepreneurial process. (Shah & Tripsas, 2007)

In the above figure, Shah & Tripsas (2007) outline a model of the classical entrepreneurial process, involving an opportunity identification, formation of firm, experimentation and entry to the market, with a constant adaptation to the market, based on customer feedback. The opportunity identification is further aided by information asymmetry and unique framing, involving prior employment and university based technology (Shah & Tripsas, 2007).

Politis (2005) additionally outlines a conceptual framework of entrepreneurial learning. as an experiential process within entrepreneurship and opportunity recognition. By having previous startup experience within a certain field, the entrepreneur can, either through exploration or exploitation, gain more entrepreneurial knowledge and thus become better at recognizing business opportunities. This also corresponds to the theories by McGrath and MacMillan (2000)

claiming that previous startup experience develops a person's entrepreneurial mindset and creates a drive for recognizing and discovering the best opportunities.

According to Bhave (1994), the opportunity recognition within entrepreneurship derives from two separate directions. Opportunity recognition can be stimulated either externally or internally, making it possible to identify a business concept in two diverse ways. By taking an external path towards the identification of a business concept, the person first decides to create something, finds several opportunities and chooses to continue with one of the opportunities. In the internal case, the person starts by recognizing a need, fulfills the need and then recognizes the business opportunity to eventually create a product (Bhave, 1994).

Bhave (1994) then expands on the opportunity recognition and outlines a process of entrepreneurial venture creation, involving an opportunity stage, creation stage and exchange stage. The business concept itself stands for the opportunity stage and the organization of the team and production of the product, stands for the creation stage. Lastly, the process from product to customer is stated as the exchange stage, involving operational and strategic feedback (Bhave, 1994).

Moreover, the importance of customer feedback in new ventures has been discussed by researchers lately, focusing on the increasingly popular lean startup process for new ventures (Blank, 2013). By lean startup, researchers mean that instead of implementing the traditional linear product development over a number of months, new ventures should adopt a more agile product development. This is defined by short and repeated cycles, where startups create minimal viable products, receive feedback from customers and repeat the process with a revised minimal viable product. The implementation of an agile product development, putting a lot of focus on customer feedback, provides new ventures with a flexible environment where they can use their resources in a smart way and improve their product based on the market (Blank, 2013).

In other words, this phenomenon can be further described as customer-driven innovation, involving several different elements in the process of product development. In research conducted by Desouza et al. (2008), the researchers created a framework explaining customer-driven innovation and portrayed its important involvement for the execution of a successful innovation cycle. The customer plays a vital role in the idea generation phase initially, when they start by acting as potential customers. In most cases an entrepreneur recognizes an opportunity based on a need. The need is discovered by identifying individuals who are willing

to spend capital, on a not yet existing product. Through communication with customers, information gathering from customers and the refinement of a target customer, the entrepreneur advances to build an organization for the execution of his/her business idea. The organization then designs, tests and refines the business idea, to finally create the desired product or service. Through commercialization the organization provides the customers with the product or service, and through interaction with their customers as well as product and service outputs, they are able to get feedback from the customers, for the improvement of the product. Thus, the cycle has been completed. This entrepreneurial process is described as the customer innovation program (Desouza et al.,2008) which can be seen in the figure below:
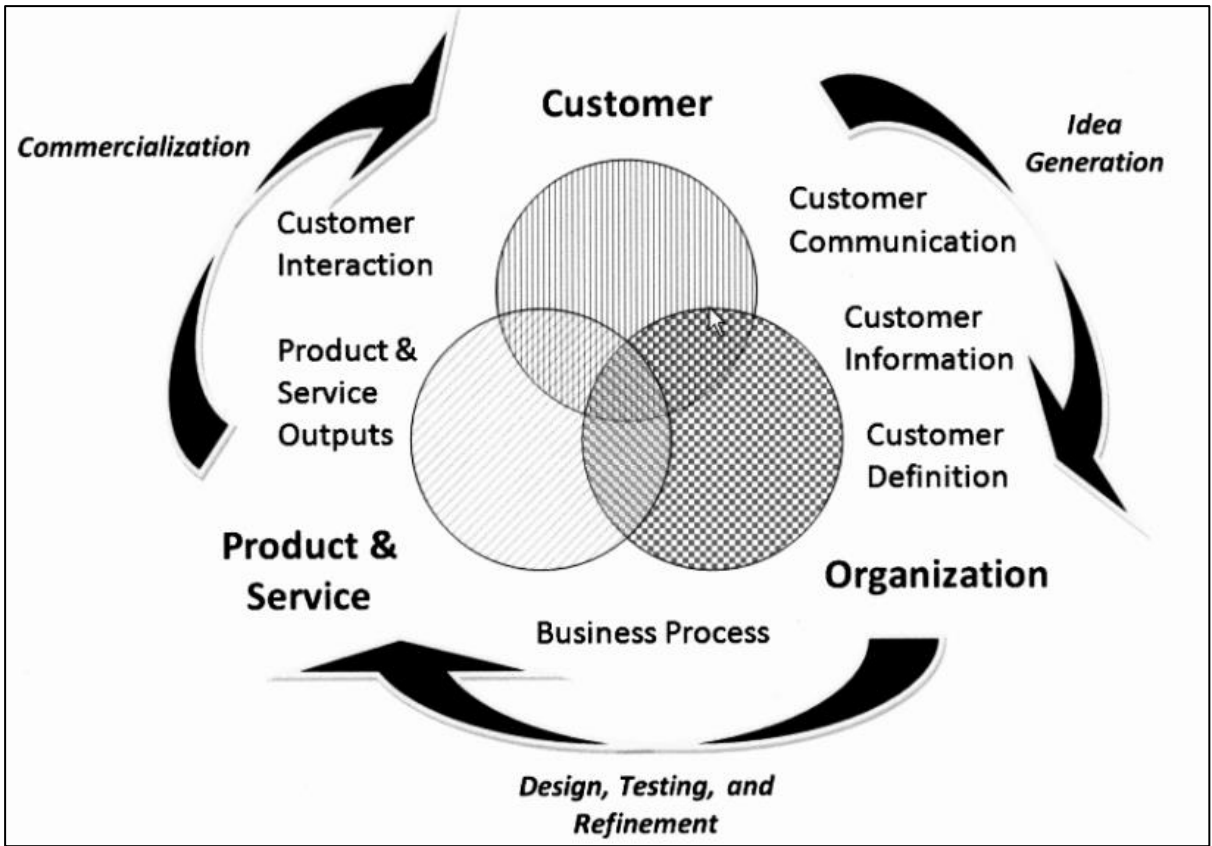
Figure 2: Model of customer-driven innovation (Desouza et al.,2008)

Furthermore, looking into the basics of new venture creation, researchers have tried to lay out the possible types of new ventures that can be created through entrepreneurial activities. Burns (2014) puts forward six types of new ventures, including copycats, incremental product or service innovation, market development, disruptive innovation, market paradigm shift and new to the world industries. None of the above types of new ventures correlate to the concept of a community-based new venture. The definition of an incremental product is when a gap is

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2.2   Creation Theory

Adding to the concepts about opportunity recognition in the previous section, creation theory goes deeper into the fundamental principles regarding new venture creation, and challenges the contradictory discovery theory.

In contrast to the Discovery Theory, the Creation Theory displays a different way of thinking within the field of entrepreneurship. "The Discovery Theory assumes that opportunities are objective, that entrepreneurs differ from non-entrepreneurs in important ways, and that the decision-making context within which entrepreneurs operate is risky" (Alvarez, 2007, p.1). For the purpose of this paper, the Creation Theory will be further elaborated and serve this paper as a background. The Creation theory is defined as follows: opportunities are created by entrepreneurs through an emergent and iterative search process, differences between entrepreneurs and non-entrepreneurs are created by this search process, and the decision-making context within which entrepreneurs operate is either ambiguous or uncertain (Alvarez, 2007; Gartner; 1985; Venkatraman, 2003).

Overall the approach for the decision making in the Creation Theory is effectuation (Sarasvathy, 2001). Effectuation is the manner of making decisions by choosing among alternative effects that can be produced with a given set of means thereby eliminating the assumption of pre-existing goals. In effectuation, the decision maker is not independent of the context in which the decision is made, but is in a dynamic decision environment involving multiple interacting decisions and decision-makers. Indeed, effectuation is another way of describing the iterative emergent search process that is central to the Creation Theory. In this setting, entrepreneurs make decisions by gathering information through experimental and iterative learning. The Creation Theory hereby suggests that this experiential learning shapes not only the opportunities an entrepreneur exploits, more importantly it also shapes the entrepreneur

(Alvarez, 2007; Barringer, 2010). "In this sense, the Creation Theory suggests that not only do entrepreneurs create opportunities through an emergent search process, but that this process also creates the entrepreneur. In this Theory, the entrepreneur is not necessarily different before creating the opportunity but emerges with differences as the result of the process of creating the opportunity" (Alvarez, 2007, p.12).

The Creation Theory assumes that the decision-making context facing entrepreneurs tends to be either ambiguous or uncertain in nature. This theory assumes that the end of an emergent search process cannot be known from the beginning (Alvarez, 2007).

In this manner, the entrepreneur is learning about their opportunity, their actions and how these two interplay with the larger environment. In effectuation, the market does not just exist independent of the entrepreneur, instead the entrepreneur creates the market through a series of actions and interactions (Alvarez, 2007). The knowledge of the entrepreneur is created through dynamic interaction between tacit and explicit knowledge (Li et al., 2009).

Whenever a situation is consistent with one of the theory at one point in time does not mean that it cannot be consistent with the other theory at another point in time. For example, it has already been suggested that an entrepreneur may begin their activities in conditions consistent with the Creation Theory but, over time, as more information is collected about possible opportunities, these conditions may evolve to be more consistent with the Discovery Theory (Alvarez, 2007). This makes the discussion between creation and discovery theory of great interest for this paper, as the aim is to investigate how community-based new ventures develop entrepreneurial activities over time.

2.3   User Entrepreneurship

User entrepreneurs are widely described as entrepreneurs who created an innovative product or service for their own need and use, then subsequently found a firm to commercialize it. They are often part of a community, which is the reason why we have a deeper look into the mechanism behind it (Shah et al., 2012). In the Kauffman Firm Survey, Shah et al. (2012) further differentiate two main types: end-user entrepreneurs and professional-user entrepreneurs. In comparison to the end-user entrepreneur, the professional-user entrepreneur

founds a new venture around an innovation that was meant for use in a previous job or business (Shah & Tripsas, 2007).

Professional user-entrepreneurs are characterized to have more experience from research & development to distribution of the product/service (Shah et al., 2012). "Although the founders are on average the same age, they report higher educational attainment and more years of industry work experience, are more likely to have founded a firm before, and are more likely to have founded a firm in the same industry before" (Shah et al., 2012, p.2). Moreover, the human capital of those entrepreneurs is comparable richer to other types of entrepreneurs. In retro perspective to other ventures, the firms of professional-user entrepreneurs seem to prosper in regards of revenue and are usually common in the high-tech industry. Despite the differences, both types of founders introduce novel or customized products into the marketplace generated after their own experience of usage (Shah et al., 2012).

Shah & Tripsas (2007) provided a model of the end-user entrepreneurial process as illustrated in *Figure 3*. However, they did not engage further on in differentiations to the professional-user entrepreneur, rather mention that this can be a field of interest in future research. In their study, they also focused on the juvenile product industry and not on other settings when new ventures can arise. In the below figure, rectangles present the actions taken by users and the ovals describe the input to those actions:
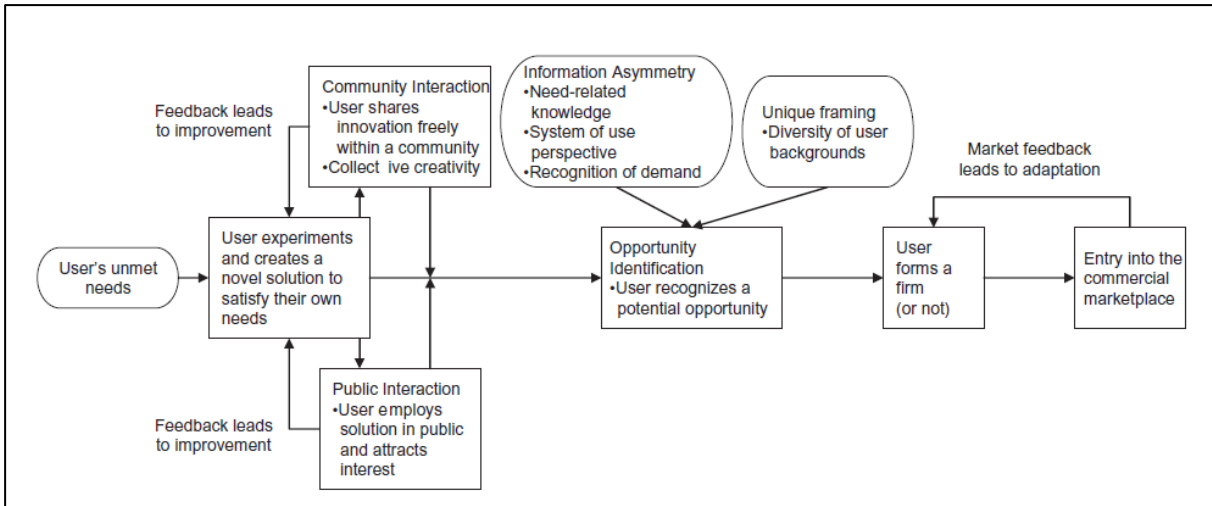

Figure 3: Model of the end-user entrepreneurial process (Shah & Tripsas, 2007)

In comparison to the classic model of the entrepreneurial process (Figure 1), the end-user entrepreneurial process is distinct in two primary ways. First, the end-user entrepreneurial

process is typically emergent. Meaning that the end-user entrepreneur brought forward the prototyping before discovering a commercial opportunity since they also develop it for personal use. In contrast, the typical entrepreneur only takes actions after a potential opportunity has been identified as such. Second, the user community can play an important role in the development and diffusion of the product development when end-user entrepreneurs are embedded in those communities (Shah & Tripsas, 2007). "While existing research emphasizes feedback and adaptation, it is focused on change that occurs after firm formation. End-user entrepreneurs obtain feedback and adapt prior to firm formation" (Shah & Tripsas, 2007, p.129).

2.4 Community-driven innovation in the sport industry

According to research, it is more likely that innovative products are developed within a company where the products can be used, rather than in a company manufacturing products and selling them to others (Urban & von Hippel, 1988). Moreover, further research studying innovation in sporting equipment, describes that most innovations are made by end-users and not by companies (Shah, 2000), where the whole community of consumers innovate in one way or the other (Lüthje, 2000).

Community-driven innovation is grounded on the concept of having multiple individuals acting as innovators together, and driving innovation forward in a more efficient and optimal way. In a study conducted by Franke & Shah (2003), the researchers investigated community-driven innovation in niche sport industries, such as canyoning and bordercrossing. They base their research on findings made by Shah (2000), showing a clear pattern between end-user innovation and the strong relationship between people practicing a niche sport together.

Individuals might come up with ideas for how to improve products on their own, but to maximize the outcome and create a prototype, the assistance from others is vital. In a community, the assistance from other individuals is easily acquired for the innovation process, since there is already a strong relationship between the people within the community, making people more helpful towards each other. By being a part of a community, the innovator obtains valuable innovation-related assistance from other community members. They are usually innovative individuals themselves and can contribute to the innovation process with quality assistance (Franke & Shah, 2003, p164).

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"The greater the number of assistants and the more testing conducted and feedback received, the more widely the innovation diffuses" (Franke & Shah, 2003, p.167).

This quote encompasses the importance of undertaking testing and receiving feedback, leading the innovation forward and expanding the idea. By being in a community, the number of people that can contribute with assistance to the innovation process, in the form of feedback, contacts, and hands on help, increases remarkably. A high number of community members, usually means a higher chance of successful innovation. Improving a product within a community, does not only enrich the innovation process with valuable assistance, it provides the innovator with an environment offering assistance free of charge. Instead of spending money on costly analytic tools, market research, new leads etc., the community itself contributes with the most vital machinery to expand the idea (Franke & Shah, 2003).

When looking deeper into the free assistance that the community offers to the innovation process, observations show that it is built a lot on trust and value creation in both directions. Belonging to a strong community in a niche sport, gives people an extraordinary environment, where everyone wants to contribute, help and impact the innovation that takes place within the community. It is a family, where community members have a sense of belonging in the group, and are aware of the social norms within the community. People are keen on assisting other people within the community, since they know that they can benefit from the given assistance themselves. By assisting the product development in the community, individuals offering free assistance know that they will be able to directly use the innovation themselves (Franke & Shah, 2003).

The free assistance from community members is additionally dependent on the competitive levels within the sport. Franke & Shah (2003) state how free assistance increases in less competitive sports and decreases in more competitive ones. Prominent level of free assistance can be seen in sports as canyoning and low levels of free assistance can be seen in handicapped cycling for example (Franke & Shah, 2003).

Furthermore, when looking at local and global sporting communities in general, Johannisson (1990) explains how the level and quality of assistance is dependent on the size of the community. In local communities, it is much easier to obtain free assistance since the number of personal ties are higher within the community. In global communities, the personal ties are

fewer, hence it is more demanding to acquire free assistance from community members (Johannisson, 1990).

The main limitation in the study conducted by Franke & Shah (2003) is the lack of background information on how sporting communities arise and how the innovation process initiates. The lacking information was laid out as a suggested future research topic by the two researchers, which corresponds well to the aim of this paper, where the goal is to investigate further on how entrepreneurial processes develop within community-based startups.

2.5   Summary and conclusion of literature

When analyzing the existing entrepreneurship theory about new venture creation and community innovation, it is evident that there is a gap in the theory that needs to be explored. There is a lack of entrepreneurial theory that explains and further analyses the concept of new venture creation aided by community building, by professional-user entrepreneurs. Regarding the traditional entrepreneurial process described and discussed by Bhave (1994), Politis (2005) and Shah & Tripsas (2007), the focus lies on individuals who discover opportunities, create new ventures and use the newly gained community to receive feedback. They are not presenting any model where the community helps the entrepreneur in the stages prior to the new venture creation. Desouza et al. (2008) and Blank (2013) talk about customers as individuals and groups who supports the new venture by giving feedback in an efficient way, but they lack an explanation of how these individuals can help the entrepreneur from the start.

In terms of creation theory, the existing theory by Alvarez (2007) portrays the difference between creation and discovery theory, stating that it is possible to act along the lines of one of the two concepts initially and shift to the other over time. This phenomenon makes it interesting to investigate further on, as the creation of Northern Spirit seems to apply to both theories.

As for the end-user entrepreneurial process, models and concepts surrounding the topic show how user innovators create products based on their own needs, to further use communities for initiation process of new venture creation (Shah & Tripsas, 2007). Further differentiations are being made between end-user entrepreneurs and professional-user entrepreneurs, where the latter is described but now analyzed through a community aspect (Shah et al., 2012).

When looking at community-driven innovation within the sport industry there are a multitude of concepts being discussed by Franke & Shah (2003) and Shah (2000), involving togetherness, free assistance and innovation within specific and rare sporting communities. The theories explained by the scholars are lacking research in the area before a new venture is created, thus the background of how the community-driven innovation is initiated in a new venture.

The existing entrepreneurship theory touches upon frameworks and theories regarding new venture creation though communities. Even though several models exist for the traditional creation of new ventures, created by various kinds of entrepreneurs, they seem to overlook the phenomenon of community-based opportunities that evolved into new ventures, thanks to the opportunity recognition of a professional-user entrepreneur.

3 Methodology

In this chapter, we present the scientific basis of the thesis. This part commences with the explanation how we view reality and what perspectives the thesis is based upon. Furthermore, a discussion about the research design is conducted. We are using an instrumental case study approach in the field of qualitative research. The next chapter outlines how the data upon Northern Spirit was collected on the groundwork of an information-oriented selection, more specifically carried out through semi-structured interviews and observations. The data found for Northern Spirit will be analysed in an interpretative manner. Finally, a theoretical discussion of the methodological validation in conjunction to our contribution to science will be conducted.

3.1 Research Approach

The interest of this paper is to gain a rich and complex understanding of experiences of the people from Northern Spirit and not in obtaining information on a numeric basis which can be generalized to a broader public. Therefore, the social constructivist paradigm will be used within the approach of a qualitative research, which emphasizes the socially constructed nature of reality (Habib et al., 2014). Gergen & Gergen (2012) argue that "social constructionism is about uncovering the deeper meaning and significance of human behavior and experience. This includes contradictory beliefs, behaviors and emotions" (p.2). Especially the founders and the CrossFit community, their interactions in between and with each other, play a major role in this study. "A theoretical perspective linked to social constructionism is interpretivism" (Gray, 2013, p.20) which will be of importance when analyzing the gathered data from Northern Spirit.

The discussion about social constructionism explains the way people interpret reality, on a social and relational level. It is being discussed by Fletcher (2006), who connects the social constructionism with current entrepreneurship theory. Rather than generating ideas individually as an entrepreneur, social constructionism points to a process where Northern Spirits actions, political, cultural, economic, societal and situational context contributes to the process itself (Fletcher, 2006). The involved people of Northern Spirit within the community create their own

reality, based on the knowledge that they possess together, rather than relying on scientific knowledge (Steedman, 2000).

Concludingly, social constructionism is an important concept to apply in the study. It further expands the understanding on how the entrepreneurs develop within a community into a steadily growing new venture. It is evident that the environment of communities is of great interest to investigate further on, as well as how the individuals in a community define their own reality. The connection to the CrossFit community at Northern Spirit is of great relevance when comparing and analyzing existing theory with the reality of this case.

3.2   Research Design

"The advantage of large samples is breadth, whereas their problem is one of depth" (Flyvbjerg, 2006, p.241). Therefore Flyvbjerg (2006) concludes that in-depth case studies are an essential part for the development of the social sciences in which we want to contribute. It is a form of qualitative research and helps to understand human interactions between different parties bounded by the two researchers in the researched phenomenon (Stake, 1995). The in-depth case study that we carried out with the company of Northern Spirit can contribute to a certain viewpoint which is not yet present in entrepreneurial research (Flyvbjerg, 2006). For this research, we used a single instrumental case study design based on the methodology described by Stake (1995, 2005), to explain the phenomenon of how entrepreneurial processes within community-based new ventures develop.

Our decision to use Stake (1995) rather than Yin (2002) as the methodologist to lead our investigation, was based on our combined consideration of the intent of the research and our philosophical orientation. Yin (2002) presents in his work a way more structured approach than Stake, which especially is not suitable for the case of Northern Spirit. As mentioned in chapter *3.1*, the view of reality in this paper follows a social constructionist approach, which is represented by the Stakian scholars.

Stake (1995) distinguishes three types of case studies: the intrinsic, the instrumental and the collective. Since in this research paper one case will be analyzed in-depth, the collective case study can be excluded from a further investigation.

The intrinsic and instrumental case study can be differentiated by the purpose of the study. Hereby, the intrinsic approach would focus on our personal ambition to better understand a particular case rather than in extending theory or generalizing across cases. For the instrumental case study on the other hand, the researcher selects a small group of subjects in order to learn about a person or phenomenon and examine a certain pattern of behavior to further stimulate the topic (Stake, 1995, 2005). For the purpose of the research, we are taking a standpoint of an instrumental case study method. We want to further investigate the entrepreneurial process of community-based new ventures, with the wish to further develop new insights on the topic. The selected case of Northern Spirit plays a supportive role in order to contribute a conceptual framework to existing theory and may or may not be seen as typical for other cases (Stake, 1995).

In the case of Northern Spirit AB, the focus relies on compiling the viewpoints and knowledge of different stakeholders, in which no hypotheses are predetermined. Semi-structured interviews will be conducted and observations will be made to fulfill the purpose of the methodology (Bryman and Bell, 2011). We consider the case of Northern Spirit because of the company's ability to contribute to theoretical understandings and contribute to a new field of research, in particularly, described as community-based entrepreneurship through professional-user entrepreneurs (Bryman & Bell, 2011). Our findings are aimed to find out how the company developed out of and through the CrossFit community. Further on we want to enlighten the processes that the founders used and how they engaged their community, to stimulate the contribution in the field of community-based new ventures.

3.3   Data Gathering

Stake (1995) advises in the case study research to draw the data from multiple sources to capture the case study in its complexity and entirety. For the data collection, Stake (1995) argues that there is no moment when the compilation of data should begin, since during the collection some findings can lead to some fundamental alterations in the inquiry process. Therefore, we kept always an open-eye for new literature along the research process and were not fixed to predetermined literature from the beginning.

Even though the Stakian approach leaves many aspects to the researcher, we summarized the key steps of the data collection plan as the following. Our gathering plan contained the

"definition of case, list of research questions, identification of helpers, data sources, allocation of time, expenses, intended reporting" (Yazan, 2015, p.143). In comparison to other scholars, Stake (2005) emphasizes that triangulation can be achieved by using multiple sources to identify divergence. We collected data from multiple instances to ensure the richness of data to confirm our findings from a single company. Our data sources include semi-structured interviews in person and over video-conferences, and a company visit where we observed the employees and founders of Northern Spirit. Further on we had the chance to accompany a photo shooting and train with them in their everyday lunch break ritual to complete our company visit. Finally, we also visited and trained in the CrossFit Box in Lund to get the feeling of the community first handed.

3.3.1 Sample Selection

Flyvbjerg (2006) summarizes in his work various forms and strategies for an effective sample selection. We chose an information-oriented selection strategy for a maximization of the utility of information for the case of Northern Spirit. Flyvbjerg (2006) states that "it is often more important to clarify the deeper causes behind a given problem and its consequences than to describe the symptoms of the problem and how frequently they occur" (p.229). Therefore, a generalizability of our case study can be increased.

For the purpose of this study, we selected a paradigmatic case strategy to further understand the phenomenon of community-based new ventures and develop a metaphor or establish a school for this topic within entrepreneurial literature. Flyvbjerg (2006) concluded that "no standard exists for the paradigmatic case because it sets the standard" (p.232).

3.3.2 Interview Guide

> *"Much of what we cannot observe for ourselves has been or is being observed by others"*
> (Stake, 1995, p.64)

As described by Stake (1995) in the above quote, the essence of interviews can be an important tool in gathering information and the main road to multiple realities. After our first general interview over the telephone with Niklas Carlson, in which we assembled general thoughts about Northern Spirit and their approach on Social Media to grow revenues, we figured out a more interesting topic of research. Niklas told us, that his business partners Richard Innala and

Joakim Loveng started a company first within the existing CrossFit community in 2013, two years before they teamed up Niklas Carlson, founded a new company under the same name and lifted the company to where it is today. After that our field of research in community-based new ventures was initiated.

To get a greater insight about the story and capture it in its entirety, we went to the Headquarter of Northern Spirit in Helsingborg. For the study, we talked to the Founders, Employees and Brand Ambassadors directly. We attended a photo shooting of the newest collection and interviewed the people during and afterwards. The purpose was to get a description of an episode, a linkage or an explanation directly by the people who lived through the story themselves. Most of the interviews were carried out face-to-face, additionally to some over video-conferences, and audio recorded for a better coding afterwards. The importance of such interviews is marked by the ability of the interviewer to capture and interpret the social cues such as voice, intonation and body language. This helped us a lot to gain holistic insights into the answers of interviewees (Bryman & Bell, 2015).

Stake (1995) argues that keeping the record of an interview is part of the artistry. Following his advice, we planned directly after the company visit, multiple hours to prepare a written facsimile, with the key ideas and episodes captured. The recorded tape hereby assists in the process.

Interview Guide for Founders

The interviews were hold semi-structured in the natural surroundings of the Founders in order to create a situation of comfort and trust. The interview began by introducing the purpose of our study and the first set of questions pertaining to the entrepreneur. As Bryman and Bell (2015) explains the characteristics of this type of interview, the process hardly relied on us to steer the conversation in the right direction and follow a certain structure of the prepared questions. Apart from that, we developed a sense for the conversation flow and could dig deeper in certain topic regions to get more knowledge out of the interviewee. This helped us to understand the background of different motivations, actions and decisions of the interviewee.

All interviews were conducted by both team members. One person oversaw asking the questions and keeping the flow of the conversation, while the other recorded the conversation through a mobile phone and made sure that each topic section is enclosed. The interviews consisted of six sections that we covered throughout the interviews. The sections covered the

entrepreneur's background, information about the team, the view about the company and its success factors, the CrossFit community, the inbound of the community along the ventures process, and different challenges encountered during the venture's lifespan. As Bryman & Bell (2015) describes the characteristics of semi-structured interviews, it was our aim to drive the conversation through the interview guide and ask more in-depth questions in certain sections for more significant replies and deeper insights.

Stake (1995) elaborates in his work that also the description of the context can play a role in instrumental case studies. Therefore, we will further explain the surrounding in the in the analysis and discussion of the findings. This can help to create a vicarious experience for the reader, to give them a sense of "being there".

Interview Guide for the Employee responsible for branding and digital marketing

The interview with the person in charge of digital marketing and branding was also conducted in a semi-structured manner (Bryman & Bell, 2015). We obtained to get a deeper insight of her work with the brand ambassadors before talking to them directly. Further on, we wanted to get to know her understanding of Northern Spirit, why she joined the team and is still working there and what she defines as the success in her digital marketing strategy.

Interview Guide for Brand Ambassadors

The interview guide with the brand ambassadors of Northern Spirit was kept shorter than the ones for the founders and employer. Our purpose was to gather information from their point of view on the CrossFit community, their association with Northern Spirit, why they work and represent Northern Spirit, and their perception of the branding and marketing.

3.3.3   Observations

We choose the method of observations to support the research purpose (Bryman & Bell, 2015). We followed the advice of Bryman & Bell (2015) and made as many field observations of that setting as possible. Additionally, they invited us to train with them together during the lunch break. The data gathering process combined direct observation of different parties and observations during the photo shooting and training with them. Further on, we achieved with our visit to the CrossFit Box in Lund a hands-on experience of the existing community there and observed the interactions.

Stake (2005) stresses that observations lead the researcher towards a greater understanding of the case. The interpretive data has meanings directly recognized by the observer and can be a powerful addition to the conducted interviews.

3.4   Data Analysis

The data is analyzed using an interpretative approach and is utilized to match the collected data with the literature (Gioia & Pitre, 1990). We considered Gioia & Pitres' approach to be congruent with the constructivist orientation and strategies advocated by Stake (1995, 2005). Both methods are building upon describing and explaining the analyzed situation to diagnose and understand the researched phenomenon. Stake (1995) confirms this approach by defining analysis as "a matter of giving meaning to first impressions as well as to final compilations" (p.71). The case of Northern Spirit will be told in its entirety and diversity, allowing the case to unfold from the many-sided, complex, and sometimes conflicting stories that the actors in the case illustrated (Flyvbjerg, 2006). Thus, the case itself helped to understand the researched phenomenon.

Stake (1995) emphasizes the importance of connecting the analysis and interpretation. He describes two strategic ways for the identification: Direct interpretation and categorical aggregation. At the direct interpretation, we looked at a single instance or member of the case with no need for aggregation of instances to draw conclusions (Stake, 1995). Here, the interviews with all parties would be subjected to thematic analysis or some other form of analysis for themes. The categorical aggregation on the other hand compiles descriptions of instances to create a more general picture. This involved combining themes from the data to create relevant meaning about lessons to be learned. In our case, a thematic analysis from all the data was performed and common themes observed (Stake, 2005).

Formal data analysis began with the facsimile of the semi-structured interviews and observations by the researchers. Transcripts were independently read by the researchers and by identifying repeated words, phrases, and ideas, notes were added in the margins. The idea behind this team-based approach was to enhance the findings through different viewpoints and different interpretation of the data. Additionally, notes from field observations were examined as evidence to generate new insights and confirm findings from the interviews. After the individual analysis, we discussed our perspectives and interpretations during team meetings.

As we cycled through the process of the research, we became aware of different findings during the case of Northern Spirit, which enabled the new venture to arise and create themselves in the community-based environment. A conceptual framework was formed and initiated through the analyzed data found from the case study (Stake, 1995).

3.5   Validity and Reliability

"It is often suggested that the scope of the findings of qualitative investigations is restricted" (Bryman & Bell, 2011, p.408). Some Scholars may argue that the case study research is often little basic for scientific generalization. Further on they describe that the researcher may present vague data or biased views to influence direction of results. Flyvbjerg (2006) demonstrates that this is a general misunderstanding in case study research. To avoid certain limitations, we used triangulation in the process by which several methods are adopted in the study of one phenomenon (Holloway & Wheeler, 2002). However, as assured by Stake (1995), our purpose is not to cross-validate data but rather to capture different dimensions of the same phenomenon. Overall, it can be distinguished between four different triangulations (Stake, 1995):

- data source triangulation
- investigator triangulation,
- theory triangulation and
- methodological triangulation.

The data source triangulation explains the researchers ambition to gain the data from diverse groups, locations and times. We investigated our case with various parties at various locations and over a time-frame of 2 months in order to increase the validity of the study (Stake, 1995).

The investigator triangulation sums up that more than one researcher is involved in the research. Since no human being is the same, different viewpoints on the same subject can be guaranteed from two researchers and therefore lead to a broader analysis (Holloway & Wheeler, 2002).

The theory triangulation describes that whenever two investigators compare their data, there is always a sort of theory triangulation. While many people think that triangulation leads to one interpretation or meaning, it provides the reader with multiple interpretations on the same case. Therefore, if each evaluator from the different disciplines interprets the information in the same

way, then validity is established (Stake, 1995). The researcher in this study have two divergent backgrounds (business & mechanical engineering) and thus enhances the validity.

The last methodological triangulation is divided in two main forms: Intra-method and inter-method triangulation. The first triangulation (intra-method) adopts different strategies but stays within a single paradigm, whereas inter-method triangulation confirms findings generated through one method by another one (Holloway & Wheeler, 2002). In this study, strategies as observations and interviews are used together to explain the paradigm of community-based new ventures.

We hope to ensure, through the usage of triangulation methods, the richness of our findings and increase the recognition upon the collected and analyzed data.

4   Empirical Findings

The purpose of this chapter is to present the empirical findings that emerged from the conducted in-depth single case study. The chapter is divided into the entrepreneurial process where the entrepreneurs themselves are described, and the community which plays a major role in the new venture creation. To provide a clear picture of the case that we are investigating, the chapter will start with a short background of the CrossFit brand Northern Spirit.

4.1   Background

Northern Spirit is a CrossFit brand located in Helsingborg, Sweden. The investigated company was first founded as NORTHERN SPIRIT SPORTS AB in 2013 and in December of 2014 shifted focus and registered now under Northern Spirit Försäljning AB. The founders are Niklas Carlson, Joakim Loveng and Richard Innala, three CrossFit athletes enthusiastic who created a brand that reflects the life and style of the CrossFit community all over the world. As for now, Northern Spirit has four full time employees and two-part time employees. This includes the founders, warehouse workers, person responsible for customer support and a person responsible for the brand ambassador program. Their business goal in general is to double their turnover each year. In 2015, they had a turnover of 1.7 million SEK, followed by a turnover of 7 million SEK in 2016.

Northern Spirit (from now on Northern Spirit Försäljning AB) puts intense focus on its community, which according to the founders, is one of the main reasons why they became a successful startup, in terms of revenue and customer relations. By having an extended network of brand ambassadors, customers and CrossFit athletes, Northern Spirit assess their values through events and social media. Together with the community, they strive to create clothing and accessories of the best quality and fit, to serve CrossFit athletes with what they deserve. Social media, especially Facebook and Instagram, have been important platforms for Northern Spirit to maintain a community feeling, with their growing "family".

4.2   Entrepreneurial Process

As described in the methodology chapter, we want to tell the case of the Northern Spirit Försäljning AB in all its entirety and diversity (Flyvbjerg, 2006). The entrepreneurs behind the brand play an important role in the new venture creation of Northern Spirit. Therefore, we will examine their background and paths more in detail. Last, the connection of the three founders will be examined which leads to the entrepreneurial process of the new venture creation.

> *"My main, and really only, interest is CrossFit." Joakim, Co-Founder*

Joakim Loveng, has two daughters, a girlfriend and a dog that he needs to provide for. From his educational background, he has two bachelors in marketing and industrial engineering. He had no entrepreneurial background and was working since 2006 as a salesperson in finance. We could really see that he lived for the CrossFit sport and built his day around it.

Richard Innala, who is still involved as an owner but not involved in the everyday business of Northern, returned to Stockholm where he is working as CFO and owner of his family business, Roslagens Värmemontage AB (RFM). He still played a role in the creation of Northern Spirit Försäljning AB and therefore will be mentioned.

Joakim and Richard, who were friends in Helsingborg, started their entrepreneurial journey after they thought that the Swedish CrossFit scene needed a sport manager. They started a blog where various athletes wrote about their lives and helped those athletes with sponsorships. The movie "Northern Spirit" from Danish moviemaker Nikolaj Rönnow was the source of the name of their founded company NORTHERN SPIRIT SPORTS AB in December of 2013.

Joakim and Richard still had their full-time jobs and saw the NORTHERN SPIRIT SPORTS AB as a side-project that might or might not work out for them to sustain their living.

> *"All we knew was that we love doing CrossFit and would like to do something with it." - Richard, Co-Founder*

On top of the blog, they were developing some print on t-shirts for the supported athletes, organizing competitions and did a few training events. So it was a little bit of everything with not a clear structure within the CrossFit community.

Their main idea to make money out of it was to be managers for some athletes: helping them to get sponsors, push them out in competitions and provide them with shirts. Niklas pointed out in the interview with him, that there is still little money regarding sponsorship in CrossFit, so his future Co-Founders had a hard time to satisfy their athletes and make a living for themselves from their started venture.

"I met Joakim at one of those CrossFit network trainings where they invite ten different companies and you train together in your network." Niklas, Co-Founder

Niklas Carlson met Joakim and Richard in May 2014. At that time, Niklas had his background in business and as the other two also had a love for CrossFit. He started a company when he was working for H&M in Spain, Barcelona. He got fed up working for big corporations and stumbled over an opportunity. He started to sell a small speaker for the phone. He had not seen it in Sweden and tried to capture the market there. He himself states that he has been interested in doing things and start small projects but never really seen himself as an entrepreneur. Neither having really a wish list to do something on my own, so it's something that gradually has grown.

"The business itself failed dramatically, but I learned tremendously from it." - Niklas, Co-Founder

The company he was working for after his job at H&M, was a textile company called parmatextiles where he was setting up their business in Sweden. He was working a lot on his own like a little startup setting with backed sourcing possibilities and the factories. He said that he continuously developed and that he got a little bit this feeling for not needing to be working eight to five in an office each day. No one was really controlling exactly what he was doing as long as he was delivering results. This whole setting made him more open minded for seeing new opportunities and new possibilities.

At the time Niklas met Joakim and Richard, they were buying shirts from American Apparel and then printing on them, which was not a sustainable business with very low margins. So Niklas offered them to buy directly from the suppliers he is working for.

All three of them were now meeting more often and started speaking about the possibilities with Northern Spirit. Joakim and Richard were about to put the project down, since none of them had been working with it full time and did not see any profitable future out of the business.

So, they did not really know what to do with it, they had a brand that was connected to CrossFit but what the brand really was they were not sure themselves.

The new venture process of the Northern Spirit Försäljning AB started

As they weren't really committed to the project and they didn't really dare to invest too much time in it, nothing really happened. The three of them talked for about six months forth and back before Niklas approached them and asked to be a part of their team, start up a new company and take it from there.

And when it comes to your Joakim and Richard, he described Richard definitely not as an entrepreneur and rather like a "square CFO guy" who sees risk in everything and was talked into this originally by Joakim because they were training both together and wanted to do something together since Richard was about to move back to Stockholm and his family business there. Niklas remembered that when they started the new company and were going to buy two thousand shirts, thousand men's and thousand ladies, Richard was like *"this is going to go so bad and we are going to have shirts everywhere, we're never going to sell them"* and was always calculating the risk and other metrics.

Northern Spirit Försäljning AB sold twenty-five thousand t-shirts in the first year

Niklas as the CEO of the company was running the company and was the only of the three working fulltime with the new-formed company. Joakim was mainly focused on the brand building and also the custom sales and Richard was responsible for the finance part, at least in the beginning.

They saw that they could complement each other because of their distinct characteristics. Joakim is always in contact with the CrossFit community to 100 percent and has a vast network. Niklas had the textile background, and more, the entrepreneurial drive to deal with all that it takes within the company. They thought Richard would be really involved but unfortunately, he started to do less, but he is still helping with finance tricks now and then. Overall, Niklas was taking the biggest risk in the personal and financial sense when Northern Spirit started. He had his wife, two kids and a house. He worked the first year without a salary to make it work.

The company itself was a restart of the old Northern Spirit company with a web shop and with the focus on apparel and clothing, which started in December 2014. They saw from the beginning the growth by using their network, social media and active participation at events.

They really kept the customer segment narrowed down to the CrossFit community, having CrossFitters as their focus group when it comes to the customers, listening to them and to what they want, what kind of print they want, what kind of qualities etc. Thus, the CrossFit community played a major role in the success of the newly formed company, which we will investigate in the next chapter.

4.3   CrossFit community

As soon as the researchers entered the head office of Northern Spirit to conduct the interviews, there was a direct association to work out and training. It was evident that the startup was doing business in the sporting industry, with boxes of workout clothes alongside walls, training gear on the ground and an overall relaxed environment. In the following paragraphs, the empirical findings connected to the CrossFit community within Northern Spirit will be presented.

There is a strong identification between everyone within the CrossFit community

Unlike other sports, CrossFit is more than just a sport, it is a way of life. People that practice CrossFit associate themselves to other people that do CrossFit which directly creates a bond to each other, based on the principles of CrossFit. Joakim, the Co-Founder of Northern Spirit explains:

> *"CrossFit is a way of life and people want other people to know that they do CrossFit. Our clothes are a way of them in showing this." - Joakim, Co-Founder*

Further on, Niklas elaborates on Joakim's statement of how CrossFit practitioners like to show other CrossFitters that they practice CrossFit, and explains how Northern Spirit offers more than just a product, but also the feeling of being part of the CrossFit community:

> *"with Northern Spirit, we're selling a lot more than just a product, we're selling a feeling of being a part of the CrossFit community. Because if you have Northern Spirit here (Chest) you're showing the rest of the people that you're a part of the CrossFit community. "- Niklas, CEO*

Northern Spirit focuses a lot on customer feedback from their community

Without the CrossFit community, Northern Spirit would not exist. When targeting a niche market like CrossFit, with a limited amount of people carrying out the sport, it is very important to have something more than just a product, as mentioned above. By giving people a sense of belonging in a community, Northern Spirit gains a vital amount of trust from their customers. The community provides Northern Spirit with all necessary data they need, in the form of feedback. This is then used to improve current products and to create new product offerings. Niklas states how they keep their focus on the CrossFit community and that they always try to adjust their products according to the needs of their customers:

> *"Keep it very narrow to the CrossFit community, have that as a focus group when it comes to the customers, listen to them and what do they want, what kind of print they want, what kind of qualities etc." - Niklas, CEO*

Katti Houshmandfar, one of the brand ambassadors at Northern Spirit explains how she feels involved in the product development in the company:

> *"They provide me with clothes, support me in competitions, let me come with new ideas on new outfits and prints and so on, they let me be a face out for their brand and that is a privilege" - Katti, Brand Ambassador*

Northern Spirit is focusing a lot on creating a family feeling in their CrossFit community

When a new venture is based on a specific community, it is very important for the new venture to involve the customers as much as possible in the product development. By being part of the development, and wearing products that they gave feedback on, customers feel more connected to the brand. When seeing another person wearing a Northern Spirit shirt, you relate to the person immediately and create a relationship based on a logo on the chest, as previously mentioned above. This indicated a sense of family feeling, as people in the Northern Spirit community associate themselves with one another, giving Northern Spirit a favorable set of assets for the expansion of the family and brand. Additionally, the founders are putting a lot of focus on customer support and always want to help their customers to 100%. As described by Niklas, the family feeling is present in the team as well, creating a better and more relaxed work environment:

"We have a very family-like work environment and we train together every lunch" - *Joakim, Co-Founder*

Niklas then continues to explain how their customer support is of great importance, and they really try to make people associate Northern Spirit in a positive way:

"We try to really take care of our customers and don't have like one week of response time on emails, or that you don't get your return. We really try to pick up all the customers that want to communicate with us and if it's by Facebook or by telephone or on events or whatever. I think in that sense, which is not really connected to CrossFit as such, it's more connected to giving great customer feeling with Northern Spirit." - *Niklas, CEO*

The importance of the family feeling and customer support is further stated by Katti and Rebecka Vitesson, the second brand ambassador participating in the data collection. They also mention how Northern Spirit helps them in their everyday life, which increased the family feeling even more:

"They have also become more of a family to me actually because of the way they are. Very caring, kind and always there for you. They have helped me a lot in my everyday life and training" - *Katti, Brand Ambassador*

"I am always receiving clothes when I need them and they are like my second family, by being there for me and helping me with anything that I need help with, aiding my development as an athlete" - *Rebecka, Brand Ambassador*

The CrossFit community is very respectful and people like to see other CrossFit practitioners succeed

Niklas describes how people in the CrossFit community are very helpful towards each other and always want others CrossFitters to improve. By targeting the CrossFit community, Niklas was able to keep the community feeling in the new venture, since everyone involved want to help each other out in one way or the other. Niklas explains this and explains how more advanced CrossFitters push the ones that need to be pushed:

"there is no real disrespect between these people, they just want to help each other and the ones who are more advanced, they try to push the ones who needs to be more pushed." - *Niklas, CEO*

Katti and Rebecka then continue the same track, saying how they exchange value between Northern Spirit and themselves. By providing Northern Spirit with help, they always receive help in return:

> *"You give and you take, I have always done it because I truly love the brand. If they are happy I am happy, and I really help them because I love them and feel like I'm a part of them"* - Katti, Brand Ambassador

> *"There's a mutual value exchange, I get a lot and they get a lot too. I have never felt forced to do stuff for Northern Spirit, something I've felt from other companies"* - Rebecka, Brand Ambassador

Being present at both physical events and social media is important for Northern Spirit

By going to CrossFit events, Northern Spirit can interact with customers directly, see how they behave and how they interact with their products in real life. Attending national as well as international events, increases their engagement with the CrossFit community and shows that they are a part of the worldwide CrossFit family. In addition to the increased community feeling, they also maximize their brand image by going to events. Niklas explains how the physical events help them be a part of the CrossFit community:

> *"we are out on a lot of competitions as well, so that's an important part for us being a part of the community and to be out to the competitions and to listen what the athletes say and to of course sell, but also specially to build the brand close to the CrossFit community."* - Niklas, CEO

Katti continues by saying how she met Joakim and Niklas at a CrossFit event and became an ambassador afterwards. This again shows the importance of being present at CrossFit event, resulting in a new partner for Northern Spirit:

> *"I met them at a CrossFit competition 3 years ago called Halmstad Throwdown which was my first competition ever"* - Katti, Brand Ambassador

Further on, Niklas also explains how important it was for them to go out to physical events in the beginning, to receive feedback and improve their products:

"In the first year in 2015 I think we were at like 25 different events, so we were really out there. Almost all of it was in Sweden, so we were really a part of the CrossFit community in Sweden at that time, we still are, but then we were really out there and got a lot of feedback." - Niklas, CEO

In addition to the physical events, Northern Spirit is focusing a lot on social media, where they can engage their global CrossFit community. By having multiple athletes working for them as promoters, they can reach out to a lot of potential customers. Niklas explains that less famous athletes that have a good presence on social media, are as valuable to them as famous athletes that have a less elaborated presence on social media:

"Maybe they're not the best CrossFitters but they're in the CrossFit community and they do CrossFit but they are really good on social media and take good pictures and can reflect our brand in a positive way. Then of course we work with some people who are really good with CrossFit but maybe they're not the best people on social media, but it creates a lot of brand value for us being associated with the fittest guy in Germany and the fittest girl in Sweden, because they get a lot of recognition within the CrossFit community." - Niklas, CEO

Staying in a niche market is of great importance for Northern Spirit's success

According to Niklas, one of the main reason why Northern Spirit has such a good community feeling and well recognized brand, is because they only focus on the CrossFit market. By targeting customers within the CrossFit community, they are really aiming to find their main customers and give them exactly what they want and deserve. Niklas shows here how Northern Spirit puts a lot of effort in staying in the CrossFit industry, even if they are growing:

"now as we grow, we can see that there is a lot of people also outside of the CrossFit community that really love our products, for the design and for the for the quality. But I think for us as a company, it's really important to keep the main focus on the CrossFit customer, because otherwise it's easy to yeah, we want to take that customer as well and that one and then all of a sudden, we are like, just a normal training clothing company. Then we need a marketing budgets like Nike, or like Reebok, it will be very difficult" - Niklas, CEO

Local CrossFit communities are stronger than national CrossFit communities

The strongest bonds in CrossFit community are being made in local CrossFit boxes. A box is described as a training facility for CrossFit athletes, containing all necessary workout-tools to practice the sport. The people who train there know each other on a more personal level, shaping them into a family that is even closer and more helpful than the global CrossFit community. Niklas explains that here:

> *"I mean it's constantly developing I would say, but what you can see is that it's really a strong community and especially from box to box. I mean the Swedish CrossFit community, it's not super strong but the CrossFit Helsingborg or the CrossFit Varberg, they are really strong communities." - Niklas, CEO*

Additionally, by being involved in local CrossFit boxes, Northern Spirit gains a lot of personal ties, making it easy for them to get help. Rebecka explains here how she became an ambassador through her local CrossFit box:

> *"I became an ambassador after they were in need of a model for one of their new shirts. Since I was training in the same box as Joakim, he approached me because I was working out hard and mainly because I was easy to get hold of in the box" - Rebecka, Brand Ambassador*

To live like you learn is important for Northern Spirit

When going from a community to a new venture it seems that it is important to keep the community feeling within the team as well. As mentioned in the paragraphs above, the Northern Spirit team work out every day together, go to events, and wear the clothes. This is something that Niklas points out as being crucial for the growth of Northern Spirit, by being a community within the community:

> *"That is definitely something that has developed even more when we came here and we had the opportunity with the spaces, to really live like we learn, like me trying to be as CrossFit as possible, like a small community within the community." - Niklas, CEO*

5   Analysis and Discussion

The chapter contains the analysis and discussion of the empirical findings. We will discuss the following three main sections: the entrepreneurs, the community and the entrepreneurial process. The first two points will be evaluated and discussed, to concludingly form and initiate a new model for the entrepreneurial process in the new venture creation.

5.1   Entrepreneurs

Looking at the case of Northern Spirit and the likes of Niklas, Joakim and Richard, there are several interesting factors contributing to the new venture creation. Especially in terms of backgrounds, opportunity recognition and entrepreneurial drive.

Is a community-based new venture more likely to succeed when the founders are user entrepreneurs?

When Joakim and Richard first started NORTHERN SPIRIT SPORTS AB as a blog for CrossFit enthusiasts like themselves, it can be seen as service also for their own need and use. Therefore, we argue that both can be seen as end-user entrepreneurs as described by Shah et al. (2012). Further on they are part of a close community, which is a more likely setting for end-user entrepreneurs as well (Shah et al., 2012). Since the characteristics of end-user entrepreneurs is mostly seen in retrospect, it can be seen as a mix of professional-user entrepreneurs and accidental entrepreneurs. Shah (2007) defines this kind of entrepreneurs as community members that tend to stumble upon opportunities and become accidental entrepreneurs, hence not having any entrepreneurial intentions when developing a product or service. Joakim and Richard saw the potential of something larger when they started NORTHERN SPIRIT SPORTS AB, but didn't possess the entrepreneurial skills to discover and exploit the opportunity. Niklas on the other hand, was an individual previously involved in smaller startup projects, that also failed. As he described, he didn't see himself as an entrepreneur at that time, but after seeking a free lifestyle, by exploring new opportunities and learning from mistakes, Niklas initiated an experiential learning process in which he gradually

transformed into an entrepreneurial character (Alvarez, 2007; Barringer, 2010). By also being involved in the CrossFit community, Niklas joined forces with Joakim and Richard to create Northern Spirit Försäljning AB. From an entrepreneurial standpoint, Niklas in this case is described as a professional-user entrepreneur, since he had experience in entrepreneurial activities and previously worked in same industry (Shah et al., 2012). Having both end-user entrepreneurs and professional-user entrepreneurs in a community-based new venture seems to be vital. The end-user entrepreneurs have a strong connection to the product and the community while the professional-user entrepreneurs possess the entrepreneurial skills needed to create a profitable venture, making them more important for the new venture creation in general. It seems to be beneficial for community-based new ventures to have professional-user entrepreneurs as founders. This also corresponds well to the theories of Urban & von Hippel (1988), explaining how innovation in new ventures increases when the product is used by the company itself.

Opportunities make entrepreneurs and entrepreneurs make opportunities

The actions taken by Niklas during the years prior to the creation of Northern Spirit, correspond well to the concepts of creation theory, as he was actively searching for opportunities like the Mini Speakers as an example. As that venture failed and he started working for the textile company in a startup like setting, the active search for opportunities and the will to create something new evaporated. From the failed startup experience, Niklas had gained a lot of valuable experience and knowledge, which he then unconsciously used to discover new opportunities and trigger his entrepreneurial mindset (McGrath & MacMillan, 2000). This corresponds well with the research conducted by Alvarez (2007), explaining how individuals in some cases initially follow the principles of the creation theory, but after gaining experience and information from previous startup endeavors, they tend to lean more towards the foundations surrounding the discovery theory.

When Niklas met Joakim for the first time, Joakim told him about their startup NORTHERN SPIRIT SPORTS AB and his somewhat uncertain approach and vision for the brand. Niklas with his experience and current knowledge in the textile industry immediately saw a solution to the problem. By starting to work together, they discovered a gap in the market when it comes to CrossFit clothing. Their approach can be described as stimulated internally according to Bhave (1994), since they first identified a problem on the market (in this case community) and then created a product to solve it. The team-building had a major impact on the initial success

of Northern Spirit as well, since they all complimented each other. Niklas had the entrepreneurial drive, constantly seeking for risky but profitable solutions, while Richard was the opposite, seeing risk in everything (Alvarez, 2007). Joakim then complemented both by being passionate CrossFitters, creating the community feeling.

As described in the text above, the phenomenon of Northern Spirit's creation corresponds well to existing theory, regarding opportunity creation and creation theory. The case surrounding the entrepreneurial journey of Niklas was clearly portrayed, as he started by searching for opportunities and ended up stumbling upon one. Alvarez (2007) discusses the importance of both kinds of opportunities. Opportunities that an individual creates or discovers, will eventually help the individual into developing an entrepreneurial mindset. By possessing entrepreneurial attributes, the individual will then be able to create and discover new and even better opportunities.

5.2   Community

Besides the entrepreneur, the CrossFit community played a second major role in the new venture process of Northern Spirit. Without the community context and the community members as their customers, free marketers and proud representatives, Northern Spirit would not be where they are today. The following paragraphs will demonstrate through analysis and discussion how different segments within the CrossFit community helped Northern Spirit to develop into a successful new venture.

A non-competitive environment is vital for the development of community-based new ventures, to receive free assistance from community members

Niklas describes how people in their community are very helpful towards each other, how everyone wants to see their peers succeed and improve which we also felt while training with them and in the CrossFit Box in Lund. Even if someone is not as strong as the other, they motivate you, help you and want to see you gain fitness. This creates a strong relationship between the people doing CrossFit together, leading to an increased level of trust. By combining this with the Northern Spirit brand that CrossFitters can associate themselves with, Niklas and Co. have created more than a product, they have created a Northern Spirit family. In terms of community innovation, this gives CrossFitters within the community the free will to give

assistance such as feedback, on how to improve products. They are offering their service and assistance without being asked and without being paid, since they know that they will be able to use the improved product directly themselves (Franke & Shah, 2003).

To successfully develop a new venture from within a community, it is important to constantly keep up the community feeling and to also communicate it through the product. Additionally, to receive free assistance from community members, it is very important to have a non-competitive atmosphere in the community. This is different from other sports where competition is high, leading to a lower level of free assistance from community members (Franke & Shah, 2003). We argue that by having a non-competitive culture within the community, the development of a community-based new venture will be faster and more efficient.

Niched and local communities are preferred for the development of community-based new ventures

CrossFit is yet to become mainstream and is carried out by passionate people investing a lot of time in the sport, making it their lifestyle. The CrossFit community is innovating Northern Spirit's products more than the team itself, by giving feedback and creating new designs (Shah, 2000). By focusing on a specific and niche community when creating a community-based new venture, it is easier to keep the family feeling and togetherness within the community, leading to a powerful development of the new venture (Franke & Shah, 2003). To expand the business and target a more diverse customer base, will according to Niklas turn Northern Spirit into a normal sports brand, like Nike or Reebok, and decrease the community feeling. This corresponds well to the theories laid out by Shah (2000), explaining that strong ties within niche sporting communities are vital for the development of a community-based new venture.

As stated, Northern Spirit is all about the CrossFit community, they create apparel for athletes, by athletes. This indicates that they create products that are worn and used within the company and community, meaning it drives the product development forward at a faster pace than at a company producing products for others (Urban & von Hippel, 1988). Adapting the work culture to the business, proves to be easier when the business is in a niche market, such as CrossFit.

The strong ties within niche sporting communities is further connected to the local proximity of the community. According to Johannisson (1990), local communities have the privilege of having strong personal ties compared to global communities, providing them with an

environment of accessible high quality assistance. This aspect is recognized in the start of Northern Spirit, when Niklas and Joakim went to multiple local events and CrossFit boxes. By doing so, they created personal ties with their main customers and received high quality feedback on their products, helping them to narrow down their product lines and focus of the Northern Spirit brand. Northern Spirit could create a community-based new venture by first focusing on local communities (Johannisson, 1990), to further expand their business through social media and reach out to the global community, providing them with more feedback (Franke & Shah, 2003).

5.3   Entrepreneurial Process

As a conclusion of the previous chapters and our contribution to entrepreneurial literature, we want to initiate a discussion about a model for community-based new venture creation.

The two initial components of the entrepreneurial process of Northern Spirit are the entrepreneur and the CrossFit community. Comparing the entrepreneurial process in the phenomenon of Northern Spirit, there can be more parts be linked together, that lead to a new viewpoint regarding the new venture creation process. It is a setting in which experienced entrepreneurs in the form of professional-user entrepreneurs and the community-based environment, are linked so close together in the creation of the new venture. We believe this was an ideal setting for the success of the company.

Current traditional models of the entrepreneurial process point out several steps, including opportunity recognition, firm formation, experimentation, market entry and refinement (Shah & Tripsas, 2007). In similar fashion, Bhave (1994) talks about opportunity recognition, organization, product development, customers and feedback. Expanding more on the feedback from customers, Blank (2013) initiates a lean startup approach, where the customer is more involved in the product development. None of the above models involve communities as a part of the entrepreneurial process. Even though Shah (2003) and Franke & Shah (2003) embrace the value of communities in regard to community innovation for the end-user entrepreneur, they don't mention the community as a main factor for the formation of a new venture, rather view it as a support for the entrepreneur to test his product or service.

The suggested model can be seen as a mixture of the end-user entrepreneurial process presented by Shah & Tripsas (2007) and the customer-driven innovation framework by Desouza et al. (2008). In comparison to the classic model (Figure 1) of the entrepreneurial process, the need in the CrossFit community was already identified before starting the new venture through communication, interaction and active participation in the community. Since the entrepreneurs are customers themselves, the personal use of the products played also a key role.

The customer-driven innovation model by Shah & Tripsas (2007) corresponds well to the process of Northern Spirit after their commercialization. However, there is a significant difference between the process in their model compared to the one of Northern Spirit. In the case of Northern Spirit, the model consists of a family-like community with many local CrossFit boxes and not a variety of individual customers as seen in the model by Shah & Tripsas (2007). The community is a more engaged customer where the members of the community identify themselves more with the brand. Northern Spirit has shown a remarkable production process, in which they are able to stay as agile as possible. By printing their clothing on-demand and inhouse, they are able to test new products on their website and in their local community without any large costs. By getting feedback from their customers they can easily decide on which of the designs they should produce. This corresponds well to the theory about lean startup studied by Blank (2013), who demonstrates the efficiency of constantly creating minimal viable products and receiving feedback on them by customers, to then make improvements to the product. The lean approach of Northern Spirit additionally corresponds well to the theories of community-driven innovation by Desouza et al. (2008). A model of the described process can be seen in the below figure, whereas the blue color underlines the constant presence of the community in the entire process, from the initiation phase until the constant product loop:
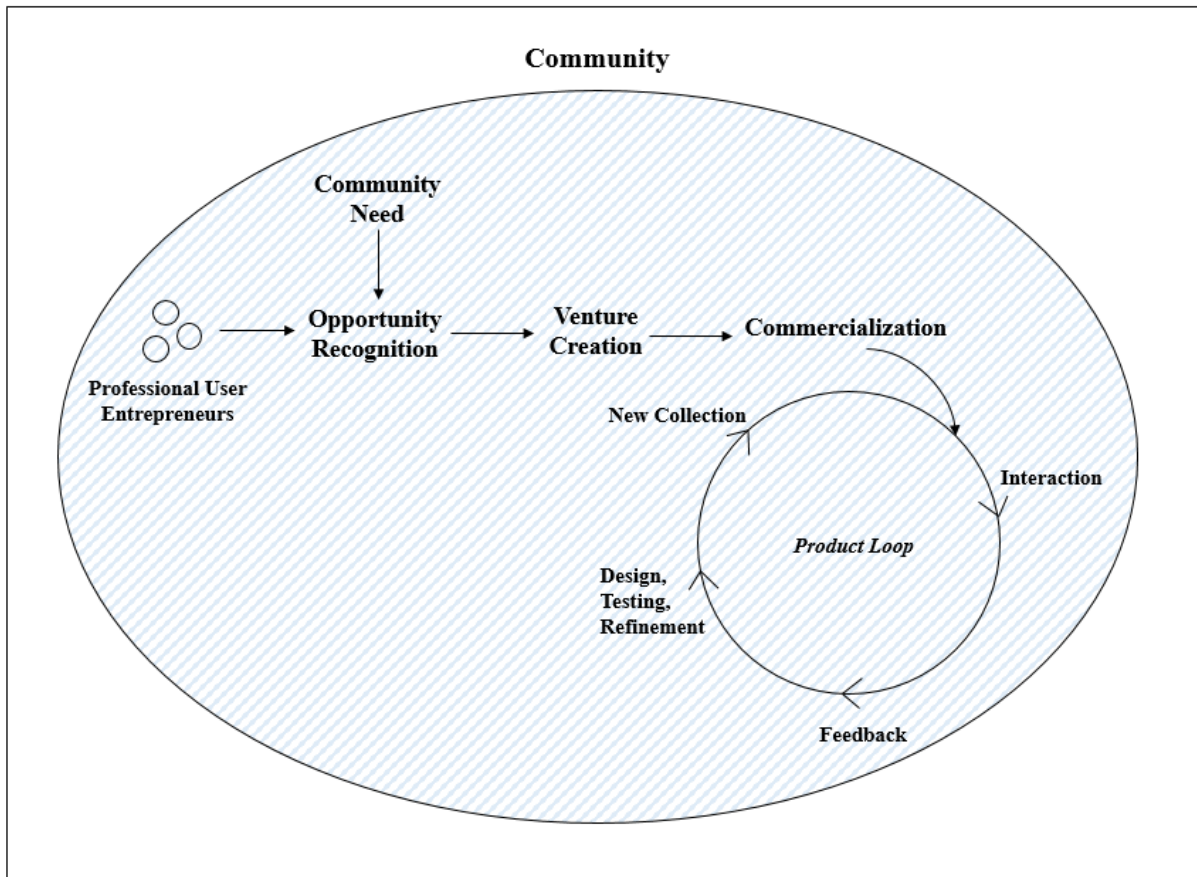
Figure 4: Model of community-based entrepreneurial process

A further explanation of the model will now be made to make it more clear and coherent. The initial contribution by the community as seen in the opportunity recognition, relates to the concepts of community-based entrepreneurship in the paper. This is also the stage of the process where entrepreneurship is described, through the involvement of professional user-entrepreneurs. Furthermore, when observing the stage in the process where new ventures are created, feedback is received and implemented, it relates to the concept of community-driven innovation described in the paper. The conception of innovation is likewise present in this stage as well, relating to theory in the paper discussing product development in already existing new ventures.

To sum up the conclusion of the discussion, new ventures gain a multitude of privileges when adopting the model of the community-based entrepreneurial process. Instead of spending resources on finding the right customers, testing the market and receiving feedback, a community-based new venture is fortunate to have those things covered by the community

itself. The community creates its own ecosystem and thereby can supply itself with the information and resources needed, to drive the new venture forward.

6 Conclusion

The conducted research contributes to existing literature by opening a new discussion within entrepreneurship theory called community-based new venture creation, hence new ventures created within communities. The paper demonstrates a new model of how entrepreneurial processes can develop within already existing communities, highlighting the importance of the entrepreneurs and the community. Further on, the research paper explains how entrepreneurs can make use of communities for the creation of new ventures, whereas we investigate an in-depth case study about Northern Spirit.

The aim of the conducted research was to answer the following research question:

"How do entrepreneurial processes develop in community-based new ventures?"

Based on the empirical findings and analysis of the collected data, the conclusion regarding the entrepreneurial process is that community-based new ventures significantly benefit from having professional-user entrepreneurs who are part of an already existing community with strong ties. Creating a new venture within a community, entrepreneurs have the advantage of possessing a potential and already established customer base. Individuals within the community create an exceptional environment for the entrepreneur to launch his/her venture in a lean and innovative way. Instead of having customers spread out over the world without any connection to each other, strongly bonded communities help entrepreneurs receive high quality feedback in a simple way. Working with the community before creating a new venture provides the entrepreneur with necessary tools for a successful product development.

To seize an opportunity that arises within a community, the skills and experience of a professional-user entrepreneur can be seen as beneficial in this particular case. The founders of Northern Spirit could scale and grow their business through their entrepreneurial skills, which they gained through previous work in similar industries, past university education and trial and error from former entrepreneurial activities.

The implications of our study suggest entrepreneurs should consider strong ties within communities when founding a new venture. Understanding the mechanism of the case from

Northern Spirit, it can be taken as an extraordinary example which may or may not be transferred to other industries. It is a favorable setting to have the backup and support of a community while initiating the entrepreneurial process, embed the community and interact in the community while bringing out new products.

Since the conducted research is based on a single in-depth case study, we suggest future research to conduct studies on multiple cases and cross-analyze the findings. The discovered phenomenon has to be investigated further to confirm the findings on Northern Spirit in more ventures and across industries. The fact that the single case study was conducted on a CrossFit brand, opens up for future research within the field of CrossFit, as well as other sports with strong communities. Additionally, this paper suggests researchers to consider a broader exploration in the field of entrepreneurship, regarding community-based new ventures and professional-user entrepreneurs. A new model was being initiated and portrayed in this paper, which needs further elaborations and confirmation within the field of entrepreneurship.

Moreover, the study focused on the entrepreneurial process in new venture creation within communities, but did not expand in the area of community types. It was touched upon when discussing local and global communities, but further research can be made in that area, especially with social media also leading to increasing engagement of communities virtually. By researching further on this topic, the authors believe that the presented model for the community-based entrepreneurial process can be expanded or new forms created.

Further research can likewise be conducted on the expansion of the professional-user entrepreneur and how she/he plays a role in the creation process. In this paper, the founders of Northern Spirit were described as professional-user entrepreneurs. Hence, since they were involved in a community from the start, they could be seen as members and not as users. This opens up for further research in the area, making it possible to develop a new term within the existing entrepreneurial theory as member entrepreneurs.

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Appendix

<u>Interview Guide for the semi-structured interviews at Northern Spirit:</u>

Founders:

<u>Entrepreneur's background</u>

Tell us a little bit about your personal background (family, interest, academia, hobbies etc.)

Information about the team

What kind of culture do you have within the team?

How do you as founder inspire others in your team and community?

Have the core values in the team and the value propositions changed over time?

The view about the company and its success factors

Who is your main customer and how do you approach them?

What kind of impact did your past have on the launch of Northern Spirit?

<u>The CrossFit community</u>

What defines the CrossFit community, what makes it special?

The inbound of the community along the ventures process

ow did Northern Spirit benefit from the CrossFit community?

How do you sustain the community feeling in the startup?

<u>Different challenges encountered during the venture's lifespan</u>

What were the main challenges when creating a startup within a community?

Did the vision change in the startup over time?

What are the main challenges now and how are you handling them?

Digital Marketing and Branding responsible:

Personal Information and background

Tell us a little bit about your personal background (family, interest, academia, hobbies etc.)

About your work and Northern Spirit

How did you find out about Northern Spirit?

What made you become an employee for Northern Spirit?

How has Northern Spirit influenced you in a positive way?

What are your responsibilities?

Do you feel a part of the Northern Spirit community?

How does Northern Spirit sustain its community feeling in the team?

Success for digital marketing strategy

Which channels do you use?

How is the language you use?

How do you communicate the community feeling?

Is it easy to work with the brand ambassadors?

Do you get a lot of feedback from them?

What is your long-term strategy?

Brand Ambassadors:

Personal Information and background

Tell us a little bit about your personal background (family, interest, academia, hobbies etc.)

50

Understanding of Northern Spirit

How did you find out about Northern Spirit?

What made you become an ambassador for Northern Spirit?

How has Northern Spirit influenced you in a positive way?

What are your responsibilities?

Do you feel a part of the Northern Spirit community?

How does Northern Spirit sustain its community feeling with you?

Do you know the core values and value propositions of Northern Spirit?

What privileges do you have as an ambassador?

Does Northern Spirit arrange events for all you ambassadors?

What makes it easy for you to love Northern Spirit?