Standing in the Way of Control

A Study on the Creation of Markets by Entrepreneurs

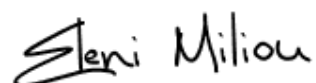Author: Eleni Miliou 40099
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Abstract

"Entrepreneurs see opportunities and build markets around them."

(Santos 2004)

Entrepreneurship presents itself as a viable solution to current financial turbulences, as it has the power to create not only companies and thus jobs but also markets within economies that suffer (Read and Sarasvathy 2005; Sarasvathy 2001; Santos 2004). Despite the acknowledgement of this fact, there is little academic research into how exactly entrepreneurs create those markets, which leaves a gap in research and in our knowledge about this phenomenon.

The purpose of this thesis is to improve the understanding and conceptualization of the 'entrepreneurial market creation' *process* by investigating the link between entrepreneurship and market creation. In order to do so, the ethnographic case study of LoudSauce is presented and analyzed. LoudSauce is an online 'doing-good' startup based in San Francisco, California that aspires to *"transform the medium of advertising from one that has traditionally fueled consumption to one that fuels civic participation."* Additionally, LoudSauce is faced with the challenge to create its own market. The startup *"is helping to create the (non-existent) market for citizens to buy media."*

As the main tool for analysis, a consolidated framework – the G&S model – is developed, which draws from both existing literature and empirical observations from LoudSauce. The aim of this framework is to codify the knowledge gained from LoudSauce, in a compact way so that it can be easily compared to other cases and used for further research. Findings indicate that there are two main forces that act as catalysts during the entrepreneurial market creation process: vision and serendipity. They strongly influence each other and the process as a whole. Additionally, two types of external factors have been identified: human and intellectual factors. Entrepreneurs use these two types of 'means at hand' to craft a company. The outcomes of the process in the G&S model can lay the foundations of a brand new market.

Key words: entrepreneurship, market-making, performativity, market creation, process, effectuation, serendipity, vision, G&S model, innovation, marketing

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1 Introduction

Introducing the topic and more specific problem area, this chapter is focused on – shortly – describing what will follow in the rest of the thesis as well as creating interest and highlighting the importance of the research.

Most people think of entrepreneurs as extremely risk-taking, brave and ambitious individuals, that are determined to make their own fortune. Unfortunately, most people don't think they are – or can be – one of them. But, in face of current economic turbulences, uncertainty takes a whole new dimension. Suddenly, states that have been considered credit-worthy are on the verge of bankruptcy and jobs that have been characterized as 'secure' are lost. The butterfly effect[1] of a truly interconnected, globalized world is felt more than ever within the current economic system. Who is to say that they can predict the future and choose safely?

Entrepreneurship has the power to not only employ an individual otherwise unemployed (entrepreneur) but to also create more jobs for economies that are suffering, which makes it a very important discipline to study. There exists a clear need for the systematic investigation and thorough understanding of entrepreneurship, as a process that can be studied, taught and reproduced. But more importantly, a process that can be systematized and replicated at a potentially decreasing cost with a higher success-to-failure ratio. If we can understand how entrepreneurs detect possibilities, judge their feasibility and turn them into reality, there is a chance we can teach our children at school how to 'make their own fortune'.

A few scholars have pointed out that entrepreneurs not only create companies, but they sometimes create the market they will operate in (Read and Sarasvathy 2005; Sarasvathy 2001; Santos 2004). Despite the acknowledgement of this fact, there is little academic research into how exactly entrepreneurs create those markets. Nevertheless, there is a more developed field of marketing that deals with 'market-making' (also referred to as market shaping or market creation[2]), a concept that comprises all activities that create, shape and influence the overall market structure. Most of the relevant research to date, though, has been focusing on companies and their market shaping activities (mainly marketing). Although arguably interdisciplinary, there exists a gap in research and in our knowledge of how entrepreneurial process and market formation interact and relate to each other. This gap is the problem area

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[1] "A property of chaotic systems by which small changes in initial conditions can lead to large-scale and unpredictable variation in the future state of the system". Source: http://www.merriam-webster.com/

[2] For the purpose of this thesis, 'market creation' refers to the construction of a market from scratch, while 'market shaping' refers to the influence on already existing markets. 'Market-making' is used as the umbrella concept that entails both meanings.

with which this thesis is concerned. From an economic and practical perspective, the importance of the intersection between entrepreneurship and market creation is almost self-explanatory. If entrepreneurship shows a clear advantage for economic growth by creating new jobs and teaching individuals to creatively solve problems, the entrepreneurial market creation bears multiple benefits for economies, nations and the world. With a new market come new ideas, companies, side-markets and more customers for supporting functions such as the legal, financial and retail markets.

Therefore, this thesis will investigate the link between entrepreneurship and market creation, focusing on the procedural aspect of both disciplines. This link can be understood as a situation where both of these processes take place, in other words any scenario where entrepreneurs create new markets in their quest to exploit a business opportunity. The purpose of the thesis is to improve the understanding and conceptualization of the 'entrepreneurial market creation' *process*. Since the focus lies on understanding processes, a qualitative research method is employed. The empirical research takes place within a company where both processes are in work, and the entrepreneurial market creation is necessary in the absence of an established market for the company's product. While working there as an intern, I have gathered ethnographic research material, that is used as the base for a thorough case study.

The focal company, LoudSauce, is a young social enterprise[3] based in San Francisco, California. LoudSauce provides an online platform for groups of people to collectively fund advertising campaigns that promote and inform about social, environmental and ethical issues. The company's vision is to *"transform the medium of advertising from one that has traditionally fueled consumption to one that fuels civic participation."* LoudSauce uses the power of crowdfunding, to publish media campaigns that would otherwise never be realized. Organizations and people can use LoudSauce to inform larger audiences about issues that matter to them and provoke thought and action. LoudSauce gives people the power to control to some extent what is being broadcasted to them, and transform advertising into a more human-centric and less commercial medium. Such a revolutionary vision and business idea simply do not belong to any of the existing markets, and thus the question arises when and how the market for individuals that buy media space is created. LoudSauce is a startup that operates for about a year now, and thus it poses a great opportunity to study the entrepreneurial market creation process in its seeding stages.

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[3] "Social enterprises—defined simply—are organizations seeking business solutions to social problems" (Thompson & Doherty 2006).

Starting this intellectual exploration, I will be reviewing the most significant works in the history of entrepreneurship research as well as the major market-making theories. Since the intersection of the two is under-researched, I will also present some relevant theories from other disciplines that can help bridge any gaps and create a more holistic picture. Furthermore, I will elaborate on the iterative logic and qualitative method I have used throughout this thesis. After that, I present the case of LoudSauce in more detail with all personal information, stories and inside knowledge I have acquired during my one-month stay in California. From the case study, I classify small stories into main themes that can be identified throughout the case. Based on these preliminary themes, I develop a consolidated framework that draws from both existing literature as well as my empirical observations from LoudSauce. The aim of this framework is to conceptualize and codify the knowledge gained from LoudSauce, in such a way so that it can be easily compared to and tested on other cases. The model is subsequently applied on LoudSauce, not to prove its validity but merely to illustrate how it works for the particular case. Concluding, I will answer the specific research questions posed later in the thesis and discuss the implications of the new framework for theory and practice. Finally, future research areas will be suggested and the limitations of this study will be realized.

2 Theory

In this chapter, several theories are being discussed first about entrepreneurship and then about market creation. Finally, some relevant theoretical thoughts are presented that have influenced my way of thinking and writing this thesis. While only a few of these theories are used to develop the G&S model later on, all of them mentioned in this chapter are framing the mindset of this thesis and are thus important for the reader's understanding.

2.1 Conceptions of Entrepreneurship

The word 'entrepreneur' dates back to 19th century French and it was initially used to denote the director of a musical institution. Nowadays most people understand an entrepreneur as "a person who sets up a business or businesses, taking on financial risks in the hope of profit" (Oxford Dictionary 2011). Nonetheless, in academic research many attempts have been made to systematically produce a universal and coherent definition, but the fact is that there exist as many definitions as there are practitioners. Notwithstanding, there are central themes around which the relevant research has evolved such as the entrepreneur's personality traits, the entrepreneurial 'essence' or spirit, and lately entrepreneurship as a process that involves both individual behavior and business opportunities. A great amount of research has also been dedicated to the comparison between entrepreneurs and managers, as well as the similarity or discrepancy among entrepreneurs as a group.

The main feeling one gets when reviewing the literature of entrepreneurship is the frustration of researching scholars about the lack of a unified definition of both entrepreneurship as a phenomenon and the entrepreneur as a person. Scholars have engaged in a decade long debate in a quest to define the 'entrepreneur' but it seems that until today, this notion eludes a precise definition. As Bygrave and Hofer (1991) point out it is impossible to theorize without definitions and the fact that no consensus has yet been reached on a clear definition might be the biggest obstacle to developing robust theories for entrepreneurship.

2.1.1 Historical Beginning and First Steps

Entrepreneurship as a field of academic research is relatively young. One can confidently argue that the pioneer of the field was Austrian economist Josef Schumpeter. Schumpeterian theories have been widely spread and served as starting point for many scholars within the field. Schumpeter (1934) was practically the first to introduce theoretical considerations about entrepreneurs and their importance for economy and society. He believed that what sets the entrepreneur apart is innovation, as he viewed the entrepreneur more as an exploiter that

combines existing elements in novel ways than a true inventor of new knowledge. Schumpeter unlike many of his successors did not focus as much on the role of risk because he believed that entrepreneurs have similar preferences in risk-taking and equal chances at failure as managers do. Hence, a possible comparison between the two groups is not only impossible but also meaningless.

Another line of research, based on the ideas of Frank H. Knight (1921), highlights the importance of uncertainty. In the Knightian view, entrepreneurs face uncertainty from the unknown availability of natural resources, technological changes and fluctuating prices. To cope, they need to exhibit particular characteristics such as self-confidence, judgment, foresight and luck. Hence, entrepreneurs are portrayed as opportunists that can accurately assess the odds in particular situations, rather than individuals born with an entrepreneurial essence. Knight's most important and renowned contribution, is the distinction between risk and uncertainty. Uncertainty is uncontrollable, whilst risk is entirely computable. He argues that the role of the entrepreneur is to handle incomputable uncertainty by assuming responsibility and baring the consequences for the decisions made. According to Knight (1921), *"the only 'risk', which leads to a profit, is a unique uncertainty resulting from an exercise of ultimate responsibility which in its very nature cannot be insured or capitalized nor salaried"*. It was Frank Knight, who put the entrepreneur in the center of attention for economists by showing that the realization of 'profit' is indistinguishable from the necessity to deal with uncertainty, especially the kind that cannot be diversified away. He classified the vagueness of decisions according to our knowledge (or ignorance) about the future, into three types of uncertainty: a) risk, b) uncertainty and c) true Knightian uncertainty.

The three Urns of Frank Knight

In order to illustrate the different kinds of uncertainty, a common statistical metaphor has been employed over time; the three urns with colored balls (Kamien 1994). Problems involving *risk* are comparable to a speculative game with an urn containing 5 green and 5 red balls. The person who draws a red ball is awarded a prize of $50. Using plain mathematical techniques, one can precisely calculate the probability of pulling a red ball for every draw. The reason is that we know the exact distribution of balls (possible outcomes) inside the urn.

For problems involving *uncertainty*, the award is still $50 for a red ball, but this time we do not know the underlying distribution of balls inside the urn. This includes ignorance about the total number of balls, their color or even the existence of any red balls at all. In statistical theory, games involving the first type of urn are solved using classical analytical techniques whereas the second type is approached via estimation techniques. Through approximation and historical data, the unknown distribution is estimated and thus the urn is converted into an urn of the first type.

This makes the problem object to analytical techniques, and probability theory can be applied once again.

Problems involving *true Knightian uncertainty* assimilate a situation where neither the number nor the color of the balls in the urn is known. Furthermore, no simulation can be based on historical data, since this game, as well as the winning color and monetary reward are unknown. The third Knightian urn embodies the only type of true uncertainty, one that can neither be diversified away, nor reduced over time through empirical experimentation and learning in pre-existent markets (Sarasvathy 2001).

2.1.2 Personality Traits

After World War II, the focus in the field shifted from representational and descriptive theorizing to an attempt to develop entrepreneurship in practice. Naturally, the purpose was to boost economic performance by successfully 'identifying' entrepreneurs and stimulating them to take action. Consequently, the behavioral approach to entrepreneurship was developed by behavioral scientists, especially psychologists, who saw a need to discover the attributes of a good businessman. Ever since, an amazingly large body of research has been dedicated to the research and discovery of entrepreneurial personality traits. A comparison to the field of management is unavoidable, where researchers have also spent considerable time investigating the attributes of leaders and looking for an answer to whether leaders are born or made. Similarly, entrepreneurs have long been assumed to be a "breed apart", special individuals that are unpredictable, particularly gifted and risk-taking. As the definition of the entrepreneur still remained elusive, the attention shifted towards *comparison* with non-entrepreneurs, and managers in particular, a choice that has not yet been sufficiently motivated. Many researchers have delved into such comparisons based mostly on risk propensity (Stewart and Roth 2007; Miner and Raju 2004) and achievement motivation (McClelland 1961) differences. Nevertheless, some meta-analyses show that a relationship between personality traits and entrepreneurial status cannot be supported (Stewart and Roth 2007).

Risk Propensity

Risk propensity is the predisposition of an individual towards taking risks in any given decision-making scenario and it is a focal point around which the trait debate has been rotating. McGrath et al. (1992) found that across various cultures entrepreneurship is associated with low uncertainty avoidance. Stewart et al. (1999) maintain that there is a certain amount of riskiness innate in business owning that is not always found in managerial situations. Palich and Bagby (1995) showed that entrepreneurs tend to view the same scenario more optimistically than managers. A fact, that led them to conclude that entrepreneurs perceive more positive outcomes

and less risk in a given situation than managers. In turn, entrepreneurs exhibit higher risk propensity when compared to the 'normal', average managerial behavior.

Nevertheless, more recently, some scholars disregard this view by claiming that risk-taking tendency is uncorrelated to entrepreneurial activity. Norton and Moore (2002) conclude that no differences regarding risk-taking can be traced between entrepreneurs and non-entrepreneurs. Miner and Raju (2004), after meta-analyzing previous studies, conclude that entrepreneurs are more risk-avoidant than managers. Brockhaus (1980) finds that risk propensity is not a distinguishing characteristic and argues that previous contradicting results can be attributed to the study of established and serial entrepreneurs. A logical point to raise is whether or not 'managers' and 'non-entrepreneurs' are the same group of people, or if this distinction can even be made. Such doubts compromise the generalizability and comparability of most risk propensity studies. This fact has recently led scholars of entrepreneurship, just as their colleagues from management, to turn to the methodical investigation of processes instead of individual attributes.

2.1.3 Entrepreneurship as a Process

A major branch of research is formed by scholars that question the notion behind personality trait theory and try to direct academic attention towards a more systematic approach of studying the entrepreneurial phenomenon. In this view, entrepreneurship should be conceived as an autonomous process that can be studied and replicated separately from the individual entrepreneur. Gartner (1988) states that entrepreneurship is "the creation of new organizations", a definition that reflects the procedural approach. Bygrave and Hofer (1991) spot a shift from the traditional focus on traits towards a revised and new focus on the entrepreneurial process itself. They stress the importance of investigating this unique, dynamic and holistic process and abandoning the conservative quest for entrepreneurial attributes.

Shane and Venkataraman (2000) attempted to study entrepreneurship by breaking it down into its key components: opportunities and individual, where the first is under- and the latter over-researched. Baron and Ensley (2006) investigate how opportunities are perceived by entrepreneurs and what the difference is in that perception between novel and expert entrepreneurs. Their findings suggest that opportunity recognition may be related to pattern recognition, a process of the human mind that uses cognitive frameworks to 'connect the dots' between seemingly unrelated events. They also find that experience positively affects the development of accurate frameworks, which in turn lead to better opportunity recognition and thus higher success rates. Baker and Nelson (2005) investigate the notion of entrepreneurial *bricolage*, introduced by Levi-Strauss in the 1960's. Bricolage is 'making do with what is at hand', simply making something out of nothing by exploiting physical, social or institutional inputs. Levi-

Strauss (1967) has described the rules of the bricoleur's game as the following: a) refusal to enact limitations, b) combination of resources for new purposes, and c) using the resources at hand. Bricolage as a concept has been utilized in a wide range of disciplines from biology and engineering to law and social studies.

The Effectual Logic

Relevant to the process of bricolage, Sarasvathy (2001b) introduces the concept of effectuation; an "inversion of the rational choice theory" (Read and Sarasvathy 2005). While rational choice, also referred to as causation or predictive rationality, rests on prediction, effectual logic rests on control (Table 1). "*Causation processes take a particular effect as given and focus on selecting between means to create that effect. Effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means*" (Sarasvathy 2001). Effectuation was developed as an attempt to find a logic that more accurately explains entrepreneurial behavior, since predictive rationality was clearly not sufficient. As Sarasvathy and Simon (2000) elegantly put it: "Where do we find rationality when the environment does not independently influence outcomes or even rules of the game (Weick 1979), the future is truly unpredictable (Knight 1921) and the decision maker is unsure of his/her own preferences (March 1982)?"

Differences	Causation	Effectuation
Underlying logic	"To the extent we can predict the future, we can control it"	"To the extent we can control the future, we do not need to predict it"
View of the future	*Prediction.* The causal approach views the future as a continuation of the past that can be acceptably and usefully predicted.	*Creation.* The effectual approach views the future as contingent on agents' actions, largely nonexistent and a residual of actions taken. Prediction is unimportant as a result.
Basis for commitment	*Should.* Commit as a course of maximizing, analysis, and what should be done.	*Can.* The effectual approach is to do what you can (what you are able to do) rather than what your prediction says you should.
Basis for taking action and acquiring stakeholders	*Goals.* Main goals determine sub-goals. Commitment to sub-goals is constrained by means. Goals determine actions, including individuals brought on board.	*Means.* Actions emerge from means and imagination. Stakeholder commitments and actions lead to specific sub-goals. Feedback thereof leads to design of major goals.
Planning	*Commitment.* Path selection is limited to those that support a commitment to an existing goal.	*Contingency.* Paths are chosen that allow more possible options later in the process, enabling strategy shift as necessary.
Predisposition towards risk	*Expected Return.* Pursue the (risk-adjusted) maximum opportunity, but not focus on downside risk.	*Affordable Loss.* Do not risk more than you can afford to lose. The calculation is focused on the downside potential.

Table 1. Comparing Causation and Effectuation. Adapted from Read & Sarasvathy (2005) and Sarasvathy (2001b).

As Sarasvathy (2001a, 2001b) points out, the simplest way to clarify the difference between these two lines of thought is the example of a chef cooking dinner. There are two ways to complete the task. In the causal approach, the restaurant owner picks a menu and thus all the chef has to do is list the ingredients needed and go grocery shopping. In the effectual approach, the owner asks the chef to look through the kitchen for possible ingredients and utensils, and combine them to cook a meal. In this case, the chef has to imagine possible recipes that would fit the given ingredients (means) and select the most appropriate one to be cooked that evening. Extending this paradigm to business, causal reasoning suggests that the market demand should be initially estimated together with possible product lines and cost structures. Subsequently, the manufacturer needs to source the raw materials, process them and assemble them according to the predetermined plan. Thinking effectually, the manufacturer has only a vague idea of a potentially profitable product. Combining the available means, like resources, capabilities and assets, he or she can come up with a product that is both viable to produce and fits the general description.

Sarasvathy (2001a) conducted an empirical study to test if experienced entrepreneurs are indeed using effectual logic to assess business scenarios, compared to the logic used by managers in the exact same situation. The findings indicate that entrepreneurs are actually thinking effectually, and identify three categories of 'given means': 1) who they (entrepreneurs) are, 2) what they know, and 3) whom they know. It seems that the 'given means' of effectuation coincide with the set of "odds and ends," such as physical artifacts, skills, or ideas, used in the process of bricolage. Levi-Strauss might not have provided us with a concrete definition for bricolage but he highlighted the most important rule of the bricoleur's game: to "always to make do with 'whatever is at hand'" (1967).

Furthermore, effectuation is also closely connected to the Knightian classification of uncertainties. Essentially, the logic of effectuation is based on the third type of uncertainty, or as scholars name it, the *true Knightian uncertainty* (Knight 1921). Effectual reasoning suggests a rather different logic than the variations of predictive rationality used to deal with risk and uncertainty (first and second problem). Going back to the Knightian urns scenario, an effectual approach to the third problem would go somewhat like this: "Whatever the initial distribution of balls in the urn, I will continue to acquire red balls and put them in the urn. I will look for other people who own red balls and induce them to become partners and put their balls in the urn. As time goes by, there will be so many red balls in the urn that almost every draw will obtain one. On the other hand, if I and my acquaintances have only green balls, we will put them in the urn, and when there are

enough, will create a new game where green balls win" (Sarasvathy 2001a). At this point, it is plausible to argue that this kind of thinking involves more hope than realistic considerations, and in real-life many entrepreneurs do fail. But this does not obliterate the fact that entrepreneurs are concerned with shaping the world around them and defining the rules of the game, rather than try to predict it and passively react to those predictions.

2.1.4 Key Concepts

For the purpose of this thesis, these key terms are defined as following[4]:

- Entrepreneur: "a person that identifies opportunities and assumes the risks and benefits of commercially pursuing them"
- Entrepreneurship: "the process of identifying opportunities, and using suitable means 'at hand' to profitably exploit them"
- Start-up: "the first stage of a business venture initiated by an entrepreneur, to commercially exploit an identified opportunity"
- Manager: "someone who has the operational and strategic responsibility for a business venture owned by someone else"
- Risk: "is the computable probability of gain or loss resulting from assuming responsibility for decisions made in an unknown environment"
- Risk propensity: "an individual's tendency to prefer an unknown, risky scenario, rather than a safe, known situation"

2.2 Market-making Theories

In order to delve into the logic and research of market-making, i.e. the creation of new markets and the shaping of existing ones, a necessary first step is to define what 'market' really means, at least for the purpose of this thesis. The 'market' is another notion very well debated in the realm of marketing research, and beyond. The prevalent conceptions of markets portray them as bounded arenas for price negotiations. Within literature, the market is usually depicted as a 'place'; the meeting ground for buyers and sellers, an "encounter between heterogeneous calculative agencies" (Callon and Muniesa 2005). Rosa et al. (1999) see product markets as dynamic sociocognitive phenomena shared among producers and consumers. This view of a market as a (physical or immaterial) meeting point coincides with the Ancient Greek term 'agora', which literally means the place where people meet to trade and exchange goods and ideas. A millennia-old notion borrowed from ancient civilizations, to the science of economics and from there to marketing. Hence, the marketing discipline has tended to describe markets as passive

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[4] All definitions by the author.

and given backgrounds, a 'market backcloth' against which discrete exchanges are being conducted (Araujo et al. 2010).

It seems though, that recently several scholars have disagreed with this static and outdated way of looking at markets, depicting them as something existing that cannot be changed by actors who are restrained by it. Araujo et al. (2010) suggest that markets are practical outcomes of organizing efforts and as such they are "always in the making rather than ready-made" (Latour 1987). Alderson and Cox (1948) point out that "markets are not the spontaneous, self-organizing collections of dyadic exchanges portrayed in marketing textbooks". Markets are rather being created and shaped as a result of actors' ideas, intentions and actions. "A market changes day by day through the very fact that goods are being bought and sold" (Alderson and Cox 1948). As a consequence, a number of marketing scholars have initiated a collective effort to study market practices focusing on how marketing ideas and practices shape the very market they're supposed to react upon (Helgesson et al. 2004). This view of 'market shaping' suggests that markets are being shaped every day by marketing practice, hence "market practice is all there is, which both shapes and markets" (Kjellberg and Helgesson 2007).

Kjellberg and Helgesson (2007) develop a conceptual model of markets as constituted by practice. This conceptualization portrays markets as dynamic outcomes of three interconnected types of practices: *normative*, *representational* and *exchange* practices. Normative practices are all activities concerned with establishing normative objective, such as laws and regulations, public policies and state incentives. Representational practices attempt to display images of markets and the mechanics ruling them by using statistics, reports and other descriptive methods. Exchange practices comprise all economic and trade exchanges, carried out in the context of a market. Each type of practice is affecting and affected by any other given type. No market practice remains sovereign and unchanged.

The different types of practices are interlinked by translations. 'Translation' is the basic social process through which something; an idea, text, product, or technology, spreads across time and space (Latour 1986; Callon 1986). If no one is there to pick up this intellectual construct, nothing happens. This holds equally true for the first, the second and the last in the row. But those who do pick it up modify its nature and essentially contribute to its survival. Translations will usually not leave anything unaltered; modification seems to be inherent in the process of transporting. If a construct remains the same despite being spread, it constitutes an exception and requires a special explanation. The whole process and conceptual model are depicted in Figure 1.
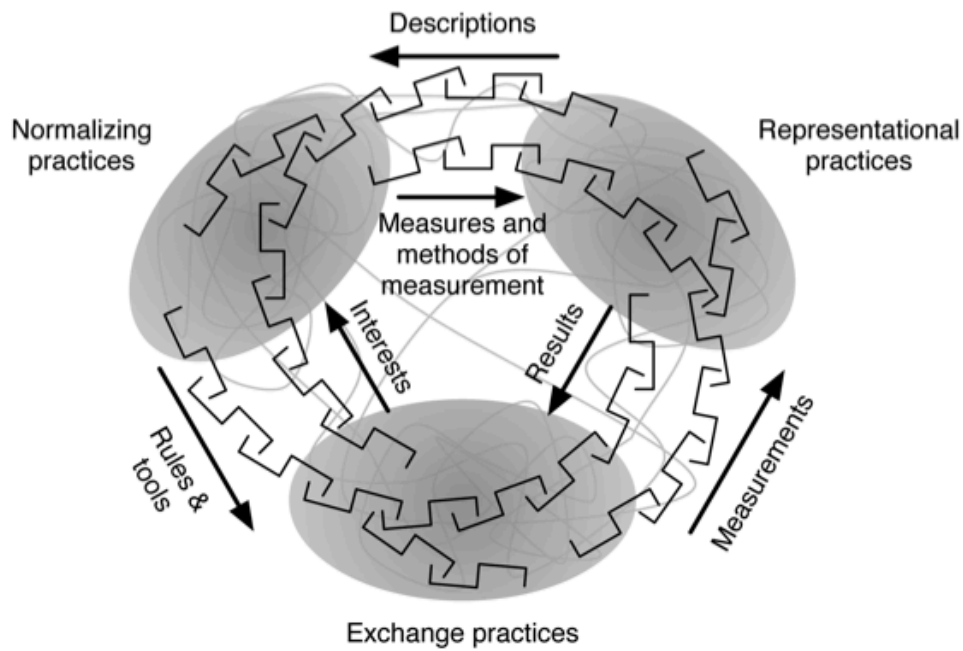
Figure 1. Translations and intermediaries in market practice. Source: Kjellberg & Helgesson (2007)

A major part of Kjellberg and Helgesson's argument is based on recent sociological findings investigating the role of *performativity* of market theories. Performativity is the perception that ideas about markets (but also marketing tools) take part in shaping markets (Callon 1998). In general, performativity is the process by which words, ideas and theories about a real-world object, affect the object itself. In other words, the way think, describe and speak about reality, makes that reality some true. In marketing, in particular, it's about time we "take seriously the role of ideas in the making of markets" (Kjellberg and Helgesson 2007).

Sarasvathy and Dew (2005) consider new market creation as a process involving a new effectual network of stakeholders. The network is initiated through commitments (based on the three types of means) that expand resources and converge constraints, which in turn result in the new market. Their basic argument is that new market creation can be conceptualized as a transformation process. Transformation is the act of commitment by two (or more) stakeholders to a particular future X, which sets in motion an effectual network that grows even as it transforms extant realities into a new market. New markets emerge as a result of firms engaging in adaptive processes of exploration and exploitation within a changing competitive landscape. The various actors involved need to explore a variety of possible markets that exist in the theoretical realm. Underlying this view of exploration is the notion that there pre-exists a universe of all possible markets that compete for winning and this space may be so vast that enormous amounts of search and experimentation are required, not to mention dead-ends along the way.

2.3 On the Intersection of Entrepreneurship and Market-making

"Entrepreneurs see opportunities and build markets around them." – (Santos 2004)

Despite sporadic theoretical considerations, no conscious, systematic attempt has been made to combine theoretical constructs and models into an integrated framework drawing upon knowledge from both entrepreneurship and market-making. Nevertheless, research has many times pointed out that entrepreneurs not only create opportunities and companies, they sometimes also create the market they operate in (Santos and Eisenhardt 2004; Azimont and Araujo 2007). The idea that entrepreneurs create firms in the absence of markets is slowly gaining ground with researchers (Shane and Venkataraman 2000). The complicated nature of the market creation process might have been the reason why academic research refrained for so long from investigating this possibility. Characteristically, most of the building blocks and vital information are not revealed or even realized until the market is fully created (Arrow 1974). Furthermore, Azimont and Araujo (2007) argue that in market-making, "marketing […] is a source of variation and novelty, relying on imagination and entrepreneurship rather than simply search for more efficient ways to connect supply and demand".

Nevertheless, there is actually little academic research into how exactly the entrepreneurial market creation process takes place. The majority of market-making research to date has been focusing on established companies and their activities shaping (formed) markets, while entrepreneurship scholars concentrated on personality traits. The closest research has come to combining these two lines of thought, is through the theory of effectual reasoning. Sarasvathy (2001) sketches effectuation as the dominant decision model for entrepreneurs, especially in the absence of pre-existent markets. She argues that the end product is fundamentally unpredictable at the beginning of the effectual process. In fact, the opportunity and even the market itself get created through the very process of effectuation. Simply put, both market and opportunity are contingent on the factors that affect the effectual process, such as who comes on board. Tasks like market segmentation and consumer profiling are simply included in the process of effectuation, and need thus not be predicted. Effectuators get the 'market for free' in their journey to establish a firm (Read and Sarasvathy 2005). Bygrave and Hofer (1991), state that becoming an entrepreneur "involves changing the external environment from one state (that *without* the venture) to another (that *with* the venture)". Moreover, the entrepreneurial process disrupts the competitive structure of the industry it lands in, and sometimes creates a new industry. They characterize this process as holistic (cannot be evaluated out of context), dynamic (both venture and industry evolve over time) and unique (no other setting will be identical or evolve similarly).

Another common axis of argument revolves around the realization that market segmentation is an ontological procedure (Osborne and Rose 1999), an effectual technique (Sarasvathy 2001) and performative attempt (Harrison and Kjellberg 2009) that crafts the very segments it sets out to discover. Harrison and Kjellberg's (2009) main argument is that segmentation in fact works as a constructive force rather than a mere descriptive technique. They empirically investigate their claim on the case of Biacore, a pioneering Swedish producer of affinity biosensors that was "in the enviable position of creating its own market" (Abelin 1997). They find that a constructive dimension of market segmentation underlies Biacore's efforts, one that has hitherto received little attention. Biacore engaged in the gradual construction of market segments through an interactive and iterative process involving close collaboration with early users. Similarly, Sarasvathy (2001a), reports that the most popular segmentation method used by entrepreneurs was to convert the initial customers into strategic partners. From there, effectuators move on to develop initial segments by either adding products or developing partnerships. Finally, they define the market at the very end of the process through a strategic vision for the company.

2.4 Other Relevant Theories

Due to the mentioned lack of literature and academic research on the very subject of this thesis, I draw on a variety of sources for inspiration. In this section I present a few relevant theories, to most of which I was introduced during my stay in California. Personally, I find them fitting to the problem area and highly relevant to creating a spherical understanding for the reader.

2.4.1 Design thinking

The term first emerged prominently in the 1980s with the rise of human-centered design. It is based on the notion that design is a 'way of thinking' that can be applied to a wide selection of problem areas, from product development to public health systems. Rolf Faste, a professor at Stanford, further defined and popularized design thinking in the 1980s as a way of creative problem solving. His colleague, David Kelley, carried these ideas on and translated them for the business world at his consulting company IDEO. Today, design thinking is viewed as a universal way of addressing intractable human concerns through design, in order to find creative and innovative solutions. The design way of problem-solving starts with a solution and then backwards engineers its path to the goal, opposed to the scientific method that starts with defining the problem and then determines possible solutions. Design thinking has been very popular among entrepreneurs, especially in Silicon Valley, because it allows for low-cost optimization of the product development process. Some of the fundamental concepts of design

thinking for business include rapid prototyping[5], early interaction of user and product, feedback and re-iteration of the design process until the product is matching exactly the user's wants and needs. In this sense, a 'mismatched' product is the result of too few such re-iterations. In short, no one should be afraid of failure, since it is the first and necessary step towards success. The motto is *"fail soon, to succeed faster".*

2.4.2 The Black Swan

The Black Swan (Cygnus atratus) is a large waterfowl, a species of swan, which breeds mainly in the southern regions of Australia and New Zealand. Fortunately, for this thesis the Black Swan is used in its alternate meaning, a term for describing a random and practically unexpected event that usually contrasts the projections of common predictive and statistical techniques. Since *all* swans in the Northern hemisphere had always been white, biologists concluded from century-long observational data that all swans *must* be white. In 16th century London, a 'black swan' was a common expression to describe something impossible. The black swan analogy came to an abrupt end with the discovery of Australia and New Zealand[6]. The black swan fallacy is mostly known for showcasing that a single observation or experiment can prove a whole theory or philosophical argument wrong (i.e. falsifiability), no matter how well founded the former is. Falsifiability or refutability is the logical possibility of a generally accepted statement being contradicted by a (single) observation or the results of an experiment. The fact that a certain proclamation is falsifiable doesn't mean it is false, it rather means that if it is false then some observation or experiment will be able to contradict it. Until then, the statement remains neither true nor false, just falsifiable. This view contradicts scientific induction, in that no general rules can be induced from (any) number of individual historical observations, since a single refuting observation can disprove the initial statement. Hence, falsificationism strives for refuting hypotheses rather than proving them.

The Black Swan: The Impact of the Highly Improbable

Much in accordance to this notion, Taleb (2007) claims that the discovery of black swans reveals a "severe limitation to our learning from observations or experience, since one single observation can invalidate a general statement derived from millennia of confirmatory sightings of millions of white swans". Notwithstanding, Taleb points out that falsificationism focuses on the *possibility* of the exception, while his own investigation evolves around the *role* of the exception. Hence, he

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[5] Very fast development of initial prototype for testing purposes (usually within a few days).

[6] After the discovery of Australia, Willem Vlamingh led an expedition that discovered and explored the Swan River in Western Australia (1697). Vlamingh and his crew are believed to be the first Europeans to ever see a black swan.

deals only with 'Black Swan' events, i.e. surprises whose impact can change the course of history; events that are post-rationalized as if they could be expected. Black Swans are typically statistical outliers; observations numerically distant from the rest of the data, in other words *highly improbable*. Since these events are highly subjective, a Black Swan for some; poses no surprise at all for others (e.g. the 9/11 terrorist attacks). Taleb mentions that any kind of entrepreneurship is dealing with Blacks Swans; serial entrepreneurship in particular is the mere 'practice of uncertainty'. He highlights that "people in the classroom, not having faced many true situations of decision-making under uncertainty, do not realize what's important and what's not". This is a statement that fits empirical observations of entrepreneurs disregarding textbook methods as irrelevant, and instead basing their judgment on extensive experience with *true Knightian uncertainty.*

2.5 Fusion of Theoretical Concepts

The common ground for most of the theories presented in this thesis is the fact that they contradict and challenge the status quo across scientific fields such as economics, cognitive studies, statistics and psychology. The fact is that most epistemic disciplines are based on established concepts such as scientific method and predictive rationality. Although, their usefulness is undisputable, their validity is limited to situations that fit a certain profile (controllable, known and comprehensible) and cannot be extended to more dynamic environments. New hypotheses and models aspire to fill this gap, such as the entrepreneurial method (Sarasvathy and Venkataraman 2011), design thinking, effectuation (Sarasvathy 2001) and Black Swan Theory (Taleb 2007).

2.5.1 The Power of Ideas

A prevalent theme in the covered literature is that the power of ideas is much higher than what has been acknowledged by science thus far. According to performativity, social studies have shown that the way we think and speak about the 'real' world ultimately shapes the object of description. An easily understandable example is the formation of stereotypes. The choice of words, adjectives and stories about a certain a group of individuals, forms the way the rest of society looks upon them, e.g. ethnicity or gender discrimination. In other words, the mere choice of literary means and expressions can create a (rather harsh and persisting) reality for many people. Connected to this idea, Kjellberg and Helgesson (2007) develop the representational type of market practice, which constitutes all the pictures, graphs, reports and models developed for a particular market. In this way, representational practices are not only describing but also shaping the market in a performative way. One such practice is segmentation, which has the power to form a market in the making (Harrison and Kjellberg 2009).

But ideas affect reality and markets also in a more indirect way. Taking on the concept of translation (Latour 1986; Callon 1986), it becomes quite visible that ideas do not only 'leave' once place and travel to another, but they equally 'arrive' somewhere, to someone. This entity, then 'collects' ideas, memories, stories and attitudes that have come to its attention translated from various sources. Combined with own the experience and mentality, such intellectual pieces can form some sort of belief, ideal or vision. A vision, as the collection of many smaller ideas has an enormous power to motivate people, organizations or even nations. If the recipient chooses to realize the vision in a commercial way, then we are most likely looking at an entrepreneur and the attempt to create a new company.

2.5.2 Success or Failure

Many of the related concepts thus far play around the notion of success *or* failure. Pay attention to the conjunction used between these two terms: or, and, versus, to. The way these concepts are related to each other poses a very interesting phenomenon. Do people choose to portray them as alternatives (or), complements (and), contradictions (versus), or ratio (to)? One thing is for sure, that these two concepts are central to entrepreneurship and the study thereof. I choose to see them as alternatives, because they both happen in life but not necessarily in a successive manner. The complementing view is more congruent with design thinking, where failure is necessary to succeed and both concepts re-iterate in a yin-yang fashion until balance is achieved. Some see success and failure in a contradicting manner; either you have the first or the second. There is no grey zone, nor the possibility of a third outcome. This is the logic of speculation, game theory and competitions, and for most people, of entrepreneurship. The relational approach is more economic and optimization-driven where successes are compared to failures and a ratio or percentage is calculated. This view is particularly useful for statistical and macro-economical purposes. It is my belief, that entrepreneurs and scholars alike should adopt the complementing approach of design thinking, in order to stimulate the growth of entrepreneurship. In other words, we should not ask ourselves 'Did I succeed *or* fail?' but rather 'How do I fail *in order* to succeed?' and try to remember to 'fail soon, to succeed faster'.

In this sense, design thinking resembles 'trial and error' heuristics that entrepreneurs and scientists have been using for centuries. On another note, it is closely related to effectuation and bricolage. Entrepreneurs as much as designers use what is 'at hand' to test ideas and delve straight into action without wasting valuable time to predict the outcome. Instead they learn fast from failed attempts and improve future experiments, while fine-tuning the end-product as well as their understanding of the market. Imagined scenarios gradually transform into reality through the progress of testing and the improvement of prototypes. Sarasvathy and Dew (2005) call this

process 'exploration' where effectuators explore numerous hypothetical markets in the realm of fantasy, until one concept proves to be real and prevails. The process mostly leads to failures and dead-ends but after extensive repetition it will yield successful results.

2.5.3 Effectuation

Effectuation is the leitmotiv of this thesis. It serves to connect the different theories with one another and provides a 'red thread' for the reader. The three means of effectuators (who am I, who and what do I know) are closely connected to bricoleurs' resources 'at hand' (Levi-Strauss 1967) but also affect the transformation process by determining initial stakeholder commitments (Sarasvathy and Dew 2005). The process of effectuation whereby the means are given but not the effect or goal, resembles per se the design thinking way, where the solution is formulated first and the goal is subsequently backwards-engineered. Sarasvathy (2001) emphasizes the unpredictability of results in terms of end-product and market, which is based on true Knightian uncertainty and resembles the design thinking process.

Furthermore, effectual and causal logic are in direct contradiction. In this sense, effectuation parallels the Black Swan theory. They both disregard predictive logic and statistics as a thing of the past that cannot explain significant events, such as historical moments or the viral success of a new product. Entrepreneurs often *cause* Black Swans, by coming up with commercial breakthroughs that shock markets or even create new ones. Effectuators are not concerned with predicting the future instead they focus on co-creating it. To the extent to which they control the future, by shaping it in their favor, they don't need to predict it. In other words, they "turn black swans into white". They understand that what they don't know is far more valuable than what they know, and engage in recruiting willful stakeholders with complementing skills and abilities. The common insight here is the realization that the study of the past (be it history or existing market patterns) cannot provide any knowledge that can be applied to new scenarios. After all, "history doesn't crawl; it jumps". (Taleb 2007).

2.5.4 Networks

As an extension to effectuation, Sarasvathy and Dew (2005) view new market creation as a process involving a new effectual network of stakeholders. The network is initiated through commitments that expand resources and converge constraints for the creation of a new market (transformation). Once the effectual network is set in motion, it grows continuously even as it transforms existing realities into new ones. Their choice of using the notion of a network is particularly interesting, since it implies the presence of a dynamic and social process instead of a linear, personal attempt to create a market. Networks are used in a wide range of scientific disciplines such as anthropology, biology, sociology, mathematics, physics and computer

science. The most relevant to business are social networks, which are basically graphs depicting a large number of individuals (nodes) and their relationships (links). Latour (2005) introduced the actor-network theory, whereby networks comprise of semiotic (ideas, knowledge, people) and material (technology, infrastructure, resources) nodes and the links thereof. Networks in turn can behave as actors that can embed in further networks and interact with actors as well as networks. Social network analysis, just like other network theories, differs from traditional social sciences in the fact that it is not concerned with personal attributes. The individuals are not discrete units of analysis. The focus lies rather on how the structure of ties affects the nodes and their relationships. In that sense, networks are autonomous from specific nodes and can thus be studied independently.

2.6 Problem Area and Research Questions

Following the theoretical discussion, the problem area of this thesis is the **entrepreneurial market creation process**. As indicated by literature, the outcome of such a process is unknown *a priori*, hence the investigation will focus on the *attempt* to create a market. In other words, the initiation of an unpredictable process of (purposefully or not) creating a new market carried out by an entrepreneur – usually in their quest to commercially exploit an opportunity. Since, this thesis is handling a case study, the analysis of the problem will naturally evolve around LoudSauce and Colin as the entrepreneur initiating the market creation process. In line with the general purpose of improving the understanding and conceptualization of the entrepreneurial market creation process, two specific research questions will be addressed:

RQ1: Entrepreneurial Market Creation Process

- What forces are at work during the attempt to create a market for LoudSauce?
    - o   How do they affect each other and the process as a whole?

Although it is an intuitively understood concept in general, there is a certain value in delimitating the meaning of the word 'force' for the purpose of this thesis. Force is "a person or thing regarded as exerting power or influence" (New Oxford American Dictionary). According to that definition, it is something that has influence over others. Additionally, in this thesis force is a dynamic concept that works over time as a sub-process that influences other dynamic or static elements of a bigger process. In other words, the power or influence of a force is long-term and the degree of that power is changing over time. Much like the forces of nature, as for example erosion, the forces in the market creation process have a subtle effect in the short run but a massive power in the long run. Thus, forces are a) powerful influences, b) dynamic sub-processes and c) have a long-term effect.

RQ2: Internalization of External Factors

- What types of external factors can be identified when it comes to the market creation attempt of LoudSauce?
    - How do these (initially) external factors get incorporated into the process?

Every process whether industrial, creative or just natural has internal and external elements. But more interestingly every process has internal and external factors, that means elements that actually affect the outcome of the process in one way or another. To properly study a process and the way it unfolds, it is crucial and very helpful to look on the factors that influence it whether from within or not. Finally, it is of additional interest to investigate how initially external factors can be internalized as the process changes in time like a truly dynamic concept.

3 Method

This chapter elaborates on methodology theory, presents the different options and justifies the choices made for this thesis, regarding research design, execution collection of data and method approach.

3.1 Qualitative Research

In its entirety, this study is using qualitative research methodology. Although there are plentiful empirical observations, the weight of the argumentation falls on theoretical concepts and personal judgment as well as on cognitive combination of existing theories. Moreover, as elaborated upon previously, the problem area of this thesis is an unexplored intersection between entrepreneurial method and market creation theories. Although this combination looks reasonable or even intuitive to the untrained eye, the truth is that no persistent attempts have been made to systematically study the phenomenon. Consequently, there is no directly relevant literature on which the empirical study can possibly be based. For this reason, after reviewing pertinent academic research, I combine the most important and dominant concepts into an integrated framework, that will be presented and explained in part 5. In rational terms, this is an 'abductive' logic; in other words an interplay between inductive and deductive argumentation styles.

The choice of a qualitative research method suits the purpose of this study well, since its main aim is to answer 'how' questions as well as understand and describe processes. In contrast to quantitative research that is depicting 'snapshots' of reality at the particular moment, the qualitative approach is more concerned with understanding universal processes regardless of time. Qualitative research tends to be "concerned with words rather than numbers" and is mostly building on an inductive relation between theory and research (Bryman & Bell 2007). Epistemologically, it supports interpretivism, according to which the emphasis is put on understanding the social world through the examination of its participants' interpretations. Ontologically, it embraces the constructionist view, which manifests that "social properties are outcomes of the interactions between individuals rather than phenomena 'out there'" (Bryman & Bell 2007). Finally, the qualitative approach treats theory as something that emerges out of the collection and analysis of empirical material, and focuses on appreciating inherent patterns rather than imposing preconceived ideas on the data.

Blumer (1954) distinguishes between 'definitive' and 'sensitizing' concepts in qualitative research thinking. He recommends that social researchers should realize that the concepts they use are

'sensitizing' in that they provide "a general sense of reference and guidance in approaching empirical instances". The researcher usually starts out with a broad outline of a concept, which is revised and narrowed as the collection, and analysis of data moves on. In combination to this process, the current thesis is also using the generic method of qualitative research (Bryman & Bell 2007). All in all, an iterative approach was used, where the research questions were revisited as new data was gathered and interpreted. Hence the problem area and research focus were polished, as the process unfolded in time. In Figure 2 the used research method is illustrated.
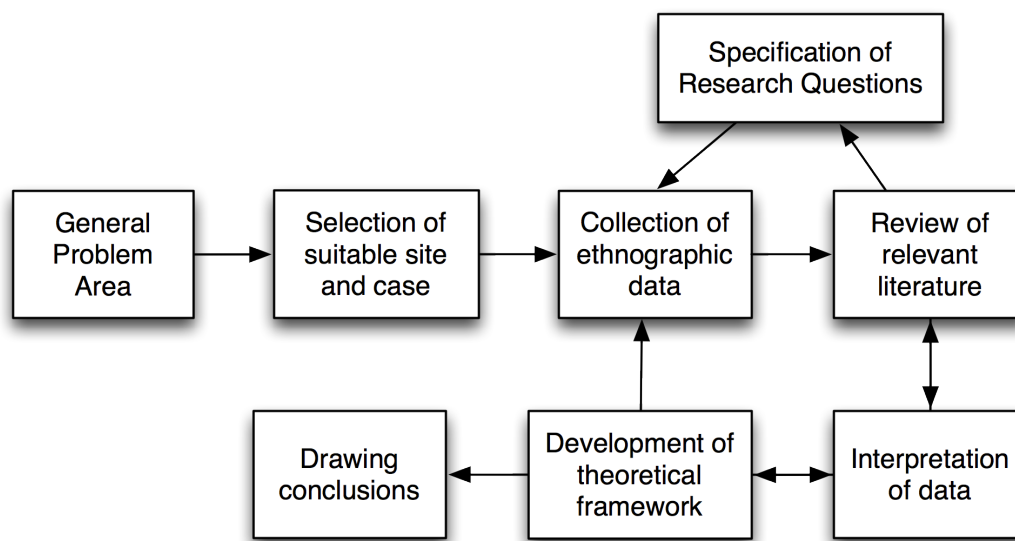
Figure 2. The main steps of the method used in this thesis. Adapted from Bryman and Bell's generic method of qualitative research (2007).

3.2 Collection of Material

3.2.1 Ethnography

Ethnography, or participant observation, as a research method originates from the field of anthropological studies; more specifically ethnography, where the term comes from. There exist many definitions for these two terms that are difficult to distinguish. Both concepts, though, refer to a researcher who "immerses themselves in a group for an extended period of time, observing behavior, listening to what is said in conversations both between others and with the fieldworker, and asking questions" (Bryman and Bell 2007). The term 'ethnography' is preferred most of the times, since 'participant observation' might imply that researchers are merely observing while in reality they do much more than that. This method has been borrowed and transferred into many other fields beyond anthropology. According to Bryman and Bell (2007) "it has become the 'label of choice' for researchers in professional and applied fields, who have adapted ethnographic methods to suit their own purposes". In the realm of business, ethnography has been extensively

used in management research, and particularly in organizational studies (organizational ethnography). However, this research method has not been largely popular with marketing scholars.

Because of the short period of time spent within the organization, this thesis is more likely to be considered as a 'micro-ethnography' (Wolcott 1995). Additionally the purpose of this study is to examine the specific aspect of the interplay between entrepreneurial activities and the process of creating markets. This is just a one side of the organizational culture of LoudSauce; a mere fragment of what could potentially be discovered had I spent a few years with the company. However, it is a (rather tightly defined) cultural understanding, and thus a legitimate ethnographic study. After all, a full-scale ethnography would be impossible considering the limited time frame of the research project and unnecessary for the scope of a Master thesis. Nevertheless, this research design has certain benefits since it lowers the perils of 'going native', in other words losing my sense of being a researcher and becoming too wrapped up in the world view of the people I'm studying, thus compromising the study's objectivity (Bryman and Bell 2007). Since it is difficult to know when to stop, because of the unstructured nature of ethnography, I was lucky to have an end in sight to help organize my time and complete the study.

To complement the data gathered from conversations, ethnographic field notes and recorded interviews, I examined internal documents that I was granted full access to, in my role as an intern. I have also researched public documents, such as newspaper articles, blog posts and reviews about the company. Also, I attended social and networking events with the founder, and was able to observe him in different social settings as he shared LoudSauce's vision, and serendipitously met people that could aid him in realizing it.

Access

As Bryman and Bell (2007) point out, "one of the key and yet most difficult steps in ethnography is gaining access to a relevant social setting". In my case, I knew that I wanted to study entrepreneurship and its relation to new market creation (problem area), several months before starting the fieldwork. Thus, the ideal scenario would be for me to work in or get close access to a startup. The opportunity to do so came from applying (and getting accepted) for a government-funded program (IIP) that sends students to intern at startups in the San Francisco Bay area. 'Internationell Innovationspraktik' (IIP) is a program under the umbrella of the 'Nyckelaktörer' program, which is organized and funded by the Swedish agency for innovation, Vinnova[7]. The purpose of the program is to immerse graduate students into the fast-paced and dynamic

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[7] Source: http://www.vinnova.se/sv/Verksamhet/Nyckelaktorsprogrammet/Internationell-innovationspraktik/

startup scene of the Bay Area, especially in Silicon Valley, where some of the world's most successful companies are based. Buchanan, Boddy and McCalman (1988) suggest that scholars using ethnography should have an opportunistic approach to fieldwork by balancing what is wanted and what is feasible, which is a guideline I followed to the letter.

Getting accepted to the program, was the first step, but it definitely did not grant me access to a startup suitable for my studies. In the second phase, each participant was 'matched' to a startup according to the company's needs and the student's skill set. Personally, having heard about LoudSauce from the program director, I realized the fit between my thesis topic and what the startup's vision of creating a new market. Hence, I made sure to remind the responsible person that I was the best possible fit for LoudSauce, a quite successful attempt, as it turned out. As the final step, after the matching, we had to hold an interview with our 'host', in other words our mentor in the startup. In my case, this person was Colin, the co-founder and sole full-time employee of LoudSauce. After completing the interview with Colin, we had an agreement and I was ready to receive my scholarship money and arrange my travel to San Francisco.

As an intern, I adopted an 'apprentice' role, having an active work position in the organization as a younger person who can be useful by providing (free) labor. By immersing myself in the everyday life of LoudSauce I believe to have obtained a richer and more comprehensive understanding of the social processes and dynamics of the market creation process. Gold (1958) has classified four roles for ethnographers according to their degree of involvement in the organization or social setting they are studying (Figure 3). My ethnographic role was 'participant-as-observer', since I was a fully functioning (and much counted on) member of the organization, while other members were aware of my status as a researcher.

Given the fact that LoudSauce at the time of my research was a sole proprietorship, I had the chance to simultaneously 'shadow' Colin for parts of the day. 'Shadowing' is "a research technique which involves a researcher closely following a member of an organization over an extended period of time" (McDonald 2005). Shadowing entails asking a lot of questions, both for the clarification purposes and for revealing the true intention behind someone's actions; both types of questions were used extensively in this study.
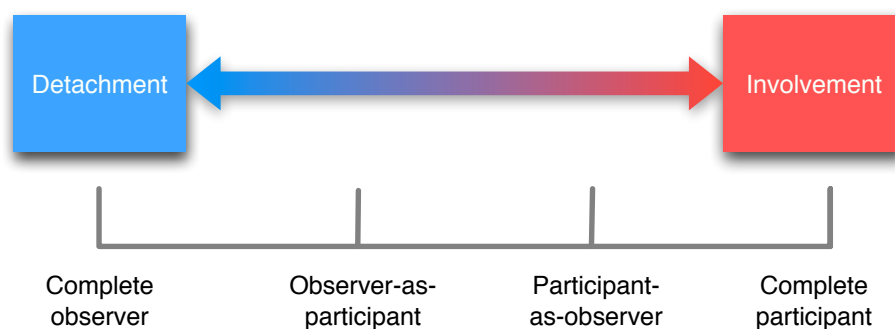
Figure 3. Gold's classification of participant observer roles. Adapted from Bryman and Bell (2007).

Overt vs. Covert Role

Ethnographic studies can be carried out in two ways; assuming a covert (secret) or overt (known) researcher role. Obviously, going undercover obviates the need to negotiate access and thus makes the process much easier. Also reactivity becomes irrelevant, since participants who do not know about the research, cannot adjust their behavior because of the researcher's presence. On the other hand, a covert role hinders the note-taking process, eliminates the possibility of using additional methods such as interviews and is stressful if exercised for a long period of time. For those reasons, covert ethnography is highly rare within studies of management and business. In this study, I used a combined approach, being covert in the beginning and revealing myself along the way. Vinnova was initially ignorant of my research purposes, and so did Colin until I arrived in San Francisco and told him in person (after access had been granted). In this way, I managed not to jeopardize organizational access, but I was indeed uncertain about the feasibility of the study in case Colin declined to cooperate. Fortunately, everything turned out well, and he assisted me in various ways with my study. Although it was an ethical challenge, I made sure not to let my research interfere with my work for LoudSauce or my participation in weekly program activities. I decided to keep my 'side-project' away from Vinnova's attention because of some tensions that emerged in the group and the considerable risk of losing my access all in all, as it happened to some participants.

Fieldnotes

Since I entered the field with only a notion of the problem area that I was going to investigate, it was difficult to choose which events were relevant or not. Hence, I had to take notes of anything interesting, major or remotely relevant to my topic. Sometimes, retrospectively the smallest things prove to be extremely crucial to the analysis and theory development. In terms of classifying different types of fieldnotes, both Lofland and Lofland (1995) and Sanjek (1990) propose similar categories, namely *mental* notes, *scratch* notes and *full* fieldnotes. Mental notes are particularly

useful when it is inappropriate to be seen taking notes, as for example during a personal conversation or in a social event after work. Scratch notes are brief phrases or words jotted down on pieces of paper, to be written up later in more detail. Full fieldnotes should be produced from mental or scratch notes after the end of the working day and are used as the main source of research data. While on site, I used mainly mental and scratch notes and during my stay in the US, I also developed partial elaborated notes (full fieldnotes). Nevertheless, the main part of writing down detailed accounts of the happenings and ideas from the LoudSauce internship occurred after leaving the company and tightening up my research questions. This enabled me to elaborate more on relevant events and mention briefly unrelated ones, when telling the LoudSauce story.

3.2.2 Interviews

'Conversational interviewing' was the main method used to acquire specific information and knowledge. Dalton (1959) defines the term as "a series of broken and incomplete conversations that, when written up, may be tied together as one statement". In some instances they are caused by events or prompted by the researcher's questions. Yet, I also employed 'unstructured interviewing' to be able to address more specific topics in a *predetermined time* while the *interviewee knew* he was being interviewed. In this matter, unstructured interviews differ from conversational ones in that they are conducted at a specific time with a specific purpose, with the interviewee actively consenting. I conducted and recorded two such interviews that tended to be more similar to discussions rather than formalized interviews (Burgess 1984). The only pre-determined agenda for these conversations were three vague categories given by the Vinnova program management, which I thought were useful to structure the interviews around: product, people and money. I only mentioned them to Colin and then he answered freely, mentioning what he thought was noteworthy. These two interviews differed in that the first was concerned with the past, and the second with the present situation of LoudSauce. A month after returning to Sweden, I had a video call with Colin and held a third semi-structured interview. This time, the goals of the interview were to a) validate my observations and conclusions thereof, b) present the integrated framework and get feedback c) ask more specific questions that would help me apply the model more precisely on the case.

3.3 Unit of Analysis: the Case

As the unit of analysis for this thesis, I have chosen to conduct a study on LoudSauce, an online startup in San Francisco. A case study entails the 'detailed and intensive analysis of a single case' (Bryman and Bell 2007). Case study research is focusing on *depth* rather than *width,* which is mostly the emphasis of quantitative and comparative studies. Further, it is concerned with the

"complexity and particular nature of the case in question" (Stake 1995). That being said, a case study not only fits well the purpose of this paper, but is the only viable solution to investigate processes in depth and answer 'how' questions. The LoudSauce case provides detailed material for an intensive analysis of how the dynamic processes of being an entrepreneur and creating a market intertwine. Yin (1984) offers a classification of 5 types of cases: the *critical*, *unique*, *revelatory*, *typical* and *longitudinal* case. The LoudSauce case is a combination of a revelatory and a typical case with some elements of longitudinal. It is typical, in that it 'exemplifies an everyday form of organization'. It is also revelatory, because it provides an "opportunity to observe and analyze a phenomenon previously inaccessible to scientific investigation" (Yin 1984). Although, the investigation of startups is not a novel idea; no dissertation has been published yet that *ethnographically* investigates a startup in the cross field of *marketing* and *entrepreneurship*. Finally, it has some longitudinal attributes apart from the prolonged stay within the organization, namely conscious attempts to analyze archival material about the company and to follow up with retrospective interviews (one month after leaving).

The reason I pursued LoudSauce to be my host for the program, is first and foremost the fact that I found the company really interesting. As a social enterprise, LoudSauce is a for-profit organization 'doing-good'. I was particularly interested in the combination of profit and social causes, because it is an apparent oxymoron. Yet, in the Bay Area social entrepreneurship is one of the most growing segments, not just within startups but also within business in general. Moreover, the everyday work at LoudSauce lies very close to my vocational interests and professional experience; it is an *online, social* platform for crowdfunded *advertising*. Furthermore, it is a company with a strong vision motivated to 'change the world' one step at a time, by *building a market* where media space is universally accessible to people that use their collective power to inform about issues that matter. Additionally, it *is* a startup at a very early stage (active for less than a year), which allows me to investigate the initial market formation efforts undertaken by the entrepreneur. Not to mention, that it is located in the 'entrepreneurial Mecca' of the world; the San Francisco Bay Area and operates out of 'the Hub', a co-working space and incubator for social entrepreneurship[8].

During the analytical part, my approach is a combination of inductive (grounded theory[9]) and deductive (applying theory on case) methods. First, I collect the empirical material without research questions, guided only by the general problem area. Then I review all relevant theory

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[8] For more information on the global franchise concept 'The Hub', see http://the-hub.net/

[9] A social science method of research that generates theory from empirical data. It is an inductive logic approach mainly used in qualitative research.

and connect two seemingly unrelated fields to each other. After the review is done, I process the case material and form main themes in the story similar to the categories of grounded theory (Glaser and Strauss 1967). Finally, I combine the insights from an intersection of theories and from my ethnographic experience into one consolidated framework. In other words, I use deductive logic to 'test' theory in practice, and fill in the gaps that theory was not able to account for with concepts developed inductively.

3.4 Methodological Limitations

Epistemologists have put forward numerous criteria for determining the scientific quality of business research. Qualitative studies in particular have been the target of heavy criticism, mainly because of their unstructured, fluid and non-generalizable nature. In an attempt to defend the legitimacy of qualitative research and its importance for the generation of knowledge, several scholars have developed evaluation criteria that assimilate the main standards of quantitative methods: reliability and validity.

3.4.1 Reliability

LeCompte and Goetz (1982) propose *external* and *internal reliability*, adjusted to fit qualitative methods. External reliability is the degree to which a study can be replicated. This criterion is difficult to meet in qualitative studies, since it is impossible to 'freeze' a situation or make it identically reproducible, especially when the case is covering a startup. However, a possible strategy to counteract this limitation in ethnographic studies, is to assume a social role to that adopted by the original researcher. For the case of LoudSauce, this possibility exists, if a subsequent researcher acts in an 'apprentice' role as an intern with similar tasks and responsibilities. However, external reliability is still difficult to determine since the situation in which the future researcher would operate in, will surely be different than mine. Internal reliability coincides with *inter-observer consistency*, or else the agreement of one or more researchers about what is seen and heard during the study. For the obvious reason that I have no partnering author, it is impossible to determine internal reliability, and thus it remains unknown.

Guba and Lincoln (1994), though, are uncomfortable with the simple adaptation of the 'validity' and 'reliability' terms on qualitative studies. Such a transfer would infer that a "single absolute account of social reality is feasible". Instead they argue that there are no ultimate truths about the social world, and there exist several accounts of reality. Alternatively, they propose that reliability be substituted with *dependability*. As a strategy to fulfill this criterion they suggest that researchers 'audit' their material, by keeping complete records of all phases of research in an accessible format. This proposition never became too popular with scholars though, since it consumes a considerable amount of time and creates a massive clutter of data. This thesis lies

on a medium level, regarding dependability: whereas there are audio records of interviews and fieldnotes, not everything has been documented (e.g. mental notes).

3.4.2 Validity

Validity, simply put, is the answer to the question: "are you observing, identifying or 'measuring' what you say you are?" (Mason 1996). LeCompte and Goetz (1982) develop *external* and *internal* validity for qualitative studies, in the following way. External validity is the extent to which particular findings can be generalized across social settings, and constitutes another problematic area for qualitative researchers. Because the study in hand is utilizing a case study example as the unit of analysis, the external validity is low. After all the purpose of the paper, is not to produce generalizable conclusions that can be applied to companies irrespectively, but rather to immerse in processes *inherent and unique* to LoudSauce. Internal validity is the existence, or lack thereof, of a good match between empirical observations and theoretical ideas developed from them. LeCompte and Goetz (1982) point out that this is a particularly strong attribute of ethnography, because "the prolonged participation in the social life of a group over a long period of time allows the researcher to ensure a high level of congruence between concepts and observations".

Guba and Lincoln (1994) also have alternative parallel concepts for validity: *credibility* for internal validity and *transferability* for external validity. Credibility contrary to internal validity recognizes that observations of reality can have different interpretations. Hence, to secure credibility, qualitative researchers should conduct their work in compliance with canons of 'good practice' and employ *respondent validation*. Respondent or member validation, is the act of handing over findings to the studied subjects and getting their confirmation that their reality has been correctly understood and interpreted. This work fulfills both criteria, since it was conducted ethically and in 'good faith' and handed over to LoudSauce for review and feedback before its final submission.

3.4.3 Quality Appraisal

The main critical concerns when it comes to qualitative studies focus on its high degree of subjectivity, limited replication and generalizability potential and lack of transparency. As far as subjectivity goes, the issue lies in the fundamental difference between natural and social sciences; the former study objects and the latter study subjects. Now, people as subjects can have their own opinion and interpretation of reality, while objects such as atoms, animals and planets cannot. In that aspect, studying people in social settings can never be as objective as studying matter in natural elements and chemical reactions. For instance 'studying' organizational behavior, entails asking respondents to *explain* how they behave, and automatically inviting them to "attribute meaning to their environment" (Schutz 1962). Social

scientists are committed to look upon the social world 'through the eyes of the people they study', since it is *their view* that the researcher is interested in, not third parties' opinions. As such, this thesis is embracing the same tenets of the epistemology underlying qualitative research, and not only accepts its subjective character but also celebrates it as necessary to achieve a higher purpose.

Regarding replicability, as already mentioned, this thesis cannot potentially be replicated because of the fast-moving, ever-changing environment of an online startup. Admittedly, because of its case study format, this thesis has a limited generalizability power. Nevertheless, generalizability is not concerning this thesis, the goal is rather to systematize the knowledge gained from the LoudSauce case in order to improve our understanding of the studied process. Transparency, is somewhat related to the concept of dependability, and is medium for this thesis, as much of the analysis is based on personal judgment and opinions.

4 The LoudSauce Case

Here the product and business model of LoudSauce are presented first, and then the story of Colin's professional life is narrated. Then the focus shifts to LoudSauce as company and its short past. Finally, I explain my involvement with the company and how I got access to it.

4.1 LoudSauce: Product and Business Model

"We sell discounted advertising space to groups of people, as well as offer a service to make it easy to raise money from your network." – Colin Mutchler (2011)

LoudSauce's product is currently a website, www.loudsauce.com, where organizations can post their suggested media campaigns that aim to promote social, non-commercial messages. Like-minded individuals are then invited to support these campaigns by donating a small sum of money. When the funding goal is reached, i.e. it is 'crowdfunded', the campaign is realized. The ultimate goal of the company is congruent with the founder's vision of 'amplifying ideas that matter' and thus generating social change. Using advertising space (billboards, print ads, TV spots etc.), groups of people are able to inform, move and provoke a greater audience about the issues they think are important in this world. Examples include environmental, social and political causes that use LoudSauce to become known to the 'masses'.

Figure 4. The LoudSauce logo. Source: internal.

Currently, LoudSauce is mainly used by non-profit organizations as another tool of their marketing and social media activities. Because of the online viral nature of the platform, 'live' campaigns that are looking for funding can be shared easily via Twitter, Facebook and other social networks and thus attract a large number of donations. The way Colin is viewing his service is as a "deeper 'Like' button"; a way for supporters of causes and driven citizens to make an impact in the offline world. On the social network Facebook, member can press a 'Like' button, to show that they 'like' products, activities, statements or even companies. LoudSauce takes this idea one step further by allowing online users to indicate their support through a monetary donation. The possibility of developing such a service is referred to as the 'Amplify' button within LoudSauce and for the time being remains in the works. Although the whole process of chipping in money to an existing campaign unfolds online, the result is tangible, viewable offline and seen by millions.

Describing one of the early pilot campaigns will better visualize the service and product offering. One of the first partners of LoudSauce was 'The Story of Stuff Project', a non-profit organization that investigates and presents the story behind products and services that are consumed worldwide. They produce short explanatory videos about the origin, production, consumption and disposal of various products we use every day, such as cosmetics, food and toys. The Story of Stuff has an existing network of 145,000 supporters and followers, but only limited awareness is reached beyond this network. Most people have never heard of the project, but the 'Story of Stuff' believes that if they did they would possibly appreciate, join or at least get informed about this effort.

LoudSauce worked with The Story of Stuff to 'crowdfund' (i.e. fund a project with small contributions from numerous individuals) an advertisement that would air during A&E's popular TV show 'Hoarders'. The Story of Stuff had already prepared a 30-second teaser of one of their videos, since LoudSauce does not currently support the creation of the advertising material itself. This teaser together with a short description of the goal of this campaign was posted on the LoudSauce platform. The funding goal was $3,000, which was reached faster than expected in only 15 days. In total, 82 people funded the initiative with an average donation of $37. The video teaser was aired 16 times on A&E and reached 2,025,430 viewers. As a result, www.storyofstuff.org grew its traffic by 40,000 total new visitors and reached a totally new audience without any advertising costs for the organization. LoudSauce took a 10% cut of the donations ($300) and with the rest of the funds ($2,700) bought media space for the teaser and arranged the airing.

As we can see from this example, LoudSauce deals with two types of 'customers'; those who create campaigns and those who fund them. The founders view the first type as their real customers, as they are the ones that create interesting content for the website that will attract more funders. The second type, are people that want to see important and meaningful messages displayed in the cities, on TV and radio, instead of what they see as annoying, shallow, commercial messages that urge people to buy another thing they don't need. Those are the ones who are willing to donate a few dollars to make this happen and contribute towards a social change for a better world.

 "Maybe ultimately they are the real customers, not the other ones…"[10]

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[10] All quotes in this section are attributed to Colin Mutchler, during August 2011, and they are drawn from recorded interviews, casual conversations, emails and ethnographic fieldnotes.

LoudSauce's revenue model is based on a 10% commission of the money donated for each campaign on the platform. Thus, more than $24,000 have been raised until now on www.loudsauce.com, making the actual revenue realized around $2,400. *"I know that for us to make enough revenue, to have positive cash flow, we need to be doing several campaigns a week. A lot more than what we have now."* At the time I was working there, LoudSauce was realizing one campaign per month on average, with every typical campaign aiming to raise around $3,000 from donations, i.e. having an approximate revenue per month of $300.

4.2 Colin and the LoudSauce Story

"I think it's accurate to say that I did really think about this idea, back in 1999-2000. When I was first thinking about what I called 'active free media' at the time."

Colin's vision was a world of collaboratively produced content; *"this opportunity that we all have as a society to collaboratively build messages that were important to us for distribution and sharing"*. At the time this vision was conceived, there was very limited co-creation online; there was no Youtube, Twitter or Facebook, digital cameras were not even commonplace yet and no single social networking site had a significant global reach. The idea was less focused on funding of advertising and more about collaboratively produced content. He even made a 30-second video about peace, right after 9/11, which he posted online. Colin believed that the Internet was going to make it easier for everyday people to build video or audio, create and share content about things that were important. He knew that these ideas could easily spread online and that the Internet would be the 'platform of our time'.

"I had the same idea as I have now but, you know, no one understood what I was talking about. They didn't get why people would even make videos and put them online. At that point that made no sense."

It all started at Duke University, where Colin Mutchler was studying Public Policy Studies for his Undergraduate degree. He happened to attend a guest lecture, where Vanessa K. shared her vision and views. She and her partner were in charge of a venture philanthropy firm, called New Profit Inc. This was the first time Colin was introduced to the concept of social entrepreneurship. He was so inspired by these ideas that he applied for an internship at New Profit Inc. During his studies, he went on an exchange semester to Bolivia, where he developed a deep interest in the rest of the world, the one that American high schools don't teach about. There he had an epiphany about how privileged he was to live in freedom, with basic needs covered and many prerogatives, unlike the majority of people on this planet.

Upon returning to the United States, he interned for New Profit Inc.; one of the first companies to invest capital in philanthropic projects the way venture capitalists did. Then, in his last semester in college, he took a photography class and travelled to take pictures of police stations for his class. He also attended a poetry course and started listening to hip hop music; the power of 'slam'[11] fascinated him. As a result of these stimuli, in his senior year of college, he got inspired by the opportunity to combine photography and poetry to tell a story in a very powerful way. Over the development of his professional career he continued exploring the opportunity of spreading ideas that matter in a collaboratively created form over the web.

"Ultimately, the original reason I got inspired about media was from taking a documentary photography course during my last year of college."

Colin's first real job was at a high school in East Harlem, New York, where he taught young people about video. He mainly helped them to use video as a medium for expressing themselves and telling their own stories. After a few years, he quit and started 'active free media', the name he gave to his – now slightly morphed – vision of a world of freely shared, collaborative and conscious media. *"Active free media creates a virtual community of people and organizations that use money, media and technology to build a sustainable culture and economy of responsibility and freedom.[12]"*

Although he incorporated the company in NYC, nothing much practically came out of this idea, other than a website, as a form of self-expression and manifest. On the side, and continuously mesmerized by his vision, Colin made T-shirts under the name 'active free media' and sold them on street fairs in NYC. He especially loved them because they were an ideal medium for making your very own statement and spreading the message you think is worth it. His favorite design was simply saying: *"Less anger, more rhythm"* (Figure 6).

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[11] 'Slam' is another term for spoken word poetry that often uses alliterated prose to express contemporary social commentary, in a first-person narrative style.
[12] Recovered through http://wayback.archive.org (2002)

Figure 5. The most populat T-shirt design by 'active free media'. Source: Café Press[13]

During this time, around 2002, he discovered and got fascinated by memes. As he explained to me, *"a meme is a cultural piece of meaning that spreads virally and it sort of takes a life of its own".* He thought that memes could be created and promoted, especially concerning important matters. It was the same idea as active free media and what is now called LoudSauce, namely *"creating these pieces of meaning that are clear and powerful that could then be spread using the Internet to be pushed out."* He followed groups like AdBusters, Indie media, Move On and Avaz. AdBusters were highly influential at the time, and affected Colin's ideas to a large extent. They are based in Vancouver, and responsible for issuing the AdBusters magazine and coining the term 'culture jammers', accompanied by a book that explains the movement. 'Culture jamming' is driven by the mission to de-commercialize culture that has been corrupted by big corporations' interests over the decades. Culture jammers believe this type of culture has taken over the 'real' culture and is the main reason why most people make bad choices regarding the environment. AdBusters remain very good designers and illustrators, understand the power of design and visuals and utilize them professionally just like mainstream advertisers do.

All these ideologies are very similar to the thinking behind LoudSauce. These groups and people had the same vision, as Colin, of an independent media network that was not run by large corporations but by independent citizens, media activists, filmmakers and artists. At the time Colin was an activist himself and envisioned a media system that could tell a more accurate story of what was happening in the world. That was the major incentive at the time, not to found a startup. He was less interested in the financial aspect of having a business and more focused on changing what's wrong in the world. *"But I didn't really know how to make anything, I wasn't a web developer, or a talented artist."*

That year, he tried to write on an advertisement in the NYC subway; *"I took out a small pen and I wrote something like 'prepare for a cultural over-thrill'. And then the police saw me and they were like 'Hey! What you doing?' …and I got a ticket! And when I said 'But you know, it's difficult to get advertising space for things that are important in the world' and they were like 'Yeah, that's what the Internet is for!'*

After running out of money, Colin got a job with a national youth network called 'Listen Up'. He was hired as a video producer to train young people to make videos about their lives. The finished videos were then uploaded on the network's website, long before YouTube was even

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[13] http://www.cafepress.co.uk/activefree.30712633

founded. Then, in 2003, Creative Commons[14] got announced, a set of copyright licenses and tools that offers creators a simple way to control how their work is used on the Internet by reserving some rights while releasing others. They can determine what freedoms they want their creative work to carry and thus make it easier to share and build upon creative work. A bit after the launch, while at an Internet law conference (iLaw), Colin by chance met Lawrence Lessig, the main driving force behind Creative Commons and a few other people that were deeply involved with that kind of culture. Colin, was one of the early adopters and shared his music and spoken word poetry under Creative Commons licensing, which gave birth to a handful of high quality songs, remixes and videos by other artists. *"So I did all these things, but I still felt like I wasn't doing the thing I wanted to be doing."*

Figure 6. Colin's first album – First drafts of 'active free media' posters. Source: internal.

In parallel, he was frustrated about the fact that most people didn't know about 'Listen Up', the non-profit group he was working for*. "All my friends were like 'I don't know what you do; some like weird thing with kids and video'. It was like nobody ever saw it".* Also Christie, Colin's long-term partner, was working in the non-profit sector, so that they both knew enough about it to see that it is like an invisible sector that most of society doesn't know or care about. Ultimately, that was the drive to start something new. He wanted a change; needed to do something about it.

"My attempt to go 'into the belly of the beast' was the choice to go to business school and work for RGA. In order to find out how people who do have access to lots of money and influence, use media and technology to influence culture and change behavior. My goal was then to use some of that experience to go back and create a slightly more mainstream and constructive version of AdBusters."

So he enrolled for an MBA at INSEAD business school in France. After graduating, he got a job at a prominent digital advertising agency, named RGA in London, UK. *"I wanted to work with something that was cutting-edge, not old-school."* For RGA, Colin was a producer and an

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[14] For more information, see: http://creativecommons.org/

account director, mainly managing projects and creative teams to ensure delivery and achieve the marketing objectives. At RGA he gained the necessary experience and learnt what it takes to create high-quality experiences. *"That was always my criticism of the non-profit sector; it is good enough but never great. Big brands make shit that is beautiful and well executed."* For RGA, Colin was working with Nokia as one of their major clients. The contact person for Nokia in London was a woman named Anu, who was more on the environmental and social side of marketing. Colin convinced her to send him to the 'Sustainable Brands' conference in California. There he met John Creson, of Addis Creson, a social impact advertising agency that sprang out of Berkeley University.

After living and working in London for three years, Colin's vision ultimately distilled down to a business idea named 'LoudSauce'. LoudSauce was supposed to be a platform that would enable individuals and groups to collectively fund communication campaigns using advertising as a medium to spread messages to the public. With that business model, he planned to apply to Y-Combinator, one of the most prominent startup incubator programs in Silicon Valley and the world. Y-Combinator required that they have a tech person in the team. At this point he and Christie were trying to rename the company that would otherwise be called 'active free media'. Colin reached out to his INSEAD network, asking for help and ideas for a new name. As a result, someone replied that he and his business partner are based in the San Francisco Bay Area and are working with creating prototypes for startups. After contacting them it turned out that his colleague was Huned, an old classmate of Colin from Duke. Huned was a developer, but could not join the team for Y-Combinator; instead he introduced them to Tao, another developer, who ended up being the tech person on the Y-Combinator application. Unfortunately, LoudSauce was not awarded a place in the Y-Combinator program.

"During the Y-Combinator time, I had imagined the product very differently. Like when we first started I connected it to Google AdWords. The call was for people to raise money for an ad campaign on AdWords."

Notwithstanding, a few months later Colin left RGA and London and moved to the San Francisco Bay Area with his partner Christie. He wanted to make LoudSauce happen. Both of them were looking for jobs in the beginning, especially Colin wouldn't start his own company without having any money. He focused his job search on digital and market agencies that did positive things in the world.

"I was like over working for these big marketing agencies that didn't actually have any clear value around positive social impact."

Through John Creson that he met at 'Sustainable Brands', he got a job with Addis Creson. His work there evolved around helping the agency become more tech savvy, as the VP of Digital Strategy/Experience. Although this was a 4-days-a-week position, after a while Colin felt that he had to dedicate more time into the incarnation and realization of his brainchild 'LoudSauce'. At the same time, because of his vision, he helped organize the 'compostmodern' conference, where he met and became friends with Rahul, the organizer in charge. In June 2010, he founded LoudSauce together with his girlfriend and co-founder Christie, but only started working with it in October 2010. Ultimately, he left Addis Creson in June 2011 to jump full-time into the development of LoudSauce. *"I talked about it a lot, I mean, for too long to be honest. I could have done the proof of concept a year before I did it. But, you know, it took finding the right business partners; the Story of Stuff, the Green Patriot posters, all those first campaigns."*

4.3 LoudSauce Inc.

"LoudSauce aspires to transform the medium of advertising from one that has traditionally fueled consumption to one that fuels civic participation."

LoudSauce was founded on the slightly altered vision behind 'active free media' and Colin's long-term aspiration to transform the media system in order to include interests other than those of big corporations. Colin started working out of the Hub in fall of 2010, after incorporating LoudSauce Inc. in the summer. The Hub is a co-working space and meeting point for entrepreneurs and organizations that promote socially conscious business, in other words it is a place for 'social enterprises'. Colin and Christie were originally introduced to the concept of the Hub when living in London. Christie worked out of the London Hub for a while, where she met Tim Nichols, an American who was also working there. Coincidentally, Nichols also moved to the Bay Area around the same time as the couple and started setting up a Hub in San Francisco. He currently is the managing director of the Hub SoMa, and has helped LoudSauce in many ways.

According to Colin, his personal experience with entrepreneurship has helped him take the step of starting his own business. He grew up watching his parents work for the family-owned business and *"be in control of their life".* The family owned 'Mutchler Chemical Co.', founded by Colin's grandfather and his brother. *"I might have had more confidence than the average person in starting my own business, but you cannot compare that company to the risks I'm taking for LoudSauce."* Although LoudSauce is mainly the brainchild of ex-advertiser, artist and activist Colin Mutchler; Christie George, Colin's girlfriend and lifelong partner, played a major role in the development and refinement of the idea. For instance, when she was in business school, she wrote a paper about the idea and business model. She was the first to formulate into words, what up to then had been merely a collection of thoughts.

For a long time it was just the two of them, but when they moved to the Bay Area, around late 2010, a new person, Rupa, came on board. It all started with an email Colin received from his INSEAD Alumni group, asking if he would like to have an intern from the current class. Colin accepted the offer and after a few interviews, he selected Jay, an INSEAD student who interned with LoudSauce for two months. Randomly, Jay mentioned to his family what he was working on and his cousin's wife, Rupa, got genuinely excited and interested in LoudSauce. She was one of the first people at Kiva[15], a micro-financing[16] website, and was thus very familiar with these kinds of initiatives. Jay introduced her to Colin and Christie and after some meetings; she was invited to join the team. When this happened, Christie was no longer necessary in the company and so stepped out as an employee and found another job, but remained in the board of directors. Rupa worked with Colin and wanted to be involved in the ownership of the company. From the beginning LoudSauce belonged 75% to Colin and 25% to Christie. Rupa invested around $6,000 in company equity but actually left without signing the papers for the issuing of the shares. After 8 months of working for LoudSauce, she moved to Los Angeles for personal reasons. Her capital contribution is now being treated as a corporate loan, which is a fortunate coincidence for the owners since they can keep a neat ownership structure.

"She was very helpful in terms of moving me from too much talking and not enough doing to both of us working together to push out the first tests. And that was very exciting; we did that at the end of 2010".

Apart from the core team, over time LoudSauce has collaborated and contracted a number of people. A team of three developers, consisting of Huned (Colin's old classmate), David and Chris, were hired as contractors to develop the platform and website. This was the major cost of the company, and where most of the private equity was invested. Also a designer, Dan who Colin met at 'Compostmodern'[17], worked part-time for the visual design of the initial website. A big body of the work was done by several volunteers, friends and family that volunteered their time and expertise to kickstart the company. Some of them include, Kira, Jessee and Anel. *"I'm continuously trying to find people that are passionate enough to help for free."* Beyond people closely connected to LoudSauce, there's also a larger ecosystem of strategic supporters, a network of people loosely connected to the company. They are not helping with LoudSauce day-to-day, but they are following Colin and the company on social networks and receive updates.

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[15] For more information, see: www.kiva.org

[16] Micro-finance refers to the provision of financial services, especially the landing of small amounts of money (micro-loans), to low-income individuals, who traditionally lack access to banking and related services.

[17] For more information, see: www.compostmodern.org

Sometimes they wish to help by promoting active campaigns or support LoudSauce by donating themselves.

"At times I found it very difficult to continue momentum without an active team that's there with you all the time. It's very difficult and isolating."

A milestone in the story of LoudSauce is the achievement of the first pilot campaigns. Although there was a batch of such campaigns, Colin identifies the 'Green Patriot' posters and the TV ad for 'Story of Stuff' as the most crucial ones. After settling down in San Francisco, Colin received an email from Rahul, the organizer of 'compostmodern', urging him to check out a website that was a good fit with what Colin has been talking about. Colin indeed visited the website of 'Green Patriot Posters' and saw the opportunity immediately[18]. Without losing any time, he contacted the person in charge of this organization, proposing a possible collaboration with LoudSauce. He received an email straight away: *"That's perfect. Let's do it!"* Green Patriots' posters was one of the first and most successful campaigns for LoudSauce.

"Actually, the new market that LoudSauce is helping to create is the market for citizens to buy media."

Another campaign that had success and wide media coverage was the 'Story of Stuff' teaser on national TV. It all started when Colin and Christie went to a street event in their neighborhood, the Mission district of San Francisco. At this Levi's DIY print shop event, Colin ran into a recruiter from his old work, at RGA, who was visiting some friends. One of this person's friends was Christina S., the online director for the non-profit 'Story of Stuff Project'. In the middle of a joke, after explaining what he is currently working with, Colin said *"How cool would it be if we did this with the Story of Stuff?"* A few meetings and a campaign later, the 'Story of Stuff' was broadcasted on national TV for the very first time. And LoudSauce had finally achieved a 'proof of concept'.

"Both of those happened in that kind of serendipitous way, where it wasn't strategically forced, it was communicating about my vision, and people showing up that happened to be good fits for that vision."

Those first test campaigns were launched in late 2010, by all three people involved in the making of LoudSauce: Colin, Christie and Rupa. After Rupa stepped out and Christie became a member of the board of directors, Colin was the only person working for LoudSauce. He only started working full-time with the venture in June 2011. During this summer, the invested money from

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[18] http://www.greenpatriotposters.org/

the private financing rounds was running out and Colin was in a big urgency to find external 'angel investors' to be able to continue operations. During the time I was working there, the situation got worse and LoudSauce was in danger of closing down. *"We're out of money. If I don't finish this, the company stops."*

At the same time, Colin was in negotiations with a potential angel investor for $100,000 in the form of a convertible loan, i.e. a loan with the option to be converted in equity at a future undetermined date. This is a private investor who calls himself an 'impact investor' and was introduced to LoudSauce through an 'investor day' at the Hub. *"I'm ideally working with 'impact investors', people who want both financial and social return."* Of course, that does not mean that the terms are in any way more favorable than market-based and fair. There will be a price cap on the future evaluation of the company. For instance, if the investor puts forward a price cap of $5 millions, that means that when the renegotiations will open and if the company then will be evaluated to e.g. $50 millions, for the sake of share issuing, the investor will calculate with $45 millions. In this case the nominal amount of the initial investment (here $100,000), will be worth a higher percentage of the whole company and the investor will get more shares than the real value of his money.

By the time this thesis was written, Colin and LoudSauce have received $100,000 of angel investment and are ready to move to the next development stage of the platform. *"Early next year (2012) we'll need more money, but hopefully by then we'll have a stronger platform, more revenue and customers. We're looking for a seed round from angel investors."* The plan for LoudSauce, now with a secured investment, is to hire a developer, a part-time designer and someone responsible for facilitating the campaigns and the community, to *"help move people through the process, share communication around, start to create a community of all the people that have used LoudSauce".* The focus, in the next year will be to create an even better product with an even stronger and more appealing platform. Something that makes people literally 'click' and realize the full potential of crowdfunded advertising.

4.4 Eleni & LoudSauce

It is accurate to say that everything started with an advertisement on the homepage of SSES (Stockholm School of Entrepreneurship). There they prompted Master students to apply for a spot in a workshop in Palo Alto, Silicon Valley. By that time, I had already decided that I wanted to write my thesis about entrepreneurship in connection to marketing. For that reason, that announcement was extremely interesting, thus I attended the information meeting. There I found out that IIP (Internationell Innovationspraktik) is a one-month program in the wider San Francisco Bay Area, where the participants would split their time between interning for a startup,

networking and taking seminars. Vinnova, the Swedish institute for innovation and growth, would sponsor each participant with a fixed sum to cover at the very least the travel, accommodation and local transportation costs. This sponsorship was taking place under the wings of a larger program for the promotion of innovation and entrepreneurship, called Nyckelaktörerprogrammet (the 'key actors' program). Already from the informational meeting it seemed like this initiative would be very popular among students, and it did indeed receive hundreds of applications from around the country. I did not need much convincing to apply, and so I did. A while later I was notified that I was accepted into the program on a conditional offer. The condition was that I get 'matched' with a suitable host company, and that they agree to have me as an intern.

The second phase of arrangements kicked in after a meeting with the program director, Carolyn, in Stockholm. There she clarified some practicalities and informed us about a few companies she had in mind for each of us. Among two other startups, this was the first time I heard about LoudSauce. In comparison to the other suggestions, LoudSauce was by far the best match in my opinion, both based on my interests and on what the company needed in terms of the intern's skill set. After the meeting I made sure to get as much information as possible about LoudSauce, and determine if that's where I wanted to work in August. By the time I was certain that this was my best option, I followed up with the IIP coordinators to let them know what I believe and argue for my choice. A few weeks later, I received an email introducing me to Colin Mutchler, founder of LoudSauce. We then scheduled a Skype interview, to make sure we were after the same things, and an agreement was reached. Colin filled in some forms and paperwork and the process was complete. I then received my subsidy right away, and booked ticket and apartment for San Francisco.

At this point in time (late June), I still did not know if it would be possible for me to conduct ethnographic research at LoudSauce. But I had gotten a feeling that Colin would be easy-going and would actually appreciate some 'attention' on his company from a more objective perspective. After all, the thesis would be 'published' in another country, and I was prepared to offer complete anonymity if necessary. Fortunately, when on site I informed Colin about my intentions, he had no objection as long as this would not interfere with my work for LoudSauce, on the Customer Insight Project. The aim of the project was to better understand LoudSauce's customers' wants and needs and thus generate conclusions on the way the company could improve its service to meet these requirements better. The customer insights should focus on the motivations, needs and everyday workflow of these individuals. The main findings are summarized in a simple figure below.
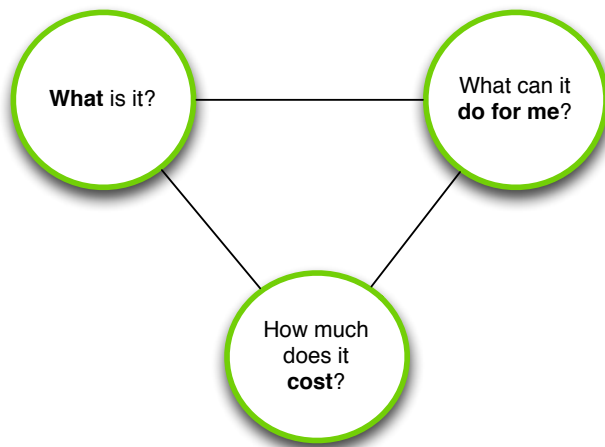
Figure 7. Three major themes of what LoudSauce customers *need* to know. Source: own.

5 Analysis

In this chapter, a conceptual framework is developed and presented that draws from a few selected existing theories (Chapter 2) as well as empirical observations from the case study (Chapter 4). The reason for this combined attempt is my finding that existing theory alone cannot explain and cover all empirical observations from the LoudSauce case study. An ethnographic research setting creates the ideal foundation for the development of theories.

5.1 Major Themes

During my work at LoudSauce, I was able to distinguish recurring themes in the events, actions and stories surrounding the startup. When looking at the story as a whole, the following major themes can be identified: 'Pieces of Meaning', 'A Visionary', 'Networks and Seeds' and finally 'Flukes and Happy Accidents'. Each theme will be explained in more detail and illustrated with examples from the case.

5.1.1 Pieces of Meaning

Intellectual constructs are ideas, knowledge, interests, skills and information. They usually take the shape of 'memes', and are then spread in society and 'translated' across space and time. As Colin himself explains in one of the interviews, *"a meme is a cultural piece of meaning that spreads virally and it sort of takes a life of its own".* Through the LoudSauce story, many such memes surface that in one way or another influenced Colin, his ideas and eventually his vision.

Technology

Technology plays an important role both on Colin's life and in the creation of LoudSauce. Internet being the main point, since it was Internet that inspired Colin to start sharing content and made him realize that this was going to be the *"platform of our time".* He posted a video about peace on a blog in 2001 and he shared his music and poetry under Creative Commons in 2003. Furthermore, he chose RGA over Interbrand because they were *"cutting-edge",* technology-savvy and not *"old-school".* The incident in the New York subway also demonstrates how this theme reoccurred through the lips of two policemen: *"Yeah, that's what the Internet is for!"* and confirmed Colin's beliefs about the importance of technology. Finally, when developing the first prototype of the LoudSauce platform for Y-Combinator, he and his partner chose to base it on Google AdWords to have the business model closely connected to the Internet. That idea did not go far, but it illustrates the importance of technology in both early versions and current layout of the LoudSauce product, i.e. an online platform connected to Facebook accounts.

Urban culture

Belonging with this theme, we find urban and Internet cultural influences like the culture jamming movement. Within culture jamming also belongs the AdBusters group, which Colin followed during the early 2000's. Another notion that found wide response in the Internet world was crowdsourcing and as a natural consequence crowdfunding. Crowdsourcing refers to the division of labor into many small tasks and its distribution to a large number of individuals (crowd). This approach makes projects possible that would otherwise be too large and exhausting to be carried out by one person. Additionally, it has been found that small tasks are easier and faster to accomplish and thus people are willing to volunteer for them, enabling the whole project to be carried out without any budget. Famous crowdsourced products include Wikipedia, the free encyclopedia and Linux, an open-source operating system.

In turn, crowdfunding is the splitting of the costs of a project into small monetary amounts that can be paid (or donated) by hundreds of individuals. The first really famous example for crowdfunding has been Kickstarter.com, a site for the crowdfunding of creative projects, such as movies, music albums, arts, fashion and interior decoration. The reason why crowdfunding requires small payments or donations instead of the carrying out of small tasks is usually that the project cannot be completed by numerous individuals due to the special skills or know-how of the project creator. For instance, a music composer, a video director or, for that matter, a LoudSauce campaign creator cannot crowdsource labor, because a vision, or certain skills are required that not anyone possesses.

Moreover, cultural memes in social media and the idea of user-generated content (e.g. Facebook and Youtube) have influenced the development of LoudSauce. They added to a culture of 'sharing' amplified by the emergence of Creative Commons in 2003, which Colin used to share music and poetry online. Another important development is the embracing of charity, fair practices and 'social good' by urbanites. A few decades earlier these issues were only addressed by hippies, while metropolitan population was fascinated by materialism and consumerism. This definitely made cause-marketing[19] much more possible than before. In addition, the affiliation of Colin with the non-profit sector, such as his first job at New Profit Inc. and the work at 'Listen Up', were catalytic in the development of LoudSauce.

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[19] A type of marketing involving the cooperation of a for-profit business and a non-profit organization for mutual benefit. More generally it can refer to any type of marketing for social and charitable causes, including in-house marketing communications by non-profit organizations.

Media

There are several intellectual constructs in the story that revolve around media. For instance Colin's first spark of interest in media came from taking a photography course in the senior year of college. He then developed a deeper interest in the power of media and the way they can be used in telling stories; he took a trip around the States to take pictures. Simultaneously, he explored the possibility of using imagery in combination with poetry for impactful story telling. At this time he made the video about peace. This interest led him to practically cultivate a skill for video making and editing which then enabled him to get the job in the East Harlem school. 'Listen Up', RGA and Addis Creson added to this passion for media, as they simultaneously increased his experience in advertising. During the course of ten years, Colin discovered and engaged in a number of media types such as photography, poetry, video, design as well as the T-shirt as a medium of self-expression. This is a brilliant example of how a slight spark of interest can evolve into extensive experience and expertise through a combination of intended pursuit and a series of contingencies.

5.1.2 A Visionary

Vision has by far been the most crucial theme in the LoudSauce story. Vision is what motivated Colin and justified many of his choices, including the decision to pursue LoudSauce. It is the motor behind developments and events that can inspire people and kickstart innovative processes. However, as a dynamic concept, it does not stay unchanged over time, but is rather influenced by other 'themes' in the story, such as ideas, contingencies and social networks. This realization is in line with effectual logic and what Sarasvathy (2001) has been expecting of entrepreneurs. At large, effectuators are motivated by a vague vision that sometimes is materialized in the form of a business and sometimes not. The future in effectuation is contingent on people's actions and thus largely non-existent. In that sense, prediction is unimportant since vision is guiding the effectuator towards a future that will be shaped as a residue of actions taken today.

As mentioned before, the vision behind LoudSauce has taken two major forms. The first, in early 2000's, being the ideal of collaboratively produced content about things that matter. The second version came later on, with the spread of the Internet: the crowdfunding of ads about things that people care about. Both alterations have the common ground of 'doing good', making a positive impact and thus driving social change. Similarly, they both adopt a logic of 'sharing' instead of restricting access and prohibiting possible creativity that could build upon one's work. Colin at numerous instances has been sharing content he produced for others to modify and build on,

but also wants to be able to do the same with existing creative work. Creative Commons really provided the solution to that, so that he could share music, spoken poetry and speeches freely.

Media, as elaborated upon previously, has been another crucial element of this vision. The belief in the power of media, roots in their intrusive nature, the reach they can achieve with one single effort and their spread into the homes of billions of people. From this fascination came the interest in and the experience with producing media content and the advertising mechanisms in general. In the intersection of these two worlds (advertising and 'doing good'), the vision of LoudSauce was born. The manifestation of which is already visible in Colin's professional choices before founding LoudSauce: *"I was like over working for these big marketing agencies that didn't actually have any clear value around positive social impact."* It is important to keep in mind that the vision behind LoudSauce is constantly transforming over time as new elements interact with it. I hypothesize that is the case with most startups since they are in a phase of morphing, while established companies to a higher extent strive to keep their visions intact.

5.1.3 Networks and Seeds

The power of social networks and the art of 'networking' make their presence apparent throughout the story. As most entrepreneurs, especially in the Bay Area, Colin constantly looked for ways to utilize his network of friends, acquaintances, colleagues and partners. He also used what I call 'meta-networks'; the networks of his friends, as for instance the professional network of Christie. Here is another parallel to effectuation, where entrepreneurs use the 'means at hand' such as whom they know to imagine a possible array of effects that can be created from what is given, just like the bricoleur does. Entrepreneurs can 'utilize' their networks in various ways. One way is to ask your social network for what you are missing; be it help, advice, feedback or tangible resources. An example of this happened, during my internship month, where I needed interviewees for my project. These people had to be of a certain profile (what Colin had labeled Inspired Influencers) and could thus not be picked out randomly. Furthermore, I personally did not know anyone in the US who could fit this profile. Hence, I asked for Colin's help and he passed it on to his network; people on the company's emailing list, followers on Twitter, Facebook fans and members of groups and forums. From this callout we received several positive responses, from people who either knew Colin directly or indirectly through someone else. In the end, six or seven interviews were conducted thanks to this effort. Another example is the help I received from Dawn, an SEO expert and Colin's acquaintance. She volunteered to offer advice regarding optimization of the AdWords campaigns.

Another way of utilizing your social connections is to 'plant seeds' for future benefits, such as collaborations, favors and just plain serendipitous events. 'Planting seeds' is the improvisatory

name I gave to the process of talking and explaining your vision, while at the same time spreading awareness about your mission and product. Just like in gardening, entrepreneurial seeds will take time to grow, some times even years, and it is unsure if they will yield fruitful outcomes or not. 'Planting seeds' is what Colin did the most of and most frequently. For example, when we attended networking events together he always made sure to explain the vision of LoudSauce instead of just what 'his job' was. At the same time, he mentioned his professional background, skills and experience, what or whom he was looking for at the moment as well as what challenges LoudSauce was facing. This way he provoked social serendipity, by merely stating what he is searching for and what he can offer. Even if nothing came out in that very moment, Colin knew very well that growing those seeds and reaping the benefits takes time, sometimes even five or ten years down the road. After all, people change opinions, jobs, interests and constantly meet new people, so that when they hear something relevant in the future they will think back at LoudSauce.

Obviously, to be able to utilize your network in such ways, you need to attend many events, and spend time socializing on top of your hard work for the startup. Entrepreneurial working times are usually 24/7, as one can hardly separate the person from their brainchild. During my stay in the Bay Area, I met many entrepreneurs, as I attended two to three networking events per week on average. I can safely argue that the majority of them live and breathe their venture, they carry it with them and spread the vision at any given chance. Colin, for instance, many times after an exhausting working day, would attend events at the Hub, speak on panels or join summits in the weekends. One of them we attended together, was an INSEAD MBA meeting, the business school Colin attended. During their fieldtrip to Silicon Valley, they invited INSEAD alumni to speak on a panel. Colin, as one of the panelists, sparked interest about LoudSauce and provoked lively discussion.

5.1.4 Flukes and Happy Accidents

LoudSauce's journey, as I am certain is true for other startups, is filled with happy coincidence and fortuity. Undeniably, there exist abundant mishappenings and obstacles too. However, what I observed was that Colin downplayed the difficulties and constantly looked for a way around them. Quitting LoudSauce or the vision behind it, was always the last, emergency choice when *everything else possible* has failed. Most of the times, he would look for help in his own network or bootstrap[20] his way through. Other times, something random would happen to change things around. But most times these happy 'accidents' occurred completely unexpectedly, when they

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[20] A self-sustaining process that proceeds without external help. In entrepreneurship, it refers to making do with whatever one already has access to, without acquiring new resources (and thus spending capital).

were not sought after. Events like this are usually referred to as 'serendipity'. Serendipity is the occurrence and development of events by chance, usually in a positive and beneficial way. Horace Walpole coined the term in 1754 after reading the Persian fairy tale *The Three Princes of Serendip*; where the heroes "were always making discoveries, by accidents and sagacity, of things they were not in quest of." Much like the modern entrepreneur, the princes of Serendip, were looking for something else when they discovered something completely irrelevant; but still they were *in search of* something.

In this aspect, serendipity is not a synonym to 'luck', which is considered as the "success or failure apparently brought by chance rather than through one's own actions" (New Oxford American Dictionary 2011). It is most important to distinguish serendipitous events from luck and pure chance. While serendipity requires some effort, such as networking, 'planting seeds', being active, chance requires none. Furthermore, serendipity finds you when you have a vision and you are prepared, so that you can spot a potential opportunity.

In the case of LoudSauce, a serendipitous event was the unexpected enthusiasm of Rupa, who later became a partner in the business. This occurrence could not have been planned or predicted, but there were certain actions that were taken in order to allow it to happen. Colin was sharing his vision and inspiring people to such extent that Jay shared it with family and then introduced Rupa to him. Had he been insecure in those initial steps of the company, he could not have triggered such a development. Of course, my intention here is not to engage in a chicken-or-egg debate, nor to deterministically interpret events of the past. I rather wish to make the point, that serendipity visits only the prepared mind and requires certain actions in order to come to life. For LoudSauce, the most important of these preparatory actions is the 'planting of seeds'; the passing along of ideas and meanings through a network where they get translated and potentially trigger developments.

An instance I was fortunate to be part of, happened at an event we were both attending, an informational meeting about the SxSW Eco[21] conference. Although I did not intend on going, because the topic was not interesting to me, I did indeed. The reason was that a friend whom I was supposed to meet after work, got really excited when she heard about the event. So we changed our plans, returned to the Hub and went into the mingle, where Colin was already present. In that event I met Ron from Volunteer Match[22]. This organization was obviously a good

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[21] A three-day conference acknowledging the need for a concerted, cross sector approach to solving recognized sustainability/environmental challenges. Source: http://sxsweco.com/

[22] A non-profit organization that matches volunteers and their skills to projects that need them. It is the most popular online volunteer recruiting tool for non-profit organizations. Source: http://www.volunteermatch.org/

fit for the customer profiles of LoudSauce, and so I introduced Ron to Colin. Out of this encounter, LoudSauce acquired a new prospective customer and (potentially) a long-term partner. As it can be seen by these examples, and many more I do not report or not even know about, happy coincidences are closely connected to the themes of vision and network. Both are needed for positive flukes to take place. Serendipity happens *within* or originates *from* the network *because* of the empowering effect of vision on people and organizations.

5.2 The Grid and Slate Model

The identification of certain themes in the case triggered the idea of creating a framework that can incorporate key learnings from both case and literature. Hence, the Grid and Slate Model (G&S) is based on snippets of existing theory, mixed and matched from different sources. These fragments are completed into a whole by complementing the ideas with ethnographic observations, experience and personal viewpoints, but mainly based on the previously identified themes. The G&S is based mainly on cognitive chunks from the effectuation theory (Sarasvathy 2001) as well as the notion of bricolage and the 'rules of the bricoleur's game' (Levi-Strauss 1967). Furthermore, it draws from the model on market practices (Kjellberg and Helgesson 2007) and the argument that entrepreneurial opportunity recognition is based on cognitive pattern recognition (Baron and Ensley 2006). Finally, it entails known concepts such as serendipity and performativity and is illustrated in a network theory fashion, in the form of an interconnected network of nodes.

The development of such an integrated framework fits very well the purpose of this thesis: to improve the current understanding and conceptualization of the entrepreneurial market creation process. The aim with the G&S model is to systematize the learnings from the LoudSauce case (e.g. themes), complement them with literature and thus create a concept that can be further used for research. The benefits are manifold: a) the compact representation of key learnings from the LoudSauce case, b) the more convenient comparison to other cases and c) the realization of validity and shortcomings of existing literature when it comes to practical implementation. Regarding the two main research questions, the modelization of the case facilitates the detection of patterns and forces and their effects that can potentially be at work during the entrepreneurial market creation process (RQ1). The model can also help identify internal and external factors of that process, which come to surface easier in a model setting that reduces reality from unnecessary – to the study – clutter (RQ2).
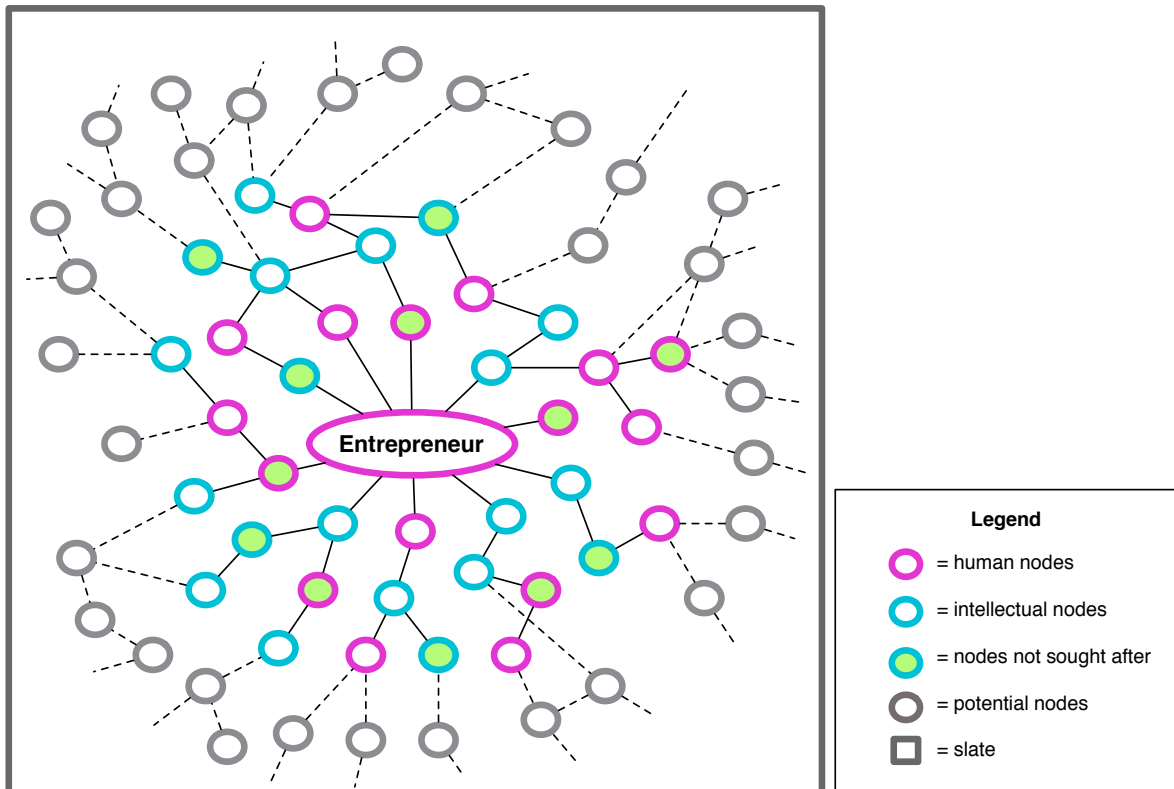
Figure 8. The Grid and Slate model. Source: own.

5.2.1 The Constellation of the Grid

The Grid

As a suitable paradigm for the depiction of the notion of the 'grid', serves a graph similar to those used in social network theory. The grid is basically a network of inter-linked nodes that builds around a starting point: the entrepreneur. All nodes are connected by lines that represent social relationships, such as family, friendly or professional bonds. The grid is dynamic and ever-changing, and like social networks it does not rely on any one particular node but exists independently. The grid can grow by the addition of new direct or indirect nodes to the entrepreneur. As a whole, the grid changes shape as new connections are being formed and old connections die out between its nodes.

This notion of the market creation process depicted as a network is supported by Sarasvathy and Dew (2005). They conceptualize this process as the creation of a new effectual network of stakeholders. The actor-network theory also considers networks comprised of semiotic (ideas, knowledge, people) and material (technology, infrastructure, resources) nodes and the links thereof (Latour 2005). Networks in turn can behave as actors that can embed in further networks and interact with actors as well as networks. So does the grid, which can in the course of years

develop to be completely independent of its initiator and act as an entity, taking the form of an established company for instance.

The Nodes

The types of nodes used in G&S were inspired by the effectuation theory, where Sarasvathy (2001) points out that entrepreneurs use three types of means to accomplish their goals: *who they are*, *what they know*, and *whom they know*. In other words: their own traits, tastes, and abilities; the knowledge corridors they are in; and the social networks they are a part of. These attributes form the "primary set of means that combine with contingencies to create an effect that is not preselected but that gets constructed as an integral part of the effectuation process" (Sarasvathy 2001). Tying this up with market-making theory, Kjellberg and Helgesson (2007) identify three types of market practices that co-shape markets: *normative, representational* and *exchange* practices. The three types of means/nodes can affect market practices in possible combination, so that nodes and their utilization by the entrepreneur can ultimately affect the market. For instance, *who* the entrepreneur is can to a great extent affect the way he or she is handling market *exchanges.* Furthermore, *what* or *whom* the entrepreneur knows can affect *normative* (e.g. lobbying) and *representational* practices (e.g. initial customer segmentation).

The 'Who am I?' type of effectual means remains relevant only to the configuration of the individual, which will not be the subject of this study for various reasons. Firstly, the entrepreneurial traits discussion has been going on for a very long time so that there is merely anything left to contribute. Except from that, it is a largely uncontrollable variable, so that anyone could be the initiating entrepreneur. Second of all, an attempt to combine psychological attributes of the entrepreneur with the process of creating a company, following a vision and at the same time creating a market is too complicated and incomprehensive. As with all modeling attempts, reality is reduced to the necessary minimum in order to be conceptualized. Finally, this model manifests that the individual might be necessary for the initiation of the process but is not a vital part of the model, and as such it is not needed to study the process that evolves independently.

Based on these assumptions, the nodes are of two kinds: human and intellectual. Human nodes represent different persons, while intellectual nodes are logical constructs, such as ideas, skills, knowledge and information. The entrepreneur as an individual is also a node of the grid, a human node. The entrepreneur is connected directly or indirectly to various nodes of both types within a unique grid. Nodes can be connected to each other and the entrepreneur directly, but are by default connected to all other nodes indirectly (through a number of other nodes). That means any node on the grid (including the entrepreneur) can reach any other node on the grid.

Intangible means, such as human and intellectual nodes, can help the entrepreneur gain access to material resources such as capital, equipment and infrastructure, if necessary. In other words, *whom* and *what* the entrepreneur knows allows him to access tangible resources, as for instance borrow equipment, acquire investment and buy machinery and raw materials. As we will see later, that is not necessary for every company especially considering the growing Internet penetration worldwide and the high demand for intangible services.

The Individual Entrepreneur

When looking at Figure 8, it seems that in the center of the G&S model stands the entrepreneur. The individual entrepreneur serves as the starting point of a growing network of nodes but is nevertheless not vital to the grid that can exist independently. Although crucial to the development of the grid and thus the process, the entrepreneur is not the focal point of the model. The efforts of the entrepreneur initiate the attempt to create a new market, and as such the entrepreneur is at the center of action, during the seeding stages of the process. However, as things progress it is conceivable that the initial entrepreneur becomes marginalized by other agents who take over, very likely by the company itself as an acting entity. The main reason for using this type of social constructivist network metaphor for illustrating the framework is to allow for de-centering and shifts in what or who is driving the process In social network analysis, the individuals are not discrete units of analysis. The focus lies rather on how the structure of ties affects the nodes and their relationships. In that sense, networks are autonomous from specific nodes and can thus be studied independently. Embracing that mindset, the focus of the model and the thesis as a whole is to study the *process* rather than the individual variables.

According to effectuation theory, embraced by the G&S model, the entrepreneurial individual is an effectuator. In other words, "an imaginative actor who seizes contingent opportunities and exploits any and all means at hand to fulfill a plurality of current and future aspirations, many of which are shaped and created through the very process of economic decision making and are not given a priori" (Sarasvathy 2001). In Sarasvathy's words, the main building blocks of the G&S model can be identified: aspirations build up the vision, contingencies represent serendipity, means embody the different types of nodes and vision is not given 'a priori' but is rather dynamic.

5.2.2 The Slate

Within the G&S model, the slate represents the real world. In other words, it is the spectrum of all possibilities at a given time, be it technology, political circumstances, current social structure or just people and idea 'out there'. Just like a 'tabula rasa' (blank slate), the real world by itself is meaningless. Meaning is only attributed to it when combined with the grid and powered by the vision. Therefore, the slate functions as a passive context where the grid can be placed in, to

create a meaningful process that can potentially generate a market. On the slate lie, for instance, human or intellectual nodes that the entrepreneur is not yet connected to, as 'potential' grid so to say. The sum of all things that are not incorporated in the grid and thus in the market creation process, belong on the slate as they are mere possibilities. For instance, when a new person is met and brought on board in the startup, a new human node is added to the grid from the slate.

As it symbolizes everything that is possible at a certain point in time, the slate is dynamic in the long turn. Although, influenced by large forces such as technological advances for example, the slate is rather static in the short run, as the world does not experience radical changes so often. The slate is not an absolute and deterministic concept, since at the same point in time there can exist countless slates. While an entrepreneur might not succeed in creating a market in the context of a given slate, they might be able to do so indeed in another slate. For instance, an entrepreneur's idea might not succeed in Germany, but the same vision might power a whole market in Zimbabwe. Thus, slates change according to space and time.

5.2.3 Vision

"The effectuator merely pursues an aspiration and visualizes a set of actions for transforming the original idea into a firm—not into the particular predetermined or optimal firm, but a very generalized aspiration of a firm" – Sarasvathy (2001)

The aspiration or vision is the reason why entrepreneurs might try to extend their grid, beyond what is known to them. It is the motivation to explore the slate for new nodes, in other words to look around in the world unknown to them for new ideas and people. Vision also drives the entrepreneur to 'activate' those nodes on the grid that prove useful in the quest towards certain aspirations. The process of 'activation' can be done in different ways, for instance by utilizing a skill, receiving help, getting a person on board or incorporating an idea into the existing business model. Naturally, nodes also change over time due to forces of translation. Hence, each entrepreneur (or human node for that matter) is 'activating' nodes in a different way, affected by unique experiences, impressions and personal worldview. Each individual is understanding and incorporating these stimuli differently. In the G&S model, all nodes that are represented on the grid are activated, and hence relevant to the development of the company and the creation of a market. Other nodes, such as social connections that have not been brought on board (inactive) are disregarded.

Most importantly, vision is what kickstarts the entrepreneurial market creation process. It motivates the entrepreneur and acts as a catalyst for future developments. Even long after the initiator might be gone; the vision is able to continue motivating the company as an actor

towards a future direction. Initially without a vision, the entrepreneur has no reason to explore their potential network, because simply they do not know what to look for. In that case, the entrepreneur is just a human node; a person like any of us, surrounded by a social network and no company or market creation process will take place.

5.2.4 Serendipity

"One aspect of serendipity to bear in mind is that you have to be looking for something in order to find something else." – Lawrence Block

Serendipity is the term coined to describe the occurrence and development of events by chance, usually in a positive or beneficial way. As the metaphor in the tale of the *Three Princes of Serendip* holds "they were always making discoveries, by accidents and sagacity, of things they were not in quest of". Hence, serendipitous events happen and develop in a positive way, although they were not sought after. In the G&S model, serendipity is symbolized by the sum of all nodes *added* to the grid that were *not specifically sought after*. The fact that such nodes are *added* implies that they were initially lying on the slate, until the entrepreneur powered by an aspiration, discovered them and added them on the grid by *activating* them. The existence of such relevant and useful nodes that can actually be activated is unknown and unexpected to entrepreneurs, which explains why they feel a certain sense of 'luck' or fortune. The fact that such nodes cannot really be *sought after* but are discovered rather by chance implies that all intended actions in pursuit of useful nodes are not serendipity but merely strategic and targeted moves. Both types of 'acquisition' of new nodes from the slate to the grid are common in entrepreneurial practice.

The addition of the nodes refers chronologically and causally to the fact that they have been activated *after* the vision started having effect. These nodes and thus serendipity are in turn, dependent on a triggered vision. Without the vision and the motivation to pursue a dream, the entrepreneur has no reason to explore the slate. Because of the vision, the entrepreneur engages in a pursuit about something in particular that results in the discovery of something completely unrelated but nevertheless useful. If the entrepreneur thinks that the discovered nodes are valuable and in line with the vision, he or she activates them and thus adds them on the grid. Therefore, nodes get activated by the entrepreneur to serve a purpose, the absence of which would eliminate the motive of activation. In that sense, both the addition and activation of nodes depends fully on the existence of a vision. However, not all newly discovered nodes prove useful as well as some of those that are indeed useful cannot be activated by entrepreneur. On the other side, vision as a dynamic concept that is morphed by the effectual process of creating a market, is also shaped by serendipity. New nodes and the links thereof shape in a performative

way the vision that drives the entrepreneur initially, and the company at a later stage. The people and ideas the entrepreneur gets introduced to form and shape the vision in many ways. Hence, serendipity is dependent on the existence of some sort of initial vision, but the vision itself gets shaped over time by the way serendipity plays out and the conscious efforts of the entrepreneur.

The instances where the individual does encounter new people and ideas, in the absence of a vision, cannot be classified as serendipity. Such events lack a meaning to the studied process, since a non-visionary individual will never connect the dots that would turn such encounters into beneficial coincidences. With no end in sight, social encounters cannot adopt a meaning that depends on that very end. In other words, serendipity is only serendipity and not luck because it has been contextualized into a meaningful vision. That attribute of serendipity extends to many scientific fields beyond business, for instance chemistry: *"It is true that my discovery of LSD was a chance discovery, but it was the outcome of planned experiments and these experiments took place in the framework of systematic pharmaceutical, chemical research. It could better be described as serendipity"* (Albert Hofmann).

5.2.5 Market

"The effectuator more often than not proceeds without any certainties about the existence of a market or a demand curve, let alone a market for his or her product, or a potential revenue curve."
– Sarasvathy (2001)

In the G&S model, the attempt to *create* a market coincides with the process of founding and establishing the *first* entrepreneurial venture. The main argument is that the effort of the individual entrepreneur to create a successful product, or company, necessarily entails a process of market *shaping,* at the very least and market *creation* at the most. If the entrepreneur is trying to launch a business into an existing market, this effort will definitely *shape* the established market to a larger or smaller degree. The more difficult it becomes to define the market or even determine its existence, the more impact the entrepreneurial effort has on the *creation* of the market. We end up then with a spectrum of possible effects, the entrepreneur can have on the market constellation depending on how established and saturated the market is (Figure 9). The G&S model is designed having in mind the extreme case of complete market absence, where the entrepreneur is forced to take the first steps of *creating* a market. This is for instance the case of entrepreneurs with exceptionally novel products or business models that cannot possibly fit within existing markets.

Figure 9. The continuum between Market Shaping and Creation. Source: own.

A critical disclaimer should be made at this point: the G&S model cannot explain the creation of markets by actors *not* employing a typical entrepreneurial (effectual) approach. Furthermore, it is concerned with the *first steps* of market creation; the seeding stage of what *could* become a market. It is the systematic description of an entrepreneur's *attempt* to create a market in which their product and company will be successful. The model does not cover the subsequent steps and targeted efforts of actors to enter, form, or even eliminate the market. The market practices model by Kjellberg and Helgesson (2007) seems to be more suited in such an advanced stage of the market development.

What the G&S model claims is that every market created by entrepreneurs, should logically be created in the way described by the model. Nevertheless, not all market efforts initiated in a G&S manner will eventually *become* markets. In this sense, the entrepreneurial product and company might become successful *without* creating a market on the way, for example by shaping an already existing market or joining one that is closely related. Thus the points explained in the G&S model are a necessary but not sufficient condition for market creation. But most importantly, the G&S is a humble attempt to systematize and organize existing knowledge enhanced by empirical observations, and it does, by no means, claim to be an all-entailing, all-explaining model.

The combination of slate and grid, including serendipitously added nodes and vision, is referred to as the *pattern.* It is a unique constellation, resembling a 'path' or the way in which a market came to be. As noted in previous literature, most of the building blocks and vital information are not revealed or even realized until the market is fully created (Arrow 1974). Thus, patterns are identifiable only retrospectively. Additionally, the G&S model adopts the effectual logic that per se excludes any sort of planning to create a pre-determined kind of market. In principal, the G&S model deals with patterns, by determining and studying their composing parts. It is crucial to mention that any of these elements isolated bears no meaning. It is the combination that creates sense and value out of the individual parts.

Regarding the genesis of a new market, the resulting pattern for the *first* company developed by an entrepreneur coincides with the *creation* of the market. Since a market can only be *created* once, subsequent patterns can only influence and *shape* the already existing market. Market *shaping* is thus conceived as the aggregation of subsequent multiple such patterns.

Unfortunately, patterns (both creative and shaping) can only be recognized after the completion of the each process. Because of the large number of influencing factors, it is nearly impossible to predict precisely how the processes will unfold a priori. Hence, the realization of *how* a startup or market got created can only be made retrospectively. The same holds for subsequent patterns that shape newly created, or for that matter, long-existing markets. In that sense, the G&S model is a non-predictive framework that mainly serves the understanding and conceptualization of the entrepreneurial market creation process. In other words, it takes the first step towards a more scientific approach to entrepreneurial market formation, by providing an attempt to systematize existing knowledge in a comprehensive manner.

5.3 Application on the Case

In order to animate the G&S model, it is applied to the specific case of LoudSauce, which hopefully will clear any inconsistencies and misunderstandings for the reader. The application on the case takes place *before* the creation of LoudSauce, while the venture was still in the works. It also considers the time before my arrival in San Francisco, and my involvement with the company. The reason for this choice is twofold; higher objectivity and lack of identifiable impact from my presence on the field. Even if I have caused some effects for LoudSauce and Colin, none were discovered at the time this thesis was written.

5.3.1 The Grid

For this application, LoudSauce is fully represented and personified by Colin and thus his personal network coincides with LoudSauce's stakeholder network. Hence, the grid around LoudSauce is basically a network of interconnected nodes that builds around the starting point: Colin (Figure 10).
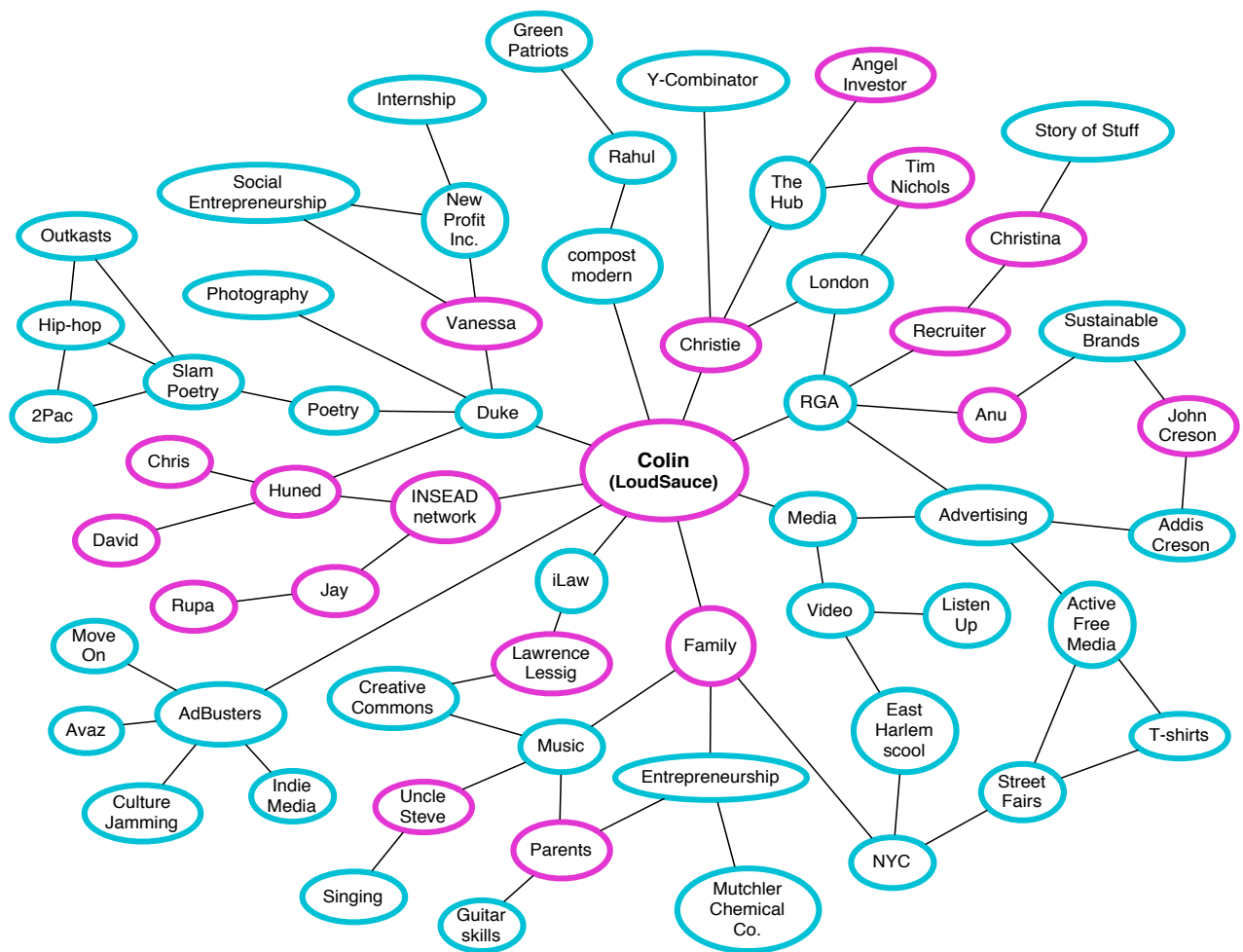
Figure 10. LoudSauce's Grid. Source: own.

5.3.2 Nodes

Within the G&S framework, the nodes are of two kinds: human and intellectual. Human nodes represent different persons, while intellectual nodes are cognitive constructs, such as ideas, skills, knowledge and information. For instance, human nodes are Christie, Huned, uncle Steve, John Creson and the angel investor. Intellectual nodes are the rest of the nodes that are not representing specific persons. Some nodes such as AdBusters or Duke university, might not fit into the intellectual node category in first sight, but do belong there. Although it comes down to a group of people and a place, these nodes are both events that have influenced Colin in *intellectual manner*, by providing ideas, skills, opportunities and information.

Colin is connected directly or indirectly to various nodes of both types within his own unique grid. These nodes are independent of Colin and of each other, since they exist independently of the existence of Colin or any other node of the grid. It is possible that they are connected to each other and Colin *directly*, but are by default connected to all other nodes *indirectly* (through a number of other nodes). That means any node on the grid can reach any other node on the

extended grid, even though this indirect connection is not visible because of the potential grid. For example, Huned can reach New Profit Inc. via Duke through to Vanessa, independently of Colin. Equally, Colin can reach – one way or another – any intellectual construct or person on the extended grid. In other words, he can potentially be introduced to any idea, learn any skill and meet any person. Everything is possible on the potential grid.

For the application of G&S on LoudSauce, I have considered only activated nodes because of their importance to the business. Neither the time nor my discretion have allowed me to ask Colin questions in full detail about random events and acquaintances completely unrelated to our work with LoudSauce. Nevertheless, this should not pose a problem if the entrepreneurs themselves, who are the main beneficiaries of this model, apply the model to other cases. Including latent nodes would be easier for instance, if Colin was applying the model to LoudSauce himself, which is unfortunately not the case here. *Therefore, all nodes in this example are activated and belong to Colin's known grid.*

5.3.3 The Individual Entrepreneur

In the center of the G&S model stands Colin, as an individual entrepreneur. Although crucial to the development of the grid and thus the process, the entrepreneur is not the focal point of the model. Colin, for instance, serves as the starting point of a growing network of nodes, which in the course of time will take a life of its own as the grid of LoudSauce, making the presence of Colin redundant. In other words, the connections (should) exist in relation to LoudSauce as a concept, while Colin as an initiator is adding nodes in the name of LoudSauce. It is important to distinguish between the grid's *continuing existence* and its *constancy.* The fact that the grid can exist independently does not mean that it will be the same without Colin. Some nodes will disappear, others will be added and connections might change, but some kind of grid will always be there. Nevertheless, that does not necessarily mean that this kind of grid will promote the growth of LoudSauce and the market for crowdfunded ads.

According to the effectuation theory, embraced by the G&S model, Colin, as the entrepreneurial individual, is an effectuator. In other words, "an imaginative actor who seizes contingent opportunities and exploits any and all means at hand to fulfill a plurality of current and future aspirations, many of which are shaped and created through the very process of economic decision making and are not given a priori" (Sarasvathy 2001). As can be seen from the case story, this description fits Colin perfectly. First of all, he is a very imaginative person that uses chance and contingencies to his benefit (e.g. the Hub, Anu and 'Sustainable Brands', iLaw). Secondly, Colin has had many aspirations and 'versions' of his vision during the last decade. Those aspirations were created and shaped along the way and were not pre-set by him. But

most importantly, from the beginning Colin has been a businessman that is not trying to predict the future in any way but shape it according to his virtues and beliefs and in his own interest. In short, to the extent to which he can control and influence the future media system, he does not need to predict it.

However, in recent stages of LoudSauce, as for example my project, there are some causal attempts to predict the future. First of all, his attempt to segment the 'market' by creating customer profiles (personas) is a clear example of representational practices that performatively shapes the very market it is supposed to describe (Kjellberg and Helgesson 2007). Another recurring example of such practices is Colin's constant attempt to frame the market in an understandable way for potential investors who demand to know the market size and potential. The first example of causal reasoning served as the basis for my project, while the demands from investors were the main reason for initiating the project in the first place. The continuous strive to satisfy investors but also the personal attempt by Colin to 'figure out' where all this is going, is moving LoudSauce away from the effectual logic. This is a major empirical finding, that cannot be accounted for in the theory and more specifically it was not predicted by effectuation theory. In the LoudSauce case study, empirical observations indicate the focal entrepreneur and thus the company is moving away from effectuation towards causation. As the company matures and the market creation process gets stabilized, effectual logic becomes gradually substituted by the predictive logic of causation.

5.3.4 Slate

Within the G&S model, the slate represents the spectrum of all possibilities, but by itself it is meaningless. Meaning is only attributed when combined with the grid and powered by the vision. For LoudSauce, the slate is the reality as the sum of possibilities in the San Francisco Bay Area in early 2010's. This reality functions as a passive context the LoudSauce grid can be placed in, to create a process that can potentially generate a market for crowdfunded advertising. San Francisco as a city in itself does not have any particular meaning for the creation of markets; nor does the year 2010. If Colin would have moved to the Bay Area earlier or chosen another city, things could look very different now for LoudSauce and the market creation process in question. Hence, the alteration of both chronological and geographical factors in the case can result in different kinds of slates. We cannot say, for instance, how things would have turned out if Colin had stayed in London and founded LoudSauce there instead. Or, for that matter, what would have happened if Colin did the proof of concept a year earlier.

5.3.5 Vision

Many times in the case story and analysis, I have argued that Colin has been a visionary person, driven by intrinsic motivation and with a bigger ideal to change the world. Over his entire career he has been exploring the opportunity of spreading ideas that matter in a collaboratively created form over the web. His vision took two major shapes, one for 'active free media' and the last for LoudSauce. In 2002, the homepage of 'active free media' stated: *"Active free media creates a virtual community of people and organizations that use money, media and technology to build a sustainable culture and economy of responsibility and freedom".* During one of our interviews, Colin was asked to formulate the current vision for LoudSauce as clear and concise as possible. His response was that LoudSauce aspires *"to transform the medium of advertising from one that has traditionally fueled consumption to one that fuels civic participation."*

This vision in all its shapes has been the reason why Colin started exploring the (different) slates ten years ago, to push the boundaries of what is known to him. Vision drove Colin to activate nodes that proved useful in his quest. The process of activation was done in different ways, for instance by utilizing his video making skills, receiving help from an old classmate, getting Rupa on board or incorporating the ideology of AdBusters into his own business model. Naturally, nodes also change over time due to forces of translation: Rupa moved away, hip-hop is not trendy anymore and AdBusters are newly relevant as the force behind the 'occupy' movement. Vision set the market creation process in motion and acted as a catalyst for the recent developments. Without a vision, Colin had no reason to explore his potential network, simply because he could not know what to look for.

During a call, after the development of the G&S model, Colin realized the performative power of his vision: *"**Because** I have this broader vision around the possibility for marketing to align with the next wave of companies that are changing the world, my experience in the commercial marketing industry has formed accordingly."*

5.3.6 Serendipity

When applying G&S on LoudSauce, serendipity is symbolized by the sum of all nodes *added* to the grid that were *not specifically sought after*. The fact that such nodes are *added* implies that they were initially lying on the slate, until Colin powered by his aspirations, discovered them and added them on the grid by *activating* them. The addition of these nodes to the grid refers to the fact that they have been activated *after* the vision about a world of 'active free media' started having effect, in early 2000's. The non-pursued addition and activation of nodes depend fully on the existence of the vision. In Figure 11, green symbolizes *added* nodes that Colin was *not specifically in the quest for,* the sum of which represents serendipity for LoudSauce.

Figure 11. LoudSauce's Grid with Serendipity nodes (green). Source: own.

For instance, meeting Lawrence Lessig at the iLaw conference was a random event, but because of Colin's vision for a world of collaboratively produced content, this encounter becomes relevant. Through the experience of creating and sharing under Creative Commons, Colin got inspired and his vision slightly changed, motivating him to discover new nodes and ultimately come up with LoudSauce. Hence, meeting Lessig becomes useful for Colin's ideas, the founding of LoudSauce and the creation of a new market. Another example is meeting Tim Nichols in London by chance. The only reason this acquaintance became relevant later on, is that Colin driven by his ideals realized that he wanted to get into the crowd of social entrepreneurs that Nichols was surrounded with. In other words, he turned a random encounter into an acquaintance and a friend that helped him with LoudSauce a few years down the way.

During the most recent interview, Colin himself talked about the importance of sharing your vision and the beneficial things that can come out of it. He noticed that it is *"particularly true now because of the channels of sharing, it's always been true in person and in real life and that*

continues to be the most effective way in which these things happen. At the same time because of the connectedness of our time, people can more easily pass along things. If I have a private conversation with somebody and I blog about it, or share a picture or video, then people usually forward it to that one person they know that they think would be interested in this. And usually that person can be more helpful than your direct connection.” What Colin is describing here, is the possibility of meeting new people that prove useful, in other words potential nodes on the slate.

The main difference between chance and serendipity is that the latter requires some sort of effort. In the analysis, a single main prerequisite of serendipity is identified: 'planting seeds'. Such actions will allow serendipity to unfold and manifest itself in various situations. *“And you wouldn't necessarily know how to get to those people, but if you share your vision in a powerful and clear way, then they'll find them for you.”* Colin also highlights the importance of more practical preparatory actions, such as testing the concept and getting the first customers. There is a big distinction between theoretical actions such as talking and 'planting seeds' and hands-on actions such as producing, pitching and selling. *“It's the difference between the kind of serendipity that emerged before and after we had done the first tests; before there was much less serendipity. Because if you just talk about your vision, people don't perceive you yet as an entrepreneur even though you are. You're just a person that talks about things. After we had done it the first time, when they asked me 'What is LoudSauce?' instead of explaining the idea, I would tell the story of what we've just accomplished. People then related to me and the team in a different way. It gives them more confidence to share with those other people in their network that they think could be helpful.”*

5.3.7 Market

In the G&S model, the attempt to *create* a market coincides with the process of founding and establishing the *first* entrepreneurial venture in that market. It is assumed, to my best knowledge and extensive research, that LoudSauce *is* the *first* platform for crowdfunded media buying. Therefore, the process of creating and establishing LoudSauce as a company is simultaneously the seeding process of creating a market for crowdfunded advertising by citizens. Since such a market is substantially difficult to define and its existence is hard to determine, Colin's efforts with LoudSauce have a great impact on *creating* the market. The vision and business model as well as the 'product' offered by the company are exceptionally novel and cannot exactly fit within existing markets. Hence, Colin finds himself in the right end of the spectrum, faced with an amorphous, non-existent market. His past and future actions and the way the *pattern* for LoudSauce is shaped will determine in what way the overall *market* is *created* (Figure 11).

Figure 12. Colin & LoudSauce on the continuum between Market Shaping and Creation. Source: own.

When asked whether or not he thinks that he is creating a new market, Colin reflects: *"It's funny that you ask that. Looking back at the original vision for active free media: 'Active free media fills the market gap between micro media and mass media by creating diverse and organized networks of people that take actions in line with their shared values and commitment to generate global cultures and economies of sustainability, responsibility, and freedom'. It seems that already in 2003, I had the idea of creating a market place. But that never happened. Active free media was merely a blog. Things are different now. Actually, the new market that LoudSauce is helping to create is the market for citizens to buy media."*

Nevertheless, as theory has well predicted, Colin is indeed confused about the exact definition of markets. His plans on how to create a market are based on his assumptions about *what* a market really is. *"Based on what I know about markets, they require buyers and sellers. The sellers on the supply side already exist, what's new is the actual crowdfunding aspect of it. I think we're basically trying to find and help those citizens that want to spend their money on buying media for things they care about. And that's I think the part we haven't done yet, and we need to do it: more sourcing and selling; helping to create an actual marketplace. We're not there yet."*

6 Discussion

In this chapter, the problem area and research questions are revisited and answered through the G&S model as the main tool for analysis in this thesis.

As stated in the theory section, the problem area that concerns this thesis is the **entrepreneurial market creation process**, i.e. the process of (purposefully or not) creating new markets carried out by entrepreneurs – usually in their quest to commercially exploit an opportunity. As a response to this general issue the G&S model is developed to conceptualize the process and offer answers to more complex and specific questions. The model is based on the LoudSauce case, and as such it can be used to answer the research questions that are concerned with the market creation attempt of LoudSauce. In other words, answering the questions through the G&S lens will definitely answer them for LoudSauce – if not for other cases as well.

6.1 Entrepreneurial Market Creation Process

What forces are at work during the attempt to create a market for LoudSauce?

Forces were defined in the theory section as a) powerful influences, b) dynamic sub-processes and c) have a long-term effect. Looking at the entrepreneurial market creation process through the lens of the G&S model, two major forces can be identified: vision and serendipity. Vision is a self-motivating concept that drives the person who possesses it towards a higher purpose. It is in that quest towards a higher purpose that some people realize that creating a company is a good way of getting closer to their vision; and they become entrepreneurs. As a visionary individual, the entrepreneur feels the need to pursue that vision just because it exists. The vision is the reason why entrepreneurs might try to extend their grid, beyond what is known to them. It is the motivation to explore the slate for new nodes and 'activate' those that prove useful in their quest towards certain aspirations. Most importantly, because of this motivating power, vision kickstarts the entrepreneurial market creation process. It motivates the entrepreneur to pursue a future closer to their vision by realizing a commercial opportunity and acts as a catalyst for such future developments. Even long after the initiator is gone; the vision is able to continue motivating the company towards a future direction. As such, vision is a) an extremely powerful influence not only for entrepreneurs but also for others, b) a dynamic concept per se that changes over time as it is influenced from other ideas and experiences and c) has an extremely long-term and long-lasting effect and can even outdate its initiator.

Serendipity is a very unpredictable and tricky concept to grasp. Nevertheless, the G&S model attempts to systematize and capture this notion by breaking it down to smaller pieces. In that sense, serendipity for G&S is the sum of all nodes *added* to the grid that were *not specifically sought after*. Hence, serendipity includes all new people and ideas encountered by chance (unintendedly) that are brought on board in the market creation process. It represents the 'unintended' and thus unpredictable way of adding new nodes and doing business, while strategy and focused efforts represent the 'intended' way. Both types of acquisition of new nodes from the slate to the grid are common in entrepreneurial practice. Furthermore, serendipity often comes in small 'doses' of fortunate events, instead of an immense strike of luck. For example, Colin met several people by chance that seemed interested in his idea (from Story of Stuff, Green Patriot posters etc.), which proved very useful down the road. Even when realizing those first campaigns, Colin did not grasp the importance of his 'lucky' encounters. Mainly because this importance was only realized way later and could not be accounted to any single one of them but to the sum and combination thereof. That being said, it becomes obvious that serendipity is a) a powerful influence since it affects how *patterns* are formed, b) an extremely dynamic as well as unpredictable process with c) a long-term effect by the sum of its parts.

With the vision and serendipity established as forces that influence the other elements in the model, it is reasonable to ask how the rest of the elements can be characterized. In my personal view, it proves very useful to view the entrepreneurial market creation process and the G&S model as the conceptualization thereof, as a kind of chemical reaction. This reaction is a chemical process that takes unusually long. The two forces can be understood as catalysts that help the process move forward, thus there must be some kind of input and output. The ingredients (input) of the process are the grid and the slate, which makes them critical to the process. The grid consisting of nodes (means) and their connections and the slate representing the real world of all possibilities combine to create a unique mix that goes into the process. Then the forces take over that influence and shape the grid and slate and catalyze the reaction. However, along the way the forces are in turn also shaped by the way the grid and slate are being transformed. When this process is matured, the outcome comes in the form of a market that gets created to surround the *first* company in that market. In contrast to chemistry, the way the reaction really rolled out is only known retrospectively and cannot be predicted in advance, especially since the ingredients and catalysts change constantly.

How do they affect each other and the process as a whole?

The two forces within the G&S model, vision and serendipity, affect each other mutually. Serendipity is the sum of all *added* nodes that were discovered *unintendedly.* The addition of the

nodes refers chronologically and causally to the fact that they have been activated *after* the vision started having effect. These nodes and thus serendipity are in turn, dependent on a triggered vision. Because of the vision, the entrepreneur engages in a pursuit about something in particular that results in the discovery of something completely unrelated but nevertheless useful. If the entrepreneur thinks that the discovered nodes are valuable and in line with the vision, he or she activates them and thus adds them on the grid. Therefore, nodes get activated by the entrepreneur to serve a purpose, the absence of which would eliminate the motive of activation. In that sense, both the addition and activation of nodes depends fully on the existence of a vision. However, not all newly discovered nodes prove useful as well as some of those that are indeed useful cannot be activated by entrepreneur.

On the other side, vision as a force is a dynamic concept that is morphed by the entrepreneurial process of creating a market. This attribute of vision is drawn directly from the effectuation theory: "… a plurality of current and future aspirations, many of which are shaped and created through the very process of economic decision making and are not given a priori" (Sarasvathy 2001). This plurality of aspirations build the vision, which as we can see from the case, gets shaped and re-shaped many times in the course of time. New nodes and the links thereof shape in a performative way the vision that drives initially the entrepreneur, and at a later stage the company. The way things play out, the kind of new nodes added *unintendedly* and new experiences gained by the entrepreneur, affect the vision to a great extent. Hence, the vision is influenced and shaped over time by serendipity (as well as by intended efforts). All in all, serendipity depends on the existence of an actively pursued vision. Otherwise, in the absence of such a vision, it is classified as chance. Vision in turn is shaped to a great extent by serendipity. The unintended encounter of new people and ideas can greatly influence the way the vision develops and the possible futures it can lead to. In other words, what we imagine influences what can happen just like what happens influences what we can imagine.

6.2 Internalization of External Factors

What types of external factors can be identified when it comes to the market creation attempt of LoudSauce?

In the G&S model, the entrepreneurial market creation process is conceptualized as a clearly effectual process, i.e. a process with given means but no given end/effect. In that sense, there are only few elements that can be really regarded as *internal* to that process. Those elements are the absolutely necessary for the process to get started, namely the entrepreneur and the vision. The entrepreneur serves as the starting point and the vision as an internal force that drives them. Around that focal point grows an independent network of interconnected nodes. Therefore, the

first question by Sarasvathy (2001) 'Who am I?' determines the internal factor 'entrepreneur', which as elaborated previously is not part of this study. This becomes obvious from the research questions as well that focus on the external factors only. Consequently, the *external* factors of the entrepreneurial market creation process are determined by the rest two questions posed by Sarasvathy (2001): 'Whom do I know?' and 'What do I know?'. In other words, the external factors correspond to the nodes on the gird, and hence are of two types: human and intellectual. This distinction is logical if we keep in mind that these 'means' of the entrepreneur are rather potential than secured, which means that they have to be brought on board and get 'internalized' in some way. Whereas, the entrepreneur and the vision are involved in the process by default, since the pursuit of the vision is the entrepreneur's own choice.

These human and intellectual types of external factors are able to grant access to material resources for the entrepreneur. For instance, if the entrepreneur needs a specific manufacturing facility or machine, he or she can get access to it (lease or borrow) from a person or an association they are affiliated to. The reason why there exist no 'material' nodes on the grid, is the mere observation that such types of resources become more and more irrelevant. If you can have access to a recording studio or kitchen facility through the people you know, would ever buy it? Additionally, the examples of entrepreneurs who set up a business with a laptop or smartphone, an Internet connection and a big idea are countless. One such example is Colin: LoudSauce Inc. owns absolutely nothing. All Colin used to set up and run his business is a laptop, an Internet connection, an ambitious vision and his network of contacts. Since the G&S model is based on this case, the existence of material nodes on the grid would be unjustified.

How do these (initially) external factors get incorporated into the process?

External factors get incorporated by the entrepreneur's actions, or in G&S terminology, by the process of 'activation'. Therefore, these external factors get internalized into the process, when the entrepreneur utilizes them in various ways that fit the vision. In other words, human and intellectual nodes discovered on the slate are *added* to the grid if the entrepreneur judges that they are useful and thus *activates* them. Obviously this process is relatively easy when it comes to things such as ideas, information and experience (intellectual nodes) but it becomes trickier when it concerns people (human nodes). Because people need to be convinced first about the power of the vision and the benefits of joining, many times the entrepreneur will not succeed in activating certain nodes although they are considered useful (e.g. angel investors).

7 Future Outlook

In this final chapter, the practical implications for managers and entrepreneurs alike as well as the theoretical implications for researchers are presented. Moreover, some suggestions are being made for future research that can build on this research and, finally, the limitations of the whole study are realized.

7.1 Managerial Implications

The findings of this thesis can prove to be highly relevant for the business world. First of all, practitioners can utilize the G&S model to describe and understand such a complex issue as the creation of new markets. In this case, practitioners are not only entrepreneurial individuals but also managers and leaders of both for- and non-profit organizations. G&S can provide a new way for managers to conceptualize and potentially reproduce entrepreneurial behavior. It also provides an alternative frame of reference for their discussions around new markets. Moreover, the case analysis supports previous theory, in that an entrepreneurial approach to business can be highly efficient and waste minimizing. Furthermore, this study contributes to the attempt of 'decriminalizing' entrepreneurial behavior and making it more popular among managers and leaders of big and established corporations.

However, in my opinion, the most important practical contribution of this study is the introduction of serendipity in professional business thinking. This work aspires to persuade business people to consider serendipity as a tool in their arsenal instead of an incalculable threat. Serendipity, just like chance, manifests itself constantly in business and life in general. They are both completely unpredictable and unexpected occurrences. However, as explained in the analysis, chance is impossible to systematize while serendipity can be allowed for, since it requires certain actions to be taken in advance. The G&S model enables managers to prepare the ground for the appearance of serendipity by ensuring the required pre-actions are taken, such as 'planting seeds', extensive networking activities and utilization of social networks (grids).

This expanded view on entrepreneurial ways brings us to another crucial implication. As hinted in previous literature, effectual logic and thus the G&S model can be extended to include established companies, or even economies. Naturally, the main prerequisite is that a similar effectual logic is adopted. With the fulfillment of this condition, the model can (theoretically) be applied on other types of entities, such as corporations and states. For companies, in that case, the three types of 'means at hand' (i.e. nodes) translate into physical resources, human resources, and organizational resources (Sarasvathy 2001). Such considerations are of course

related to the popular resource-based view of companies, and can thus be understood and spread easier. The implications of this thesis can thus become much larger if this extension to companies is tested. Sarasvathy (2001) suggests that the same can be done for economies, with the focal entity being the nation or state. The types of means (and nodes) in this case are demographics ("Who am I?"), current technology regimes ("What do I know?"), and sociopolitical institutions ("Whom do I know?"). A potential extension to nations gives a whole new dimension to the implications of this study.

Last but not least, it has to be mentioned that the use of the G&S model and its implications is a matter of subjective judgment. Meaning that the findings can be interpreted in many ways and the practical use of the model is completely dependent on those interpretations and the practitioners' actions. The effectiveness or even relevance of the G&S model is contingent upon its use as indicated in the analysis. Nevertheless, conclusions are based on a single case study and cannot claim to be 'functioning' in all situations.

7.2 Research Implications

From a theoretical point of view, this thesis offers many new insights. An important contribution is the integration of two previously unrelated research fields: entrepreneurship and market creation. No extensive and deliberate research has been conducted on the intersection of the two, a gap that this study is helping to fill. Additionally, it provides a framework comprised of combined literature and empirical observations through ethnographic research. This framework, explains the types of factors affecting the market creation process and the way in which they interact with each other and the process as a whole. Moreover, a critical finding that comes from empirical observations, impacts the effectuation theory. As noticed in the case, Colin has been using the effectual logic for the seeding stages of the business, but during my work there were a few instances of causal logic. As it seems the entrepreneur and thus the startup moves away from effectuation (dominant in the initial stages) towards causation and prediction as the company matures. Although there is definitely an indication of the correlation between company (and market) maturity and the adoption of effectuation, this hypothesis cannot be proved by the current study but can very well constitute the topic of future research.

In my view, the most important contribution is the fact that G&S *includes* considerations of serendipity and unpredicted events. Apart from conceptualizing serendipity within the model, the study explores its impact on other factors, forces and the process in general. It attempts to bridge an obvious discrepancy: that of the attention and importance serendipity receives in practice and its – almost total – absence in theory. Additionally, the G&S framework can be potentially extended to include companies or even nations. In this sense, it is pertinent for

scholarly research, as it can be transformed to fit other disciplines, such as economics, politics, management and organizational studies. With the aid of future research this supposition can be tested and developed into a more inclusive model that covers aspects unique to each field.

7.2.1 Suggestions for Future Research

The indications for future research are mainly motivated by the limitations and possible extensions of the thesis findings. Hence, possible areas for research related to the study conducted in this thesis are:

1. *Investigation of the role of the individual*. An aspect that has been downplayed in the G&S framework is the role of the individual person. This can entail the role of personal traits, upbringing, experiences, preferences and other psychographic attributes. Such an investigation would attempt to answer the question "Who am I?" and determine how this internal factor affects the model and process.

2. *Correlation between company maturity and adoption of effectual logic*. One of the major findings of this thesis, states that LoudSauce continuously moves away from effectual towards predictive logic. Is that move correlated to the maturity level of the company and/or the market? What are possible reasons for that change?

3. *Materials as nodes on the grid.* This study has found that material resources are not that relevant in the effectual process of market creation, because everything goes through people and intellectual constructs (two types of nodes). Nevertheless there are plentiful studies that indicate the importance of tangible assets. The question is: are materials relevant or necessary to the G&S model? Can they potentially be conceived as a third type of nodes?

4. *Testing of the model on other cases and in different contexts.* For instance, future research could focus on the application of the same grid on different slates, both temporarily and geographically. An excellent example is the dotcom bubble in the late 1990's, during which many entrepreneurs failed to successfully launch their startups. Could those business ideas be implemented today, 10 years later, on a completely transformed slate (technological advance)?

5. *Extension to companies and economies.* One of the crucial implications of this thesis is the possibility to extend the proposed model to include established corporations and national states. The theoretical and empirical investigation of this hypothesis comprises a challenging topic for future research. In this case, there exists the possibility to incorporate the resource-based view and macro-economical theories into different G&S model versions.

6. *Extension to other complex creation processes.* The G&S model has been constructed based on empirical findings with a very general and broad approach in mind. Hence, could

the G&S model be used to describe other complex creation processes, such as the creation of niches, customer and premium segments?

7. *Business serendipity.* Theoretical review and empirical findings of this study indicate a lack of consideration for serendipity in business. There is room for research in this area, especially in the differentiation between chance and serendipity and the attempt to systematize and professionalize the latter.

7.3 The Study's Limitations

As elaborated in the method section, qualitative studies in general have been the target of heavy criticism due to their unstructured, fluid and non-generalizable nature. As a completely qualitative study, the underlying thesis exhibits certain drawbacks such as reliability and validity issues. Nevertheless, a qualitative case study was the best – and maybe the only – choice for studying processes in-depth. Subjective thinking and personal judgment also pose an issue especially in the analysis. Finally, this thesis as many case studies, displays a lack of transparency as the process of data collection is not systematized and well-documented. The scarce literature on the problem area of the thesis has made an organized research difficult and a more ad-hoc, improvising approach has been adopted. Nevertheless, everything possible has been done to ensure that this study remains as objective and as close to reality as possible.

On another note, the main product of this thesis, the G&S model has also numerous limitations as a theoretical construct. First of all, it does not investigate the effect of the individual as a characteristic personality on the market creation process, for reasons that have been explained previously. Moreover, the G&S framework, does not look into or provide an explanation for the factors that influence the formation of the slate itself. The main reasons for that is the lack of empirical findings that could possibly justify an explanation but also the time and space constraints of the thesis. A further question that remains unanswered is that of the timing or cause that brings about the combination of grid and slate. When or why the slate and the grid meet and what drives this combination, remains to be researched, possibly in another study.

As disclaimed in the analysis, the G&M model is an *initial attempt* to codify the entrepreneurial market creation process. It is by no means a holistic model that can explain *every possible* aspect of that process. It is merely a system that pronounces the *seeding steps of what could potentially become a market.* In that sense, the processes described in the model do *not always* lead to a market. That does not mean, though, that the entrepreneur's venture is not launched successfully. Hence, a startup can be successful without a market being created on the way. Consequently, many questions arise from this issue. In which market does the startup belong then? Can a company exist in between markets, in the long run? Or is perhaps a small market

created consisting of only one company? More importantly, does the venture *have* to belong somewhere? Unfortunately, the answers to these questions have more to do with philosophical and ontological concerns than with the G&S model. Those answers depend on the reader's beliefs and opinions about fundamental issues like what really constitutes a market and how it is defined.

Finally, as much as the author of this thesis, would like to prove the wide application and general usage possibilities of the G&S model, it is scientifically inappropriate. Restrained by the limits of the case study, the conclusions of this particular thesis concern LoudSauce only and cannot be safely transferred to other cases and contexts. It is my sincere hope, that future research takes up this challenge and develops further the G&S model. This study has merely laid the foundations for a systematic investigation of the entrepreneurial market creation process and the factors that influence it. Perhaps future continuations of this effort will yield a consistent and descriptive model that can be widely used by practitioners and – why not – taught to our children at school.

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