

NEW VENTURE CREATION AS EMERGING INTERDEPENDENCIES

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ABSTRACT

What is 'it' which actually takes place in the process of the creation of a new venture?

Traditional research would focus on the creation of 'the product' or the venture. In this paper, we focus on the creation of 'new meaning' and emerging interdependencies between people in the process of new venture creation. Taking on an auto-ethnographic approach we co-construct, describe and analyse two narratives which on different levels, explore the notion of interdependency emerging in the process of creating a new venture. In our narrative approach we channel our new venture creation research into an evocative and analytical direction which is rarely touched upon in the dominant literature on entrepreneurship. We illustrate the value of narrative research in enabling us to investigate what new venture creation is, from an involved participant perspective. We find interdependencies as enabling constraints between the persons involved in creating the new venture, paradoxically at the same time opening up and closing down opportunities, which affects the decision making.

INTRODUCTION

In the past decades, entrepreneurship and new venture creation has gained extensive attention in academics (Shane and Vakartaraman, 2000). There is a special focus on the

process element in new venture creation. (Moroz and Hindle, 2012; Shane 2012). Moroz and Hindle (2012) claim that, if we are to better understand entrepreneurship, we better focus on the process of entrepreneurship. But the process of what exactly? Shane (2012) concludes that we simply do not know the answer to this question yet, but that there is 'hope' for entrepreneurship to become a serious topic of research. For this to emerge, new venture creation processes should be better defined.

In the process of creation the new, it is hard to define what is actually being created. Some scholars would focus on the proposition or product (e.g. March, 1991; Ries, 2011), others focus on the creation of the company (e.g. Shane, 2000). while even other scholars focus on how meaning is created in the innovation process (e.g. Buur and Matthews, 2008).

What we find it striking, in the light of the conclusions Shane (2012) is bringing up, that there is so little consideration and 'real' interest in the research that is done on entrepreneurship. Mullen et al. (2009) mapped the methods used in the top three entrepreneurship journals (Journal of Small Business Management, Entrepreneurship Theory and Practice and Journal of Business Venturing). Out of 665 papers, 428 (64%) were quantitative empirical papers, of which 155 papers were based on secondary data. Meaning, in 24% of the papers the researchers were taking such a detached standpoint in the sense that they never personally interacted with that what they were researching. In only 7% (50 papers) of the papers a qualitative method was chosen, which in most cases would still not mean that the own values and beliefs of the researcher(s) were explicitly included in the research. When following Buur and Matthews (2008) and Buur and Larsen (2010) the personal interest of the researcher is always interwoven into this new meaning. In our understanding, exploring such ways of conducting research would therefore strengthen the understanding of new venture creation processes in general. Therefore, this paper is constructed out of conversations around auto-ethnographical material such as field notes, narratives and chunks of everyday life material from the personal experience of involvement in creating a new business venture. The research thus emerges through personal and confessional conversations on the lived experience of participating in a startup business. We will describe two cases from the research context, in which one of the authors is personally involved as a practitioner. It is in

the reflection that we have as researchers that our understanding and contribution to literature is created.

By taking this approach we do not intend to ignore the importance of efficiency, control and concrete measurements of (historical) performance as a basis and goal for organizational decision making (Larsen and Sproedt 2013). We see the interventions of us as researchers in the light of complex responsive processes (e.g. Stacey, 2010) in which meaning is always negotiated in the social process of interdependencies between people.

We consider interdependencies as enabling constraints (Gottlieb et. al, 2013; Stacey, 2011) emerging between stakeholders in the innovation process. The term is well fitted to investigate and describe what is going on in the complex relationships in an innovation process when we from a deeply involved perspective use autoethnography (Anderson, 2006) as a method to record and reflect on the internal negotiations in the creation of a new venture. In these negotiations we come to see new meaning emerge. And it is these notions of new meaning, the new approaches which are taken, the changes within organizations which we in line with Fonseca (2002) consider as innovation.

METHOD

We find interest in “everyday material”, “stumble data” and “emerging experiences” as a means of investigating phenomena emerging in everyday life situations (Brinkmann, 2014). Situations which cause us to “stumble”, which are not necessarily given as “data”, but may become data. Brinkman draws on Latour in his critique in Brinkman (2014) of the notion of data; *if objectivity means allowing “the object to object”, we should be very alert when objects do in fact object in a way that makes us stumble.*

Buur and Larsen (2010) identify six qualities in conversation which may lead to innovation. Their key focus on how researchers could identify such qualities comes down to 1) Sensing an underlying theme, 2) recognizing the experience of the authors and involved participants, 3) the notion of how many of us intuitively recognize moments in which innovation occurs. In line with Brinkman, this approach enables us as researchers to navigate when choosing material which we sense as intuitively interesting, from the empirical context of our research.

How we come to understand this “idea” in relation to bringing in the personal and confessional narratives from the research context is that it is in these personal experiences where we stumble. We stumble in the conversations around the experiences, as we elaborate, explore (and analyze) through conversations, experiences of phenomena that does not fit what we are taught. They do not fit our education and what we read and are encouraged to contribute to, as scholars; experiences which, from our perspective as researchers seems to be unarticulated in the dominant literature on the subject matter while, as we stumble, also encourage us with a genuine interest and eagerness to share these insights. To critique theories of what is going on in organizations, to construct a deep and meaningful articulation of the “value” we see in the phenomena we come to experience. Our experience does not fit into the

objective models traditionally describing the “object” in which we are interested. If objectivity means allowing ‘the object to object’, our aim with this paper is to discuss the subject.

We will do this in the following two narratives, written by one of the authors, who is involved in a new venture, developing and selling security systems for motor boats. Four people create the core team of this new venture, in the narrative we use fictional names to describe them. Kristian is the initiating leader of the group and an experienced hardware practitioner. Jakob is the cousin of Kristian and in charge of finance. Bjarne is the software developer of the team. Finally, the author, referred to as “I”, is interaction designer.

The first narrative describes how the sales team, Kristian and Jakob, are getting in contact with someone who could potentially be a reseller.

NARRATIVE 1: INTERDEPEDENCIES WITH RESELLERS

“We are for sale”.

A small reseller of security equipment has decided to place our product on his website, after having had just one opening meeting with the sales team as they are driving around the country. I notice this by coincidence; while building our own website, I am performing a google search and discover Fydico, linking to the small resellers website, as one of the top hits. Fydico, the name, was intentionally designed for its uniqueness on the web, it is no surprise that a link from another website becomes one of the first hits on google. Our own website was probably the only single occurrence of the name anywhere on the web prior to this. I share the news in our private online group on the Podio network.

May 7, 2014, on Podio, Frederik: *“Hey, did you notice that we are now officially on sale at FLT-Alarms? (link to website). I need to bring more cake :)”*

The following day in the office, the discovery is met with both excitement and contempt from the team.

Jakob: *“Hey this is awesome, we have our first distributor”*

Kristian: *“He has no right to do this, we did not agree on anything yet”*

I: As promised, I brought a cake to celebrate the news.

In the conversations on this news, we decide to make a reseller section on our own website which almost immediately makes us talk about “who else to put there”. This conversation goes on in the following weeks. The sales team is in this period negotiating with another small local reseller of security systems and we decide that he should also be on the website. We establish contact to get their confirmation, response is quick and I share the good news on our on our facebook page as we launch the website.

May 20, 2014, on Facebook, Frederik: “The website is updated, Fydico is now available with 2 resellers in DK :)”

It is in this process that my awareness kicks in. I am not sure when...

In the first months of my phd, I had a conversation with a new colleague, upon the guest lecture she gave at my campus. Her research approach was similar to mine, she had been working with autobiographical material from her research context. I was interested in how and when to actually collect, capture, write notes and narratives from my research context. My new colleague advised me to show awareness of when “something struck me”, when I experience “something different and interesting”, a feeling of “something going on”. Emotions. Not a predefined agenda for what to look for, but an awareness of an imminent emerging interest of something interesting “going on”.

During these weeks, something was changing with Kristian and Jakob. Until now, they had both been struggling to get the sales process started. Kristian had often expressed how he disliked to phone new, potential customers and to be wearing the “sales-cap”. It was difficult to accept the realization that new potential partners more than often did not respond on their own initiative, even though they had been interested in our product. It felt like a rejection. But I sensed that Kristian and Jakob were becoming more determined, perhaps more professional, in their way of working, within this period. I noticed it as I was reflecting on the incident where we discovered the reseller who put “us” for sale and in the small series of events which emerged. After the incident we decided to make a reseller section on our website. Which led us to place more resellers in the section, which required an inquiry to ask them if they agreed to be officially listed as reseller of our product. As Kristian and Jakob started to follow up with their leads who had shown interest, a more interdependent relationship emerged. I noticed it in the more comfortable, determined way that they went into this process. There was something at stake. They had something concrete to offer the new partners, a place in our reseller section. And accepting this, the new resellers also, however discretely, recognized us, our concept as something they believed in.

With my research colleague and co-author of this paper, we found interest in what was going on in the process I have just described. What was the role of interdependency here? Was there a change happening with my business partners, Kristian and Jakob? As I interviewed Kristian in relation to my thoughts, he did not seem to recognize what I was experiencing.

I couldn't say, if the interaction with [the small reseller] had any effect, I don't think so. I think it is more about the strategy Jesper [a friend who offered some help with the sales process] told us to follow. His approach was to “get hold” of the potential dealers. Do followups and everything. I don't think [the small reseller] had any effect in particular.

Kristian does not as such recognize the incident with the small reseller as significantly impacting the way they are working. He does seem to recognize that “something is changing”, referring to the strategy he and Jakob had been advised to follow. His reflection thus seems more detached and ‘from a distance’, in the sense that he comes to perceive the notion of change as dominated by an objective, strategic approach. Which is why I find this notion of “emerging change” so interesting. We both sense a change, being involved in the process. But our perception of how the change and new meaning is emerging, is quite different.

NARRATIVE 2: NEGOTIATING USERS AND FUNCTIONS

The second narrative describes how all the people involved in the core team are engaged in a discussion on design changes, directly affecting the concept and of the users.

Yesterday, Kristian had been talking to [a small private marina for leisure boats] about selling Fydico systems. They hadn't been particularly satisfied with the system, their experience was affected by many errors due to the optical part malfunctioning. The optical part of the Fydico system is a key security component which ensures that the secured piece of equipment is protected by a digital “loop”, using an optical fibre thread running through the equipment.

Kristian and Bjarne had been spending countless hours detecting the errors and fixing the few installation during the fall season. One of the users couldn't get his payed system to work at all, there seemed to be a bug, either hardware or software, that caused the optical part to fail. Which meant that his boat wouldn't lock when he connected the plug to it. That is very critical. I remembered having brought up in this period, that we could just make an emergency fix and deactivate the optical part of the system. At the time, my suggestion was rejected. The problem should be fixed, not just “overridden”.

While Kristian was giving a summary of the case and the bad response they gave, I was taking notes on my pink post-its.

“Fydico Pi... what to do? with [the small private marina for leisure boats]”

and another one saying

“No fibre mode”

I was scribbling little figures and lines in the corners and highlighting letters. I think this is a thing I do when something is on my mind. Or bothering me. As Kristian was done, I grabbed the “no fibre mode” post-it while saying:

“I know we have been through this”, looking at Bjarne, “but I think we should discuss it again. If we choose to include this function, we could give the user a much more solid experience while fixing the errors. Instead of disabling the system completely until the error was fixed, we could simply lower the level of security, while still having the essential functions running”.

Kristian approved without much hesitation, saying that it had actually been confusing to the users, having a green Active Connector attached to the boat which would be the case if the error occurred. The green lights emphasized that the boat was unlocked and this clearly bothered the users he had been talking to. Jakob also approved.
...which strikes me, as Jakob usually never approve without questioning. In the following discussion I think Jakob’s immediate approval of my suggestion had an impact that I didn’t as such recognize in the moment.

Bjarne did not agree to my suggestion, we all felt it though he didn’t say much.

We always know when something is bothering Bjarne. Usually we recognize it if theres a bug in the software that he’s struggling to crush. It can go on for days where he seems on the edge, unproductive and deliberately avoids to respond unless gestures towards him are repeated second or third time. Until he has his eureka moment. It brings him back in the daily conversations, lifts the attitude in the office. This is how he works. His practice.

I continued to express my opinion. I said it was critical, in order to sell more products, that we would give our users a solid experience. Regardless of the security issue. The dead simple everyday experience of interacting with our concept in a meaningful way. It would be much better, I said, if we could just tell our users that in order to adjust some readings, we would deactivate a function in the system and keep it running. The security would be lowered by around 25%, but there wouldn’t be any noticeable change and the system would be fully operational. I was, especially in the conversation, determined that this was the way to go. I went on. I started talking about perception theories and how we see things differently. I said that users most often don’t relate to how the system works internally. Users, in known theory, construct their own mental model of how a system works. The system model which we are designing by, is often so complex that the user cannot relate to it. It is a users experience and thus his mental model, achieved through

interaction with the system, which we need to relate to. This experience wouldn’t change if we would disable a system component without a visible or tangible interaction. Which was only significant on a system level. I tried to explain to Bjarne, how his view, as a developer, was different from that of a user.

Teaching a course on Human Perception I had, in the same days been preparing a lecture on systems design, mental models and design models. My head was deliberately full of Donald Norman.

In the moment Bjarne didn’t say much. Jakob was still in without much input for discussion, while Kristian elaborated on some technical issues which also favored the notion of a software fix, which could temporarily disable the optical system.

Bjarnes first response was:

“if it was so important, why didn’t we just deactivate the optical on system level when we first discovered the errors? It only concerned 2-3 boats anyway”

I replied that it wasn’t until this moment that we, in our conversation, had recognized this as a viable solution. From here, Bjarne didn’t say more.
(...)

DISCUSSION

We see the first narrative as how Kristian and Jakob are affected by the events and how they learn through the ongoing interactions in the process. New understandings are emerging in the events taking place. We notice however, how it is mainly in the reflection of the participant researcher (Anderson, 2005) that this understanding is emerging. The other people involved in the situation do not see the development as so significant. Our reflection as researchers is therefore useful to get to know more about the situation, but is missing understanding that challenges and deepens the insight of the interdependencies between all people who are involved in the situation. This understanding is deepened when Frederik goes back to Kristian and interviews him about the narrative which we have co-constructed as researchers. The realisation that Kristian has quite a different view on what is going on helps us as researchers in understanding the role of interdependencies in the process of new venture creation. The emerging interdependencies in the process of building the new venture are both enabling and constraining the relations with external partners. It allows to open up for new potential partners and it is closing down on other ones, paradoxically at the same time.

The second narrative shines a light on how interdependencies are at play in the everyday events in the group of the new venture and how these

interdependencies are significant in the decisionmaking process. In this narrative we see interdependencies as the tightly interwoven relationship of the participants in the new venture. We identify interdependency in the micro interactions, in the conversations and the gestures, which we can't capture as observants *of* the situation but only as active participant *in* the situation.

The snippets of response show how the decision to change the product is not only a decision that is based on rationality, for example from user insight and design theory. Frederik, Kristian, Bjarne and Jacob are very much aware of each others 'emotional state' and how it is influencing the thinking process of everyone in the setting. It is in how the four of them are recognizing each other that the decision comes to live. Bjarne is obviously not having the best day and the rest of the group is aware of this through their history of being together. Jakob is eliciting an unexpected behavior which only makes sense to discuss at a reflected distance. In this reflection Jakob's seemingly unnoticeable behavior comes to be an enabling constraint for Frederik to build an argument. Which Jakob normally would have been challenged on in the process of building the argument.

The narrative from the deeply involved perspective in this way assists us as researchers in understanding interdependencies in new venture creation as having a critical role when decisions are being made. We are also aware that our focus, as researchers, is limited to an incredibly small part of creating this particular new venture. But our knowledge and experience enables us to see this particular incident in a bigger perspective in relation to interdependencies.

In the first narrative, interdependencies come about as a positive "movement" towards a stronger relationship with distributors and partners, emerging from a seemingly insignificant incident. In reflections on the second narrative, interdependencies of the business partners directly reflects how decisions are being made. The reflection on the narratives supports a complex responsive process perspective (Stacey, 2010) on process as responsive acts of recognition by persons and practice as a social activity of communication, power relating and evaluative choice (Stacey, 2010). A more dominant discourse on new venture creation would focus on a systemic process of actions and predefined goals that come out of discovered opportunities (e.g. Gartner 1985). We find that our narratives enables us to explore the creation of a new venture as a process of emerging relations between interdependent individuals.

CONCLUSION

The two narratives illustrate, from our involved perspective, how interdependencies come about in the process of new venture creation. The new venture is not built through different steps, stages and milestones, but through the on going conversations and negotiations, internally and externally between the people related to the new venture. Being involved in interactions with others is paradoxically at the same time opening up and

closing down opportunities to move forward. In that sense there is no 'right' or 'wrong', but rather we can identify that this paradoxical process is in fact taking place. These insights into interdependencies are in a sense no hard 'proof', but instead enable us as researcher to further explore the meaning of how we see interdependencies come about in future situation and in future new ventures. We are as well, with our findings in this research, seeking to enable others, researchers and practitioners, to explore the notion of interdependencies in the setting of their (research on) creation of new ventures.

ACKNOWLEDGMENTS

We would like to thank the 3 entrepreneurs Kristian, Jakob and Bjarne for allowing us to use the personal stories of and about them in this paper. We also wish to thank fellow researcher Line Revsbæk for inspiration and critical feedback in the process of writing.

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