AALTO UNIVERSITY SCHOOL OF SCIENCE AND TECHNOLOGY
Faculty of Information and Natural Sciences
Industrial Engineering and Management

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Key mechanisms of how sales development influences success in business-to-business software start-ups

Master's Thesis

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ABSTRACT OF THE
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Start-ups are one of the important drivers of growth in the economy. In order for more start-ups to survive and succeed, there is a need for entrepreneurs to understand practical factors of start-up success. The practical work in early stage start-ups is often over-shadowed by success stories that tell of the unlikely success and resilience of the successful entrepreneur. However, there is much to learn from the daily grind in early-stage start-ups.

This study sets out to increase the understanding of value creation in software start-ups. Sales is strongly present and important in most start-ups, hence there was interest in understanding how sales is developed in early-stage start-ups and how it influences their success. Because success cannot be directly measured in the very early stages of development in the life cycle of a business, the focus was on studying the success factors of the start-ups, which have been the target of a lot of research and are well defined in literature.

The important areas of research for this study are start-up success factors and sales management. In order to define what is measured in the study and to better understand the context, the study starts with a literature review of success factors in start-ups. Sales development in the start-up context hasn't been studied before. Therefore, a literature review of sales management in general is presented which is discussed in the start-up context. Lists of mechanisms of how sales influences success factors are then created based on the literature to guide the empirical part of the study. A multiple case study with 13 early-stage start-ups is then conducted in order to understand how sales is developed in practice and how sales management influences the success factors.

The results are synthesized in mechanisms from which 7 important categories of sales management practices are found. The mechanisms between these practices and the success of the start-ups is explained. In addition, a general development model of sales in start-ups is presented.

The results show us that the focus for entrepreneurs in the earliest stages of their venture should be on validating and gathering information about the proposed offering before utilizing too many resources. When a precise understanding of the market has been developed, the start-ups should focus on laying the groundwork for successful sales before finally doing all it can to realize its sales potential.

Keywords: start-up, entrepreneurship, sales management

Publishing language: English

AALTO-YLIOPISTON TEKNILLINEN KORKEAKOULU DIPLOMITYÖN TIIVISTELMÄ
Informaatio- ja luonnontieteiden tiedekunta
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Työn ohjaaja: Juha Mattsson,TkT		

Pienet kasvuyritykset ovat yksi tärkeä tekijä talouskasvun varmistamisessa. Jotta useammat kasvuyritykset selviytyisivät ja menestyisivät, pitää yrittäjien ymmärtää tekijöitä jotka vaikuttavat kasvuyritysten menestymiseen. Käytännön työ joka näissä yrityksissä tehdään jää usein menestystarinoiden varjoon. Kasvuyritysten käytännön työstä on kuitenkin vielä paljon opittavaa.

Tämä tutkimuksen tavoite on parantaa ymmärrystämme kasvuyritysten arvon tuottamisesta. Myynnin kehittäminen on keskeinen toiminto uusissa kasvavissa ohjelmistoyrityksissä joten on kiinnostava tutkia miten myyntiä kehitetään ja miten myynnin kehittäminen vaikuttaa menestymiseen.

Teknologiaa kehittävien ja nopeaan kasvuun tähtäävien kasvuyritysten käytännön työtä ei ole tutkittu paljon. Myöskään myynnin kehittämistä näissä yrityksissä ei ole tutkittu. Tästä syystä tämä tutkimus alkaa kirjallisuuskatauksella myynnin johtamisesta yleisesti ja kasvuyritysten menestystekijöistä. Tunnistetut myynnin johtamisen tekijät liitetään tunnistettuihin menestystekijöihin kirjallisuuskatsauksessa. Empiirisessä osassa myynnin kehittämisen vaikutusta menestystekijöihin analysoidaan 13:a tapaustutkimuksen avulla.

Tulokset esitetään myynnin ja menestystekijöiden välisinä mekanismeina. Näistä mekanismeista on tunnistettu 7 tärkeää myynnin johtamisen osa-aluetta. Myös yleinen myynnin kehittämismalli kasvuyrityksille esitetään.

Tulokset osoittavat että yrittäjien pitäisi yrityksen alkuvaiheissa keskittyä suunnitellun tarjooman validointiin ja palautteen saamiseen ennen kuin muita resursseja otetaan käyttöön. Kun kiinnostus tarjoomaan on varmistettu, pitää yrityksen pitää huolta että myynnille laaditaan hyvä alusta jonka jälkeen yrityksen pitää olla aktiivinen toteuttaakseen myyntipotentiaalin.

Asiasanat: yrittäjyys, kasvuyritys, myynti, myynnin johtaminen	Julkaisukieli: englanti

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Riku Seppälä, Montreal, May 2010

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1 Introduction

1.1 Background

Start-ups create value that is unmatched by any existing organization. How is it possible for a completely new organization with very limited resources to win over large, established companies? How do they convince their customers of the value of something that doesn't yet exist? Start-up success is difficult if not impossible to predict, their practices difficult to emulate and it seems impossible to copy the success of a start-up. It is a one-time success that is never done again. The success of start-ups is almost mythical.

Start-ups are essential for the process called "creative destruction" (Schumpeter, 1934) which leads to higher productivity and a higher standard of living. Entrepreneurial activity is correlated to growth, since start-ups systematically grow larger than large incumbent firms. (Carree & Thurik, 2003). Start-ups are therefore essential to the economy in general. Start-ups do however demonstrate a high degree of failure (Evans, 1987; Kirchhoff, 1994; Mata, 1994; Wagner, 1994). Entrepreneurs are obviously important for the economy, but success is difficult.

How is it possible to better understand the mythical phenomenon of startup success? One important part is at least to understand what the entrepreneurs and their organizations do in practice when working on their organizations. An important part of the daily work for most start-ups is sales. The value created is usually calculated in revenues, which is created through sales. However, for different start-ups the value will be calculated differently. For example, it can be calculated as revenues, profits, amount of users, technology leadership or value for potential acquirers. This study focuses on the B2B software industry where sales are an important measure of early success. The objective is to understand what entrepreneurs do in order to create and appropriate the value of their visions.

In this study we focus on the sales management of high-growth start-ups in the software industry in business-to-business markets. These start-ups are bringing something new to the market and thus have to be able to convince the market of the value of their product, thus making their sales situation different from incumbent firms.

The study is performed as a qualitative study based on the case methodology (Eisenhardt, 1989). Because start-ups are a large heterogeneous group, I will start by defining the types of start-ups that this study focuses on. Secondly, the literature part of the study will synthesize the literature of start-up success factors and the important development areas in sales management. The identified components of sales management and start-up success factors are tied together through lists of mechanisms. These mechanisms present which activities, development areas and strategies of the sales management components should influence specific factors of start-up success.

The empirical part is then conducted as a multiple case study in 13 start-ups. The framework for the case studies are based on the lists created in the literature part. The empirical part uncovers the practical mechanisms of how sales development influences the success factors of start-ups as experienced in the 13 case start-ups. The results of the empirical study present the most important sales development areas that start-ups should concentrate on to maximize the impact on their success factors.

In conclusion, I will discuss what the results reveal about start-up success and what the results signify for entrepreneurs and policy-makers.

1.2 Research Problem

The research problem of the thesis is:

What are the key mechanisms by which sales management influences the success factors of high-growth software start-ups in business-to-business markets?

The research question is divided into the following sub-questions:

RQ1: What are the key success factors of high-growth start-ups?

RQ2: What are the most important sales management factors for high-growth start-ups?

RQ2: By which mechanisms does sales management influence the success factors of high-growth start-ups?

1.3 Objective

By definition, a complex system is difficult to predict. Therefore, the objective is not to predict, but to present logical mechanisms grounded in empirical research that entrepreneurs can benefit from when planning their ventures.

In general, the objective of the study is to: “*understand what entrepreneurs do in order to create and appropriate the value of their visions*”

In order to make the objective more tangible, the choice was made to focus on sales management in start-ups. The objective of the sales management focus is two-fold:

1. To uncover important sales management practices that entrepreneurs of high-growth start-ups should focus on when planning their ventures
2. Discuss the role of sales in general in high-growth start-ups and the implications for policy-makers and entrepreneurs

1.4 Research methods

A qualitative research methodology was chosen for this study in order to be able to dig deeper into the daily work of start-ups. The study is explorative; therefore the qualitative methodology is more suitable. (Eisenhardt, 1989)

Firstly, a literature review of start-ups and sales management is conducted. The success factors of start-ups as described in prominent research will be presented. The most important components of sales management will then be synthesized. The mechanisms of influence between the sales management components and the success factors based on the sales management literature are then presented as lists.

Second, a multiple-case study is performed and the most important mechanisms between sales and success factors identified. Any additional mechanisms that came up in the case studies that weren't accounted for in the literature study will also be discussed.

1.5 Definitions

Start-up	A company in the early stages of development, still mostly unknown and in the process or planning to capture market share. Here the term start-up is used to define high-growth, technology-based ventures. Often used synonyms: NTBF (New Technology Based Firm)
Components of sales management	Plans and ways of working that will influence sales activities
Sales activity	An event that of the company engaging in contact with possible customers.
Start-up category	Start-ups that belong to the same category have some common attributes that set them apart from others. There are several ways of categorizing start-ups
Critical Success Factor (CSF)	Critical Success Factors are determinants such as publicity, knowledge, funding, understanding of the market, connections or any other that influence the success of the company
High-Growth Start-ups	High-growth start-ups in this paper are technology-based start-ups that have international ambitions, want to dominate in a market and continue to grow.
Technology	Technology can be defined in very broad terms. In this study we define technology as a method, software or physical tool that is new and allows the accomplishment of its intended use
Technology-based	Technology-based start-ups offer value through a new technology or by offering an existing technology to a new market.
Research-based Start-ups	Research-based start-ups make us of a proprietary technology or skill
Nascent entrepreneurs	A person undertaking activities to create a business
Nascent entrepreneurship	The founding effort of a nascent entrepreneur to create a business
Incumbent companies	Companies that have been in the market for a period of time and are no longer considered as challengers or new to the market.

1.6 Scope of the study

The Start-ups for the study were selected to include variation inside the strictly defined population. The results will be most useful to start-ups in the same industry and the same markets as the sample, but the results will be generally applicable to any high-growth start-up as defined in this study in the following section “defining the domain of study: categorization of start-ups”.

The aim of the study is to understand how sales management issues have influenced the success factors or the start-ups. The underlying assumption is that the success factors are directly correlated to the success of the start-ups. There are many different ways of defining success of a start-up. Success can be measured by the attainment of milestones such as an IPO, funding, first sale, first employee or first international sale. Furthermore, success could be measured by revenue growth, profitability, return on investment or survival. The problem with choosing any measures is that start-ups will develop in different pace and might have completely different objectives through their lifecycle depending on several factors such as market and industry. In addition, if the objective is to study practices in existing start-ups that have not yet generated much revenue, we cannot choose a monetary measure. Survival has to be studied long after that the start-ups have been launched, which makes it impractical for a qualitative study on the practical level of operations such as sales management.

The start-ups for this study were specifically chosen from software start-ups that were targeting business-to-business markets. Developing sales and validating their offering is especially important for this subset of start-ups since competition for capital is fierce and the start-ups are not commercializing science-based discoveries but providing new engineering solutions. The offerings of the start-ups studied are mostly in a very early stage of development. Because it would be impossible to try to measure the success of the start-ups, the choice was made to study the factors that have been demonstrated to increase the likelihood of success.

The study is explorative in nature, and hence the borders of the phenomenon studied are flexible. It is difficult to define what should be included in “sales” or “sales management”. For this study, the discussion of sales management is based on the literature review, which defines sales as a broad concept that influences most parts of the development of the business.

The case companies for the study are selected from Finland and Canada. The cultural differences are not a specific focus but will be discussed if any differences can be observed. However, cultural differences will influence how sales activities should be performed in different places around the world. The specific results of this study should be adaptable in similar markets as the Finnish and Canadian.

1.6.1 Defining the domain of study: categorization of start-ups

In this section, I will summarize ways in which start-ups can been categorized and chosen in start-up research. The objective is to narrow down the homogenous set of new companies to a population that can be examined. Very few research papers in the area of entrepreneurship provide an overall picture of what kind of start-ups they were studying. Often this important question is left to ad-hoc methods. However, the workings of start-ups are very complex and there exists several heterogeneous groups of start-ups. (Heirman & Clarysse, 2004) Therefore, start-ups cannot be studied without taking their context into account. (Bruyat & Julien, 2000) Research has even shown that from a strategy perspective, start-ups are more heterogeneous than established firms. (Carter, Stearns, Reynolds, & Miller, 1994)

Very seldom have any research been made to categorize start-ups in order to understand their context better and minimize uncontrollable variance inside the population. Therefore this exercise done in this study can be valuable in itself for entrepreneurship research.

1.6.1.1 Business-to-Business Markets

Business-to-Business (B2B) and Business-to-Consumer (B2C) markets are usually treated separately, because of the differences in selling to businesses or to consumers. Whether a start-up does B2B or B2C sales will influence the sales of the start-up. Often a start-up can create value for both businesses and consumers. The consumer market can be a channel through which to penetrate the lucrative business market.

This study is limited to start-ups which strategy is mainly to create value for businesses. A by-product or marketing channel is often to provide the product or service to consumers as well. In this study, the start-ups' revenues come from businesses and they have been designed to create value for businesses.

Another important factor is how the owner of the start-up intends to appropriate the value. Some start-ups even in this study have been created in order to be sold forward relatively quickly. Their goal is not to maximize their revenues and profits, but to maximize the value created to a potential buyer.

1.6.1.2 Research-based start-ups

Research-based start-ups have received much attention from academia. (Heirman & Clarysse, 2004) It is because they have been shown to be the primary drivers of economic development. These start-ups are of primary interest in this study. In this study, we will follow the definition of Heirman & Clarysse for research-based start-ups:

"New-business start-ups which develop and market new products or services based upon a proprietary technology or skill."

The start-ups in this study must therefore themselves have access to a proprietary technology or skill that they use. Resellers are therefore not included. The products or services must also be new to the market. This is discussed in more detail in the section "technology-based"

Heirman et al. studied the whole population of start-ups in Flanders, Belgium, and through a cluster analysis, further divided the research-based start-ups into four categories according to four variables:

1 **VC-backed start-ups**

Financing	Start with external capital
Technology	Usually have a proprietary technology. Technology platforms that can have several uses
Product	Far from a market ready product
Team	Team has low experience but attracts experienced managers in the first year

2 **Prospectors**

Financing	Start with much smaller amounts of capital than VC-backed
Technology	More mature technology base than VC-backed start-ups, but less innovative and platform oriented
Product	Early stage of product development
Team	Similar team to VC-backed in terms of size and experience. Don't attract experienced managers in the first year because of low funding

3 **Product start-ups**

Financing	Usually no need for external financing because they expect revenues. Can attract VC money
Technology	Less involved in platform and innovative technologies than VC-backed but more than prospectors
Product	Close to market in a first version
Team	1-2 founders who have experience of working in the sector

4 **Transitional Start-ups**

Financing	Started with low capital to commercialize the knowledge of the founders, thus can get revenues quickly
Technology	No technology to start with.
Product	Start as technical consultants without a product idea. However, they transition to product companies.
Team	1-2 founders with a lot of experience in the domain.

In this study we have included start-ups from each category of Heirman's categorization. However, no transitional start-ups that haven't yet transitioned to product start-ups are included.

1.6.1.3 Offering introduced less than 2 years ago

The companies of interest in this study are start-ups, which implies that they are young. No formal definition of when a company is still a start-up exists, but some research has been made in when start-ups can overcome the liability of newness. According to the research by Quinn and Cameron (1983) and Kazanjian and Darzin (1990), it doesn't happen before 3-5 years after the creation of the company, and more usually not until 8-12 years after. This research was done before the advent of the web, which has provided an almost free distribution method for products. It is probable that the advent of the web has also influenced the average time it takes for a company to overcome the liability of newness since software start-ups do not need to build up the physical distribution channels.

This study focuses on companies that have published their principal offering not more than two years ago. This choice was made in order to capture the insights of the people who are in the process of developing the start-up, or very close to that. Hindsight bias might influence the quality of the data, so a relatively short time span is necessary in order to capture the realities of the sales management and the development of the success factors of the start-ups. Some hindsight bias was still noticed when comparing the information given in the interviews when compared with documentation.

1.6.1.4 Innovating, not just organizing start-ups

Small businesses often meet the criteria of being new; however they provide no or very little value (Bruyat & Julien, 2000). One of the motivators for this study is to increase the understanding of the success of the start-ups that have a potential to create a lot of value.

Baumol (Baumol, 1993) categorizes entrepreneurs behind start-ups into “firm organizing entrepreneurs” and “innovating entrepreneurs”. It is these innovating entrepreneurs that create the most value.

Most innovation typologies and definitions are based on two dimensions: the market dimension and the technology dimension. When organizing these dimensions into a matrix, this yields three possible innovation types, as can be seen in figure 2 below. (Harmancioglu, Droge, & Calantone, 2009). Other innovation definitions also exist as noted by Harmancioglu et al., but in this study we will be satisfied by defining innovators as companies that innovate either by a new technology, proprietary skill or both.

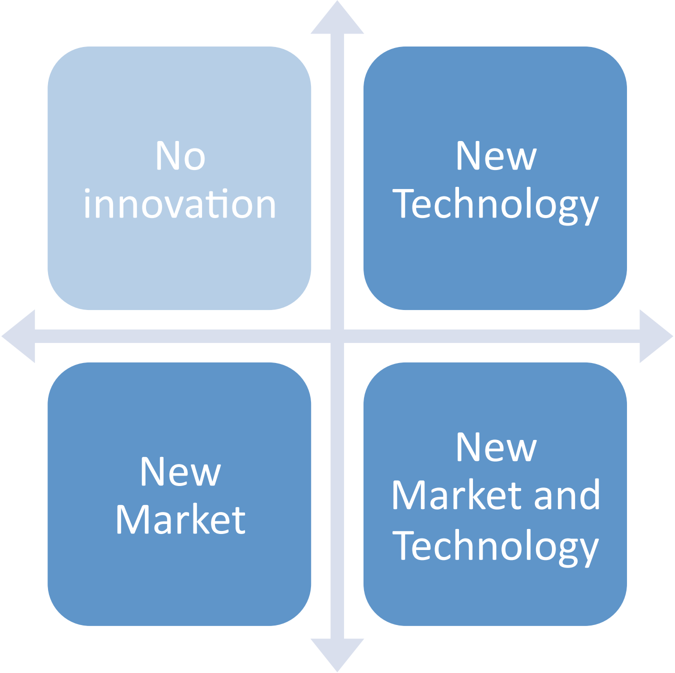


Figure 1 The Market and Technology Dimensions of Innovation yield three possible innovation types

1.6.1.5 *High Ambition Start-ups*

Innovating, technology-based start-ups are likely to have high growth ambitions. Innovating start-ups have been created with the objective in mind to create a change and create value. In this study, we will only focus on companies with high growth ambitions, which are thus likely to have a greater impact on the economy.

1.6.1.6 *Technology-based start-ups*

Start-ups can be defined as 'Technology-based' by several different factors, for example the industry they are positioned in (Brush, Edelman, & Manolova, 2008). As the definition of technology or high technology in itself is a matter of opinion, it is often difficult to have an exact method of classifying technology-based companies.

Inside technology-based start-ups there is an important distinction to make between science-based and engineering-based start-ups. (Autio, 1997) Autio defines science-based firms as "firms developing applications concerning physical phenomena or theoretical constructs". Science-based firms are more scientific-breakthrough driven. Engineering-based firms are defined as "firms expanding the scope of use of these applications". Engineering-based firms are more market driven. The start-ups in this study fall into the engineering-based firms category. The focus is on software start-ups, which are not active in basic scientific research. The sales perspective is also more relevant to the more market-driven engineering-based firms.

In many studies, high-tech start-ups have been categorized according to their industry. For example, the British Venture Capital Association defines high-technology companies as the ones active in the following industries:

- Communications
- Computer Hardware
- Computer Internet
- Computer Semiconductors
- Computer Software
- Other Electronics related
- Biotechnology
- Medical
- Instrumentation
- Medical Pharmaceutical

The Industry provides an operational way to categorize high-tech or technology-based companies from others and has been employed in previous studies. (Lockett, Murray, & Wright, 2002)

This study focuses only on technology-based start-ups in the computer software industry.

1.6.1.7 Origin

Under the categories described above, there is still at least one important distinction to make, which relates to the origin of the start-up. Some important origins to consider are university spinouts, incumbent spin-offs and others that do not have an affiliation with a larger organization.

Because incumbent spin-offs often already have a set customer base and a market-tested value proposition, these companies will face different challenges in sales compared to other companies. They may also have a more developed resource base. (Heirman & Clarysse, 2004)

University spinouts and other companies have to prove their value in the market and are usually in an equally un-advantaged position.

1.6.2 Synthesis of the domain of study

The described criteria have been widely used in academia, although often defined in an ad-hoc way. The definitions in this study aim to make the domain of study more explicit in order to improve the accuracy of the results. The decision to concentrate on software start-ups aiming for high growth was based on the experience of the researcher of which start-ups would constitute an interesting and valuable domain. More than 50% of capital investments are made in the ICT sector, and one of the segments with the most competition is the software segment. Software requires only small amounts of capital to start, and thus there exist a lot of early-stage software start-ups.

The criteria that have been defined were used when selecting the start-ups for the empirical part of the study. The selection criteria also influenced the literature studied and the emphasis made in the literature analysis of sales and start-up success factors.

The start-up population chosen for this study can be described as

Innovating Software firms less than two years from the publication of their offering arising from developing and marketing products based on proprietary technology or skill with high growth ambitions.

A summary of the criteria is presented in Figure 2.

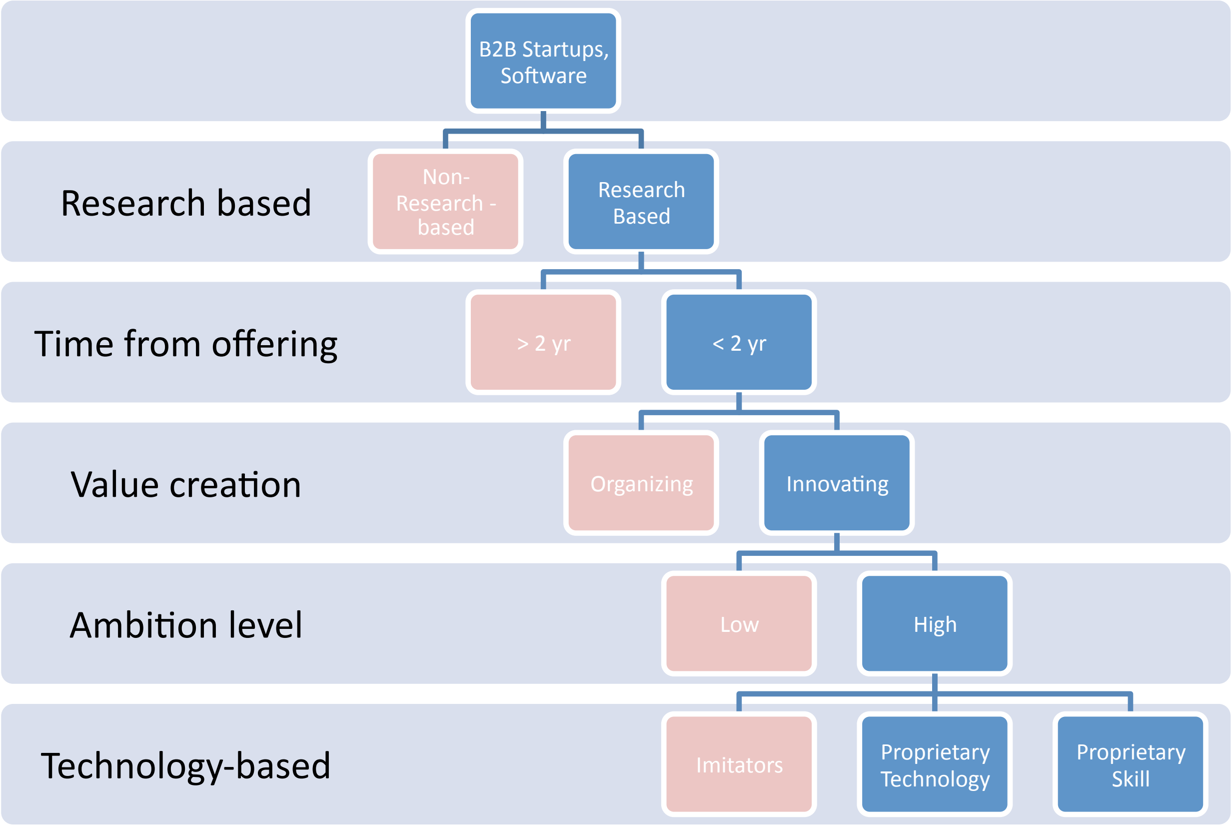


Figure 2 Summary of the domain of the study

1.7 Structure of the Study

The study is divided into the literature part and the empirical part. The literature part is further divided into two sections and a synthesis. The empirical part is divided into two parts: background and the synthetic analysis.

1.7.1 Literature part

The literature part is based on academic literature relating to start-ups and sales.

The objective of the literature part is to answer the following questions:

1. **According to literature, what are the critical success factors of start-ups?**
    a. What are the success factors of start-ups according to research and how can they be categorized?
    b. Which success factors can be influenced by sales management practices?
2. **What are the critical components of sales management?**
    a. How can sales management factors be categorized according to research on sales?
    b. What mechanisms of how sales influences success factors can be identified?

1.7.2 Empirical part

The empirical part includes two sections:

1. **Case company backgrounds**
    c. Short descriptions of the companies in the study
2. **Synthetic part**
    a. Analysis of the mechanisms identified in the literature part that are present in practice
    b. Identification of mechanisms that weren't identified in the literature part
    c. Summary of the case studies

After the synthetic part, the conclusions will be presented as well as strengths and weaknesses of the study and suggestions for further research. Figure 3 presents a synthesis of the structure of the study

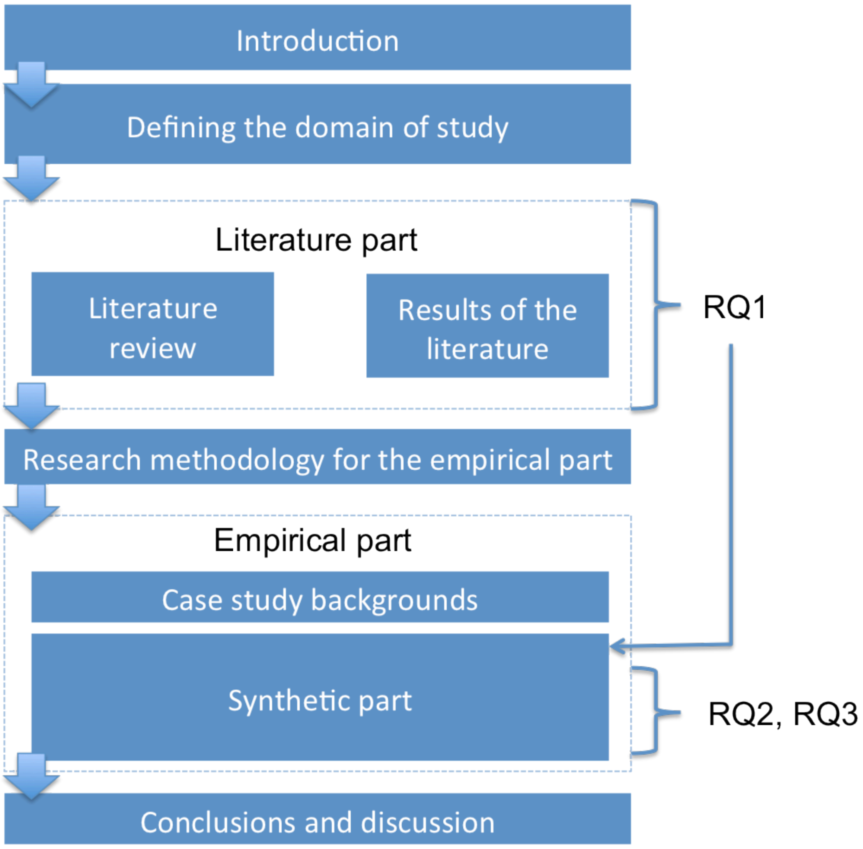


Figure 3 Structure of the study

2 Literature part

In order to set a good foundation for the empirical research, this part studies theory that examines issues related to start-up success and sales. From these theories, a list of mechanisms is created to guide the empirical part.

First, research on the success factors of start-ups will be examined. Also the definition of success will be discussed. I will build a high-level framework of CSF's (critical success factors) for start-ups.

Second, research on sales management will be analyzed in order to summarize the key components of successful sales. These components will be divided into some general activities and strategies that will be mapped to the success factors in order to operationalize the mechanisms of sales on success factors.

2.1 Success factors of start-ups

A significant amount of research has been made in the field of predicting new venture success and survival. Good summaries that take into account both success and survival factors are "Predicting New Venture Survival: An Analysis of "Anatomy of a Start-up." Cases from Inc. Magazine" by Gartner et al. (Gartner, Starr, & Subodh, 1998) and "Predictors of the Survival of Innovations" by Åsterbro & Michela (Åsterbro & Michela, 2005).

I will review some of the most important research in start-up success factors and then summarize it into a framework that will be used in constructing the interviews for the empirical part of the study. Factors inside the larger categories in the framework will be gathered from different strands of literature in order to construct a framework relying on several sources, which increases the validity of the constructed framework.

In the success factors, there are controllable and uncontrollable factors. The controllable factors are vary according to the decisions and actions made in the start-up. The uncontrollable factors, such as the age and education of the founders, are in general not directly controllable. However, weaknesses in these factors can be controlled through influencing other factors, for example by focusing on building an experienced and educated team to balance an earlier team with little education. The focus in this study is to qualitatively understand the indirect and direct influences of sales management on the success factors; therefore both controllable and seemingly uncontrollable factors have been qualified for the study.

In addition, there are many external factors which the start-up cannot directly influence and which might change. In the study the start-ups all come from quite homogenous environments, compete in a global market and belong in the same industry. Therefore, the external factors do not vary much, except for the markets that the start-ups are targeting. External factors such as the availability of an educated workforce or availability of capital are thus left outside the analysis. The choice of markets and how that decision was made are however part of the study. The market that the start-up is targeting is not handled as a preset condition for each start-up, but the choice of markets and development of the market fit is also analyzed as a part of sales management. Also the question of why the start-up decided to target the market they are is analyzed.

2.1.1 Start-up success factor research

Different lists of variables that might be important for start-up success have been used in various studies. For example, Timmons (Timmons, 1994) includes a list of over 100 items; Åsterbro (Åsterbro, 2004) bases his study on 36 variables.

Despite efforts, no theory or variables have prevailed as the predictors to start-up success. Some candidates with a strong academic support and evidence of prediction power are the New Venture Template (NVT)(Mitchell, 1995), Cooper's framework (Cooper R. G., 1981) and the work of Åsterbro (Åsterbro, 2004). Despite the difficulties in pinning down non-general success factors, it has been proven many times that the predictive power of a systematically used framework of success factors is higher than expert assessments (Venture Capitalists) (Gartner, Starr, & Subodh, 1998; Mainprize, Hindle, Smith, & Mitchell, 2003; Åsterbro, 2004; Tan, Fischer, Mitchell, & Phan, 2009).

If the research on success factors is inconclusive, the same is not true for the categories in which these factors fall. All studies share the same categories that are either based on Gartner's framework (Gartner W. B., 1985) or have come to a similar categorization. These studies all categorize the influences on start-up success according to the four categories: individual(s), process, organization and environment. Some research includes technology instead of organization and market instead of environment. However, these terms are used interchangeably since the actual variables in the categories are the same for organization and technology on the one hand and environment and market on the other. For this study, it is sufficient to state that according to the research covered, the four categories defined by Gartner should cover all the success variables. However, there is no reason for why factors outside of these categories couldn't be found. The four categories will be used as a basis for the framework but it will be used flexibly and the factors that Gartner defined inside the categories will be extended and adapted to the objectives of this study.

There is also another stream of research, which argues that the process cannot be studied along other factors and which tries to predict start-up success only through static and documentable variables. Except for the process category, the categories in these studies also follow the categorization of Gartner's framework.

I will now present a synthesis of three important concepts in start-up success factor research:

1. Gartner's framework for factors in new venture creation
2. Factors of technology commercialization success
3. The New Venture Template

After these three concepts have been presented, I will present the four categories that have been used in start-up success research and the different factors in these categories that have been collected from different streams of literature. Newer research that extends Gartner's framework and interesting research on success factors in practice will then be presented. I conclude with a synthesis of start-up success factor research.

2.1.2 Gartner's framework for factors in new venture creation

The article by (Gartner W. B., 1985) is a seminal article of success factors of start-ups. It has been widely used as a basis for research of start-up success. See for example Gartner et al. (1998) Bruyart & Julien (2000), Gelderen et al. (2006).

In the article Gartner concludes that new venture creation is a multidimensional phenomenon and that the dimensions cannot be examined alone. He argues that it is not enough for researchers to go after the "average" entrepreneur and the "typical" venture creation. Gartner created the framework in order to set a good basis for future research in new venture creation. However, somewhat ironically, his framework has been mostly used as a basis for predicting success of start-ups in general, instead of using it as a tool for choosing a population of start-ups to study.

The four dimensions that Gartner set out in his seminal article will be discussed in the section "The four categories of start-up success factors". Gartner's framework is presented in Figure 4. The framework includes both controllable and uncontrollable factors.

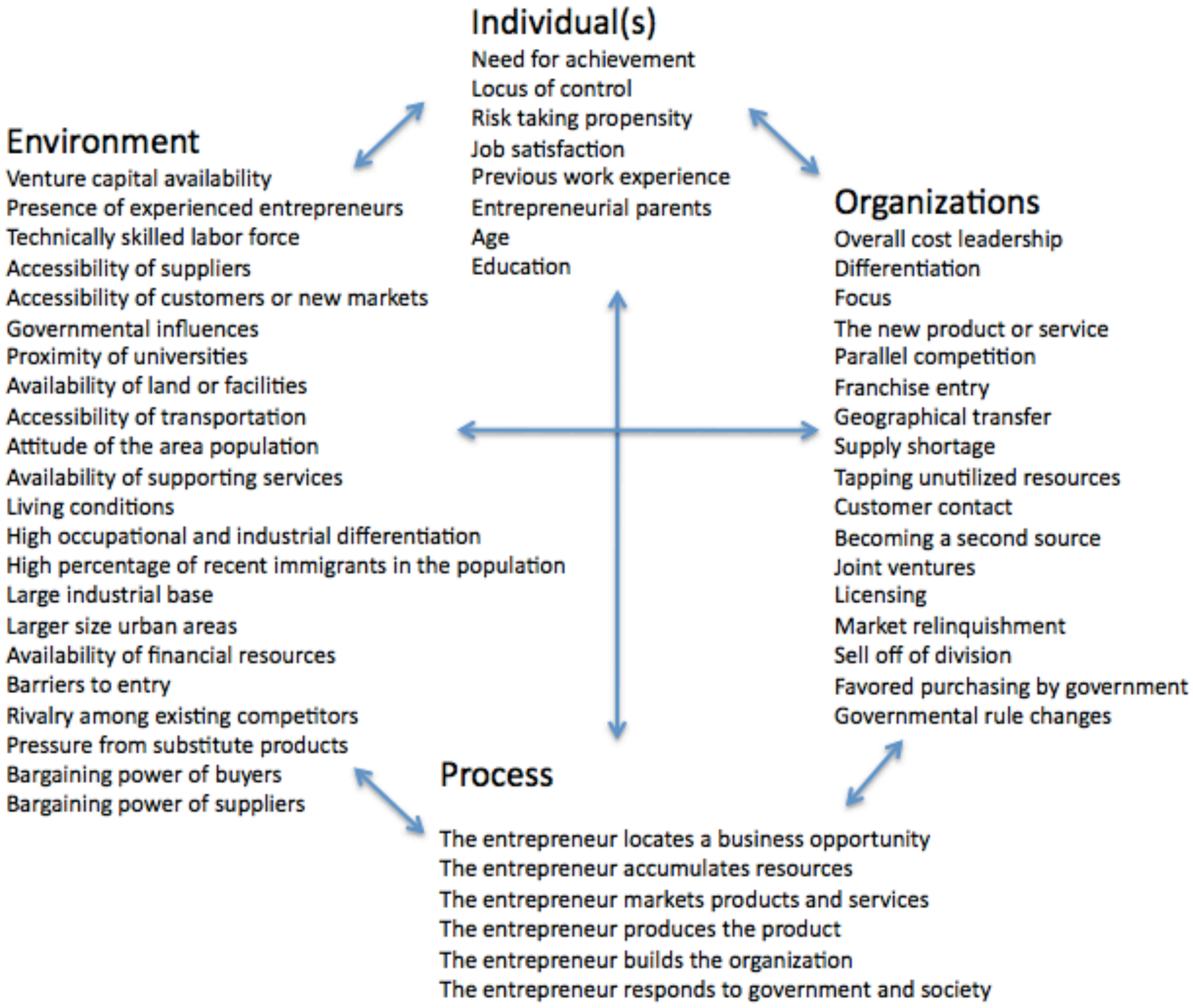


Figure 4 Gartner's factors in new venture creation. Adapted from Gartner (1985)

2.1.3 Factors of technology commercialization success

Several studies based on statistical analysis of technology commercialization success have been made (Åsterbro, Key Success Factors for Technological Entrepreneurs R&D Projects, 2004). However, no conclusions to which variables are the most important have been made. Åsterbro is however able to name four categories into which the success factors generally fall in all of the research: Market, Technology, Environment and Organization. In Gartner's framework, the technology is part of the organization and the market part of the environment. In Åsterbro's categories, the Team/Individual(s) are included under the organization. Åsterbro's framework does not take the process into account. The reason for this is that Åsterbro studies variables that can be studied without interaction with the team or their process. The objective is to be able to predict success based on submitted answers to specific questions.

A distinction has to be made between the underlying success factors and the process with which these success factors are put to use or improved upon.

2.1.4 New Venture Template

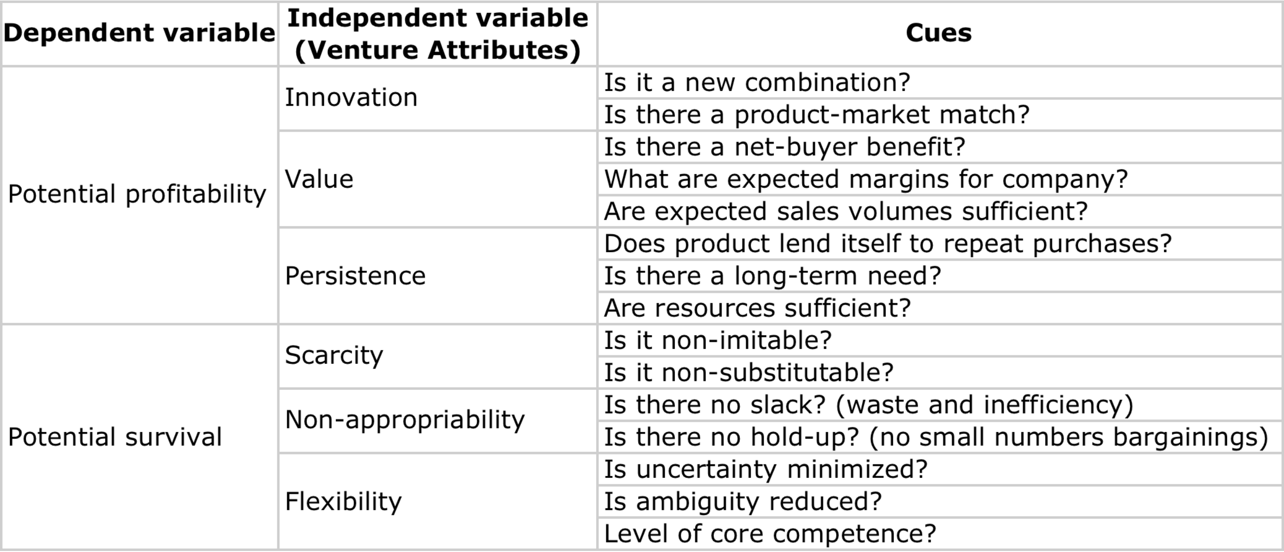
The New Venture Template (NVT) is a framework originally created by R.K. Mitchell. The framework was created by a comprehensive literature review and in-depth case studies of causes and failures of standard VC questions for evaluating new ventures. (Tan, Fischer, Mitchell, & Phan, 2009) The template has been used and evaluated at the Wayne Brown Institute(Wayne Brown Institute)

According to the research of Mainprize (Mainprize, Hindle, Smith, & Mitchell, 2003), using the NVT mechanically can forecast venture success 24% better than venture capitalists based on espoused criteria. The NVT model is one of the few frameworks that is in continuous use in practice and for which the predictive power has been demonstrated. Therefore, the NVT criteria will be used to fill in sub-questions in the framework constructed above. Mainprize still calls for more rigorous analysis of which factors used in the NVT are the most important and how important they are, but with a relatively high degree of certainty we can conclude that the NVT includes the most important factors of start-up success.

The NVT is divided into two parts. One part evaluates the entrepreneur/team and the other the business. The entrepreneur/team is regarded to be static and dependent on the personality of the entrepreneurs or the team.

The business criteria were created to answer the question “Is the opportunity a business i.e. can it be profitable?” (Mainprize, Hindle, Smith, & Mitchell, 2003).

The NVT template for business criteria is presented in Figure 5.



Dependent variable	Independent variable (Venture Attributes)	Cues
Potential profitability	Innovation	Is it a new combination?
		Is there a product-market match?
	Value	Is there a net-buyer benefit?
		What are expected margins for company?
		Are expected sales volumes sufficient?
	Persistence	Does product lend itself to repeat purchases?
		Is there a long-term need?
		Are resources sufficient?
Potential survival	Scarcity	Is it non-imitable?
		Is it non-substitutable?
	Non-appropriability	Is there no slack? (waste and inefficiency)
		Is there no hold-up? (no small numbers bargainings)
	Flexibility	Is uncertainty minimized?
		Is ambiguity reduced?
		Level of core competence?

Figure 5 The business variables of the NVT template

The NVT template was used to increase the depth of the understanding of the organization and technological factors in Gartner's framework. The final framework and factors identified are presented in the next section.

2.1.5 The four categories of start-up success factors

2.1.5.1 *Team or Individual(s)*

"The person(s) starting a new organization". (Gartner W. B., 1985)

The entrepreneur has been the focus of much research. Earlier, researchers wanted to understand how entrepreneurs differ from non-entrepreneurs. (Gartner W. B., 1985) Lately, much focus has been put on understanding which characteristics of entrepreneurs lead to success. For examples, see Davidsson & Honig (2002) and Erikson (2002).

The individual and his characteristics are part of almost every study on start-up success. However, different characteristics of individuals are studied and different conclusions have been made.

For example the experience of an entrepreneur is often regarded as one of the most important factors in start-up success. However, there have been contradictory findings regarding the importance of earlier start-up experience. Some have found that experience does help (Gelderen, Thurik, & Bosma, 2006;

Gompers;Kovner;Lerner;& Scharfstein, 2010) and others that start-up experience can even be a liability (Shane & Delmar, 2004; Gartner, Starr, & Subodh, 1998).

At least the following factors have been identified as probable start-up success factors in individuals:

Fixed	Need for achievement	Gartner, 1985
	Locus of control	Gartner, 1985
	Risk taking propensity	Gartner, 1985
	Previous work experience	Gartner, 1985
	Entrepreneurial Parents	Gartner, 1985
	Age	Gartner, 1985
	Education	Gartner, 1985
Variable	Job satisfaction	Gartner, 1985
	Perceived Risk	Gelderen et al. 2006
	Starting full-time	Gelderen et al. 2006
	Acquiring technical knowledge	Gartner et al. 1998
	Change in knowledge/ability	Gartner et al. 1998

It is difficult to see a direct connection how sales could influence these success factors. However, what will be focused on is the feedback loop between sales and these factors. For example, higher job satisfaction might lead to better sales and vice versa. Also the need for sales might drive an entrepreneur to start full-time on his opportunity, which might be the critical factor needed for success. The individual factors affecting the success of a start-up will have to be regarded from both points of view; how the individual factors have influenced the sales and in return how the sales might have changed and improved the individual factors.

Instead of the ‘individual’ factors in Gartner’s framework, we opt for the term ‘team’ as teams, not individuals, have founded all of the start-ups examined in this study. This should also reflect the reality more when discussing B2B software start-ups.

2.1.5.2 Process or Entrepreneurial Behaviours

The process an entrepreneur or a team undertakes in order to succeed includes at least six main activities according to the research by Gartner (1985). The actions entrepreneurs do is regarded as important and often the most important factor in success. (Gartner, Starr, & Subodh, 1998; Carter, Gartner, & Reynolds, 1996)

The six main activities identified by Gartner (1985) are:

The entrepreneur locates a business opportunity
The entrepreneur accumulates resources
The entrepreneur markets products and services
The entrepreneur produces the product
The entrepreneur builds an organization
The entrepreneur responds to government and society

These activities or processes are concentrated on the event of creating a business. The categories are too general in order to be able to make any suggestions about what an entrepreneur should do. In this study, we will concentrate on processes and activities on a more granular level.

Gartner et al. (1998) conclude that it is possible to conclude what activities entrepreneurs should undertake under certain conditions and that it will have an important impact on entrepreneurial practice and policy.

One finding that can be summarized from earlier studies is that the probability of success can be increased by a high level of activity in the beginning of the venture and committing full-time to the start-up (Carter, Gartner, & Reynolds, 1996; Gelderen, Thurik, & Bosma, 2006). The level of commitment, already identified in the factors of the 'individual', will lead to more activities which are essential for the success of the start-up. From a process point of view, this means that more directed efforts in a start-up will lead to better success. The assumption behind it is of course that the entrepreneurs are engaged in the right sort of activities. In this study, we will concentrate on these activities on a more granular level in order to understand which activities are the important ones for sales.

With most activities, there is confusion about if the activities are actually beneficial or not. One example is the process of creating the business plan. The business plan is often a central issue in entrepreneurship education and is often regarded as one of the important steps in creating a business. However, there have been varying results about whether writing a business plan increases the probability of success. Shane & Delmar (2004) review contemporary research and conclude that the majority believe that the opportunity cost of writing a business plan is too high, that entrepreneurs should not waste time in writing the business plan. However, according to their empirical research, writing a business plan does increase the probability of success. Gelderen et al. (2006) conclude that business plan writing is beneficial for less ambitious entrepreneurs but not beneficial for very ambitious entrepreneurs. The confusing regarding the issue might exist because of the fact that heterogeneous start-ups have been studied as homogenous.

In this study, we will concentrate on activities with the aim of generating sales. The activities identified in the start-up success literature are listed below:

Defining the purpose of the business	Gartner et al. 1998
Acquiring resources and help	Gartner et al. 1998
Identifying customers	Gartner et al. 1998
Surveying the competitive environment	Gartner et al. 1998
Finding investors	Gartner et al. 1998
Getting help from lawyers	Gartner et al. 1998
Finding and refining the opportunity	Gartner et al. 1998
Getting a loan	Gartner et al. 1998
Change in price	Shane & Delmar 2004
Marketing & Communications	Shane & Delmar 2004
Planning activities	Shane & Delmar 2004
Starting marketing activities early	Shane & Delmar 2004
Writing a business plan	Gelderen et al. 2006
Change in Geographical position	Tan et al. 2009

This is not an extensive list of the activities performed by entrepreneurs. It seems there is a general need for documenting the actual activities that are performed in start-ups. The gathering and listing of the activities that entrepreneurs engage could be a valuable contribution to literature on sales and start-ups.

2.1.5.3 *Environment or Market*

The environment can be seen as something that the entrepreneur can influence or something that the entrepreneur must adapt to. In Gartner's framework, the factors that an entrepreneur can influence are included in the organizational dimension. Therefore, the environment remains as something that must be adapted to.

Gartner summarizes 22 variables that have been found to stimulate entrepreneurship. By definition an entrepreneur cannot influence the environment. However, entrepreneurs can increase their chances of success by actively analyzing competitors and new entrants (Åsterbro, 2004; Gartner, Starr, & Subodh, 1998). Therefore, environment and market remain important factors in the phenomenon of new venture success.

The environment and market will be taken into account by understanding the differences of the environments of the case companies studied. Different environments and markets might require different sales activities. This will be taken into account when analyzing the cases and possible findings will be discussed.

Some factors such as the technological environment or how novel the product is is not included in the environment or market category but the organization and strategy category, which also includes the technology factors. These factors, such as pressure from substitute products and technology significance are somewhat overlapping. This will be taken into account in the empirical part of the study. However, as the analysis is qualitative rather than quantitative, overlapping factors will not have any major significance but can deepen the understanding of some factors from different viewpoints.

The environmental and market factors are listed below.

Venture capital availability	Gartner, 1985
Presence of experienced entrepreneurs	Gartner, 1985
Technically skilled labour force	Gartner, 1985
Accessibility of suppliers	Gartner, 1985
Accessibility of customers or new markets	Gartner, 1985
Governmental influences	Gartner, 1985
Proximity of universities	Gartner, 1985
Availability of land or facilities	Gartner, 1985
Accessibility of transportation	Gartner, 1985
Attitude of the area population	Gartner, 1985
Availability of supporting services	Gartner, 1985
Living conditions	Gartner, 1985
High occupational and industrial differentiation	Gartner, 1985
High percentages of recent immigrants in the population	Gartner, 1985
Immigrants in the population	Gartner, 1985
Large industrial base	Gartner, 1985
Larger size urban areas	Gartner, 1985
Availability of financial resources	Gartner, 1985
Barriers to entry	Gartner, 1985
Rivalry among existing competitors	Gartner, 1985, Åsterbro2004
Pressure from substitute products	Gartner, 1985
Bargaining power of buyers	Gartner, 1985
Bargaining power of suppliers	Gartner, 1985

2.1.5.4 Organization, Technology and Strategy

Gartner has identified many studies where the organization hasn’t been taken into account. Firms in different industries are compared to each other, and also companies with completely different resources and goals have been treated as homogenous.

The categorizations that can be made according to the organization are for example target industry, team size, value chain position and strategy type (Gartner W. B., 1985). Another is the level of ambition (see section "Categorization of start-ups"), which could also be a trait of the entrepreneur, but has a profound impact on how the organization will be built up.

If we assume that the organizational structure of a company has an impact on success factors, the reviewed studies leave much to hope, since most did not at all take into account organizational and strategy factors i.e. (Brush, Edelman, & Manolova, 2008; Carter, Gartner, & Reynolds, 1996; Mainprize, Hindle, Smith, & Mitchell, 2003; Shane & Delmar, 2004; Åsterbro, 2004)

In Gartner's framework, the organization category includes also the technology and strategy of the company. In this paper, we will however make a distinction between these categories.

The Organization, strategy and technological issues identified in literature are listed below

Organization

Expected Profitability	Åsterbro 2004, Galbraith et al. 2007
Appropriability Conditions	Åsterbro 2004, Galbraith et al. 2007
Intended Capital	Gelderen et al. 2006
Financially lean	Galbraith et al. 2007
Formal Alliances	Galbraith et al. 2007
Interorganizational Relationships	Tan et al. 2009
Level of core competence	NVT
No slack (waste & inefficiency / Is uncertainty minimized?)	NVT
No hold-up (No small number bargainings / Is ambiguity reduced?)	NVT
Expected Margins	NVT
Sufficient Resources	NVT

Strategy

Core strategy: differentiation, cost leadership, focus	Gartner 1985
Repeat purchases	NVT
Long-term Need	NVT
Product-Market match	NVT, Gartner 1985
Sales Volumes	NVT

Technology

Technological Uncertainty (development risk)	Åsterbro 2004, Galbraith et al. 2007
Technological Opportunity (function)	Åsterbro 2004, Galbraith et al. 2007
Technical Feasibility	Åsterbro 2004, CIC
Change in function	Shane & Delmar 2004
Functional Performance	Åsterbro & Michela, 2005
Research and Development	Åsterbro & Michela, 2005

Technology Significance	Åsterbro & Michela, 2005
New Combination	NVT, Gartner 1985
Non-imitability	NVT
Non-substitutability	NVT

These factors are quite general and will be used as a starting point for drafting the plan for interviews with the case companies. In general, these three categories can be summarized as follows:

Organizational	How should the company be structured in order to create the most value?
Strategy	Who is the customer, how can we create the most value and appropriate it?
Technology	What technology is needed to fulfil the strategy and how should it be developed?

2.1.6 Extensions to Gartner's framework

Bruyart & Julien's article "Defining the field of research in entrepreneurship" sets out to propose a definition of entrepreneurship as a resource field. (Bruyart & Julien, 2000)

The central finding of their research is that the variables set out by Gartner's framework cannot be studied separately, but that the interaction between these variables is also of central importance. However, they do not add any factors to the framework based on their research.

The framework created by Bruyart & Julien is presented in Figure 6.

In the centre of the framework, the I (Individual or team) is in constant dialogue with the entity created which is either the organization or the innovation. According to Bruyart & Julien, all of the interactions in the model have to be taken into account since the entrepreneurial teams is able to create, learn and influence the environment. It recognizes that an entrepreneurial team is not simply a blind machine responding automatically to environmental stimuli (interest rates, subsidies, information networks, etc.).

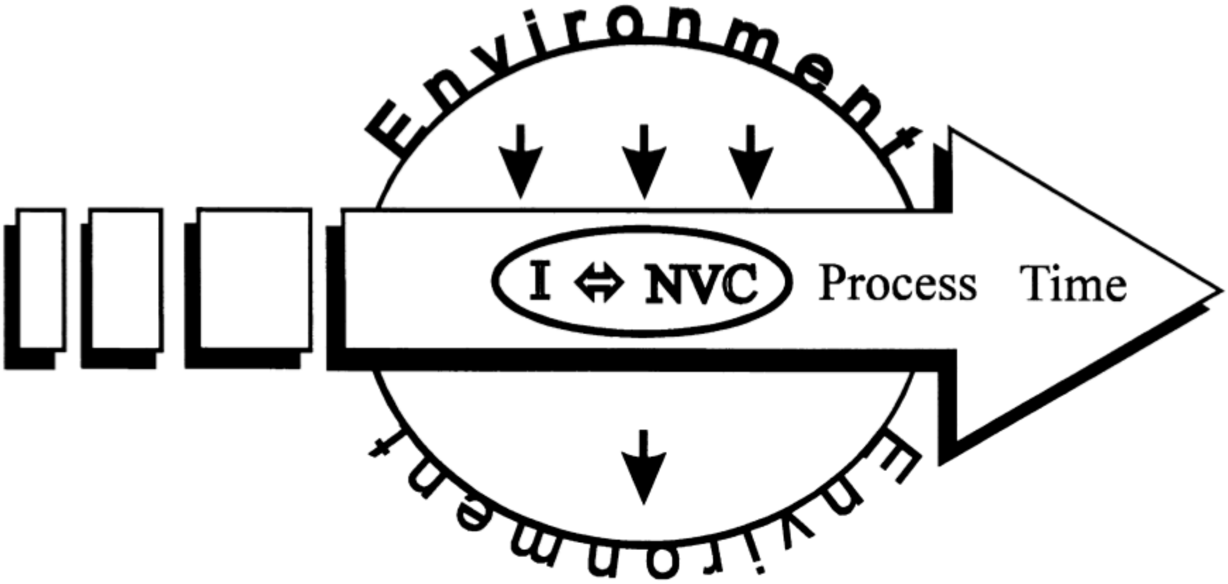


Figure 6 Bruyart & Julien(2000), framework for study in new ventures. Original caption: "The entrepreneurial process located within its environment and time."

2.1.7 Success factors in practice

According to Mintzberg and Waters (1982), the entrepreneurial leader is able to create visions because of his devotion even to small details in the business. Day-to-day involvement seems to be needed in order to create a greater vision. Mintzberg and Waters describe this as the "very intimate knowledge that informed their greater vision". Mintzberg and Waters further continue that analysts may develop plans, but they are unlikely to come up with visions.

In the start-up, the entrepreneur that 'walks confidently into the unknown future' cannot be discounted. According to Mintzberg and Waters, this is an important success factor for the entrepreneurial firm.

A 'test-the-water' strategy was also found to be effective, in order to control the bold actions taken by the entrepreneur. This can be called 'controlled boldness'.

Also the intimate knowledge of the business was seen as an important factor.

The intimate knowledge needs to be in the hands of a person that is:

1. Fully in control
2. Committed for the long term
3. Possesses the vision and ability to switch from narrow focus to broad perspective

According to Mintzberg and Waters (1982), this mode is powerful while the company operations are simple enough to be understood by one person.

2.1.8 Synthesis of success factors: Interplay of process and controllable and uncontrollable factors

Gartner has created a successful framework as a basis predicting start-up success. The framework has remained relevant for already over 25 years. However, Åsterbro and the literature stream he builds upon clearly want to separate the process from other factors, going so far as to not taking the process into account at all. The reasoning behind this is that we have to understand the underlying success factors before starting to analyze the process, “not researching how projects should be done before we understand which projects should even be done”.

However, since much effort has been put into separating the variables of success without any reaching any results, and following the logic of Bruyart & Julien that the interrelations between the factors and the process cannot be omitted, it does seem that we must construct a framework which also considers the process and the mechanisms between these two levels.

In order to understand the phenomenon and differences between start-ups, the underlying uncontrollable factors, the controllable factors and the process in which the entrepreneurs’ skill comes into play must be separated. Clearly, controllable variables must be studied parallel with uncontrollable ones if we want to understand why a start-up succeeds. (Heirman & Clarysse, 2004; Gartner W. B., 1985)

In conclusion, I have based the framework on Gartner’s framework of categories for start-up success variables. Because predetermined factors will have an influence on the success of the process and the process in itself, it can be argued that these two dimensions should be studied separately (Åsterbro, 2004). However, due to the complex nature of start-ups and the ability of the entrepreneurs to influence, learn and react, the interactions between the categories cannot be omitted (Bruyart & Julien, 2000; Heirman & Clarysse, 2004). Therefore, the complete set of factors will be studied as separate categories. The framework constructed based on the reviewed literature is presented in Figure 7.

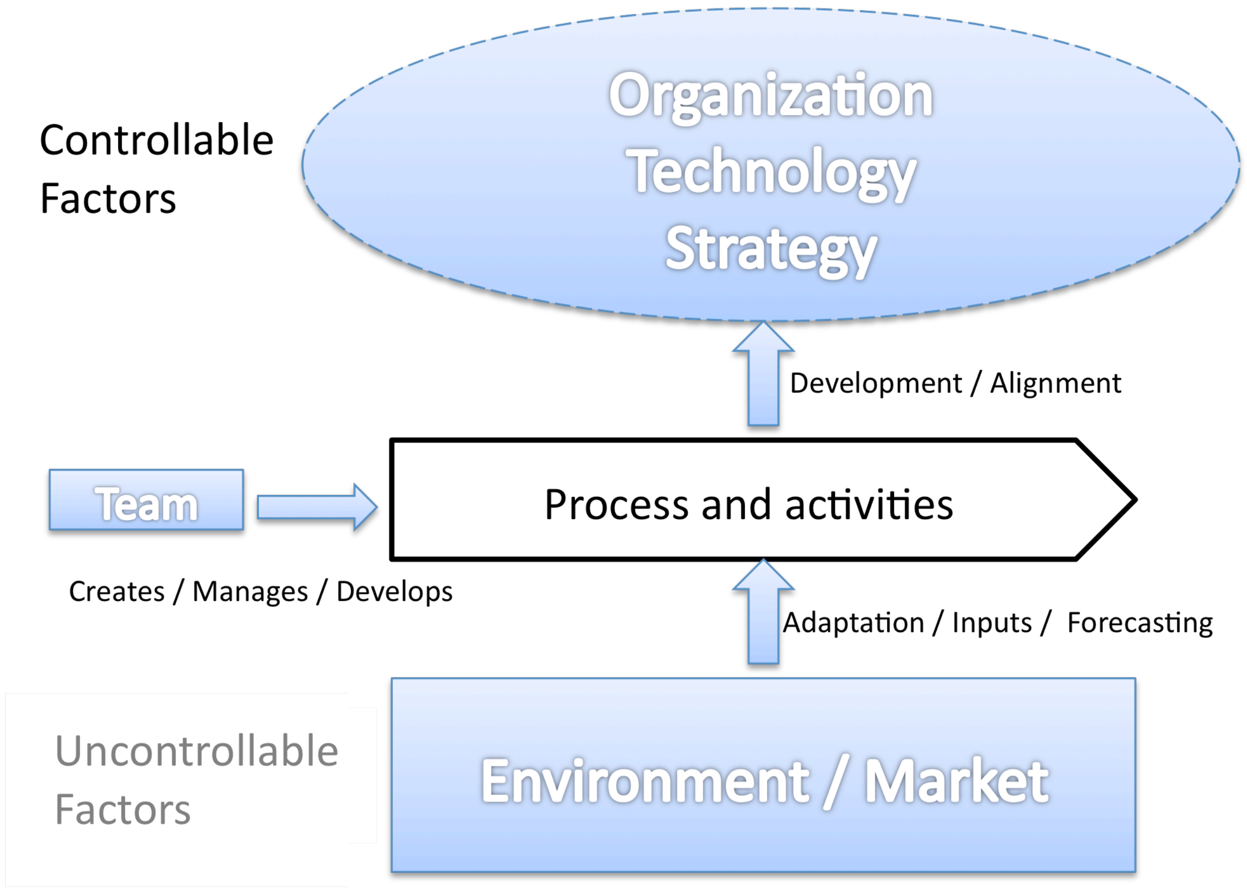


Figure 7 Framework of Start-up Success Categories

To manage the risk of only taking into account "obvious factors", which has been a problem in the research on success variables(Garbraith, DeNoble, Ehrlich, & Kline, 2007), I have grouped the variables from literature. This was done in order to reserve more flexibility for the interpretations in the empirical part and avoid "lock-in" to the earlier identified factors. However, the variable groups provide a good starting point for the interviews conducted in the empirical part. The variable groups in the framework are presented in Figure 8. A full list of the success factors is presented in lists below the following figures.

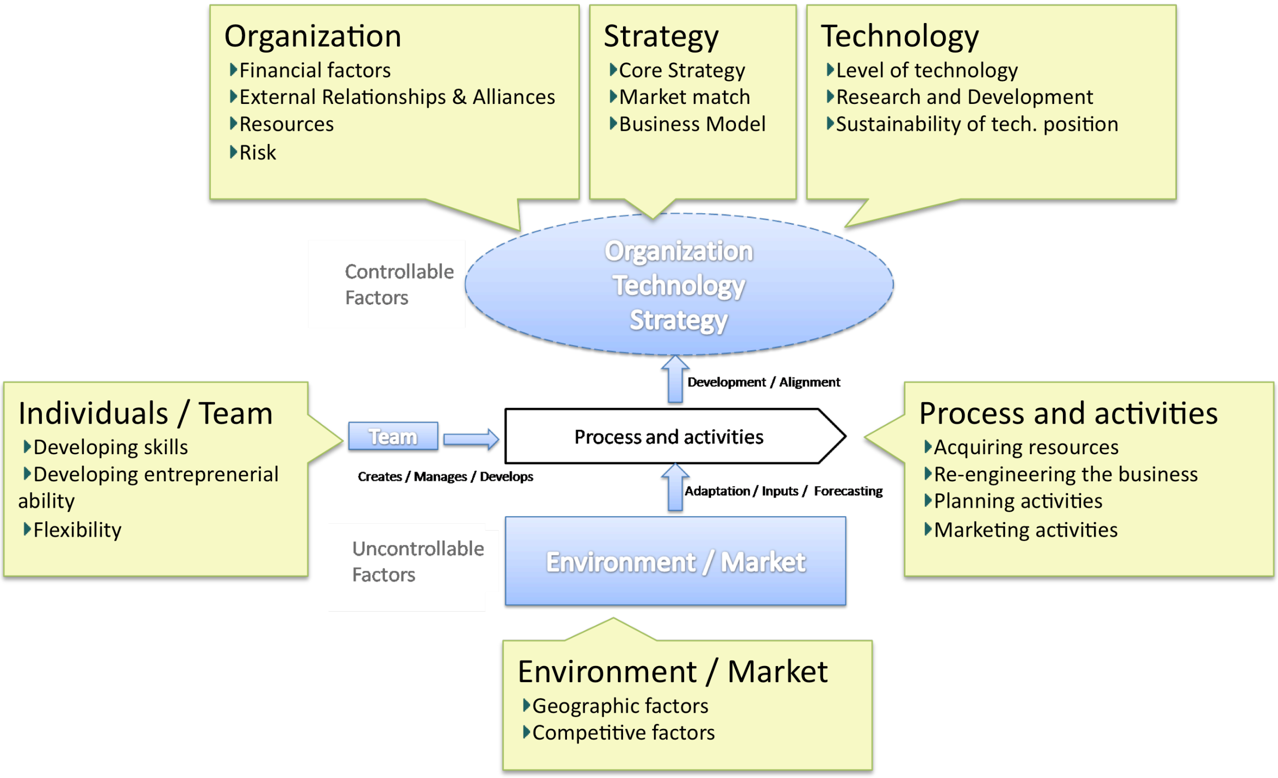


Figure 8 Framework and factors in start-up success

The following tables list the identified success factors in the respective categories.

Individual
Founders personal need for achievement
Founders personal need for controlling his own work
Courage to take risks
Previous work experience
Education
Starting full-time
Satisfaction gotten from the work in the start-up
Perceived Risk
High level of technical knowledge
High level of knowledge/ability

Environment or Market
Venture capital availability
Presence of experienced entrepreneurs
Technically skilled labor force
Accessibility of suppliers
Accessibility of new customers or markets
Governmental influences
Proximity of universities
Availability of land or facilities
Attitude of the area population
Availability of supporting services
Living conditions
Large industrial base
Larger size urban areas
Availability of financial resources
Barriers to entry
Rivalry among existing competitors
Pressure from substitute products
Bargaining power of buyers
Bargaining power of suppliers
Net buyer benefit

Technology
Technological Uncertainty/Feasability (development risk)
Technological Opportunity (function)
Change in function
Research and Development
Technology Significance
New Combination
Non-imitability
Non-substitutability

Process and activities
Clearly defined purpose of business
Access to resources and help
Clearly identified target customers
Clear understanding of the competitive environment
Funded
Access to law services
Validated opportunity
Sufficient financial resources
Clear and validated pricing strategy
Existence of marketing and communications strategy
Action plans finished
Company known to customers
Business plan made
Beneficial geographical position

Organization
Expected Profitability
Appropriability Conditions
Intended Capital
Financially lean
Formal Alliances
Interorganizational Relationships
Level of core competence
No slack (waste & inefficiency / Is uncertainty minimized?)
No hold-up (No small number bargainings / Is ambiguity reduced?)
Sufficient Resources

Strategy
Core strategy: differentiation, cost leadership, focus
Repeat purchases
Long-term Need
Product-Market match
Sales Volumes

2.2 Sales Management in start-ups

In the literature review on start-ups, I concentrated on what is known about the success of start-ups and the differences between start-ups and mature companies. This section will cover the most important concepts in sales management based on academic literature. This part will also identify what special characteristics sales in start-ups demonstrate according to the two literature streams. According to the literature, the most important components of successful sales management will be gathered. These components will be divided into factors. Finally, the components will be matched to how they influence success factors according to the literature. These mechanisms will function as a base for the empirical part of the research.

This literature review is conducted in two parts:

The first part will define the context of a start-up and its sales. The context is defined by the combination of the insights from start-up success factors and research about strategy making in entrepreneurial firms. The context of sales in start-ups will help us in interpreting the findings from the sales literature. The sales literature is not specific for start-ups, so it will have to be adapted to the context of start-ups.

The second part will identify the key components of sales identified in sales literature. The components will be further divided to factors in order to allow mapping them to the start-up success factors. A complete mapping of the factors to start-up success factors is presented in appendix 1.

2.2.1 The context of sales in start-ups

Mintzberg and Waters (1982) describe the transformation of an entrepreneurial firm from a small, personalized, highly flexible but economically vulnerable firm to a larger, more systematic, more economically powerful corporation. According to Mintzberg and Waters, the change from a flexible organization to a more systematic and inflexible one was a seemingly inevitable result of growth.

What really set apart the entrepreneurial firm of the start from the later incumbent it became was the flexibility and the rate of change. An entrepreneurial firm is able to and does change faster and more than an incumbent. A start-up can be lead by a clear vision, and that vision can still be quite flexible to allow for setting a new direction.

In addition to the difference in the pace of change and flexibility to handle those changes, another important difference is the lack of existing customer relationships. One of the key strengths of existing organizations is their relationships that offer crucial reference value.(Üstüner & Godes, 2006)

In order to circumvent that problem, a start-up always has to demonstrate a benefit of its solution compared to the status quo. Therefore, the context of a start-up's sales is always characterized by a change. Moreover, many start-ups are founded in order to commercialize an innovative technology, which already presupposes a change. Many successful start-ups are also founded in industries that are already going through changes or have emerged due to technological change. Start-ups are more likely to succeed in industries in the development stage or otherwise undergoing change. (Sandberg & Hofer, 1987)

The changing operational environment and the success factors discussed before will impact the sales in a start-up. Now a literature review of important concepts in sales will follow. The focus is on sales strategies, sales activities and the management of sales and what the theory implies for start-ups in practice.

2.2.2 Key components of sales management

The literature review was conducted as follows: Older and newer General sales management literature was analyzed to understand the larger topics inside sales, called "key components". Much of the general literature was gathered from research made in the 'Myyntihanke' (sales project) at Helsinki University of Technology. The literature analyses performed in the project was a good starting point to understand the most seminal topics in sales.

When the most important topics were identified, fairly recent literature that was directly connected to the topic in question was analyzed. These articles were found from searches in the largest academic databases such as ISI web of Science and Science Direct. The issues in the literature, that can be described as factors of sales management are summarized and presented as tables in the respective section of each identified key component.

I will now present the key components of sales management, discuss the components in the context of start-ups and present the factors in each component in a list.

2.2.2.1 Identifying and solving a problem

Companies might choose a known incumbent as a supplier because it is easy to trust an established player. Start-ups clearly have to demonstrate something new, most often by solving a problem that hasn't been solved before.

A deep understanding of the clients' problem is required, since if the client doesn't clearly recognize that there is a problem, why would they want to buy a solution? Therefore, both the seller and the buyer have to identify the problem and the solution has to be based on both of their views. (Eades, 2003)

Relying on his own experience, Bursk (2006) recognizes that identifying the customer's problem and helping the customer solve that problem is the most efficient way to sell. This requires intimate knowledge of the customers business as well as the solution space. This knowledge is often present when start-ups do sales, as the sellers often are more involved with the other parts of the organization. In a start-up it is fairly easy to know what others are doing in the organization and asking questions from technical people will also be easier than in a large organization.

Based on the sales management literature, Figure 9 presents a summary of the factors related to identifying and solving a problem.

Identifying and solving a problem

F1	Having a personal mission of solving a problem
F2	Identified Problem
F3	Clearly defined customer for the problem
F4	Solution based on understanding of needs
F5	Collaborating with customers at the idea stage
F6	Collaborating with customers at the product development stage before launch
F7	Collaborating with customers in product development after launch
F10	Solution based on experience in the industry
F11	Solution based on technology developed at a University
F12	Solution based on technology developed in a company
F13	Applying for patent

Figure 9 Factors in the sales component "Identifying and solving a problem"

2.2.2.2 The sales process

It is common wisdom that in order to develop something, it must first be measured so that improvement or decline can be noticed. To measure sales, a sales process must be set in place to allow measurement of for example specific tasks and milestones. This requires the organization to be systematic about their sales.

A sales process can include at least the following (Eades, 2003):

1. Tasks for salespeople
2. Metrics that are measured
3. Milestones that can be evaluated
4. A process for development

When developing the sales process, the buying process of the client has to be taken into account. If customers are very heterogeneous, it might be enough to use the initially develop process. If customers are homogeneous, the sales process must be able to be tailored for each customer. For start-ups, with a smaller number of customers, customizing the sales process might be easier than for larger companies.

What is also required in sales is follow-up; the start-up has to follow-up on its customers for the reference value. (Eades, 2003; Üstüner & Godes, 2006) Since reference value is important, the first sale is usually a stepping-stone.

Shapiro and Posner (2006) outline the process for making a complex sale in their article “Making the Major Sale”. The process is divided into eight steps:

1. Opening the selling process
2. Qualifying the prospect
3. Developing the sales strategy
4. Organizing the justification
5. Making the presentation
6. Coordinating resources and personnel
7. Closing the sale
8. Nurturing the account relationship

In opening the selling process, the salesperson has to gather enough information to know who to initially contact and what the likelihood of a sale might be. Next, the opening can be made, usually over the telephone. The objective of the opening should be to determine the best people to meet. The opening can also often be good to do through a third party with existing relations to the prospect.

Next, the seller has to understand if a sale can potentially be made. Does the customer need our product? Do they recognize the need? Can we educate them and justify our product to them?

Information gathering for analysis purposes and in order to carry a functional sales process is the objective in developing the sales strategy. The seller has to understand the decision makers in the buyers' organizations and their needs.

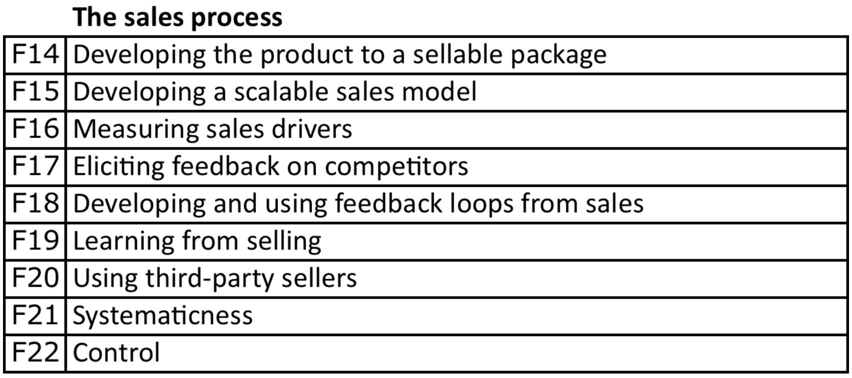
Organizing the justification includes gathering data and assumptions from the whole organization and then pulling that together to be able to convincingly present how the sale would affect the buyer's financials and concerns. In order to close the buying decision, the seller needs to understand the key issues that will affect the decision of the buyers.

The sale is hopefully made at the presentation. No new information should arise at the presentation, but it should summarize the discussions that have been made before. It is also crucial that the right people are present from both organizations. The buyer has to have the power to decide and the seller has to have the power to promise.

The salesperson also has to be able to make decision on requests from the buyer. The salesperson has to understand how concessions will influence development, manufacturing, finance, marketing and distribution. The salesperson has to be able to analyze the cost and sales impacts of decisions.

Throughout the sales cycle, the salesperson should ask for affirmations that the buyer is on the road to buying up until that point of the sales process. This allows the salesperson to get out early and understand the probability of closing the sale in the end.

When the sale has been made, the salesperson has to control the account to the degree that the most value can be extracted from it. Some accounts might even prove unprofitable if they include servicing and installation after the sale. The accounts have to be controlled by the salesperson to ensure further sales and a profitable ongoing relationship.



	The sales process
F14	Developing the product to a sellable package
F15	Developing a scalable sales model
F16	Measuring sales drivers
F17	Eliciting feedback on competitors
F18	Developing and using feedback loops from sales
F19	Learning from selling
F20	Using third-party sellers
F21	Systematicness
F22	Control

Figure 10 Factors in the sales component "The Sales Process"

2.2.2.3 Understanding the buyers

Eades (2003) divides buyers into two categories:

1. Active buyers
2. Passive buyers

Active buyers are actively searching for a solution for their problems, passive are not. According to Eades, 90% of buyers are passive. (Eades, 2003) Since start-ups are selling a unique product that has not existed before, the buyers will mostly be passive. However, some start-ups that are able to create a solution to a known problem might face more active customers, as the problem has been recognized and a search for a solution started.

Eades also emphasizes the importance of identifying the key decision makers in the organization. It is important to aim high enough in the organization because it is better to aim too high rather than too low. (Eades, 2003) Üstüner and Godes (2006) summarize the need for understanding the customers into three questions:

1. Knowing who makes the decisions
2. Who has influence
3. What the underlying problem is

Practitioners that invest in start-ups often emphasize the importance of the entrepreneur and their start-up experience. (Sandberg & Hofer, 1987) However, academic literature has not been able to verify the claims of the practitioners' in terms of entrepreneurial experience being a major factor of success. Relating to the understanding of buyers and the buying behaviour of customers, industry experience has however been proved to be a predictor of success. (Sandberg & Hofer, 1987) This might well be an indication of the importance of understanding the buying behaviour of customers, in addition to the important contacts that industry experience can bring to a start-up.

Understanding the buyers

F23	Understanding the buying behavior of customers
F24	Acquiring intimate knowledge of the industry
F25	Acquiring intimate knowledge of the market
F26	Learning about customers
F27	Working with customers

Figure 11 Factors in the sales component “understanding the buyers”

2.2.2.4 *Creating long-term relationships and Account management*

Wachner et al. (2009) describe the logical chain behind the value of long-term relationships. A long-term relationship is mutually beneficial and has been proven to lead to higher degrees of customer loyalty and satisfaction. Customer loyalty and satisfaction can lead to increased profits and sales. (Wachner, Plouffe, & Grégoire, 2009)

In order to create a long-term relationship, the salesperson must be characterized by boundary spanning, i.e. engaging outside the own organization. (as quoted by Wachner et al. (2009): (Singh, 1998; Tushman & Scanlan, 1981))

In addition, these boundary-spanning salespersons that use a ‘customer-oriented strategy’ perform better in creating long-term relationships. (as quoted by Wachner et al. (2009): (Schultz, 2000; Williams, 1998))

The degree of relationship selling can be measured by the sales orientation practiced. (as quoted by Wachner et al.: SOCO, (i.e., the ‘SOCO’ perspective. See Saxe and Weitz, 1982).

Two different extremes of selling styles are described by Wachner et al.; The customer-oriented and the sales-oriented selling approaches. In a customer-oriented style, the salesperson focuses on helping customers in their purchase decision and may give up immediate benefit for long-term gains. In sales-oriented selling mode a salesperson shows less interest towards the customer if a relatively painless quick sell can be achieved. With a more customer-oriented strategy, the salesperson can be expected to sell more in the long-term because he is satisfying the needs of his customers.

Gosselin and Bauwen (Gosselin & Bauwen, 2006) divide customer accounts into four different categories: according to two axis: Competence Development Proneness and Relationship Proneness.

The four categories of accounts are:

1. Key accounts
2. Strategic accounts
3. Transactional accounts
4. Captive accounts

Of these categories, Gosselin and Bauwen (2006) identify only two sustainable customer relationships: the strategic account or transactional account. In either other account types, the objectives of the buyer and seller organizations are not aligned in terms of either competence development or relationship development and therefore do not provide the necessary motivation to develop a stable, long-term relationship.

Account management creates competitive advantage and increases firm performance and shareholder value. However, companies must understand which relationships are transactional, which strategic and which accounts should only be harvested to reap the possible profits but not waste effort into trying to develop them into long-term relationships. (Fine, 2007)

Creating long-term relationships with the customers and account management

F28	Creating a long-term relationship with the customer
F29	Following-up on sales
F30	Selling a repeat model
F31	Categorizing customers

Figure 12 Factors in the sales component “creating a long-term relationship with the customer and account management”

2.2.2.5 *Solutions selling*

“A solution is comprised of a product and service that is customized to bring the results that the customer wants”. (Miller, Hope, Eisenstat, Foote, & Galbraith, 2002)

There has been a shift towards solutions selling from product-oriented selling. Solution selling recognizes that sales have to solve a problem that the customer has and that it can be comprised of not only a predetermined product. (Eades, 2003)

Since a shift to solutions selling requires a completely new mindset and overhaul of the product-centric organizations, start-ups will often be in a better position to perform solutions selling. It might even be impossible for a large organization to turn into a solutions-seller (Foote, Galbraith, Hope, & Miller, 2001), which gives the start-up a competitive advantage.

Solutions selling also require good communications, which can be easier to achieve in a start-up compared to a large company with set communications guidelines and traditions.

Gulati (2007) has found that when large companies turn to solutions selling, organizations often start by building new structures on top of existing ones. It can become very difficult and result in quarrelling and fights for power. In addition, Cornet et al. (2000) have concluded that solutions selling requires "entrepreneurial spirit, temporary teams and flexible structures (modular processes)." which are basic in start-ups, but more difficult to achieve in large companies.

Solutions selling

F32	Differentiating
F33	Developing a complete solution
F34	Ensuring complementary assets are in place
F35	Customizing solution to new needs
F36	Customizing the sales pitch towards the targeted group

Figure 13 Factors in the sales component "solutions selling"

2.2.2.6 Social networks

The ability to build a strong network that supports your goals is vital. The network created has to be given attention. (Üstüner & Godes, 2006)

According to Üstüner & Godes, creating an efficient network is not easy. As an example they state that people often see networks as being the sum of the amount of contacts, which lead to leads and then into sales. However, a network is not only a number, but a complex entity that has to be understood as a whole by the salesperson. Salespersons that are able to create a "nuanced understanding of social networks" will attain superior performance. (Üstüner & Godes, 2006)

Üstüner & Godes also explain how usually the indirect contacts through the network usually pay off highest. In addition, the density of the social network is an important factor of the effectiveness of the network. For some situations a denser network is required whereas in others a scarcer network can be better.

Social networks are often seminal in creating new client contacts and closing sales. (Üstüner & Godes, 2006) For start-ups, with few or no existing customers, rapidly creating a social network could improve the success factors of the start-up on several levels, at least in validating the ideas, understanding the problems, acquiring support and creating partnerhsips and alliances.

	Social Networks
F37	Attracting funding
F38	Acquiring support
F39	Interacting with incubators and other support companies and organizations
F40	Attending programs for startups
F41	Attending competitions
F42	Networking with financial sources and financed startups
F43	Using social media
F44	Attending Conferences, Trainings, Events
F45	Lobbying
F46	Working in proximity with other startups
F47	Selling the idea
F48	Creating a global network
F49	Identifying new opportunities through contacts
F50	Selling to attract resources

Figure 14 Factors in the sales component "social networks"

2.2.2.7 Sales organization

The research of Colletti & Fiss (2006) proposes several important success factors for the sales organization:

1. The sales organization needs to be involved in strategy making
2. There needs to be C-level customer champions which give the customers C-level contact to the sellers organization in order to participate in decisions made about products
3. The sales organization needs to have focus on a process
4. The sales organization has to be modelled according to the situation at hand
5. The sales organization needs to be able to change directions quickly

Mintzberg & Waters (1982) described flexibility as the most important difference between a start-up and an incumbent. Items 4 and 5 on the list by Colletti & Fiss are directly related to the flexibility, and would give start-ups an advantage.

In addition, the small size of a start-up organization also gives it the advantage in items 1 and 2 compared to incumbents.

The organization of a start-up can accordingly be optimized as a sales organization. However, this means that the start-up has to be able to attract a sales team and be able to integrate the team into the organization as a whole and promote the involvement of the team in strategy making.

A start-up can easily burn cash by trying to ramp up sales too quickly. The company first has to learn how customers will acquire and use the products. This is called the sales learning curve. (Leslie & Holloway, 2006) The sales organization of a start-up has to focus on learning about the buying behaviour of the customer and then gradually enlarge the organization to support the increasing sales.

Sales organization

F51	Developing marketing and communications with sales
F52	Integrating functions with sales
F53	Developing a sales culture in the whole org.
F54	Developing the right incentives for salespeople
F55	Recruiting team-members
F56	Attracting educated team-members
F57	Attracting team-members with industry experience
F58	Creating the sales team
F59	Communication between sales and R&D
F60	Motivating salespeople
F61	Integrating sales personnel to other work
F62	Attracting a Varied and Skilled Team
F63	Creating ownership for salespeople
F64	Creating learning opportunities between individuals
F65	Training

Figure 15 Factors in the Sales Component "Sales Organization"

2.2.2.8 Integrating Marketing and Sales

Academic research has shown that the marketing and sales departments are jointly responsible for marketing activities and creating superior customer value through marketing. (Guenzi & Troilo, 2007)

Guenzi and Troilo have shown that the firm’s long-term strategic orientation, an effective marketing-sales relationship and customer-oriented salespeople positively affect customer value creation and market performance. In the study, Guenzi and Troilo also found that a direct sales force does not affect customer value creation and market performance. (Guenzi & Troilo, 2007)

Literature has different viewpoints on marketing capabilities. Guenzi and Troilo (2007) summarize the literature on marketing capabilities to two pillars:

1. Learning about markets
2. Relating to customers

The market learning capability clearly emphasizes the integration of marketing and sales: usually the salesperson is the one getting the direct feedback from the market.

The customer relation capability also requires the cooperation of marketing and sales: the salesperson is the one often relating to the customer at least in the beginning of the sales cycle. In start-ups, with a small workforce often filling various positions, it is often the salesperson that is the only contact to the customers also filling the shoes of customer support.

The salesperson can also be seen as a marketing tool with unique chances of influencing the customers. (Fine, 2007) In, start-ups, because of small marketing budgets, the salesperson often takes on the role of the only marketing tool except maybe for social media and the web page, which are free for the start-ups.

Integrating marketing and sales

F66	Clearly developing the solution to one need
F67	Identifying the customers with most need
F68	Defining the geographical position based on sales opportunities
F69	Defining the geographical position based on labour
F70	Defining the geographical position based on attitudes
F71	Defining geographical position based on available support
F72	Making sales promises early
F73	Doing Sales before development
F74	Creating a large base for sales
F75	Targeting a specific segment
F76	Creating understanding by selling
F77	Creating partnerships
F78	Selling to large companies for reference

Figure 16 Factors in the sales component "Integrating marketing and sales"

2.2.2.9 Selling skills

According to the study of Wachner et al. (2009), selling skills explained 23 % of the variation in sales performance. Inside selling skills, salesmanship skill was the strongest predictor of sales performance of the three sales skills by Rentz et al. (2002). Salesmanship accounted for 17% of the sales performance, technical skill only 1,7% and interpersonal skills showed no correlation at all. There is a variety of research that has concluded that selling skills in its variety of forms is one of the important determinants of sales performance (Churchill, Ford, & Walker, 1997; Walker, Churchill, & Ford, 1977) or even the most important. (Churshill, Ford, Hartley, & Walker, 1985)

Sales orientation or customer orientation explained less of the performance in sales: 5.3% and 6.8% respectively. (Wachner, Plouffe, & Grégoire, 2009)

According to Wachner et al. (2009) only salespersons with high selling skills can be successful with a customer-oriented approach (e.g. identifying customer problems/needs, matching the right products to those needs, translating features to benefits etc.). Salespersons with lower selling skills should take a sales-oriented approach. When a low-skilled seller tries to take a customer-oriented approach, it is actually counter-productive.

As start-ups generally require a customer-oriented approach in order to be viable, it can be hypothesized that it is essential that start-ups have salespersons with a high level of selling skills. This translates into a successful customer-orientation, which in its turn should translate into successful sales for a start-up.

Clearly, some industries such as research-based start-ups might require a higher level of technical skill than others, however, this is missing from Wachner et al.'s study, which was conducted with a general population of companies.

	Scales
Selling skills	
Interpersonal skills	Ability to express yourself nonverbally
	Ability in general speaking skills
	Awareness and understanding of the nonverbal communication of others
	Ability to control and regulate nonverbal displays of emotion
Salesmanship skills	Ability to prospect for customers
	Ability to qualify prospects
	Ability to close the sale
	Ability to present the sales message
Technical skills	Knowledge of the customer's markets and products
	Knowledge of your company's procedures
	Knowledge of competitors' products, services and sales policies
	Knowledge of product line, including product features and benefits
	Knowledge of customers' operations (e.g. Store and shelf layout, employee training etc.)

Figure 17 Selling skills used in Wachner et al.'s study (2009), as presented by Rentz et al. (2002)

	Sales skills
F79	Calculating the financial benefit
F80	Having easily accessible sales offers
F81	Not giving up on price
F82	Understanding competitors strengths
F83	Communicating the benefits
F84	Understanding the key selling points
F85	Creating the sales pitch
F86	Finding the right price
F87	Communicating the solution to their problem

Figure 18 Factors in the sales component "Selling Skills"

2.2.3 Synthesis of sales components

I have now identified and discussed the most important components of sales and divided them into factors. These factors are mapped to the success factors of start-ups identified in the earlier section "success factors of start-ups". See appendix 1 for the complete mapping.

As a conclusion, we can sum up the clear challenges and advantages that start-ups should have compared to incumbents when it comes to sales:

Start-ups sell in a situation of change, they can initiate the change themselves, or have been created to respond to the changes. The change can have been initiated by several different factors: Technological change, changes in the industry, new business models, geographical transfer etc. This situation of change should make organizations more willing to bet on new technologies and the offerings of start-ups.

Start-ups have a better starting point for solutions selling than large companies. This is a strength that start-ups should profit from. The start-up organization is optimized for selling, and a start-up should be able to offer customized solutions that take care of a specific problem that the customer has.

According to the literature study, taking into account the context of sales in start-ups a start-up can be a "sales machine". Some of the identified strengths and weaknesses of start-ups compared to incumbents according to the sales literature:

Stregths	**Weaknesses**
Quick responding (Colletti & Fiss, 2006)	Product-centric (Technical Background)
Intimate understanding of the business (Eades, 2003)	Lack of understanding of customers' problems (Miller et al. 2002)
Flexible structures (Gulati, 2007)	
Easier customization of the sales process (Eades, 2003)	
More solutions-orientation (Foote et al. 2001)	
Easier Communication (Foote et a. 2001)	

The ability of a start-up to understand the customers' problems can be either a strength or a weakness. It is clearly an important factor that has to be in place. On the one hand, the founder might have created the start-up based on the understanding of the customers' problem. On the other hand, a start-up might not have had much contact to customers before founding.

When looking at the success factors, there are clearly many factors outside the immediate closing of the sale that are very important for the actual closing of the sale. Therefore, we cannot simply look at the moment of contact with the customer.

2.3 Conclusions of the literature part

We have now gone through the two streams of the literature part by:

1. Creating a list of success factors of start-ups
2. Listing the most important components of sales management and the factors in the components

A synthesis of both of these literature streams was presented.

According to what has been identified in the sales management literature, these two streams have been connected through a mapping of which sales management factors should influence which success factors. The complete mapping is presented in appendix 1.

This mapping provides the basis for the case studies. The success factors, sales management factors and the mapping was used as the starting point for the interviews with the case companies.

W will now move on to the empirical part of the study. The objective is to empirically study how the success factors in the start-ups have been influenced by the sales management practices employed in the start-ups.

3 Empirical part: Multiple case study of sales in software start-ups in B2B markets

3.1 Research methodology for the case studies

Because of the complexity and explorative nature of the subject a multiple-case research methodology was chosen for the empirical research. (Eisenhardt, 1989; Yin, 2003) There was a need to get more hands-on insight than a questionnaire or data analysis could have provided. At the same time it is impossible to say how successful any of these companies will be and a lot of variation could be expected, therefore choosing only a few companies would not have given a broad enough view.

Since the study concerns how sales activities have influenced the success factors of the start-ups over a period of time, the unit of study is a process and the data gathered process data. The sense making strategies of process research have been analyzed by Langley (Langley, 1999). Langley summarizes the key sense making strategies from the analysis of process data; narrative, quantification, alternate templates, grounded theory, visual mapping, temporal bracketing and synthetic. The chosen strategy for this study is a combination of two types:

Quantitative	The quantitative strategy is used to systematically list and code qualitative data according to predetermined characteristics. Lists are then created which are used in unison with narratives and information from the interviews to construct the mechanisms at work.
Synthetic	The synthetic strategy is used to study the relationships between sales and success and describe the mechanisms at work. A synthetic strategy takes the whole process as a unit of analysis. The events analyzed are transformed into variables and an attempt is made to be able to describe how and why the variables lead to the outcomes in the case. (Langley, 1999) In this study, the synthetic strategy is used to find mechanisms outside the predetermined categories.

Narratives were used as a strategy for the interviews, which were very open, with the goal of capturing a glance inside the real work done in start-ups in all its richness and complexity in order to understand the mechanisms involved.

According to Langley the synthetic strategy is mainly used for prediction. In this study, the goal is to describe the mechanisms, which can be interchangeable with predicting the outcomes of certain activities and strategies. Therefore, there is no conflict.

Langley describes the outcomes of a synthetic strategy of modest accuracy (but much better than questionnaire research) that can produce simple and moderately general theories.

As a summary, the methodology for the empirical part of the research is a descriptive multiple-case study using quantitative and synthetic sense making strategies.

3.2 Data collection and sampling

In order to try and create understanding, it would not be enough to just have just a couple of companies to study. To achieve saturation of the findings, 13 companies were studied. I believe that this gives a broad enough view to how sales is done in start-ups in the software industry in a B2B context.

Theoretical sampling is used to choose the cases (Eisenhardt, 1989). In order to be able to uncover differences and the effects of the differences it was important to contain a lot of variance in the cases. The basis on which start-ups were chosen for the study is described in more detail in the section “Selecting the Population: Categorization of Start-ups“.

The table below summarizes some information about the case companies.

	Aitotechnologies	Cakemail	Defensio	DokDok	Floobs	Flowdock	Hammerkit	IT Mill	Lumoflow	Planmill	StandoutJobs	Status.net	Talker
Company Spin-off						✔				✔			
University Spin-off													
Holds patents	✔		✔				✔						
Pre-revenue				✔		✔							
Acquired			✔										
Bankrupt					✔								
Bootstrapped		✔	✔	✔				✔	✔				✔
Externally Funded	✔				✔		✔				✔	✔	
Possible funding target				✔					✔				✔
Subscription selling	✔	✔	✔		✔		✔	✔	✔	✔	✔	✔	✔
Transactional selling	✔						✔						
Services selling							✔	✔			✔	✔	
Open Source Product								✔				✔	
Employees (non-founders)	✔	✔			✔	✔	✔	✔		✔	✔	✔	
Develops software	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
B2B	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Technology-based	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
High-growth	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔

Figure 19 Summary of case companies

Different databases and media sources were used in order to find companies that fulfilled the requirements of the study. 18 companies were chosen for the interviews of which 13 agreed to take part in the study. The companies are not identified in the analysis due to requests by some of the companies.

As prescribed by Sandberg & Hofer (1987) only one industry was targeted in order to yield better results. The targeted industry is B2B software. (Sandberg & Hofer, 1987)

The material used for the data was mainly interviews with founders and sales personnel of the case companies. Also company histories were used in the form of blog posts, which was the only documentation available.

3.2.1 Case company backgrounds

The case company backgrounds were written based on public materials made available by the companies (see appendix 4) and the interviews (see appendix 5).

3.2.1.1 Aito Technologies

Aito Technologies develops customer experience analytics software for the mobile operator and Internet service provider segments.

Officially the company was founded in the fall of 2006. However, the three founders had been investigating the opportunity already for some time. The three founders all have a strong international business career behind them dealing with the same customers and sellers as their new business.

The idea for Aito technologies was also developed from customer feedback in their roles in their former companies. The founders had clearly found a customer ache in a familiar market for which there was currently no solution.

The sales development of Aito technologies relies on the experience of the founders and being able to develop meaningful relationships for example through attending important conferences. There aren't unlimited numbers of potential customers and therefore high-touch sales is the main focus.

In the first half of 2009 Aito technologies made its first profitable quarter, and everything is looking quite positive for the company. Aito is based in Espoo, Finland.

3.2.1.2 Cakemail

CakeMail is an open-architecture, multilingual email marketing platform specially designed for interactive marketing agencies, software companies and web firms. Cakemail is provided as a complete whitelabel service on a subscription basis.

Two founders, Francois and Steve, founded Cakemail in November 2007. The first release was done in December 2007.

Both founders had over five years of experience in email marketing and marketing agencies. They both identified a problem in the market: there was no easy solution allowing management of email marketing for marketing agencies. The problem was very clearly defined from the beginning and the target market chosen. The sales of Cake have been developed firstly through existing contacts from where the reputation of Cake grew rapidly. The founders emphasize laser targeting and customer service at the outset.

Cakemail is a bootstrapped start-up based in Montreal and currently employs 15 people.

3.2.1.3 Defensio

Defensio offers a subscription-based spam filtering web service.

A team of three people with background in the software business founded a company with the mission to filter email spam in 2006. There were several established players in the market, which made it difficult to penetrate the market in the beginning. In late 2007 the team identified another problem in the market: Spam was becoming a problem on blogs. The team decided to apply their technology to this new problem, and built the first spam filtering web service for blogs. The service quickly became a success.

The sales strategy of Defensio was to influence the most important blogs that their target customers followed in order to gain mindshare. The fact that the product was also targeted at these blogs made the task easier. The market welcomed the product very well as the team had clearly found an important pain point. Defensio was bought by Websense, a web security company, in January 2009. Defensio that is now part of Websense is based close to Montreal, Canada.

3.2.1.4 Dokdok

Dokdok solves the problem of version control when sharing files with email.

Dokdok is an early-stage start-up officially launched in the end of 2009 by one founder.

DokDok was developed from recognizing the problem that file sharing is still very difficult. There are already several solutions for this, but require all users to use the same system. For sharing files between companies, email is still the standard and dokdok has developed a solution that allows easy file sharing even with people that aren't using the system.

Dokdok employs two people, is still in private beta and is only setting up sales. Dokdok is based in Montreal.

3.2.1.5 Floobs

Floobs offered web TV solutions on the web on a subscription basis with cheaper basic packages and more expensive customized packages. The service was targeted at sports teams and bands.

Floobs was founded in February 2007. The idea for Floobs was developed because the founders, Kai and Joonas, noticed that web video streaming is an interesting area and had identified some needs for a service providing easy web video streaming. Floobs did not turn out to serve the exact needs that were identified in the beginning.

At the outset, Floobs wanted to sell web TV services and live streaming to all organizations. In summer 2008 more emphasis was put on the commercialization possibilities of Floobs technology when the strategy to sell to music and sports teams was created.

Floobs had customers and direct sales force all over Europe, mostly concentrated in Spain, Italy and Finland. The sales management of Floobs was developed to a point where they could systematically respond to customer feedback and success was followed closely. The sales management process that had been developed didn’t really have time to succeed before the company ran out of money.

Floobs filed for bankruptcy in December 2009.

3.2.1.6 Flowdock

Flowdock is a team collaboration tool that has been created by Nodeta, a web and software consulting and development company.

The project that eventually lead to the development of Flowdock started in September 2008 inside Nodeta. The idea behind it was to make a time tracking tool with a social aspect. The rest of 2008 was spent in researching the problem. The idea then developed into an idea about creating a tool for teams to communicate. The recognition of the need started internally, and it was developed to solve internal problems with the thought that maybe it could be made public as well.

In May 2009 the project was really started. Developers that Nodeta had good experiences with were hired inside the company to start developing the product. A private beta was launched in the fall of 2009 and a public beta in March 2010.

Flowdock currently offers a free beta service. Flowdock is based in Helsinki, Finland.

3.2.1.7 Hammerkit

Hammerkit is a development platform for visually creating PHP web applications.

Hammerkit was founded in 2007. The company was originally founded by a team of four, of which two were designers and two web developers. The four founders had a consulting business together before from which Hammerkit was born.

Since 2007 the focus has shifted from developing projects to various customers by using Hammerkit to selling the actual platform. Currently all revenues come from web site projects, not from license sales of the actual product. The product launch is planned for February 2010.

Hammerkit has a large customer base for its project based business and many prospects ready to start using their new product when it is launched in the beginning of 2010. The sales approach is to start with its existing large customer base and continue the rollout according to the feedback that is gathered.

3.2.1.8 IT Mill

IT Mill is the company behind the development of the open source tool Vaadin. Vaadin is a Java framework for making web applications.

IT Mill was founded in 2000. The two founders had earlier been founders in a company providing IT integration services. As more and more companies were creating web applications, they recognized a need for an easier way to create web applications. The development framework was offered as a product in the beginning, but it was later open sourced. This decision lead to an increase in popularity and a community was created around the product. The development of the platform has been continuous and the IT Mill Toolkit was rebranded as Vaadin in May 2009.

Now the company has adopted an open-source strategy of selling value-added services and support around the open source product Vaadin. The sales rely on two strategies: supporting and activating the OS community and high-touch direct sales to established relationships.

IT Mill is based in Turku, Finland.

3.2.1.9 Lumoflow

Lumoflow is a web application for team collaboration, document sharing and project management.

Lumoflow was founded in the summer of 2008. Actually the planning of the company had been started a year earlier. A group of 3 people started building a team collaboration tool based on their earlier experience of managing teams and clients with problems with managing teamwork.

The team had noticed a problem with how current systems supported the complete workings of teams. The actual problem definition started from the question of how to manage the tacit knowledge of a company. From there the idea crystallized into something that today would be called an enterprise 2.0 tool. However, at the time of the problem definition this expression didn't really exist.

The team consisted 50/50 of sellers and developers from the beginning. Since inception, there has been a strong emphasis to really build to a market need, instead of their own need or a perceived opportunity. Lumoflow has been able to sell to large companies as well as small. The focus on selling has been important from the outset, which has helped the company focus and attain important customers.

3.2.1.10 Planmill

Planmill offers several products as a complete management system for small and medium-sized service businesses in the finance, consulting, media and IT industries.

Founder and CEO Thomas Hood has been involved in Planmill since it's inception at Nokia. It's technically a spin-off from Nokia, but the direction and technology of the company has had to be recreated since its inception.

When the current Planmill was spinned out from Nokia, the company was called Visolutions, and had several different owners, from the public and private sides.

In 2001 things started to change when the acting management made an MBO. At the time the name was also changed to Planmill. The company had to change their product to fit their new vision of the world, and the old Planmill products were cannibalized by the new development.

The Planmill sales approach relies heavily on word-of-mouth, great customer consulting and inbound relationships from customers that find and try out the product on the web.

3.2.1.11 StandoutJobs

StandoutJobs develops a recruitment communication platform that it offers with consulting services in social recruiting in order to enhance the customers profile and employer brand online.

StandoutJobs was founded in 2007 by a founding team of three people. The founders had noticed that the recruitment sites of most companies were of very poor quality and didn't integrate any of the modern features of social websites. Initially the target market was small companies. However, because of the recession the focus had to be switched to larger companies. StandoutJobs sells their platform mostly through partners.

StandoutJobs had at a maximum 10 people working for the company of which two were in sales. Today, only two of the founders are still working. The company hit trouble because of the recession that decreased investments in recruiting.

3.2.1.12 Status.net

Status.net develops an open source micro blogging tool and provides enterprise services and a cloud subscription service for the product.

Status.net was started in June 2008. The founder and CEO developed an open source version of the now popular Twitter micro blogging tool. At the beginning, the target was to develop an open source version for micro blogging that would create a network of small instances that would be easy to connect. Evan Prodromou identified the opportunity to undercut the commercial competition with an open source version for micro blogging. At the beginning, the tool was intended as a micro blogging platform for web communities.

Today, Status.net offers two products: a cloud service and an enterprise support & service package. Status.net currently employs 11 people of which 3 in sales. Status.net sells directly to larger enterprise customers but also offers a cloud version that can be procured directly from the cloud.

3.2.1.13 Talkerapp

Talkerapp is an extensible web-based group chat tool.

The development of Talker was started in October 2009. The founding team, Gary and Marc wanted to solve the problem of communication inside a team. They created a fast, intuitive and extensible group chat application. It took the team that consists of two developers only two weeks to start using the application themselves. In 40 days, the beta product was out. In three months, the service already had its first paying customers. Customers have been found through contacts and visibility on the web.

Talkerapp is currently ramping up sales and reaching profitability.

3.3 Data collection process

The data was collected for the empirical part of the study was based primarily on personal interviews that were executed between December 28th 2009 and March 16th 2010. A total of 13 semi-structured interviews were performed. Each of the interviews lasted for 1-2 hours. Also company documentation was used when it was deemed useful and it was available. The documentation used is listed in appendix 4. A complete list of interviews can be found in appendix 5. The blogs that had been kept by the start-ups were found to be very practical in following how the value proposition had evolved over the life span of the start-ups. Several of the start-ups had started their blogs even before the launch of their offerings.

3.4 Analysis based on case studies: Mechanisms of how sales activities and strategies influence the success factors of start-ups

In this part of the study, each identified component of sales will be discussed one by one.

Each section starts with a table of the activities and strategies of the components. In the table, the activities and strategies are matched to the companies A-M. If the company's realities match the explanation of the activity or strategy, it is marked with '1' in the table. Company names are not used and the companies are in a random order.

Second, general findings are discussed. Third, difficulties of the companies related to the activities and strategies are presented. Lastly, figures presenting the most important mechanisms have been developed. These figures only include the most important and possible surprising findings. The full list of mechanisms for each component of sales can be found in appendix 2.

For most of the observations company codes are given from A-M. The companies that are referred to are the companies that have adopted or consider the strategy or activity in question important. In some cases, the reference has been left out and instead marked with an X because the identity of the companies would be too easy to identify.

3.4.1 Identifying and solving a problem

		Companies												
	Identifying and solving a problem	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**	**L**	**M**
F1	Having a personal mission of solving a problem		1			1		1	1			1		
F2	Identified Problem	1	1	1	1	1	1	1	1	1	1	1	1	1
F3	Clearly defined customer for the problem		1	1	1	1		1				1		
F4	Solution based on understanding of needs	1	1	1	1			1		1	1	1	1	
F5	Collaborating with customers at the idea stage			1	1							1		
F6	Collaborating with customers at the product development stage before launch		1	1	1			1			1	1		1
F7	Collaborating with customers in product development after launch	1	1	1	1	1	1	1	1	1	1	1	1	1
F10	Solution based on experience in the industry	1	1	1	1		1	1	1	1	1	1	1	
F11	Solution based on technology developed at a University													
F12	Solution based on technology developed in a company	1							1		1		1	
F13	Applying for patent				1						1			

Much emphasis for new companies is put on the identification of a problem and then developing a solution to that problem. Of the sample, every company was based on solving a problem. Every company in the sample had formulated the problem and understood the problem in some context: some broader, some only in their own context.

There were two main types of companies:

1. Clearly defined problem and clearly defined target market ready to pay for the product (B, C, D, G, K)
2. Loosely defined problem and broadly defined target market (A, E, F, H, I, J, L)

Different configurations of industry experience, personal mission and understanding and validating ideas could be found from the sample. Every company put emphasis on developing the solution according to customer needs, but only few had actually validated their visions of the product before developing it (C, D, K). Many companies collaborated with customers in the development of the product (B, C, D, G, J, K). All companies saw development according to customer feedback as important after the initial publishing of the product. The companies that had been able to start the development in collaboration with customers were clearly more easily able to start getting revenues from the product. Usually pilot customers that had collaborated in the development of the product were easy to convert to paying customers. After the release of the product, it was also relatively simple to penetrate the whole segment.

Companies that target a very broad segment and develop a product for very general use usually cannot develop the product in collaboration with customers. (X, X) The logic behind this choice is that the software will not fit everyone’s needs but the product is generic enough to still be able to find a large enough customer base.

Some companies had also had to change direction completely because of feedback from initial collaboration with customers (C, E, G).

Different general levels of defining a problem were also identified. How the problem and target markets were defined differed somewhat depending on the size of the market and how general the solution was supposed to be. Three overarching categories can be identified:

General Problem	Problem is defined as a general problem that many or all companies have: "Financial transactions between small companies are difficult."	A, E, H, I, J, L
Targeted Problem	Problem is defined as a targeted solution to specific customers in a specific context: "Financial transactions between companies is difficult when company of type A is buying from B on a subscription basis using email."	C, F, G
Targeted Improvement with known business model	Problem is defined as a targeted solution to specific customers in a specific context with a defined business model: "Financial transactions between companies is difficult when company of type A is buying from B on a subscription basis using email. Companies of type B are willing to pay for this service"	B, D, K

Problems

A problem that many of the companies identified (B, C, D, E, G, I, K) was keeping the balance between implementing solutions to the problems the companies identified compared to keeping the solution general enough to be interesting for different categories of companies.

Key mechanisms

The most important mechanisms related to identifying and solving a problem is the importance of collaboration with customers from the start, even before the development of the product. This also includes the need of defining the customers clearly early on.

From the analyzed companies, it was also clear that basing the business on knowledge of the industry could lead to the improvement of several success factors, such as expected profitability and chances of attaining funding.

The following table summarizes the most important mechanisms identified in this category.

Identifying and solving a problem

	Activity / Strategy	Dependent variable	Success factor
M1	Clearly defined customer for the problem	Direct selling possible Possible to focus on specific needs Faster ramp up of sales	More clearly defined purpose of business Higher net-buyer benefit Higher expected profitability Financially leaner
M2	Collaboration with customers at the idea stage	Faster ramp up of sales New revenue opportunities Visibility in industry New relationships through customers	More clearly defined purpose of business Financially leaner Higher sales volumes More technological significance
M3	Solution based on experience in industry	Faster ramp up of sales Existing contacts to customers	More clearly defined purpose of business More attainable funding Financially leaner

Figure 20 Identified mechanisms in the sales component "identifying and solving a problem"

3.4.2 The sales process

		Companies												
	The sales process	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**	**L**	**M**
F14	Developing the product to a sellable package	1	1	1	1	1	1	1	1	1	1	1	1	1
F15	Developing a scalable sales model		1	1	1	1	1	1	1	1	1	1		1
F16	Measuring sales drivers	1	1		1	1	1				1			
F17	Eliciting feedback on competitors		1	1	1	1	1	1						1
F18	Developing and using feedback loops from sales	1	1	1	1	1	1	1			1	1	1	1
F19	Learning from selling	1		1	1	1			1		1	1	1	1
F20	Using third-party sellers	1	1	1	1		1		1		1			1
F21	Systematicness	1	1		1		1					1	1	1
F22	Control	1	1		1		1				1	1	1	

In the sales literature it was discussed that a sales process needs to be in place in order to measure the improvement in sales. From the interviews, it was however clear that a sales process develops quite late in the life of a start-up, when revenues are recurring and the start-up has ‘found’ a way to sufficiently well sell its products. When first ramping up sales, the start-ups have a “shot-gun” approach to sales, where they test different channels in order to find as many customers as possible. However, some start-ups tend to completely stop this “shot-gun” approach very early, before each channel is properly tested.

Testing different sales channels was almost inexistent among most of the start-ups after the initial sales development had been done and some traction was experienced. The start-ups firmly believed that their own understanding of which channel the product should go through was the right one. (A-F, J, L) This could have been a manifestation of ‘tacit’ knowledge arising from the experience of running the start-up, but it seemed that other channels were neglected mostly on the basis of personal opinions or earlier experience.

For all but one of the companies, the sales funnel on the web was the most important sales channel, which efficiency was also measured. Some of the start-ups that were further in developing their sales process, the efficiency of the sales personnel was also integrated to the measurement of the funnel.

Every company had put efforts into developing their product into a sellable package. This also meant that gathering feedback from sales was considered important. (A-G, J-L)

Problems

The main goal for many of the start-ups (A-C, E-K) was to spread the word about the product in order to find new customers. Many of the reasons for which suddenly a lot of new customers find the product were considered luck. Therefore, a broad range of activities were taken on the web, which weren't measured closely, since too close measurement and analysis might lead to a situation where opportunities are foregone.

Key mechanisms

The mechanisms of how improving the sales process would influence the success factors of the start-ups are more difficult to understand, or maybe simply too obvious. By improving the sales process and ensuring that the customer acquisition cost is lower than the revenue from each customer, the start-up is able to optimize its operations, which in turn allows the start-up to ensure sufficient resources and keep financially lean.

One surprising mechanism identified was that having the sales process targeted at customers that will probably not find the product by themselves can prove valuable in terms of opening up new sales channels and segments.

Sales process

	Activity / Strategy	**Dependent variable**	**Success factor**
M4	Developing the product to a sellable package	Optimizing operations Faster ramp up of sales	Higher sales volumes Financially leaner
M5	Measuring sales drivers	Optimizing operations	Higher sales volumes Financially leaner
M6	Developing and using feedback loops from sales	Optimizing operations Engaging customers Aligning with customer expectations	More clearly defined purpose of business Higher sales volumes Financially leaner
M7	Developing a sales process for difficult channels	Proliferation in difficult segments Media visibility	Higher sales volumes Higher expected profitability

Figure 21 Mechanisms identified in the sales component "sales process"

3.4.3 Understanding the buyers

		Companies												
	Understanding the buyers	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**	**L**	**M**
F23	Understanding the buying behavior of customers	1	1	1	1		1	1			1	1	1	
F24	Acquiring intimate knowledge of the industry	1	1		1		1	1	1	1	1	1	1	1
F25	Acquiring intimate knowledge of the market	1	1		1		1	1			1	1	1	1
F26	Learning about customers	1		1		1	1					1	1	1
F27	Working with customers	1		1	1	1		1				1	1	

When discussing sales, several of the activities and strategies employed by the start-ups were either done or rejected because of the specific buying process of the customer. (A, D, F, J, K, L) For some markets where buying processes are complicated and where the product has to replace some existing software, intimate knowledge of how this will be accomplished is needed. In less complicated or newer markets, where the product doesn't necessarily have to replace anything or can be used by only a small part of the company, the understanding of the buying process is less critical. (B, C, E, G, H, I)

Different sales processes might also be required for different customers, where the understanding of the buying process of different customer segments becomes an advantage. (D, J, K, L)

The fact that the understanding of customers brings advantages is not a surprise, but the actual level of understanding was quite deep for all of the start-ups. Therefore, understanding the customers well could be considered a pre-requisite for a start-up to reach at least the stage where the product is ready to be sold.

Working with customers was considered important in the beginning and especially for the companies that were selling high-value products. It seemed however that loosing contact with the customers was a threat for some of the start-ups selling lesser-value products. When sales was ramped up, the focus on solving the customers problem in the best way possible was lost.

Problems

The companies that could not specifically identify their target customers naturally had difficulties in understanding them. As well, the same problem as stated in the section about identifying and solving a problem arose; how do you manage the need for scalability and customer requirements at the same time? Here, the understanding of what drives the customers business becomes important. Some start-ups were so knowledgeable about their customers businesses that they were able to say whether or not their requirements made any sense from the customers own point-of-view. This might be arrogance, but was required in order to shield against the phenomenon of ‘feature creep’, where every requirement from customers is developed which in the end leads to an unusable product.

Key mechanisms

Understanding the buyer is mostly about reaching a good product-market match. Whether it is by working with the customers or acquiring external knowledge about the industry or market, understanding the buyer is clearly something that all the companies are striving for.

In addition, understanding the customers well was considered one of the strongest barriers to entry that can be created for a start-up. (B, C, D, J, K).

Understanding the buyers

Activity / Strategy	**Dependent variable**	**Success factor**
M8 Analyzing the buying behavior of customers	Optimizing sales resource usage Faster ramp up of sales Creation of relationships	Higher expected profitability Financially leaner Creation of barriers to entry
M9 Acquiring intimate knowledge of the market M10 Acquiring intimate knowledge of the industry	Knowledge of needs Knowlege of competitors Understanding of market development	Better product-market match Higher net buyer benefit Less technological uncertainty
M11 Working wit customers M12 Learning about customers	Good relationships Word-of-mouth Product development	Better product-market match Higher net buyer benefit Creation of barriers to entry

Figure 22 Mechanisms identified in the sales component "understanding the buyers"

3.4.4 Creating long-term relationships and Account management

		Companies												
	Creating long-term relationships with the customers and account management	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**	**L**	**M**
F28	Creating a long-term relationship with the customer	1		1	1		1					1	1	
F29	Following-up on sales	1	1	1	1	1		1		1	1	1	1	1
F30	Selling a repeat model	1	1	1	1	1	1	1	1	1	1	1	1	1
F31	Categorizing customers	1			1	1	1					1	1	

Every start-up in the sample offered a subscription model to their clients. For many this was a choice of necessity, since it is becoming a norm in B2B software. (A, E, F, G, H, I, K, L). For the others, it had been a strategic choice and had been a competitive advantage. Traditional vendors are stuck in a business model where customers pay up-front. Start-ups that are able to offer low-cost subscription-based alternatives are pressuring these traditional vendors. (B, C, D). The benefits of subscription models are several. The most important however was the creation of a long-term relationship with the buyer. (B, C, D, L, K) The buyer automatically gets all updates and can request new features to the standard package.

Creating a long-term relationship and focus on customer satisfaction was present in many start-ups (A, B, D, E, J, K, L). However, the start-ups had very limited time to concentrate on one specific customer, which was why feedback systems and continuous discussion through different mediums (blogs, twitter etc.) was considered important (A, C, E, F, G, H, I, J, K).

If the focus on creating long-term relationships was a focus area for all of the start-ups, account management practices were a focus area in only three (A, B, D). This might be due to the fact that many of the companies were still able to handle the amount of customers with relative ease. However, analyzing the different types of customers and handling them differently could have worked well even for the smaller start-ups.

Problems

Categorization of customers was difficult for the start-ups that didn't have significant revenues. It is difficult to say if it would be beneficial to categorize customers more rigorously.

Key mechanisms

Creating a long-term relationship with the customer influences several success factors directly and indirectly. Customers are motivated to give feedback and giving feedback is easy. The customers are also motivated to give information on competitors, in order to force improvements to the product or pricing. This information can be invaluable in creating barriers to entry and improving the long-term profitability of the start-up.

Long-term relationships were also identified as sources of good word-of-mouth advertising opportunities and often lead to new sales leads.

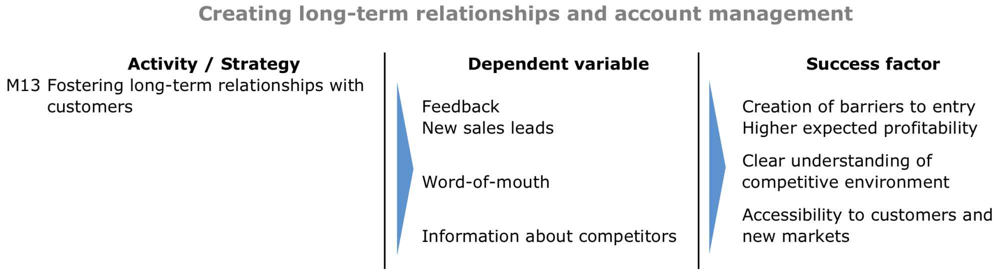


Figure 23 Mechanisms identified in the sales component "creating long-term relationships and account management"

3.4.5 Solutions selling

		Companies												
	Solutions selling	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**	**L**	**M**
F32	Differentiating	1	1	1	1	1	1	1	1	1	1	1	1	1
F33	Developing a complete solution	1	1		1	1	1	1	1	1	1	1	1	1
F34	Ensuring complementary assets are in place		1	1	1		1	1			1	1		
F35	Customizing solution to new needs					1				1			1	
F36	Customizing the sales pitch towards the targeted group	1	1	1	1	1		1		1		1	1	

In the literature section it was identified that start-ups might have an advantage over incumbents when it comes to solutions selling. However, it seems that because the resources in the start-ups are very limited, it was difficult to sell the product with guaranteed support or additional services. (E, G, H, I, K).

The companies that had been the most efficient at identifying and targeting a specific problem were clearly providing a complete solution to the customers. (B, C, D, F, K)

Because of limited resources, the start-ups were trying to do as little customization as possible for each customer. It is considered important to be able to say 'no' at some point. (B, F, K)

Problems

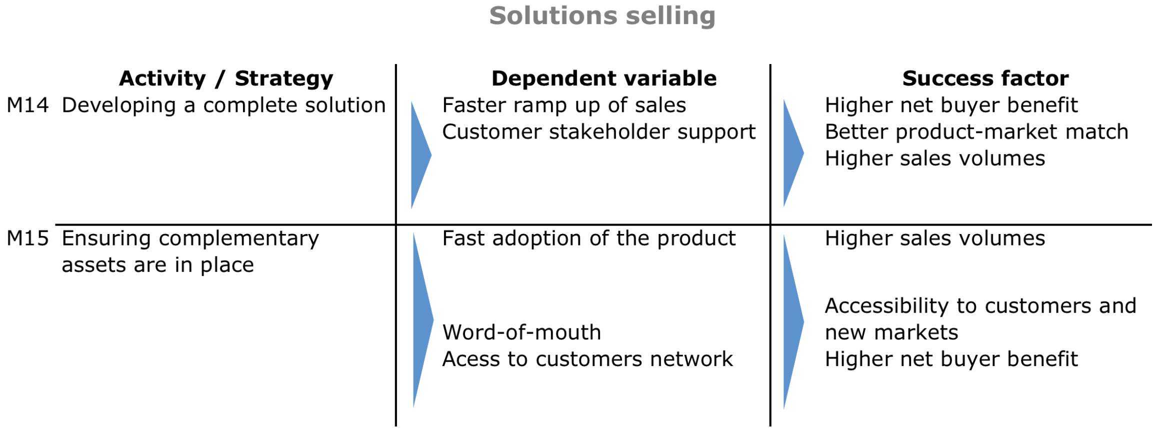
One important factor for the start-ups is that the complete solution and support around the new product have to be available to the companies. As expressed by Teece (1986), the complementary assets around the technology are important in order to be able to appropriate the value from the innovation. In the case of start-ups, they have to make sure that either the customer, reseller, external service provider or themselves are able to offer any complementary assets that are required such as training, consulting or sales. For many of the start-ups, this had been a problem that had arisen. (A, E, J, K, L, M)

Key mechanisms

The basic premise of a start-up is that it is offering something completely new to the customer. As discussed in the section on the context of sales of a start-up, this always means a change is going to happen in the customer company. The important part for the sales of the start-up becomes to maximize the positive change while minimizing the disruption to the work of the customer company. A disruption can lead to the new product not being assimilated into the customer company because of resistance by the personnel. The importance of minimizing the disruption becomes even more important if the customer is actually a reseller of the start-ups products.

Therefore, being able to offer a complete solution that is easy to plug into existing company processes makes ramping up sales faster and ensures higher sales volumes.

Another important lesson is that the start-up needs to ensure that the complementary assets are in place in the customer's company. This ensures that the product can be adopted and therefore will ensure further sales and possible good word-of-mouth and access to new customers in the network of the original customer.



	Activity / Strategy	Dependent variable	Success factor
M14	Developing a complete solution	Faster ramp up of sales Customer stakeholder support	Higher net buyer benefit Better product-market match Higher sales volumes
M15	Ensuring complementary assets are in place	Fast adoption of the product	Higher sales volumes
		Word-of-mouth Acess to customers network	Accessibility to customers and new markets Higher net buyer benefit

Figure 24 Mechanisms identified in the sales component "solutions selling"

3.4.6 Social Networking

Companies

	Social Networking	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**	**L**	**M**
F37	Attracting funding	1			1	1	1	1			1			1
F38	Acquiring support	1					1	1			1	1	1	1
F39	Interacting with incubators and other support companies and organizations	1				1		1	1		1		1	
F40	Attending programs for startups					1		1			1	1	1	1
F41	Attending competitions					1		1			1	1	1	
F42	Networking with financial sources and financed startups	1	1		1	1	1	1			1	1	1	1
F43	Using social media	1	1	1		1	1	1	1		1	1	1	1
F44	Attending Conferences, Trainings, Events	1			1	1	1	1	1		1	1	1	1
F45	Lobbying													
F46	Working in proximity with other startups					1		1			1		1	1
F47	Selling the idea	1					1	1	1		1	1	1	1
F48	Creating a global network	1		1	1		1							
F49	Identifying new opportunities through contacts	1	1		1						1	1		1
F50	Selling to attract resources	1										1		1

Attracting funding can give the start-up a certain amount of credibility, which arises from the opportunity to create a brand-image and create a trustworthy image. However, the role of funding did not rise as an important factor in any of the interviews. Funding is gathered when it is required, but it does not directly help sales.

Out of programs for start-ups, competitions, networking events and conferences, competitions and conferences were pointed out as helpful and important in part of the start-ups networking. (A, D, E, J, K, M)

Competitions can bring visibility, and conferences can be excellent places to meet possible partners and customers. One of the interviewed start-ups identified organized "speed-dating" conferences as being an excellent source of qualified leads. However, there was another start-up that said that these types of conferences were of no use. Another start-up explained the importance of conferences that could cost up to 7000 euros to participate in: "We are able to do get up to 90 face-to-face qualified leads during the course of a few days. Normally even one qualified lead can take several weeks and require a meeting, which requires a flight. The customer acquisition costs through conferences are much lower. "

For one of the companies, competitions had been the door opener to high-margin sales to larger companies. Sales to larger companies in turn feed more sales to larger companies. Doing well in competitions and the ensuing visibility might therefore be a good path to enterprise sales. Many of the start-ups described selling to large enterprises as too time consuming, complex and not cost-efficient. However, it seems that in order to sell to large companies, references are a must, and therefore some initial work can be profitable in the long run. One company described that the sales very quickly turned from pro-active to reactive when many companies started calling them directly for meetings instead of the start-up having to try and sell. This was all sparked by visibility that came from success in a well-known start-up competition.

The use of social media was an important factor for most of the start-ups. For many, the web was the most important and almost the only source of leads (B, C, F, G, H, I, L). However, the more valuable the product and the more difficult the sales process, the less significant the use of social media is in the interviewed start-ups. Using social media in a way that attracts industry attention, such as writing e-books, can help the company in getting credibility in the industry, which in turn helps in finding partnerships and customers.

Problems

Some of the interviewed companies gave negative comments about much of networking and getting visibility through for example competitions. (B, L) However, some effects of networking and attending competitions had repaid the investment well for others (A, J, K). As the measurement of the effects of using social media or attending competitions can be difficult, making the right choices for social networking can be difficult.

Key mechanisms

Attending conferences and competitions can lead to significant visibility and help in lowering customer acquisition costs.

Social networking

Activity / Strategy	**Dependent variable**	**Success factor**
M16 Attending conferences	Qualified leads Industry credibility Visibility	Higher expected profitability Higher sales volumes Accessibility to customers and new markets
M17 Attending competitions	Visibility Access to large companies	Higher sales volumes Higher expected profitability Accessibility to customers and new markets
M18 Using social media	Visibility Credibiilty Creation of relationships	Higher sale volumes Accessibility to customers and new markets

Figure 25 Mechanisms identified in the sales component "social networking"

3.4.7 Sales organization

		Companies												
	Sales organization	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**	**L**	**M**
F51	Developing marketing and communications with sales	1	1		1	1	1		1		1	1	1	1
F52	Integrating functions with sales	1	1		1	1	1				1	1	1	1
F53	Developing a sales culture in the whole org.	1		1	1	1	1				1	1	1	
F54	Developing the right incentives for salespeople	1	1		1	1					1	1	1	
F55	Recruiting team-members	1	1		1	1	1	1	1		1	1	1	
F56	Attracting educated team-members	1	1		1	1	1	1	1		1	1	1	
F57	Attracting team-members with industry experience	1	1		1	1	1			1	1	1	1	
F58	Creating the sales team	1	1		1	1	1				1	1	1	
F59	Communication between sales and R&D	1	1		1	1	1				1	1	1	1
F60	Motivating salespeople	1	1		1	1	1				1	1	1	
F61	Integrating sales personnel to other work	1	1		1	1	1	1				1	1	1
F62	Attracting a Varied and Skilled Team	1	1		1	1	1				1	1	1	1
F63	Creating ownership for salespeople	1	1		1	1	1				1	1	1	1
F64	Creating learning opportunities between individuals	1	1		1	1	1				1	1	1	
F65	Training	1	1		1		1					1	1	

The biggest differences between the more developed and the less developed start-ups could naturally be noticed in their sales organizations. The start-ups that were still primarily driven by the original founder were less developed organization-wise. However, in these organizations the sales pipeline was also much smaller and possible to handle with a smaller organization.

Only five of the start-ups had been started by a balanced group of business people and technical people. The norm is for technical people to start the company and when a critical point of revenues has been achieved and sales is starting to overwhelm the founders, business people have to be taken on board.

The communications between operations, R&D, marketing and sales is an important success factor according to the sales literature summarized in the literature section. However, this is less of a concern in a start-up where the team is small and communications much easier. Communications or the integration of tasks wasn't seen as a problem in any of the interviewed companies.

Problems

The start-ups interviewed were mostly founded by developers. Some had very quickly ran into the questions whether or not to quickly find business people to take part in the venture. There are several success stories of companies that have made it far without early partners with business backgrounds (Facebook, Twitter, Microsoft, Google and Apple come to mind). Therefore, it seems to be possible to create a company without any business background. However, the companies in this study that had early workforce or founders with a business background were very satisfied with the fact and said they had had clear benefits from the arrangement.

Key mechanisms

The start-ups studied are all technology-driven companies. Most of them also sell to other technology-driven companies and deal a great deal with other technologists. However, there comes a point in a start-up where the business has to be developed in parallel with the technology. At this point, the start-up needs to find business people to take the business further, or at least change the roles of the technology developers to business roles. Most of the interviewed businesses had at least one businessperson as an early member in the team (A, B, D, E, K, L, M). In two of the businesses, a founder with a technical background had effectively been able to switch to a business role (C, F). Two start-ups occasionally used the services of external business developers. One start-up was still completely without dedicated business development and one had hired a person with a business background to complement the team.

Even though the technology background of these companies was much more important, it was clearly stated that business knowledge was needed early on. The business focus leads to faster sales and more efficient operations.

Not only the experience and business knowledge was considered important, but also the willingness to take on business tasks and bureaucracy.

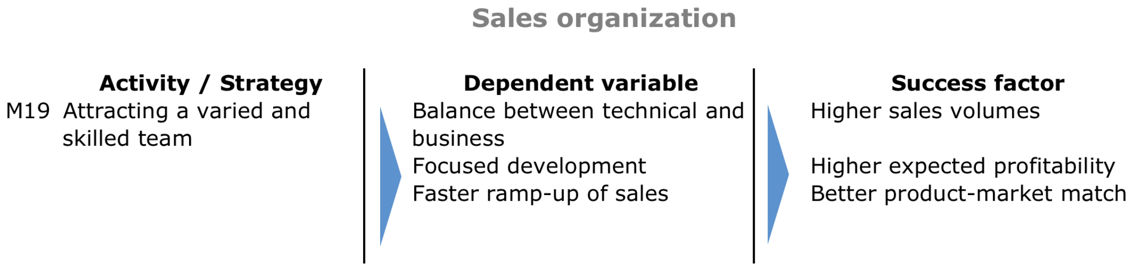


Figure 26 Mechanism identified in the sales component "sales organization"

3.4.8 Integrating marketing and sales

		Companies												
	Integrating marketing and sales	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**	**L**	**M**
F66	Clearly developing the solution to one need		1	1	1		1	1				1		1
F67	Identifying the customers with most need	1	1	1				1		1	1	1	1	
F68	Defining the geographical position based on sales opportunities				1									
F69	Defining the geographical position based on labour													
F70	Defining the geographical position based on attitudes													
F71	Defining geographical position based on available support													
F72	Making sales promises early	1		1	1						1	1		
F73	Doing Sales before development			1	1						1	1		
F74	Creating a large base for sales	1	1	1	1		1					1		1
F75	Targeting a specific segment	1	1	1	1						1		1	1
F76	Creating understanding by selling	1		1	1	1	1	1	1		1	1		1
F77	Creating partnerships	1		1	1		1				1	1		1
F78	Selling to large companies for reference	1			1	1	1					1		

As noted in the part “identifying and solving a problem” in this section, the clear identification of the problem and the target market was an important factor in influencing success factors.

Identifying and developing a solution to a perceived need are marketing activities that are closely tied to sales.

Clearly developing the solution to one need from the start was present in 7 start-ups (B, C, D, F, G, K, M). Developing the solution to one need helped the start-ups concentrate their development efforts, which leads to more efficient usage of their resources.

The identification of the customer with the most need had not been done very clearly in all start-ups (D, E, H, J, K, L). The start-ups that had been able to clearly identify the customer with the most need had an advantage when starting sales. Sales could be ramped-up quickly and the benefit was easily communicated to the first customers.

The factor ‘making sales promises early’ means that the company has made sales promises before it is certain it will be able to deliver the product or before it has been developed. Making sales promise early had been done and was considered important in five companies (A, C, D, J, K). Four companies had even made sales promises before the development of their product was finished (C, D, J, K). These companies had gotten benefits from this by being able to focus their development on features that their customers really needed and by getting cashflow earlier.

All the companies considered targeting a specific segment important. Many had started their company with a more broad focus that they had had to narrow when sales proved difficult with a broad focus. (C, D, E, J, G). None of the companies had gone from a narrow focus to a broader. Some of the companies were still struggling with determining a specific segment.

Creating understanding by selling was important for many of the companies that had passive buyers. The product had to be introduced well and many stakeholders in the industry converted in order to gain sufficient credibility and support to sell the product.

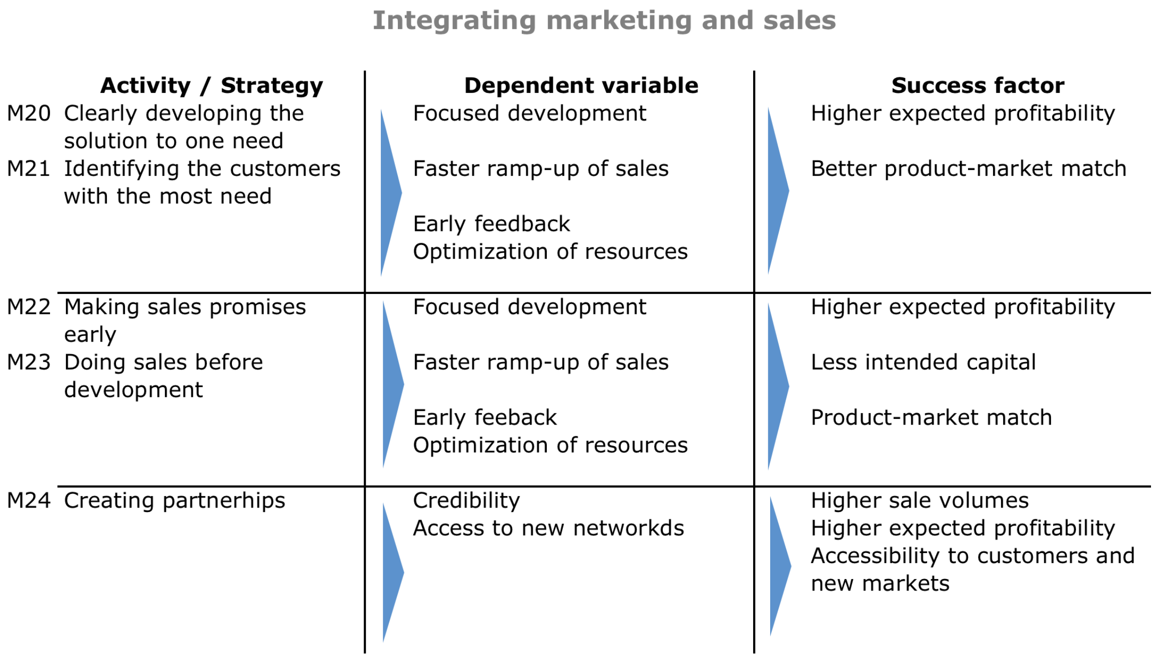
Partnerships were deemed important and the only way to gain sufficient market share by several companies (A, B, J, K, M).

Key mechanisms

Developing a solution to one need and identifying the customers with the most need leads to better resource utilization and earlier feedback.

Doing sales promises early and even making them before the product was ready led to development driven by customer needs. For the start-ups, this had meant more efficient use of resources, getting feedback early on and creating cashflow early.

Creating partnerships leads to credibility and higher sales volumes and can also lead to higher profitability.



Integrating marketing and sales

Activity / Strategy	Dependent variable	Success factor
M20 Clearly developing the solution to one need M21 Identifying the customers with the most need	Focused development Faster ramp-up of sales Early feedback Optimization of resources	Higher expected profitability Better product-market match
M22 Making sales promises early M23 Doing sales before development	Focused development Faster ramp-up of sales Early feeback Optimization of resources	Higher expected profitability Less intended capital Product-market match
M24 Creating partnerhips	Credibility Access to new networkds	Higher sale volumes Higher expected profitability Accessibility to customers and new markets

Figure 27 Mechanism identified in the sales component "integrating marketing and sales"

3.4.9 Sales skills

		Companies												
	Sales skills	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**	**L**	**M**
F79	Calculating the financial benefit		1		1									
F80	Having easily accessible sales offers	1	1	1			1	1		1	1	1	1	
F81	Not giving up on price	1	1		1	1	1	1		1	1	1	1	
F82	Understanding competitors strengths	1	1	1	1	1	1	1	1			1	1	1
F83	Communicating the benefits	1	1	1	1		1	1	1			1	1	1
F84	Understanding the key selling points	1	1	1	1		1	1				1	1	
F85	Creating the sales pitch	1	1	1	1	1	1	1		1	1	1	1	1
F86	Finding the right price	1	1			1						1		
F87	Communicating the solution to their problem	1	1	1	1	1	1	1		1	1	1	1	1

Calculating the financial benefit of their product was only done in two of the case start-ups. This exercise was considered two difficult in the other start-ups. However, it was identified as a possible advantage in selling in being able to quantify the benefits.

Understanding competitors' strengths and communicating the benefits was identified as a good sales strategy. (A, B, C, D, F, G, K, L). One start-up pointed out that this was the basis of their sales tactics:

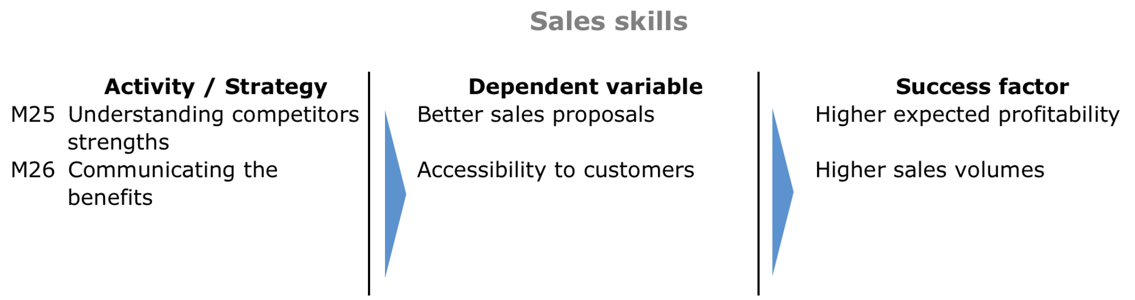
1. To understand the needs of the customers
2. To understand which of those needs competitors cannot fulfil but you can
3. Emphasize the importance of these needs in discussions

All except one of the companies had put emphasis on creating the sales pitch. It was deemed important that the sales pitch was clear and that it resonated with the needs of the customers. Naturally, it was much easier to do for the companies that had a clearly defined target market.

All companies except one also emphasized the importance of communicating the solution to the customer's problem. Of course, making this message very clear would have required that the problem and target market was very clearly defined from the beginning.

Key mechanisms

The important mechanism identified in integrating marketing and sales is combining the understanding of the competitive space, the needs of the customers and the company's own offering. Being able to offer clear benefits against the competition and the status quo that match the customers' needs leads to higher sales volumes.



Sales skills

Activity / Strategy	Dependent variable	Success factor
M25 Understanding competitors strengths	Better sales proposals	Higher expected profitability
M26 Communicating the benefits	Accessibility to customers	Higher sales volumes

Figure 28 Mechanisms identified in the sales components "sales skills"

3.4.10 Other Issues

Some relevant mechanisms did arise outside of the sales components identified in the literature review. In general, it can be said that a strategic dimension of sales was missing from the sales components reviewed. It seems that this dimension is important, since the identified factors came up often in the cases. They could have been categorized as factors in some of the components of sales, but not without significant difficulty. In addition, these factors were not identified in the literature analysis of sales. Therefore, I have decided to present them here in a separate section.

The identified factors were the following:

S1	Developing a go-to-market strategy early
S2	Using third parties for contacts
S3	Developing a strategy against indifferent customer employees

All of these variables are especially important for start-ups. S3 could be classified as a sales tactic that directly influences the quality of contacts made. For S1 and S2 we can also identify how they influence success factors.

Uncategorized

	Activity / Strategy	**Dependent variable**	**Success factor**
M27	Developing a go-to-market strategy early	Focused development Faster ramp-up of sales	Less required capital Higher net buyer benefit Less technological uncertainty
M28	Using third parties for contacts	Accessibility of customers Faster ramp-up of sales	Less required capital Higher sales volumes

Figure 29 Mechanisms identified outside the sales components

I will now shortly comment on each one of these factors identified and describe the mechanisms of how they influence success factors.

S1 Developing a go-to-market strategy early

Developing a go-to-market strategy refers to developing a strategy of which customers to contact and how to make the start-up known to customers. What differs from an incumbent strategy is that in a start-up context this go-to-market strategy can be done in the beginning of product development or even it is started.

It was evident from some of the cases that this strategy could significantly shorten the development time of the product, lower the technology uncertainty and lead to faster sales and higher net-buyer benefit.

S2 Using third parties for contacts

The difficulty of reaching the right decision makers in target customer organizations was identified by several start-ups (A, D, E, F, K, M). This was even more difficult for start-ups targeting larger companies.

An efficient way to reach the right persons was to allow or even promote word-of-mouth reputation spreading in the target industry. Once an important player in a targeted market was converted, in some cases it automatically meant that other players followed suit (A, F, K). These network effects were present in many ways in many of the cases. The reference value of large companies can be very important through media visibility and other effects. This was already discussed in the section on "Integrating marketing and sales" sales component.

More specifically using third parties for contacts was the use of existing contacts or persuasion of key persons to spread the word of the start-up. It was evident in all cases that the use of the web was very important, but also using personal networks and active networking was evident in all cases.

The difference from social networking was the direct goal of influencing others through third parties.

S3 Developing a strategy against indifferent customer employees

A comment by one of the interviewees was that according to his experience "99% of employees are not concerned with the success of the company they work for". This attitude was shared by the other start-ups that were asked the question and in the interviews where the topic came up (B, D, F, K, M)

This meant that the start-ups had to have good luck or a very good strategy with which to influence the organization. Even though their solution was far superior to those of competitors and clearly be profitable for the customer (according to the start-ups themselves), a large portion of the employees don't want to go through the process of selling the new product in the organization.

Developing a strategy against indifferent employees or at least identifying the problem can lead to higher sales volumes. (B, D, F, K, M)

3.5 Synthesis of the case studies

As a summary of the case studies, the identified mechanisms were synthesised into seven main categories:

Category	Corresponding Mechanisms
Startups should:	
Sell for reference value and not worry about the cost of acquisition	M13, M16, M17, M18
Do everything they can to start their sales early, get feedback and realign	M2, M6, M22, M23
Concentrate on unfulfilled needs and understand the offerings of their competitors	M8, M9, M25, M26
Ensure complementary assets are in place and deliver a complete solution	M4, M14, M15
Have clear targeting and a clear understanding of the market and industry	M1, M3, M10, M11, M12, M20, M21
Be sales driven from the start and develop the right metrics	M19, M27
Actively test channels, implement a process, measure the channels and not stop pushing difficult channels	M7, M5, M16, M17, M18, M24, M28

Figure 30 The seven main categories of the identified mechanisms and the corresponding mechanism codes

Selling for reference value and not worrying about the cost of acquisition catalyze unexpected new opportunities and reactions that lead to more sales. Even though a sales process can seem too costly and time-consuming, it can reveal itself as profitable because of unexpected network effects. For example, closing a large customer can open the door to the whole industry, give valuable reference value and media visibility.

Doing everything possible to start sales early, getting feedback and realigning allows the company to find a good product-market match and will make it easy to close the first sales with the test customers that have been involved in the development of the product.

Concentrating on unfulfilled needs and understanding the offerings of the competitors gives the start-up a chance to undercut the existing competition and focuses the development on the factors that are mostly likely to sell.

Ensuring complementary assets are in place and delivering a complete solution minimizes the problems the new product will face in the market. The resistance from the customer towards the start-ups product can be strong but by making it easy to start using increases the chances of getting companies to try.

Having a clear target market and understanding of the market and industry is essential for a start-up to ramp-up sales quickly. Every piece of understanding will help the start-up to become profitable.

Being sales driven from the start and developing the right metrics lead to faster ramp-up of sales and ensures that the start-up learns continuously in order to offer value to the customers. If sales is not the most important driver from the start, the start-up risks developing an unsellable technology.

Actively testing channels, implementing a process, measuring the channels and not stopping to push even difficult channels helps the start-up find different channels to sell its product, even non-evident ones. Different customers prefer different channels and there might be significantly more resistance through one channel than another. It is important to understand that failing sales can be the result of not reaching the right persons in the target customers' organizations.

4 Discussion and conclusion

4.1 Synthesis

The objective of this thesis was to "make sense" of the inherently complex subject of sales in high-growth B2B software start-ups. By interviewing a diverse set of start-ups, I could uncover what the reality of sales in these start-ups is compared to the theories set out in literature.

The research problem was defined as:

What are the key mechanisms by which sales management factors influence the success factors of research-based software start-ups in B2B markets?

Before tackling the actual research question, a detailed analysis of categories of start-ups was made. This was done in order to specify the domain of study and hence improve the accuracy of the study.

The start-ups studied are all in the software industry doing B2B sales. The following figure summarizes the criteria for the start-ups.

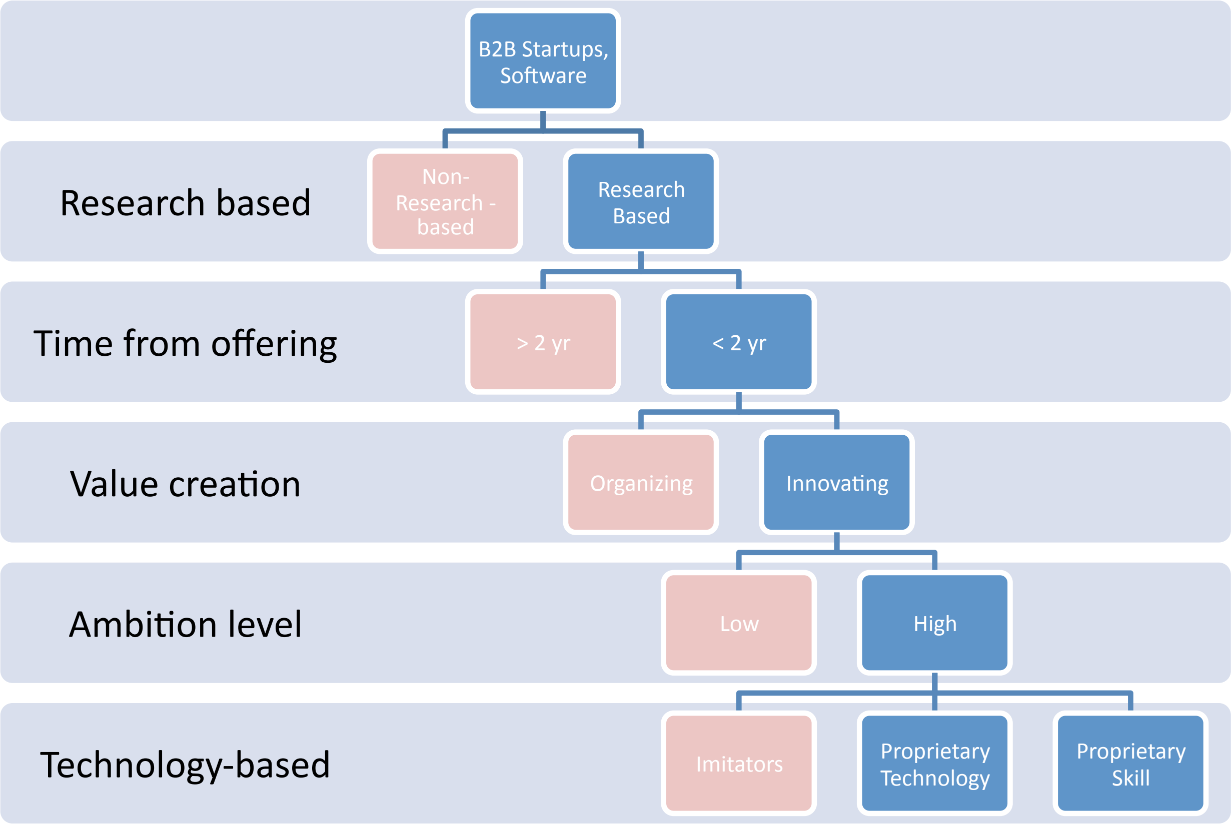


Figure 31 Summary of the criteria for the population of the study

The research question was broken down into three sub-questions.

RQ1: What are the key success factors of research-based growth start-ups?

RQ2: What are the most important sales management factors for research-based growth start-ups?

RQ2: By which mechanisms do sales strategy and sales activities influence such success factors?

The first and second questions were answered in the literature part by an analysis of literature on sales management and start-up success factors.

To answer the third question, a multiple case study was conducted to uncover what mechanisms had been experienced in start-ups.

I will now comment on each of the research questions.

RQ1: What are the key success factors of research-based growth start-ups?

The first part of the literature study tackled the success factors of start-ups according to prominent academic literature. Six main categories were identified and the success factors were gathered in a framework. This framework is presented below. A total of 67 factors were found in these 6 categories.

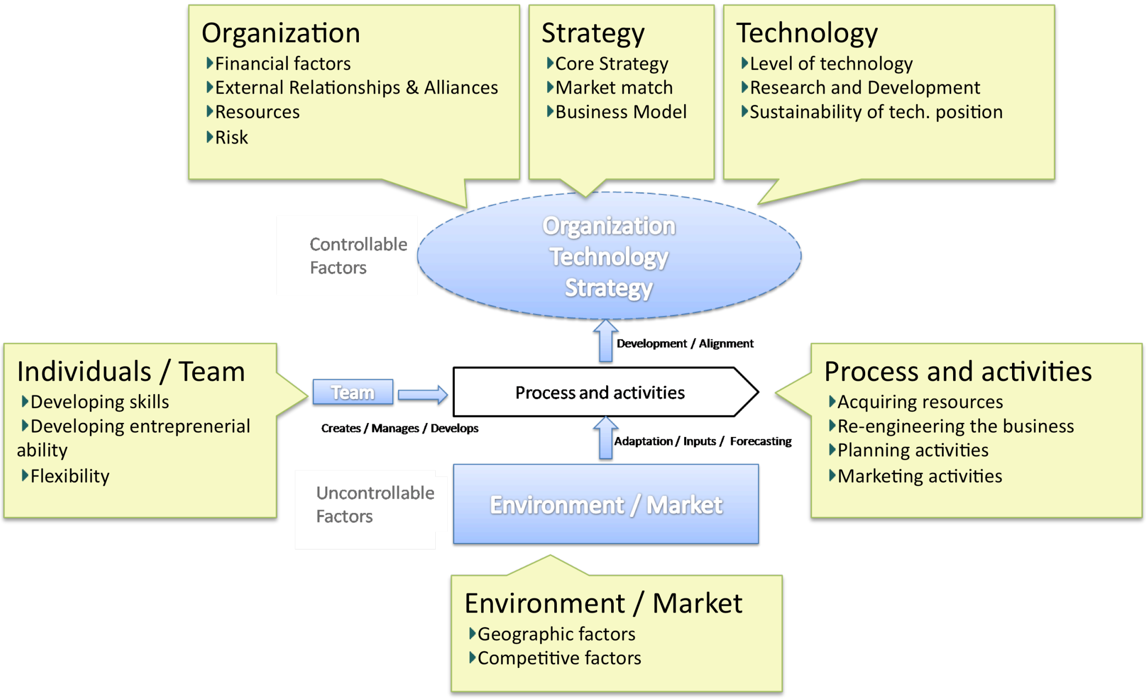


Figure 32 Framework and factors in start-up success

RQ2: What are the most important sales management factors for research-based growth start-ups?

The second section of the literature part focused on sales management literature and sales management in the context of start-ups. Nine components of sales were identified from the literature analysis:

1. Identifying and solving a problem
2. The sale process
3. Understanding the buyers
4. Creating long-term relationships with the customers and account management
5. Solutions selling
6. Social networks
7. Sales organization

8. Integrating marketing and sales
9. Selling skills

The factors in these 9 components were matched to the success factors in order to create a list of mechanisms that would then be studied in the empirical part of the study. The mechanisms identified from the literature are presented in appendix 1.

RQ3: By which mechanisms do sales strategy and sales activities influence such success factors?

The empirical part of the study set out to answer the third research question. The objective was to empirically study what mechanisms could be identified in practice of how sales influences success factors.

13 case studies were performed. These case studies can be described as "*descriptive multiple-case study using quantitative and synthetic sensemaking strategies.*"

The case studies relied primarily on interviews of the key personnel of the start-ups and an analysis of documentation that had been created by the start-up.

In total, 26 mechanisms that were identified in the literature study were deemed important according to the case studies. A full list of mechanisms is presented in Appendix 2.

The mechanisms identified were further grouped into seven main categories that serve as general suggestions for start-ups. These suggestions are discussed in the section "summary of the case studies" and presented as a list below:

1. Selling for reference value and not worrying about the cost of acquisition
2. Doing everything possible to start sales early, getting feedback and realigning
3. Concentrating on unfulfilled needs and understanding the offerings of the competitors
4. Ensuring complementary assets are in place and delivering a complete solution
5. Having a clear target market and understanding of the market and industry
6. Being sales driven from the start and developing the right metrics
7. Actively testing channels, implementing a process, measuring the channels and not stopping to push through even difficult channels

Three important factors were identified in the case studies that were not accounted for in the literature part.

S1	Developing a go-to-market strategy early
S2	Using third parties for contacts
S3	Developing a strategy against indifferent employees

Two of these factors can also be expressed as mechanisms similarly to the mechanisms based on the literature study. These factors can be considered especially important since they were clearly identified from the case studies but not completely accounted for in the literature.

Uncategorized

	Activity / Strategy	Dependent variable	Success factor
M27	Developing a go-to-market strategy early	Focused development Faster ramp-up of sales	Less required capital Higher net buyer benefit Less technological uncertainty
M28	Using third parties for contacts	Accessibility of customers Faster ramp-up of sales	Less required capital Higher sales volumes

Figure 33 Additional mechanisms that were not identified in the literature part

These additional mechanisms are start-up specific and are thus not a focus of sales management literature.

In conclusion, I can now summarize the important activities and strategies uncovered in this study in a three-phase model called the “three phases of sales development for start-ups”. The three phases are the following:

1. Visionary Base
2. Development Focus for the Long-term
3. Action in the Present

One interesting discovery according to this summary is that when developing sales, a start-up must take a ‘reverse timeline’ view of their sales development. Starting from a Visionary Base, onto a medium- and Long-term Development Focus and then forward to Action in the Present. When the company successfully reaches the phase with action in the present, and is able to execute that phase successfully, the value creation loop from idea to execution has been fulfilled and sales will be successful. This development is presented in Figure 34.

The phases and the progression are quite general, and the link to actual sales is not apparent in the figure. However, it follows the findings of this study that sales is about value creation and naturally linked to many other activities, especially in start-ups where roles are often not clearly defined.

The following figure summarizes the three phases with the seven categories of mechanisms and the uncategorized factors that have been discussed.

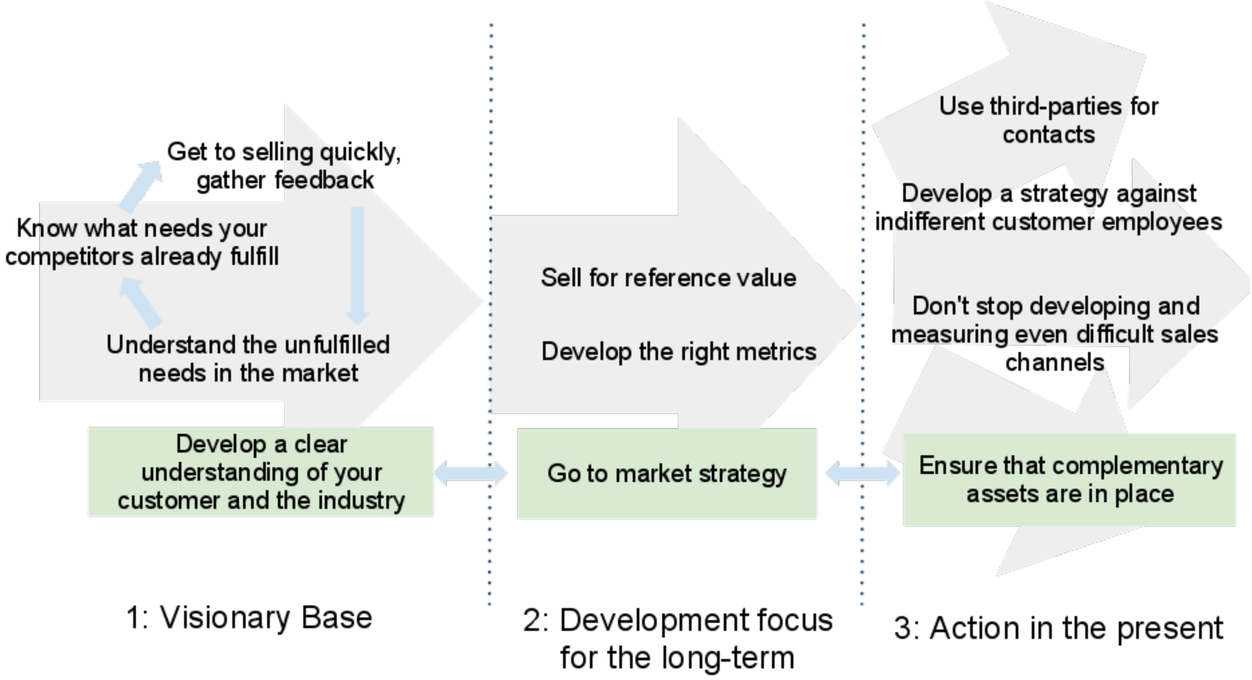


Figure 34 The three phases of sales development for start-ups

4.2 Discussion

This thesis has studied the intersection of two complex subjects. The study was successful in terms of identifying important sales management issues that start-ups should focus on in order to ensure the development of their success factors. The findings should be helpful for entrepreneurs and policy-makers working closely to improve the probability of creating successful companies.

Only one of the start-ups interviewed had developed every aspect of their sales management as defined in the sales management literature. It can be difficult for a start-up to have the time to develop every part of its sales, but one could expect that at least some time would be allocated in order to have a good base for successful sales. Overall, there is not a lot of emphasis put on sales or dealing with customers when discussing start-ups. Some guidelines should however be followed. Two especially come to mind: not focusing too much on cost of acquisition in the beginning and making sure that required complementary assets are in place.

However, it is understandable that sales development gets less attention in the early stages of a start-up. As this study also showed, the work done before starting the actual revenue-generating sales is the most important factor that will ensure sales success in the future. This work includes gathering very specific knowledge of the market, competitors and needs. However, this stage also includes selling, the idea of the solution has to be sold to stakeholders and a sales approach has to exist from the beginning that takes into account that the important sales components will be in place when required.

In the introduction, two difficult questions were posed: How can start-ups win over incumbents? How can start-ups convince their customers of the value of something that doesn't exist? I will now shortly discuss these questions.

In the literature analysis of sales management it was clear that start-ups can have an advantage over incumbents in several of the important factors of sales management. Fast communications, multiple roles held by one person and a clear focus on solving one problem are among the most important factors in sales according to research. Start-ups excel in these factors, and thus may have an advantage over large organizations in terms of sales. It is difficult for policy-makers to understand why investments in start-ups are so valuable. Maybe this result can give a further indication of how start-ups are able to create much more value than incumbents despite their lack of resources.

One finding that was clear from the case studies was that success in sales required a very deep understanding of the target market. A start-up clearly has to focus a lot on understanding the unserved needs of its customers in order to be able to convince them of the value of their unproved solution. Therefore, even more emphasis should be put on the depth of understanding the problems that are going to be solved by a start-up. 'Solving a problem' is common mantra in start-up advice, but the depth at which the start-ups that are successful in sales understand the problems they are solving is often not emphasized enough. This of course requires a search of product-market fit by the start-up. It is almost impossible to understand a problem well enough in the beginning when first the development of the product. Only over a period of time can a start-up develop its understanding of the problem and finally be able to offer a solution that creates value. Developing this understanding often also requires that the start-up does sales, since it gives it the most direct indication of whether or not the solution will be valuable to its customers.

One general sales conundrum for founders of start-ups was identified. In general start-ups have limited financial resources. This greatly limits the activities a start-up can do, and the logical result is that the start-up concentrates on the most important issues and the customers where the return on investment is the clearest and sales the fastest. However, according to the study, many of the start-ups had reached their most valuable customers and had been able to reach a sustainable growth path through indirect effects from channels that required a lot of work and where the immediate returns were not evident. A start-up should therefore try to leverage opportunities where the immediate returns are not the highest but can yield important customer contacts or visibility in the long run.

The clear example of this conundrum was that many start-ups were targeting only small companies, because the sales cycle to large companies was considered much too long. However, other companies indicated that the large enterprise accounts were the most profitable. In addition, the media attention that the large accounts had brought had been an important factor in making new sales. Large accounts were also important as a reference, which was considered important by all of the start-ups.

I set out to study the mechanisms between sales and success factors. Clearly it can be seen that sales is closely linked to success factors. The effects of sales management radiates to all activities in the start-up. A start-up is a flexible entity where responsibilities are often shared. In addition, the contact to customers is often crucial to set the right path for the start-up. It cannot survive without customer contact, since the operations often have to be redefined to find market fit. It is therefore essential to start sales early and integrate it to everything else in the organization. This is easier to do in a start-up where the organization is already flexible and the work shared. A start-up can therefore much more easily bring a new product to market compared to large companies where inflexibility and established ways of functioning are the norm.

In Finland, there is a lot of public discussion about educating better sellers and becoming more sales-oriented. However, looking at the study and the results, we can see that it is essential that customer contact and sales start as early as possible in order to be able to create a valuable product. Most of the companies had had to change their assumptions about the market from the first product that was developed. It can even be good to sell before there even is a product. This means that we shouldn’t educate more sellers in the traditional sense of the term. What would be needed would be more people with a deep understanding of the market and ability to figure out how the problem can be solved or what the problem that is solved should be. This has to be done in the very early stages of a venture, and therefore the collaboration between these people who understand the market and the engineers has to start very early. There is a tendency in Finland to believe that a technology has to be developed and then sold, when actually more success would be attained if the early-stage sales would be the basis according to which the technology is developed.

4.3 Scientific contribution and future Research

The main scientific contribution of this study are the mechanisms that document how start-ups improve their success factors and hence succeed by concentrating on specific sales development strategies, activities and skills. Mechanisms that can help start-up founders in planning their sales and researchers in understanding why start-ups succeed have been set forth.

A comprehensive framework of start-up success factors was also created which in itself can be useful for further research. Several different viewpoints were taken into consideration when discussing and creating the framework.

This study also proposes a more rigorous definition of the population of the study when studying start-ups. Gartner identified the problem of studying start-ups as a homogenous group already in 1985 (Gartner W. B., 1985). However, very few studies take into account the differences of low versus high-growth start-ups, engineering-based versus science-based start-ups and innovating versus organizing start-ups.

The research on sales in start-ups could be continued on the basis of this study as a quantitative study of companies in the studied population. It would also be interesting to study companies in different industries and the differences between start-ups in different industries. Another interesting avenue of further research would be the choice of initial sales strategy to the growth of the business.

4.4 Validity and Reliability

The factors that often plague new venture technology research are quality of data, the definition of a new product, factor selection and definition, and measurement of factors. (Balachandra & Friar, 1997) I will now shortly comment on each of these factors.

The interviews and the background data used in the study are not subject to common problems in studies about start-ups that are based on quantitative data. The problems that arise in the quantitative studies is that it is impossible for the researchers to take into account the background of the business such as the market, industry or growth ambitions, which will influence choices made in the start-ups and their chances of survival. Therefore, many of the important variables aren't evaluated and therefore a heterogeneous group of start-ups is studied as homogenous. By focusing on a subset of the start-up population, the accuracy of this study was improved.

In this study, the quality of data problem was addressed from the beginning by creating an interview base that was based on academic research. The quality of interview data can be considered high. However, the researchers own opinions can influence the data collection and analysis. This is a common problem with interview data; this problem was minimized by using the standard interview base to lead the interviews. In addition, the interviews were then carefully transcribed and the findings transferred to lists.

I acknowledge the difficulty of defining a new product. The strength in this regard with this study is that every company that was approached was pre-screened by the researcher; therefore, no companies that didn't fit the criteria created could slip into the study. The newness of the products in this study can of course be scrutinized. In the end, it was more difficult than expected to categorize the start-ups as doing something innovative or not.

Factor selection and definition wasn't as important in this study as in quantitative studies because even factors outside of the initial definition could be found. Also errors in the factors could be corrected as the study progressed.

Factor measurement in this study related to linking the interviews with the factors found in the literature part. This was done as methodologically as possible by a standard interview base and by creating lists of factors after each interview.

As Gartner (Gartner W. B., 1985), I believe that the biggest problem with research in new ventures is that a heterogeneous set of new ventures is studied as a homogenous group. By overcoming this limitation I believe that a study based on success factors can be successful. Therefore much emphasis was put on defining the population of this study. The results in whole are not transferrable to other industries or stages of company development. However, the results can surely enhance the understanding of sales in start-ups even for founders of companies in other industries.

Hindsight bias is a problem that can be difficult with research in start-ups since the studies are often done by studying what happened in the past (Fischhoff, 1975). This problem was handled by interviewing people who were currently actively engaged with building the sales of a start-up. In addition, background material that was written when it happened was available in the form of blog posts. Some level of hindsight bias was noted even in this study when comparing the background material and then answers given in the interviews. However, the hindsight bias should not have much effect on the results of this study as the study was designed to minimize it.

Weick put forth three criteria for analyzing the results of a study: generalizability, simplicity and accuracy. Tan et al. remark that tradeoffs between these are inevitable (Tan, Fischer, Mitchell, & Phan, 2009). In this study, simplicity and accuracy has been improved at the expense of generalizability. The objective was to enhance the understanding of sales in start-ups, in particular for start-ups in the software industry selling to businesses (B2B). The results have been gathered in seven main categories and lists of mechanisms, which can be considered fairly simple and expressive. Since the case studies were done in a well-defined population and by open-ended interviews, the accuracy can be considered high. There is only a slight chance that something important would have been neglected in all of the interviews.

Yin (2003) sets forth three important categories of determining reliability and validity:

1. Reliability – data collection can be repeated with the same results
2. Construct validity – accuracy of measures for the phenomenon studied
3. External validity – determining the population to which the results can be generalized

Reliability

The reliability of the study was improved by a structured approach in which

1. Literature on the subject was studied
2. An interview structure based on the literature study created
3. Results documented by narratives and lists.

Within the scope and general categories of success factors and components of sales management the reliability of the study is medium. The necessary steps to improve the validity were taken, but taking into consideration the limited resources of the study it is difficult to attain very high reliability.

Construct validity

Yin (2003) and Eisenhardt (1989) identify construct validity as the key point to focus on in case research. Limiting the population for the study and choosing enough variance in the sample to include multiple sources improved the validity of this study. The measures for the study were anchored in literature created over a long period of time. In addition, the results of the interview were crosschecked with the documentation that was at hand. The construct validity of the study is medium-high.

External validity

The results of the study are generalizable to the population chosen. A relatively high amount of cases were studied (13), which included a high amount of variance that can be expected in the population. Start-ups at different levels of development and with different backgrounds were studied. The external validity was also taken into account from the beginning of the study be realizing that the study should be focused on a small population of start-ups.

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Appendix 1 – Lists of Influence mechanisms of factors in sales components to success factors.

Identifying and solving a problem

	Having a personal mission of solving a problem	Identifying and understanding the problem	Clearly defined customer for the problem	Solution based on understanding of needs	Collaborating with customers at the idea stage	Collaborating with customers at the product development stage before launch	Collaborating with customers in product development after launch	Solution based on experience in the industry	Solution based on technology developed at a University or public research lab	Solution based on technology developed in a company	Applying for patent
Individual											
Founders personal need for achievement	1							1			
Perceived Risk				1				1			
High level of technical knowledge								1			
High level of knowledge/ability					1	1		1			
Process and activities											
Clearly defined purpose of business			1	1	1	1		1			
Clearly identified target customers	1	1	1	1	1			1			
Funded		1						1			
Validated opportunity		1			1						
Existence of marketing and communications strategy	1	1									
Action plans finished		1	1								1
Company known to customers					1	1		1			
Business plan made		1									
Environment or market											
Barriers to entry	1	1			1	1		1		1	
Rivalry among existing competitors			1	1	1						
Pressure from substitute products			1	1	1	1	1				
Bargaining power of buyers			1	1	1						
Net buyer benefit		1	1	1	1	1		1	1	1	1
Organization											
Expected Profitability			1	1	1						1
Appropriability Conditions			1	1	1						1
Intended Capital			1	1	1						
Financially lean			1	1	1			1			
Level of core competence				1	1			1			
No slack (waste & inefficiency / Is uncertainty minimized?)		1	1	1	1			1			
No hold-up (No small number bargainings / Is ambiguity reduced?)		1	1	1	1			1			
Sufficient Resources			1	1	1	1	1				1
Strategy											
Core strategy: differentiation, cost leadership, focus			1	1	1			1			
Long-term Need		1	1					1	1	1	
Product-Market match		1	1	1	1	1		1			
Sales Volumes		1		1	1						
Technology											
Technological Uncertainty/Feasability (development risk)		1	1	1	1	1	1	1			
Technological Opportunity (function)	1	1	1	1	1	1	1	1	1	1	1
Change in function					1						
Research and Development					1	1	1		1	1	
Technology Significance		1		1	1	1	1	1	1	1	
New Combination		1		1	1	1		1			1
Non-imitability					1	1		1			1
Non-substitutability			1		1	1		1			

Figure 35 Mechanisms of factors of "identifying and solving a problem" on success factors

The Sales Process

	Developing the product to a sellable package	Developing a scalable sales model	Measuring sales drivers	Eliciting feedback on competitors	Developing and using feedback loops from sales	Learning from selling	Using third-party sellers
Individual							
Perceived Risk					1		
High level of knowledge/ability			1		1		
Process and activities							
Clearly identified target customers							1
Clear understanding of the competitive environment				1		1	
Validated opportunity	1		1		1		
Clear and validated pricing strategy			1				
Existence of marketing and communications strategy			1				
Action plans finished	1	1	1		1		
Business plan made		1					
Environment or Market							
Accessibility of new customers or markets	1	1					
Barriers to entry					1		
Net buyer benefit					1		
Organization							
Expected Profitability			1		1		
Level of core competence					1		
No slack (waste & inefficiency / Is uncertainty minimized?)	1		1				
No hold-up (No small number bargainings / Is ambiguity reduced?)	1						
Strategy							
Core strategy: differentiation, cost leadership, focus		1					
Repeat purchases	1	1					
Long-term Need		1					
Product-Market match			1		1	1	
Sales Volumes		1	1				1
Technology							
Technological Opportunity (function)					1		
Change in function					1	1	
Research and Development					1		
Non-imitability					1	1	
Non-substitutability					1	1	

Figure 36 Mechanisms of sales factors of "the sales process" on success factors

Understanding the Buyers

	Understanding the buying behavior of customers	Acquiring intimate knowledge of the industry	Acquiring intimate knowledge of the market	Learning about customers	Working with customers
Process and activities					
Validated opportunity		1	1		1
Clear and validated pricing strategy					1
Action plans finished		1	1	1	
Company known to customers					1
Environment or Market					
Technically skilled labor force		1			
Large industrial base					1
Net buyer benefit		1	1	1	1
Organization					
Appropriability Conditions	1				
No slack (waste & inefficiency / Is uncertainty minimized?)	1	1	1		1
Strategy					
Core strategy: differentiation, cost leadership, focus	1			1	
Repeat purchases					1
Product-Market match	1	1	1	1	
Sales Volumes	1				
Technology					
Technological Uncertainty/Feasability (development risk)	1	1	1		
Technological Opportunity (function)		1	1	1	1
Research and Development		1	1	1	
New Combination		1	1		1
Non-imitability		1	1		1
Non-substitutability		1	1		

Figure 37 Mechanisms of sales factors of "understanding the buyers" on success factors

Creating long-term relationships with the customers and account management

	Creating a long-term relationship with the customer	Following-up on sales	Selling a repeat model	Categorizing customers
Process and activities				
Clear understanding of the competitive environment	1			
Action plans finished				1
Environment or Market				
Accessibility of new customers or markets	1			
Barriers to entry			1	
Net buyer benefit		1		
Organization				
Expected Profitability	1	1		1
No slack (waste & inefficiency / Is uncertainty minimized?)	1	1		
Strategy				
Core strategy: differentiation, cost leadership, focus				
Repeat purchases	1		1	
Long-term Need	1		1	
Product-Market match				1
Sales Volumes	1	1		
Technology				
Technological Opportunity (function)		1		
Non-imitability	1			
Non-substitutability	1			

Figure 38 Mechanisms of sales factors of "Creating long-term relationships with customers and account management" influencing success factors

Solutions selling

	Differentiating	Developing a complete solution	Ensuring complementary assets are in place	Customizing solution to new needs	Customizing the sales pitch towards the targeted group
Process and activities					
Clear understanding of the competitive environment	1				
Validated opportunity		1		1	
Clear and validated pricing strategy				1	
Action plans finished	1	1			1
Business plan made	1				
Environment or Market					
Accessibility of new customers or markets					1
Barriers to entry	1			1	
Rivalry among existing competitors	1				
Bargaining power of suppliers	1				
Net buyer benefit				1	
Organization					
Expected Profitability	1	1			
Appropriability Conditions		1			
No slack (waste & inefficiency / Is uncertainty minimized?)		1			
Strategy					
Long-term Need	1			1	
Product-Market match		1		1	1
Sales Volumes	1	1			
Technology					
Technological Opportunity (function)		1			
Research and Development	1	1			
New Combination	1	1			
Non-imitability	1			1	
Non-substitutability	1			1	

Figure 39 Mechanisms of sales factors of "solutions selling" influencing success factors

Social Networks

	Attracting funding	Acquiring support	Interacting with incubators and other support comp	Attending programs for startups	Attending competitions	Networking with financial sources and financed sta	Using social media	Attending Conferences, Trainings, Events	Lobbying	Working in proximity with other startups	Selling the idea	Creating a global network	Identifying new opportunities through contact	Selling to attract resources
Individual														
Starting full-time										1				
Perceived Risk	1													
High level of technical knowledge				1	1	1	1	1		1	1		1	
Process and activities														
Access to resources and help		1	1	1	1	1		1	1	1	1	1		1
Clearly identified target customers								1					1	
Clear understanding of the competitive environment			1	1	1		1	1				1		
Funded	1		1	1	1	1	1	1			1			
Existence of marketing and communications strategy			1	1	1	1	1	1		1	1	1	1	1
Action plans finished	1	1												
Company known to customers				1	1		1				1	1	1	
Environment or Market														
Venture capital availability			1	1	1	1	1	1	1	1	1			
Presence of experienced entrepreneurs			1	1	1	1	1	1		1	1			
Technically skilled labor force				1	1	1	1	1		1	1	1	1	
Accessibility of suppliers	1													
Accessibility of new customers or markets			1	1	1	1	1	1	1	1	1	1	1	
Governmental influences					1	1			1					
Availability of land or facilities			1	1	1									
Availability of supporting services			1	1		1		1		1	1			
Availability of financial resources	1		1	1		1	1	1		1	1			
Barriers to entry	1	1												
Formal Alliances			1	1	1	1	1	1	1	1	1	1	1	
Interorganizational Relationships			1	1	1	1	1	1	1	1	1	1	1	
Level of core competence														
No slack (waste & inefficiency / Is uncertainty minimized?)	1	1								1				
Sufficient Resources	1	1	1	1	1			1		1				1
Strategy														
Product-Market match											1			
Sales Volumes													1	
Technology														
Technological Uncertainty/Feasability (development risk)								1						
Change in function											1			
Non-imitability					1		1	1						

Figure 40 Mechanisms of sales factors of "social networks" influencing success factors

Sales Organization

	Developing marketing and communications with sales	Integrating functions with sales	Developing a sales culture in the whole org.	Developing the right incentives for salespeople	Recruiting team-members	Attracting educated team-members	Attracting team-members with industry experience	Creating the sales team	Communication between sales and R&D	Motivating salespeople	Integrating sales personnel to other work	Attracting a Varied and Skilled Team	Creating ownership for salespeople	Creating learning opportunities between individuals	Training
Individual															
Founders personal need for achievement				1											
Founders personal need for controlling his own work													1		
Courage to take risks					1							1			
Previous work experience					1	1	1								
Education						1									
Starting full-time					1	1	1					1			
Satisfaction gotten from the work in the start-up			1	1						1					
High level of technical knowledge					1	1	1								
High level of knowledge/ability														1	1
Process and activities															
Clearly defined purpose of business					1			1				1			
Access to law services															
Existence of marketing and communications strategy	1							1			1				
Action plans finished	1		1	1				1							1
Environment or Market															
Venture capital availability					1	1	1								
Technically skilled labor force					1										
Accessibility of new customers or markets			1												
Organization															
Expected Profitability					1	1	1	1	1	1					
Level of core competence						1	1					1			
No slack (waste & inefficiency / Is uncertainty minimized?**)**					1										
Sufficient Resources					1							1			
Strategy															
Product-Market match							1								
Sales Volumes	1		1												
Technology															
Technological Uncertainty/Feasability									1						
Change in function									1						
Research and Development						1			1					1	
New Combination							1		1						
Non-imitability							1		1						
Non-substitutability							1		1						

Figure 41 Mechanisms of sales factors of "sales organization" influencing success factors

Integrating Marketing and Sales

	Clearly developing the solution to one need	Identifying the customers with most need	Defining the geographical position based on sales opportunities	Defining the geographical position based on labour	Defining the geographical position based on attitudes	Defining geographical position based on available support	Making sales promises early	Doing Sales before development	Creating a large base for sales	Targeting a specific segment	Creating understanding by selling	Creating partnerships	Selling to large companies for reference
Individual													
Courage to take risks												1	
Starting full-time							1						
Perceived Risk												1	
High level of technical knowledge												1	
High level of knowledge/ability												1	
Process and activities													
Clearly defined purpose of business						1							
Access to resources and help												1	
Clearly identified target customers		1											
Validated opportunity		1								1	1		
Existence of marketing and communications strategy											1	1	
Action plans finished	1	1	1	1	1	1		1		1			
Company known to customers							1	1			1		1
Business plan made							1	1					
Beneficial geographical position			1	1	1	1							
Environment or Market													
Technically skilled labor force					1	1							
Accessibility of suppliers						1							
Accessibility of new customers or markets			1							1			
Proximity of universities						1							
Availability of land or facilities						1							
Attitude of the area population					1						1		
Availability of supporting services						1							
Living conditions						1							
Large industrial base				1		1							
Larger size urban areas				1		1							
Availability of financial resources						1							
Barriers to entry		1								1			
Rivalry among existing competitors										1			
Bargaining power of buyers										1			
Net buyer benefit	1									1			
Organization													
Expected Profitability	1	1	1							1			
Intended Capital								1					
Financially lean	1							1		1			
Formal Alliances												1	
No slack (waste & inefficiency / Is uncertainty minimized?)	1	1	1	1	1	1		1		1			
No hold-up (No small number bargainings / Is ambiguity reduced?)										1			
Sufficient Resources						1		1				1	
Strategy													
Core strategy: differentiation, cost leadership, focus								1					
Product-Market match		1		1			1	1		1	1		
Sales Volumes									1			1	1
Technology													
Technological Uncertainty/Feasability (development risk)		1					1	1					
Technological Opportunity (function)								1					
Change in function		1					1	1					
Research and Development								1					
New Combination		1						1		1			
Non-imitability	1	1						1					
Non-substitutability	1	1						1					

Figure 42 Mechanisms of sales factors of "integrating marketing and sales" influencing success factors

Selling Skills

	Calculating the financial benefit	Having easily accessible sales offers	Not giving up on price	Understanding competitors strengths	Communicating the benefits	Understanding the key selling points	Creating the sales pitch	Finding the right price	Communicating the solution to their problem
Process and activities									
Clearly defined purpose of business							1		
Clear understanding of the competitive environment				1					
Validated opportunity	1								
Existence of marketing and communications strategy								1	1
Action plans finished	1	1		1	1	1	1		
Business plan made	1								
Environment or Market									
Venture capital availability							1		
Accessibility of new customers or markets	1	1							
Availability of financial resources							1		
Barriers to entry				1		1			
Bargaining power of buyers			1						
Net buyer benefit	1			1					
Organization									
Expected Profitability	1	1		1		1			
Financially lean		1							
Level of core competence	1								
No slack (waste & inefficiency / Is uncertainty minimized?)	1			1		1			
No hold-up (No small number bargainings / Is ambiguity reduced?)	1								
Strategy									
Core strategy: differentiation, cost leadership, focus	1					1			
Product-Market match						1			
Sales Volumes	1	1			1			1	
Technology									
Technological Uncertainty/Feasability (development risk)	1			1		1			
Technological Opportunity (function)	1								
Change in function	1								
New Combination				1					
Non-imitability				1					

Figure 43 Mechanisms of sales factors of "selling skills" influencing success factors

Appendix 2. Full list of identified mechanisms of influence of sales activities and strategies on start-up success factors

Identifying and solving a problem

	Activity / Strategy	**Dependent variable**	**Success factor**
M1	Clearly defined customer for the problem	Direct selling possible Possible to focus on specific needs Faster ramp up of sales	More clearly defined purpose of business Higher net-buyer benefit Higher expected profitability Financially leaner
M2	Collaboration with customers at the idea stage	Faster ramp up of sales New revenue opportunities Visibility in industry New relationships through customers	More clearly defined purpose of business Financially leaner Higher sales volumes More technological significance
M3	Solution based on experience in industry	Faster ramp up of sales Existing contacts to customers	More clearly defined purpose of business More attainable funding Financially leaner

Sales process

	Activity / Strategy	**Dependent variable**	**Success factor**
M4	Developing the product to a sellable package	Optimizing operations Faster ramp up of sales	Higher sales volumes Financially leaner
M5	Measuring sales drivers	Optimizing operations	Higher sales volumes Financially leaner
M6	Developing and using feedback loops from sales	Optimizing operations Engaging customers Aligning with customer expectations	More clearly defined purpose of business Higher sales volumes Financially leaner
M7	Developing a sales process for difficult channels	Proliferation in difficult segments Media visibility	Higher sales volumes Higher expected profitability

Understanding the buyers

	Activity / Strategy	**Dependent variable**	**Success factor**
M8	Analyzing the buying behavior of customers	Optimizing sales resource usage Faster ramp up of sales Creation of relationships	Higher expected profitability Financially leaner Creation of barriers to entry
M9 M10	Acquiring intimate knowledge of the market Acquiring intimate knowledge of the industry	Knowledge of needs Knowlege of competitors Understanding of market development	Better product-market match Higher net buyer benefit Less technological uncertainty
M11 M12	Working wit customers Learning about customers	Good relationships Word-of-mouth Product development	Better product-market match Higher net buyer benefit Creation of barriers to entry

Creating long-term relationships and account management

	Activity / Strategy	**Dependent variable**	**Success factor**
M13	Fostering long-term relationships with	Feedback New sales leads Word-of-mouth Information about competitors	Creation of barriers to entry Higher expected profitability Clear understanding of competitive environment Accessibility to customers and new markets

Solutions selling

	Activity / Strategy	**Dependent variable**	**Success factor**
M14	Developing a complete solution	Faster ramp up of sales Customer stakeholder support	Higher net buyer benefit Better product-market match Higher sales volumes
M15	Ensuring complementary assets are in place	Fast adoption of the product Word-of-mouth Acess to customers network	Higher sales volumes Accessibility to customers and new markets Higher net buyer benefit

Social networking

Activity / Strategy	Dependent variable	Success factor
M16 Attending conferences	Qualified leads Industry credibility Visibility	Higher expected profitability Higher sales volumes Accessibility to customers and new markets
M17 Attending competitions	Visibility Access to large companies	Higher sales volumes Higher expected profitability Accessibility to customers and new markets
M18 Using social media	Visibility Credibiilty Creation of relationships	Higher sale volumes Accessibility to customers and new markets

Sales organization

Activity / Strategy	Dependent variable	Success factor
M19 Attracting a varied and skilled team	Balance between technical and business Focused development Faster ramp-up of sales	Higher sales volumes Higher expected profitability Better product-market match

Integrating marketing and sales

Activity / Strategy	Dependent variable	Success factor
M20 Clearly developing the solution to one need M21 Identifying the customers with the most need	Focused development Faster ramp-up of sales Early feedback Optimization of resources	Higher expected profitability Better product-market match
M22 Making sales promises early M23 Doing sales before development	Focused development Faster ramp-up of sales Early feeback Optimization of resources	Higher expected profitability Less intended capital Product-market match
M24 Creating partnerhips	Credibility Access to new networkds	Higher sale volumes Higher expected profitability Accessibility to customers and new markets

Sales skills

Activity / Strategy	Dependent variable	Success factor
M25 Understanding competitors strengths M26 Communicating the benefits	Better sales proposals Accessibility to customers	Higher expected profitability Higher sales volumes

Uncategorized

Activity / Strategy	Dependent variable	Success factor
M27 Developing a go-to-market strategy early	Focused development Faster ramp-up of sales	Less required capital Higher net buyer benefit Less technological uncertainty
M28 Using third parties for contacts	Accessibility of customers Faster ramp-up of sales	Less required capital Higher sales volumes

Appendix 3. Timeline

A Gantt chart was created for the follow up of the study. The table below summarizes the preliminary schedule. The work was started in week 43.

	Hours	Week	Finished Week
Literature part			
Categorization of start-ups	20		46
Success Factors	40		47
Sales activities	40		48
Writing clean	20		49
Interview template	20		50
Empirical Part			
Finding companies	20		51
Preparation and test interviews	20		1
First rounds of interviews	40		3
Writing and preparing	40		5
Second round of interviews	40		6
Writing and compiling	40		8
Writing			
Putting together	40		11
Results	40		13
Writing the first draft	40		15

Appendix 4. Documentation by the start-ups used as background material

DOC1	Cakemail blog	cakemail.com/blog	Archives: Dec 2007-Feb 2010	15.2.2010
DOC2	Cakemail history	cakemail.com/company		15.2.2010
DOC3	Defensio blog	blog.defensio.com	Archives: Sep 2007 - Mar 2010	16.3.2010
DOC4	Hammerkit blog	hammerkit.com/index.php?article_id=13&__from_id__=2763	Archives: Aug 2008 - Jan 2010	29.1.2010
DOC5	IT Mill history	itmill.com/history		29.12.2009
DOC6	Standoutjobs blog	standoutjobs.com/news/	Archives: Nov 2009 - Nov 2009	12.3.2009
DOC7	Status.net blog	stats.net/blog	Archives: Jun 2008 - Feb 2010	10.3.2010

Appendix 5. Interviews

Company	**Person**	**Structure**	**Date**	**Time**
Aito Technologies	Juho Seppälä, Founder, VP of sales	Semi-structured, Video call	22.2.2010	10.00-11.20
Cakemail	Steve Smith, Founder, VP of sales	Semi-structured	15.2.2010	16.00-17.20
Defensio	Carl Mercier, Founder, CEO	Semi-structured, telephone	16.3.2010	13.30-14.15
Dokdok	Bruno Morency, Founder, CEO	Semi-structured	18.2.2010	8.30-9.30
Floobs	Kai Lemmetty, Founder, CEO	Semi-structured	21.1.2010 2.2.2010	17.00-18.15 17.00-17.45
Flowdock	Mikael Roos, Founder, CEO	Semi-structured	28.1.2010	16.00-17.00
Hammerkit	Anu Halme, Head of sales	Semi-structured	29.1.2010	14.00-15.40
IT Mill	Frederik Rönnlund, Head of sales	Semi-structured	28.12.2009	12.00-13.15
Lumoflow	Kristian Tanninen, Founder, CEO	Semi-structured	3.2.2010	15.00-16.15
Planmill	Thomas Hood, Founder, CEO	Semi-structured	1.2.2010	13.00-14.20
Standoutjobs	Ben Yoskovitz, Founder, CEO	Semi-structured	19.3.2009	13.00-14.00
Status.net	Evan Prodromou, Founder, CEO	Semi-structured	10.3.2010	9.30-10.10
Talkerapp	Gary Haran, Founder; M-A Cournoyer, Founder	Semi-structured	26.2.2010	12.00-13.15

Appendix 6. Interview base

General

1. Explain the business idea?
2. What is the background of the business idea?
3. Who is the person originally behind the business idea?
4. Is this person still in the business?
5. Was the problem and target market clearly defined at the design (business & product) stage?
6. How has the product, target group and idea evolved since the inception of the idea?

Start-up

1. Does the start-up have patents? Or other proprietary skill or technology?
2. What is the competitive advantage of the company based on?
3. How many people work in the start-up?
4. How many in sales?

Sales

Categorization

1. Do you mainly sell to companies or consumers?
2. In what ranges are the possible values of the deals for you?
3. Are the buyers active or passive? (Active = Actively searching for a solution, Passive = don't know a solution exists (or even problem))
4. Are relationships strategic or transactional?

Problem

1. How was the initial problem that the start-up wanted to solve identified?
2. Has the problem been identified in collaboration with target customers?
3. When selling, is the goal to identify the customer's problem and then solve it?

Sales learning curve

1. Has the ways customers use and acquire the products been researched before ramping up sales?
2. Were pilot projects used?
3. How did the shift from pilot projects to actual customers happen?

Process

1. Is there a sales process in place?
1. Does the process include:
    5. Tasks for salespeople
    6. Metrics that are measured
    7. Milestones that can be evaluated
    8. A process for development
2. Is there a process for initial contacts?
    a. Are third parties (outsourcing) used?
    b. Are existing relationships with relationships to the target group used?
    c. Are contacts actively made to third parties?
3. Are the sales leads that have been gathered from the initial contacting ranked?
4. What is the ratio between inbound (web, social media) and direct (phone, knocking on doors, conferences) sales leads?
    a. Are the revenues and returns from different channels measured?
    b. Are the sales leads categorized?
5. How long is the sales cycle usually? When is it dropped?
6. How many sales leads are created by day?
7. How is the sales pipeline handled?
8. How fast are sales leads contacted?
9. Is there a system to facilitate that your company makes the first contact when customers express interest? (Or do you actively look for companies with the problem you are solving?)
10. Are goals set for each customer contact?
11. Is follow-up done and the process improved?
12. Could you walk through a normal selling process? (From this list, which steps are included?)
    a. Opening the selling process

- b. Qualifying the prospect
- c. Developing the sales strategy
- d. Organizing the justification
- e. Making the presentation
- f. Coordinating resources and personnel
- g. Closing the sale
- h. Nurturing the account relationship

Customers

1. How has the target customer segment been defined?
2. According to which factors are customers categorized?
3. Are customers categorized according to their buying process?

Value

1. Have the financial benefits of the solution been calculated?
2. Does the salesperson understand the customers business enough to be able to present the financial benefits of the solution?

Organization

1. Are sellers interested and involved in even the small details of the business?
2. Is the feedback from customers somehow built into the organization?
3. Are the sales people involved in the company and its strategy-making?

Checklist

Account Management Selling a repeat model	
Categorizing customers	
Identifying and Solving a problem Having a personal mission of solving a problem	
Identifying and understanding the problem	
Solution based on understanding of needs	
Validating ideas	
Validating ideas with customers	
Solution based on experience in the industry	
Solution based on technology developed at a University or public research lab	
Solution based on technology developed in a company	
Applying for patent	
Identifying problems with customers	
Integrating Marketing and Sales Clearly developing the solution to one need	
Identifying the customers with most need	

Defining the geographical position based on sales opportunities	
Defining the geographical position based on labour	
Defining the geographical position based on attitudes	
Defining geographical position based on available support	
Making sales promises early	
Doing Sales before development	
Creating a large base for sales	
Targeting a specific segment	
Creating understanding by selling	
Creating partnerships	
Selling to large companies for reference	
Long-term relationships Creating a long-term relationship with the customer	
Following-up on sales	
Sales organization Developing marketing and communications with sales	
Integrating functions with sales	
Developing a sales culture in the whole org.	
Working with Lawyers	
Developing the right incentives for salespeople	
Recruiting team-members	
Attracting educated team-members	
Attracting team-members with industry experience	
Creating the sales team	
Communication between sales and R&D	
Motivating salespeople	
Integrating sales personnel to other work	
Attracting a Varied and Skilled Team	
Creating ownership for salespeople	
Training	
Creating learning opportunities between individuals	
Selling skills Calculating the financial benefit	
Having easily accessible sales offers	
Not giving up on price	
Understanding competitors strengths	
Communicating the benefits	
Understanding the key selling points	
Creating the sales pitch	
Finding the right price	
Communicating the solution to their problem	
Social Networks Attracting funding	
Acquiring support	

Interacting with incubators and other support companies and organizations	
Attending programs for start-ups	
Attending competitions	
Networking with financial sources and financed start-ups	
Using social media	
Attending Conferences, Trainings, Events	
Lobbying	
Working in proximity with other start-ups	
Selling the idea	
Creating a global network	
Identifying new opportunities through contacts	
Selling to attract resources	
Solutions Selling Differentiating	
Developing a complete solution	
Customizing solution to new needs	
Customizing the sales pitch towards the targeted group	
The Sales process Developing the product to a sellable package	
Developing a scalable sales model	
Measuring sales drivers	
Eliciting feedback on competitors	
Developing and using feedback loops from sales	
Learning from selling	
Using third-party sellers	
Understanding the buyers Understanding the buying behavior of customers	
Acquiring intimate knowledge of the industry	
Acquiring intimate knowledge of the market	
Learning about customers	
Working with customers	
Developing a go-to-market strategy	
Ramping up sales from the start	
Selling for reference value	
Testing sales	
Bootstrapping	
Using third-parties for contacts	

Appendix 7. Categorization of start-up success factors

Individual
Founders personal need for achievement
Founders personal need for controlling his own work
Courage to take risks
Previous work experience
Education
Starting full-time
Satisfaction gotten from the work in the start-up
Perceived Risk
High level of technical knowledge
High level of knowledge/ability

Environment or Market
Venture capital availability
Presence of experienced entrepreneurs
Technically skilled labor force
Accessibility of suppliers
Accessibility of new customers or markets
Governmental influences
Proximity of universities
Availability of land or facilities
Attitude of the area population
Availability of supporting services
Living conditions
Large industrial base
Larger size urban areas
Availability of financial resources
Barriers to entry
Rivalry among existing competitors
Pressure from substitute products
Bargaining power of buyers
Bargaining power of suppliers
Net buyer benefit

Technology
Technological Uncertainty/Feasability (development risk)
Technological Opportunity (function)
Change in function
Research and Development
Technology Significance
New Combination
Non-imitability
Non-substitutability

Process and activities
Clearly defined purpose of business
Access to resources and help
Clearly identified target customers
Clear understanding of the competitive environment
Funded
Access to law services
Validated opportunity
Sufficient financial resources
Clear and validated pricing strategy
Existence of marketing and communications strategy
Action plans finished
Company known to customers
Business plan made
Beneficial geographical position

Organization
Expected Profitability
Appropriability Conditions
Intended Capital
Financially lean
Formal Alliances
Interorganizational Relationships
Level of core competence
No slack (waste & inefficiency / Is uncertainty minimized?)
No hold-up (No small number bargainings / Is ambiguity reduced?)
Sufficient Resources

Strategy
Core strategy: differentiation, cost leadership, focus
Repeat purchases
Long-term Need
Product-Market match
Sales Volumes