Linköping University | Department of Management and Engineering
Master's thesis, 30 credits| Master's programme
Spring 2020| LIU-IEI-FIL-A--20/03453--SE

Strategic management: Which factors affect the growth journey of software startups?

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Abstract

Master's thesis in Informatics & Management, University of Linköping. Spring term 2020

Date: 2020-05-20

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Title: Strategic Management: Which factors affect the growth journey of software startups?

Purpose: The purpose of this study is to research the environment in which the IT-artifact exist, rather than the IT-artifact itself. Researching how founders of software startups manage their growth strategies, by researching essential internal and external factors and how they are represented in the founder's growth strategy. This thesis is interested in the growth journey of startups, therefore we will study both software startups and software SMEs (small medium size enterprise).

Research question: How does strategic management choices in the internal and external environment affect growth for software startups?

Method: In this research we use a deductive approach, furthermore a qualitative research method was applied in order to gain a deeper understanding about the companies researched to answer our research question. We applied a comparative case study design as we wanted to analyze different cases/ companies and compared them both to each other using more or less identical methods. Semi-structured interviews were used as our preliminary data collection method as it allowed for flexibility.

Conclusion: There is no perfect management strategy for software startups to achieve growth. The software industry is complex and rapidly changing, therefore the need to adapt and change the strategy to internal and external environment is essential to achieve growth. This research shows that the three most important factors affecting management strategies for growth in software startups are; (1) customers, (2) competitive advantage and (3) culture. Talented employees influence all the internal and external factors though the entire growth journey, both startups and SMEs. As the startup grows into being an SME, the internal organization factors become more important as well as scalability to achieve growth.

Keywords: IT, Strategy, Growth, Scalability, Strategic Fit, Software Startups, & SME.

Sammanfattning

Masteruppsats i Informatik & Management, Linköpings Universitet. Våren 2020

Datum: 2020-05-20

Författare: Charlotte Flodin & Oscar Lind

Handledare: Victoria Paulsson

Titel: Strategisk management: Vilka faktorer påverkar software startups i dess tillväxtresa?

Syfte: Syftet med denna studie är att undersöka den miljö i vilken IT-artefakten existerar, snarare än själva IT-artefakten. Denna studie syftar vidare till att undersöka hur grundare av software startups hanterar sina tillväxtstrategier, detta genom att undersöka viktiga interna och externa faktorer och hur de representeras i tillväxtstrategin. Denna studie syftar vidare till att studera tillväxt-resan för software startups, därför kommer vi studera både software startups och software SME:s (små och medelstora företag).

Forskningsfråga: Hur påverkar strategiska managementval i den interna och externa miljön tillväxten för software startups?

Metod: I denna forskning använder vi en deduktiv ansats, även en kvalitativ forskningsmetod användes för att få en djupare förståelse om de företag som studerades för att kunna besvara forskningsfrågan. Vi använde en komparativ design av fallstudier eftersom vi ville analysera olika fall/företag och jämföra dem med/mot varandra med mer eller mindre identiska metoder. Semistrukturerade intervjuer användes som vår preliminära metod för insamling av data eftersom det möjliggjorde flexibilitet i intervjuerna.

Slutsats: Det finns ingen perfekt managementstrategi för software startups för att uppnå tillväxt. Programvaruindustrin (software) är komplex och förändras snabbt, därför är behovet av att anpassa och ändra strategin till intern och extern miljö avgörande för att uppnå tillväxt. Denna forskning visar att de tre viktigaste faktorerna som påverkar förvaltningsstrategier för tillväxt i software startups är; (1) kunder, (2) konkurrensfördel och (3) kultur. Talangfulla anställda påverkar alla dessa interna och externa faktorer genom hela tillväxtresan, både startups och små och medelstora företag (SME). När startups:en växer till att bli ett SME blir de interna organisations faktorerna viktigare samt skalbarhet för att uppnå tillväxt.

Nyckelord: IT, Strategi, Tillväxt, Skalbarhet, Strategisk Fit, Software Startups & SME.

Acknowledgment

Thank you, our advisor Victoria Paulsson, and professor Ulf Melin for the guidance, feedback, recommendations and valuable inputs you provided, without your support this thesis would not have been possible.

We would like to express our gratitude to all the participants we interviewed, without you this research would not have been possible. Thank you for taking time especially during this time with the COVID-19 pandemic. The insight and lessons learned through you go beyond this research and for this we are truly grateful.

To the proof-readers who devoted their time and efforts to help us improve the quality of this research. Thank you!

We truly believe that what made our experience at Linköping University so special is the people we shared it with. Therefore, we would like to address special thanks to the teachers of the ITM program and our fellow ITM students. Thank you all for making this journey memorable. We wish you all the very best for your future.

Charlotte Flodin Oscar Lind

June 2020

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1. INTRODUCTION

The introduction chapter describe the background and the problem discussion for the research as well as its purpose and research question. The chapter also describe the intended contribution of the research, and limitations.

1.1 BACKGROUND

"If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle" (Sun Tzu, 2018 p. 31)

Sun Tzu wrote "The Art of War ", published in the fifth century BC. The book remains one of the most influential strategy texts in the world, influencing military thinking, business tactics, lifestyles and beyond (Lufrano and Bloom 1999). Michael Porter, University professor at Harvard Business School, who has made extensive contributions to the field, has quoted Sun Tzu in lectures about strategy (Michelson 2001). Furthermore, marketing gurus Philip Kotler, Al Ries and Jack Trout have also quoted Sun Tzu, explaining how military strategies can be applied in business (McNeilly 2012). It is their belief that a company's strategy is affected, not only by one single factor, but the environment in which companies operate in, which is constantly changing (Bajwa, Wang, Duc, & Abrahamsson 2017).

Benbasat and Zmud (2003) describe how the field of information systems (IS) has a history of borrowing materials and research from other existing fields, which are not strongly related to IS, especially in the 1980s. This having a major impact on the IS discipline, such tradition has made the IS field much broader than just strictly on researching information technology, or the (IT) artefact (Benbasat & Zmud, 2003). Walsham (2000) describe how the IS discipline has its core around the IT artefacts. IT is about transferring knowledge or information, this cannot only be done just though the IT artefact, the environment in which it exists also plays an important role affecting the IT artefact (Walsham, 2002). The environment in which the IS discipline exists is more complex than just the IT artefact itself and the computer systems. Benbasat and Zmud (2003) describe how the IT artefact is just one piece of the puzzle to the IS discipline.

There is a need to improve the collective understanding of the environment around the IT artifact to better understand how it is conceived, constructed, and implemented (Benbasat & Zmud, 2003). Kotler and Armstrong (2013) claim that a company's marketing or business environment consists of the actors and forces inside and outside the company that affects it. These factors affect all companies, also software startups. New software startups are launched pretty much every day, this being a result of an increase of globalization, larger market opportunities and access to new technologies as well as venture capital (Smagalla 2004). Examples of major companies who were software startups are Facebook, Spotify, Instagram and LinkedIn. These companies were able to achieve exponential growth by scaling their business models into highly scalable markets.

Startups are new businesses which are typically small, being designed to create new products and services, in a market with extreme uncertainty, typically driven by growth (Ries 2011). However, the great majority of software startups fail within two years of their creation, the most common reason according to Rise (2011) is self-destruction, rather than competition. MacCormack (2001) describe how software startups exist and are born into an environment which is chaotic, rapidly evolving and uncertain. Software startups, which Eisenhardt and Brown (1998) state, face intense time-pressure from the market to grow and are exposed to tough competition.

McCann (1991) describe how software startups have an increasingly complex array of strategic choices about how they can achieve growth, while at the same time continuously deciding how to compete, on the basis of their technological capacity and skills in the dedicated marketplace. Porter (1996) argue that companies need to understand the competition and market which they compete in to be successful. Kotler et al. (2002) further describe how growth is a key aspect of strategy in a competitive environment. According to Crowne (2002), software startups need to have a strategy for growth in order to survive and compete in the market (Rahmandad, 2012; Galliers & Sutherland 1991; Crowne 2002; Giardino, Wang, and Abrahamsson 2014). Christensen, Raynor, and McDonald (2015) describe how software startups have the potential to grow and disrupt the marketplace by challenging existing customer behaviors and competitors' activities, and thereby challenging the leading companies.

Startups lack the resources, scale, power and routines to run a well-established company. Instead they have promising ideas, organizational agility, the willingness to take risk for rapid growth (Weiblen & Chesbrough, 2015). This is one of the reasons startups have become popular amongst established corporations, in an effort to capitalize on the complementarities between both and in a quest for innovation and speed in a fast-growing world, especially in the tech industry. Adcroft and Mason (2007) describe how software startups need to have a strategy to grow, to reach objectives and goals set up by the founders. Strategic management is a key aspect of being able to respond to changes in the environment. Ansoff, Kipley, Lewis, Helm-Stevens, and Ansoff (2018) describe how strategic management is one way to make sure a company reaches its goals and objective and therefore should be an essential part of every business.

1.2 RESEARCH PROBLEM

This research is based on several pillars which are management, strategy, software, startups, growth and the business environment. There has been extensive research made in the research area of how startups innovate. However, Thomas, Passaro, and Quinto (2019) describe how there is no extensive research on how startups can grow into mature companies. They state that there is a need to understand how startups can manage their growth strategies and which factors influence growth in a startup. Wallin, Still, and Henttonen (2016) argue that previous research focuses on innovation in established companies. Furthermore, McCann (1991) describe how there is a need to understand how growth strategies can affect software startups. Crowne (2002) state that there is a need to understand better why startups fail and are not able to grow and take part in the marketplace. Walsham (2002) describe how it is not only up to the IT artefact to transfer knowledge, the environment in which the IT artifact exist plays an instrumental role as it affects the IT artifact itself and if it will be beneficial to the stakeholders. We believe based on the opinions shown in this and previous chapter there is a need to better understand management strategies, the internal organization and external environment affect software startups' growth journey.

1.3 RESEARCH QUESTION & PURPOSE

The purpose of this study is to research the environment in which the IT-artifact exist, rather than the IT-artifact itself. Researching how founders of software startups manage their growth strategies, by researching essential internal and external factors and how they are represented in the founder's growth strategy. Furthermore, researching how strategic choices can increase or influence the possibility for growth in software startups. This thesis is interested in the growth journey of startups, and therefore we will study both software startups and software SMEs (small medium size enterprise). This leads to the following research question:

- How does strategic management choices in the internal and external environment affect the growth journey for software startups?

1.4 INTENDED CONTRIBUTION

As mentioned in *1.2 Problem discussion*, we believe there is a lack in the existing literature. (Thomas, Passaro & Quinto, 2019; Wallin, Still, & Henttonen, 2016; Giardino, Wang & Abrahamsson, 2014; Crowne, 2002). This research aims to contribute to the research field with insights on how software startups can manage their growth strategies in different areas of the business environment and how it has an impact on growth. We regard this research as an explanatory attempt within this topic. It lays some foundation for more extensive research of the topic in the future. We believe growth is a key factor in building successful software startups, the lack of research makes it hard for software startups to understand which are the important aspects in order to easier achieve growth. The contribution of our research will provide some help for software startups to understand possible strategies for growth and which factors affect growth.

1.5 LIMITATIONS

This research will focus on software startups, we have furthermore chosen to only study factors that all software startups have in common. The factors we have chosen to study are based on previous research by Kotler and Armstrong (2013). Due to limited time for this research we have chosen to limit external factors. We will not study or consider the macro external factors at all because the work would be too broad and too extensive to do within the given time frame for this research. Another reason is that the companies being interviewed are not located in the same country. These companies are subjected to different sets of external factors, e.g. laws and government etc. Which makes it a too complex task for this study to research.

For the internal environment we have chosen to limit our research to the following factors: value systems, organizational structure, corporate culture, human resources, physical resources, and technological capabilities. This being based on previously research made by: Porter (1985) value system, Sathe (1985) corporate culture, Kanter (1985), Hisrich and Peters (1986), Brazeal (1993) organizational structure, Boxall, and Purcell (2011) human resources, and Ortega (2010) technological capabilities. Furthermore, for this research we have chosen to limit the external environment, to customers, competitors, and employees/ suppliers. This being based on Kotler and Armstrong (2013) marketing and business environment in combination with Porter's (2008) five forces framework. This applies for the microenvironment which we in this research call external factors. We have deliberately chosen to see employees as the supplier, the reason being software startups usually have very limited suppliers and employees are the ones actually constructing and building the software. Furthermore, we have chosen to summarize the threat of new entrants and substitutes as competitors, with buyers being called customers in this research.

Shown below, Figure 1 is based on Kotler and Armstrong's (2013) marketing and business environment, as well as Duncan's (1972) preliminary work within the business environment. As we have mentioned earlier, we chose to focus on some specific components of the business environment shown in Figure 2. There are other factors that may have great influence on growth for software startups that are not being studied in this research, we will however limit ourselves to this presented in this chapter.

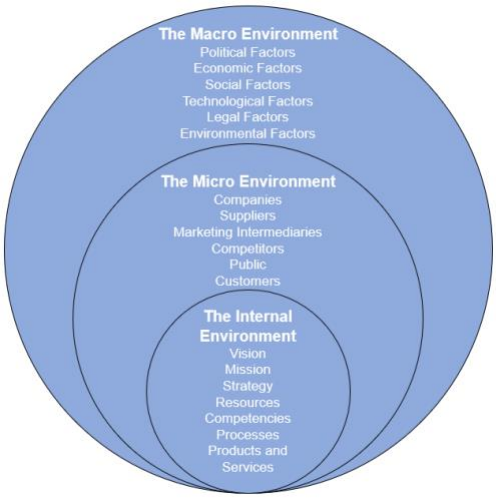


Figure 1 Marketing & Business Environment

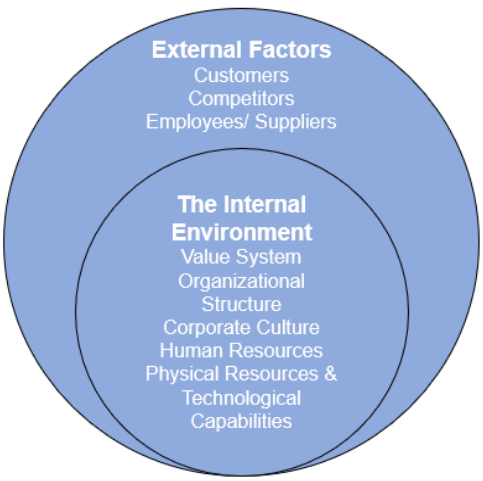
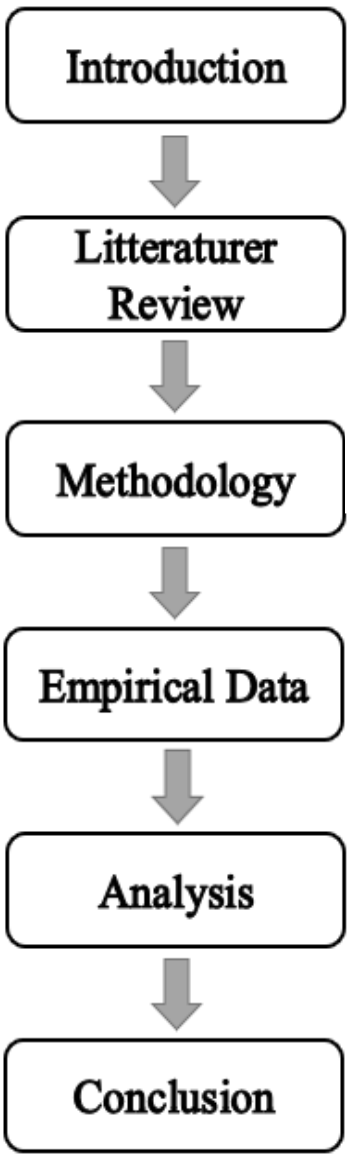


Figure 2 Business Environment

As software startups are an essential part of this research, we have chosen to use a broad definition of what software startups are. The definition of a startup we will use in this study will be based on Ries (2011) definition “A startup is a human institution designed to create new products or services under conditions of extreme uncertainty” (p. 27). Furthermore, we have chosen to define software startups as a newly created business, less than five years old, with the aim to grow on the creation of innovative products, with little or no operating history (Crowne 2002). To further conclude our definition of software startups, we have chosen some numerical values. For a company to be a software startup they have had to exist for a maximum of five years and have less than 50 employees. If either number is higher, we will define it as a small and medium-sized enterprises (SMEs) which have existed for more than 5 years or have more than 50 employees.

1.6 THESIS STRUCTURE



Chapter 1 describes the background for the study and explains the challenges within the area. Furthermore, it describes the study's purpose, research question, intended contribution and, lastly, limitations.

Chapter 2 presents the study’s literature review and shows the theoretical framework used in this research.

Chapter 3 describes the study's research approach and design as well as choice of methods.

Chapter 4 shows the empirical data which has been collected and that this study is based on.

Chapter 5 provides an analysis of the empirical data in combination with the theoretical framework.

Chapter 6 answers the study’s research question and highlights the study's research contribution and its conclusions. It also presents reflections as well as presents future recommendations.

Figure 3 Thesis Structure

2 THEORETICAL REFERENCE FRAMEWORK

The following chapters present previous research that is relevant to the purpose and forms the basis of the study. The chapter begins with strategic management and growth, and then moves on to internal and external business environmental factors, describing models and previous research.

2.1 STRATEGIC MANAGEMENT

Ansoff et al. (2018) describe strategic management as the management of a company's resources to achieve its goals and objectives. It involves analyzing the competitive environment, setting objectives, analyzing the internal organization, evaluating different strategies, and establishing management roles in order to implement a beneficial strategy (Ansoff et al., 2018). However, the strategies need to be adaptable to changes happening in the external environment. Adcroft and Mason (2007) describe how companies, and therefore also software startups, are being affected by the external environment, which they cannot always control, therefore it is an important part of strategic management to have a strategy that can either adjust to or influence the external environment. An important distinction that Porter (1996) argue for is that operational effectiveness is not a strategy, Ansoff (1987) agrees with Porter (1996) stating that strategic management is the stimulus between operations and the strategic activities. This view will be used in this research, therefore operational effectiveness will be excluded as a factor in this research.

Porter (1996) argue that there are three crucial parts of strategy, 1) the creation of a unique and valuable position which involves different activities, 2) what Porter calls “fit”, which is how a company’s different activities interact and reinforce each other, and 3) trade-off. In order to create a unique and valuable position, Porter (1996) argue that the essence should be to be different from the competitors and establish a strategy that will maintain this difference in the activities that the company performs. Porter (1980) introduced the concept of generic strategies, to represent the alternative strategic positions in an industry, these describe how a company pursues competitive advantage across its chosen market scope (we will discuss this further in chapter 2.3.2 competitor awareness for startups).

When it comes to strategic fit, understanding software startups internal activities, the external environment and how to make companies such as software startups interact and reinforce each other is essential for strategy. It gives a company the ability to change and adapt to contingencies, it can also act as a deterrent to imitation (Rivkin, 2000; Siggelkow, 2002). According to Porter (1996), Rivkin (2000) and Siggelkow (2002) strategic fit drives both competitive advantage and sustainability for a company. Strategy is about combining activities, when activities mutually reinforce each other competitors cannot easily imitate them as they could for a certain sales-force approach or replicate a set of product features (Porter, 1996). This can lead to a more sustainable competitive advantage, one that can work and last for the company (Porter, 1996). This does however depend on having and understanding of internal fit and being able to adapt it to fit the changes in the external environment. Because of this, organizations constantly seek ways to

develop both internal strategic fit and external strategic fit (Miller, 1996; Porter, 1996; Venkatraman, 1989; Venkatraman & Camillus, 1984). The last essential part of strategy is trade-offs where the management must choose what to do and what not to do (Porter 1996). All companies, especially startups have limited resource and capabilities, therefore they have to prioritize and trade-off certain activities in order to achieve other. Especially the trade-off between cost and differentiation in order to achieved current best practice is quite normal according to Porter (1996).

Aktouf, Chenoufi and Holford (2005), however, criticize Porter (1996) strategic management framework for viewing a company as the sum of its parts. Aktouf et al. (2005) argue that a company is more complex, with parts changing and being more complex and uncertain than Porter (1996) suggests. Aktouf et al. (2005) argue that Porter's (1996) framework does not take into consideration the employees and how important they are to the business. Aktouf et al. (2005) state that employees are the ones who create innovation and value, which builds long-lasting, defensible and non-easily copied competitive advantages. Porter (2008) argue that a strategy should guide employees and serve as a guiding light, offering employees flexibility and empower them.

We have chosen not to use one single definition for strategy, we will use three definitions which lay the foundation for what strategy is. Porter (1996) defines strategy as a competitive position, "deliberately choosing a different set of activities to deliver a unique mix of value" (Porter 1996, 4). The second definition we will apply in this thesis is from Alfred D. Chandler, Jr., author of Strategy and Structure (1990, 13), "*the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources or carrying out these goals*". We have deliberately chosen to use definitions by authors who are considered being well established in the field. With the last definition from Robert N. Anthony, author of Planning and Control Systems (1965; Elhamma & Zhang 2013, 27), "*the pattern of objectives, purposes or goals and major policies and plans for achieving these goals stated in such a way as to define what business the company is or is to be in and the kind of company it is or is to be*."

2.1.1 Growth Strategy

Beverly (2017) describe how growth simply is about becoming a larger company with more revenue, customers etc. Davila, Foster and Gupta (2003) describe how in recent years understanding the growth path of startups have become even more important, where managerial resources played a pivotal role. Davila, Foster and Gupta (2003) furthermore suggest if growth is a key element of the startup's strategy, venture capital is a resource to reach this goal. Ouimet and Zarutskie (2014) argue that startups must grow faster than enterprises. The reason being that growth is crucial for a startup's survival. Bajwa et al. (2017) state how it is crucial for a software startup to be able to change and adapt its growth strategy to achieve more rapid and profitable growth. The reason for this is the environment in which startups exist is competitive and constantly changing. Beverly (2017) state that growth is an essential part of a software startup's success and is an instrumental part of strategy for software startups.

Beverly (2017) describe three main reasons why software startups fail to grow, the first one being the startup is not growing or is growing to slow. The second reason for failure being that the software startup cannot sustain growth which could be a result of decrease in sales. Furthermore Beverly (2017) state how growing too fast can become an issue. Few founders of software startups recognized this problem. It is the feeling of being overloaded, to many meetings, to many projects going on at once. Growing too fast can have a negative impact on quality, focus, and inevitably, some of the projects the founders invest in fail. Rapid growth can also result in lack of resources and will, in a worst-case scenario, result in the founders losing the control of the company.

Crowne (2002) defines four growth stages for software startups to achieve sustainable business model. The first one Crowne (2002) calls (1) startup-stage, which is when a startup goes through idea conceptualization to the first initial sale. The second stage, (2) stabilization stage, is when the software has been delivered to the first the startup and ends when the software can be presented to more customers. The third (3) growth stage is when the software is ready to present the software for more customers, without causing any overhead of product development. Business processes such as sales and product development has been established. The fourth and final stage is when the software startup has reached the stage which Crowne (2002) calls (4) maturity stage. This is when the startup has become a mature organization, market size, share and growth rate have been established and all processes necessary to support product development and sales are in place. In the maturity stage, the software startup has established diverse teams with multi-skilled individuals where each employee understands the startups strategy and has personal objectives connected to that strategy.

Unterkalmsteiner (2016) state that successful startups aim for rapid growth and scalability. In order to achieve rapid growth a company also needs rapid scalability because without it, growth will take longer time (Unterkalmsteiner 2016). Scalability is, in the context of a running company, to make sure that the underlying business models offer potential for economic growth within the company (Stampfl, Prügl, & Osterloh 2013). According to Stampfl et al. (2013) scalability is achieved by creating or improving systems, networks, or processes so they can handle a growing amount of work in a capable manner and accommodate growth. Crowne (2002) argue that software startups must think about scalability in every process of their journey, so the startup can grow and become a larger company. Wallin, Still, and Henttonen (2016) and Picken (2017) state that for a startup to grow, scalability of the business model is crucial for the startup's growth journey and potential to grow.

2.2 THE COMPONENTS OF THE BUSINESS ENVIRONMENT STRATEGIES

In Duncan's (1972) article; Characteristics of organizational environments and perceived environmental uncertainty, he laid the foundation to the idea of business environment, that there were internal and external environments with factors that will affect all companies. Today it is a well-used concept in business, strategy and marketing, Duncan (1972) defines the business environment as *"the totality of physical and social factors that are taken directly into consideration in the decision-making behavior of individuals in the organization" (p. 314)*, and refers to factors and forces that affect a firm's, such as software startups, ability to build and maintain successful customer relationships and succeed in the market. The three layers of the business environment are the internal environment, and the two external environments, micro and macro (Kotler & Armstrong, 2013).

The macro environment consists of larger societal forces that affect both the internal and microenvironment, the demographic environment, such as the political, cultural, natural, technological, and economic environment (Kotler & Armstrong, 2013). But since we will observe only two of the three levels in this thesis, internal and micro, we will not describe this level further.

2.2.1 INTERNAL ORGANIZATIONAL FACTORS

The internal environment "consists of those relevant physical and social factors within the boundaries of the organization or specific decision unit that are taken directly into consideration in the decision-making behavior of individuals in that system" (Duncan, 1972, p.314). The factors which are under the control of the organization but can influence business strategy and other decisions are termed as internal factors. It includes value system, organizational structure, corporate culture, human resources, physical resources, and technological capabilities, as seen in Figure 3.

Figure 4 Internal Business Environment

2.2.1.1 Value System Strategies

Aithal (2016) argue that vision, mission, and objectives play a major role in setting up a sustainable organization. Porter (1985) describe how value systems can increase the potential to capture more revenue from its customers, Priem (2007) agrees with him, describing how strategies for value systems can create growth opportunities for companies. Campbell and Alexander (1997) state that having vision, mission, and objective statements often confuse rather than helps managers, they complain about objectives not being clear and they are being confused about how to achieve the mission and vision of the company.

Strategy to develop vision

Brătianu and Bălănescu (2008) describe vision as an idealistic projection of the company in an undefined future, where the company is in a mature and successful position. Preston and Karahanna (2009) state that a shared vision is a key success factor to ensure strategic alignment between the company's information systems and the business strategy. The top management team is the people who challenge the vision and therefore it is crucial that the vision is shared by the top management, to establish the chance for the best possible outcome (Preston & Karahanna, 2009).

Crowne (2002) state that a reason why software startups fail is that the vision for the company does not align with the customer and their "needs". A software startup starts with a vision, when the organizations grow and change, the vision also needs to adapt to these changes. Crowne (2002) argue that the vision should be developed by interacting with the customer, the product should always have a strong connection to a company's vision. Furthermore, Crowne (2002) argue that having a vision that aligns with the customers' "needs", will increase sales which supports growth. Devadiga (2017) explains how startups can use communities as a tool to develop the vision for the startup. By using communities such as crowdfunding sites and Kickstarter to raise capital, and then simultaneously expand the startup vision. The input from the community comes from different people with different backgrounds, these people have the ability to analyze the software and give input that wouldn't have been accessible without the community. This input creates new information that the startup can use to develop and adapt the vision for the company.

Mission strategy

Stone (1996) describe a mission statement as an important essential part of every business. The mission shows the values of the company and answers the question of why the startup exists. The mission statement is the operational, financial, and ethical guiding lights of companies. They describe the dreams, behavior, culture, and strategies for a startup. Cochran, David, and Gibson (2008) argue that the mission statement for a company is one of the most visible and public parts of a startup's strategic plan. Stone (1996) claim that the key elements when developing a corporate mission statement, specifying the geographical domain. Explain the ambition for growth, survival, and profitability. Furthermore, explaining the key elements in the company philosophy and specifying the desired public image.

Feinleib (2011) argue that many startups fail because of their lack of focus. The mission statement offers an opportunity for the startups to focus to show which specific direction it wants to move towards. The mission statement gives important information to employees and can be used when deciding on strategic trade-offs. Furthermore, the mission statement also offers an opportunity to attract talent, where people can connect with the startup.

If the startup has a clear mission that is easy to understand it increase the attractiveness of the company, making tasks clearer for the employees and attracts talents and customers. Some good examples within the software industry are; Google *"Our mission is to organize the world's information and make it universally accessible and useful"* (Google, 2020). Amazon "*To be Earth's most customer-centric company*" (Amazon 2020). Facebook *"To give people the power to build community and bring the world closer together. People use Facebook to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them"* Facebook (2020).

Feinleib (2011) argue that if the mission statement is as focused and clear as the company's shown above, the startup mission is focused enough to be beneficial for the company as described above. Feinleib (2011) state that great entrepreneurs do not just have a mission, they live by it, and this improves their chances of success and growth.

Objective strategy

Campbell and Alexander (1997) state that it is easier for a company to develop a plan if it knows what it's trying to achieve, and having clear objectives is a key success factor to achieve this goal. Cady, Wheeler, DeWolf, and Brodke (2011) argue that objectives are the manageable steppingstones to achieve the mission and make the vision reality, to navigate the course set out for the company. Drucker (1958) argue that when developing a strategy, the company needs to answer some crucial questions to be successful in defining its objectives. The most essential is to be able to recognise the most important needs of the company in order to survive. Drucker (1958) state for every need there has to be a way to achieve it, in order to do so the company needs a plan to reach objectives.

Drucker (1958) shows how earlier studies have looked at objectives as only one main objective; companies exist to make profit. Ducker (1958) argue that useful objectives are more complex and therefore need to be divided to smaller sub-objectives to make the objective achievable. There is no such thing as a simple objective for a company and there is no single perfect measurement for performance. Each objective has to be specified to the company goals, considering the environment in which the company exists, and measure the performance based on the individual traits of the company. Duckers (1958) means that there must be a balance between the objectives to best suit the organization for survival and growth of the company. It is also important that the company has a clear and specific purpose about what it brings to the market. It is important to have clear concepts in the business and usable measurements to set objectives and to measure performance for each objective.

Campbell and Alexander (1997) argue that another important factor not discussed by Duckers (1958) is the role of the stakeholders. Campbell and Alexander (1997) argue that if a company cannot satisfy stakeholders such as suppliers, shareholders, employees, and customers are doomed to fail. Campbell and Alexander (1997) state that many executives believe that satisfying these stakeholders should be an objective. Campbell and Alexander (1997) explain that it is not an objective, it is a constraint, companies that do not win the loyalty of stakeholders will go out of business.

Crowne (2002) argue that the company's objectives need to relate to the objectives for business development. A typical mistake made by product owners is when they make important decisions on an ad-hoc basis without being able to connect them to a greater strategic plan. Crowne (2002) agrees with the importance for short- and medium-term objectives for a software startup. Making sure that each employee in the company understands how their activities support the company's strategy and that each employee has personal objectives that are connected to that strategy create the opportunity for success and growth for software startups.

2.2.1.2 Organizational Structure Strategy

To have organizational structure means that the organization knows how activities, communications, authorities and duties are directed in the organization (Graubner, 2006). Organizational structure determines how the roles and responsibilities are assigned, coordinated and controlled as well as how information flows in the organization (Graubner, 2006). When it comes to organizational structure in startups, flexibility is often more important according to Clark and Muller (2012). The time pressure startups face, and the lack of resources often lead to a loose organizational structure. To accommodate the need for flexibility in managerial and organizational practices the startups typically have a higher empowerment of all the startups employees compared to enterprises (Yu, Chang, Chen & Chu, 2012; Steenhuis & de Bruijn, 2008; Yoo, Yang, Kim, Heo, 2012). This is because the employees or the startup-team need to able to absorb and learn from trial and error quickly enough to adapt to new practices fast as they do not have time to change slowly (Sutton, 2000; Steenhuis & de Bruijn, 2008; Midler & Silberzahn, 2008).

Despite having a loose structure can be beneficial for startups, a complete absence of structure is not good either. Such absence of structure might hinder important activities, like knowledge sharing and team coordination, especially when companies start to grow and expand and becomes a SME (Ambler, 2002; Thorpe, Holt, Macpherson & Pittaway, 2005). According to Thorpe et al. (2005), when a startup has expanded into a SME, the new challenge is to provide enough structure to allow sufficient knowledge creation. This strategy enables startups to scale, without limiting any creativity and learning that made them successful in a startup phase, it will also keep them competitive (Thorpe et al. 2005).

2.2.1.3 Corporate Culture Strategy

There are several definitions of what corporate culture is, although they are all basically saying the same thing. Corporate culture is a formal or informal set of values or statements that are there to set expectations of the entire team. It is the unspoken code that incorporates a company's values, its norms of behavior, the social and psychological environment of a company. How the organization conducts its business, treats its employees, customers and external business in general (Cremer, 1993; O'Reilly & Chatman, 1996; Smithson, 2018; Herbert, 1999; Beverly, 2017). This is the definition we will use used in this research.

Herbert (1999) believe that corporate culture is the glue that holds an organization together. When employees understand the culture they are in, they know how to act, and interact within and outside the company (Guiso, Sapienza & Zingales, 2013). In addition, corporate culture can supply companies with core values, so it becomes clearer for both employees and customers what the company stands for, and how they should act under a specific circumstance (Guiso, Sapienza & Zingales, 2013). It should establish in writing what the company values are, and why. Each value statement of a company culture should be designed to help the employees answer prioritization questions and to solve dilemmas, to be able to make decisions which is aligned with the founder's goals (Beverly, 2017). With a well-constructed company culture, the founder or CEO, no longer have to be personally involved in every decision. Also, a company can spread its successful traits to new employees when they are hiring, firing and rewarding them based upon the culture, which is great for startups as they wish to keep their successful traits as they grow (Beverly, 2017).

Culture can among other things influence the performance of an organization in many ways, like decision making, the aspects of an individual's behavior (Casson, 1994). Culture determines the social environment and by having a high trust culture performance can be enhanced (Casson, 1994). Having a strong corporate culture provides a clear sense of identity for employees, clarifies behavior, expectations and usually makes decision making fairly easy (Herbert, 1999). Corporate culture makes it possible for employees to know where they stand and what is expected of them. A strong corporate culture, however, also has a downside, it is hard to change, act quickly and adapt to the changes of the market, (Herbert, 1999). A strong culture could sometimes cause the inability to be flexible, a weak corporate culture on the other hand will have little influence on employee behavior (Herbert, 1999).

According to Beverly (2017) three types of culture statements should make up the core of a company's culture: actual, aspirational, and decision making. That is, the culture that currently exists in the company, the culture the company aspires to have and that it is clear enough to support decision making. Cultures can come in conflict and affect each other therefore a certain type of culture must be encouraged (Casson, 1994). The culture comes from the founder, therefore it is up to them to promote and live by the values of the aspired culture, so called visionary culture statements (Beverly, 2017). Even though these statements may not match the kind of culture the founders have today, they can build the backbone of the company culture that is ultimately aspired. This is especially important for startups, as it is harder to change the culture as the company matures and grows.

Trust is also an important contributing factor to the culture or vice versa (Casson, 1994). An effective culture has a strong moral content and can therefore overcome problems that formal procedures cannot. In a high trust culture, they can afford more flexibility. In a low trust culture, no one trusts each other, and some may try to free ride on others work. According to Casson (1994) the more open and trusting a culture is, the more flexibility can be allowed. Also, the industry that the company is part of will help shape its cultural values (Herbert, 1999). For example, a high-tech computer software firm or startup are likely to have a more informal and entrepreneurial culture than compared to an investment bank (Herbert, 1999).

Herbert's (1999) opinion, when it comes to the bottom line, the most important trait of corporate culture is to have a culture of accountability. For employees to know that their achievements will give merits, and employees will be acknowledged for them. Herbert (1999) state that the ideal corporate culture does not exist but there are some basic traits. The first one being the need for accountability among staff and employees which needs to be transmitted coherently. While flexibility is important, there must be a consistent application of principles across the culture, and lastly the must be attuned to be able to change and adapt to new market conditions in order to stay competitive. Even though most companies do not quantify the effects of corporate culture, the majority in Herbert's (1999) study felt that corporate culture contributes a great deal to the success of their companies, which is why culture also is so important in startups.

Every culture attracts certain kinds of employees which is the ultimate corporate resource (Rise, 2017). A toxic old-fashioned culture repels innovative talents which is why many new industries and companies try to have an open, informal and flexible culture, especially software startups (Rise, 2017). Rogers and Paul (2018) demonstrate how a startup culture that is transparent, openly communicated, non-hierarchical, adaptive, flexible, and fast paced attracts talents. Talented employees need to see and believe that missions, visions and values are true, and that they play a critical role in influencing daily business operations. Startups that do not live up to any of the key aspects mentioned above will lose talents since these talented employees will leave the startups and SMEs.

2.2.1.4 Human Resources Strategies

Ultimately the success of any organization depends on its people as they are the most important resource (Rise, 2017). Porter (1998) state that for a company to be able to compete in a competitive environment with sophisticated services, it needs well-educated employees. Pfeffer (2005) state that when a company see its employees as the source of strategic advantage, not just as a cost that can be minimized, it can create a competitive advantage for the company. Pfeffer (2005) argue that companies that apply this perspective usually outperform and outmaneuver their rivals. How a company manage their employees affects growth and success of the company. Pfeffer (2005) argue that how a company manage their employees is more important than, technology, patents, or strategic position. Pfeffer (2005) state that when employees have ownership there is less conflict as they strive for their own and the company's success.

In order for this to happen, the human department in the company needs to have their own strategies to match with the company's strategy which should aim towards keeping employees and enhancing their performance. In startups however, a human resource function is often represented by one person in an entire team, and that person may only work part time with human resources (Rogers and Paul, 2018). Limited financial resources are a common barrier that startups face. This barrier sometimes prevents employees for earning high salaries according to Bergmann (2016). However, some are willing to accept a lower salary to be part of the startup journey, to learn and/ or because they like the work (Bergmann, 2016).

In a context of software startups, Bosma et al. (2004) argue that startups need to invest in their human and social capital. An investment into humans enhances entrepreneurial performance, which in turn promotes success for software startups. Hughes and Rog (2008) state that expected outcomes from talented employees are improved operational and financial performances. Marlow (2006) state that when human resources strategies are linked to the growth strategy of startups, there will be an increase in performance due to a progress in employee commitment.

2.2.1.5 Physical Resources & Technological Capabilities

Physical resources refer to the tangible assets of the organization (Berry, 2004). These resources play an important role in ascertaining competitive capabilities of the company (Gibe & Kalling, 2019). On the other hand, technological capabilities refer to the technical know-how of the organization (Gibe & Kalling, 2019). From a software engineering perspective, software startups are unique because they develop software in a context where processes can hardly follow a prescriptive methodology (Coleman & O'Connor, 2008). This leads to them having unique technological capabilities depending on a specific type of software they develop.

Because software startups are newly created companies with no prior operating history, they have limited or lack of resources (Sutton, 2000). According to Coleman and Connor (2008), these limited resources compel startups to focus on developing their products to be more competitive, instead of establishing processes within the companies. In the meantime, startups need to be able to adapt and be able to meet new requests in order to succeed (Sutton, 2000). These are normal conditions for startups, and especially for software startups (Coleman & O'Connor, 2008). Because the startups have limited resource and capabilities they need to prioritize and trade-off certain activities in order to achieve other (Porter, 1996). Especially the trade-off between cost and differentiation in order to achieved current best practice is quite common according to Porter (1996). In order to achieve best practice, the startup needs to be able to reach and maintain strategic fit. Strategic fit expresses a degree to which an organization is matching its resources and capabilities with opportunities and possibilities available in an external environment (Porter, 1996; Venkatraman, & Camillus, 1984). The matching takes place at a strategic level, and therefore it is vital that the company has actual resources and capabilities to execute and support the strategy (Porter, 1996; Zahra, Sapienza, & Davidsson, 2006).

Because of lack of resources and some technological capabilities, some startups might need to depend on a third party for some knowledge or resources (Sutton, 2000). Unterkalmsteiner et al. (2016) suggest that when startups are in close collaboration with established companies, they are in a position to ask for shared resources from their established peers that they themselves lack. These resources, for examples, include capitals, human resources, and access to internal and external networks. Resources are important in every company, especially when it comes to startups, having access to the right resources at the right time plays an important role in the growth journey of software startups (Crowne, 2002).

2.2.2 EXTERNAL ENVIRONMENT FACTOR

The external environment "consists of those relevant physical and social factors outside the boundaries of the organization or specific decision unit that are taken directly into consideration (Duncan, 1972, p.314)". The microenvironment are forces and factors close to a company. They affect its ability to serve customers, suppliers, marketing intermediaries, competitors and the public (Kotler & Armstrong, 2013). Micro environmental factors can be used to analyze how a company could maximize its capacity and capability in order to compete better and more efficiently, (see figure 4 external environment).

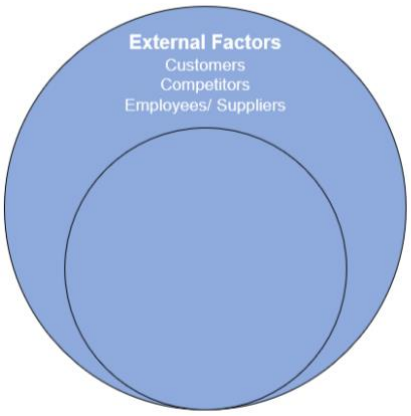


Figure 5 External Business Environment

Software startups can choose to compete on regional scale or a global scale (Rasmussen & Tanev, 2015). Competing in a global environment gives access to more potential customers, forces startups to face more challenges from competitors (Herbsleb & Moitra 2001). Weiblen and Chesbrough (2015) view innovation as one of the most critical success factors when competing in a global environment. Tanev (2012) suggests that there is a correlation between software startups which active in the global environment and high growth (Zijdemans et.al 2015) Bailetti (2012) state that software startups that are active in a global market early, will grow faster than regional startups.

2.2.2.1 Customers Acquisition Strategy

Kotler and Armstrong (2013) argue that customers are the most important actor in a company's microenvironment. An ultimate aim of an entire value system network is to serve the target customers, as well as build and maintain strong relationships with customers. Ang and Buttle (2006) state that having a well-developed customer acquisition strategy is a key success factor for every business. Kotler and Armstrong (2013) argue that the most basic concept for understanding the customers is to understand the “needs”, "wants", and “demands” of the customer. Kotler and Armstrong (2013) state that there are three marketing strategies to build customer relationships: selecting customers to serve, choosing a value proposition, and marketing management orientations, which will be described below. Yunfei, Dongming and Peter (2014) show that customer involvement influences software startups growth. The relationships between a startup and its customers is crucial not only as an income source, but also as a strategic partner to support the startup in its growth journey.

Selecting Customers to Serve

Kotler and Armstrong (2013) argue that companies must first choose whom to serve. By dividing the market into segments its possible for companies to target a specific a segment, by not trying to serve all customers companies increases the likelihood of them serving any customer. Kotler and Armstrong (2013) argue that it is crucial for companies to decide which customers they want to target, considering, level, timing and nature of their demand. Kotler and Armstrong (2013), and Crowne (2002) address the need for software startups to segment the customers, especially since many software startups are active on a global market with many potential customers. Giardino et al. (2014) suggest that a successful strategy for software startups is to first identify customers and then expand the business abroad to achieve growth. Mentioned in chapter 2.3 External factors, suggest that startups which are active in the global environment may grow faster than regional startups. A local market is often limited, small and likely to be saturated. Blank (2020) and Giardino et al. (2014) argue that finding and developing a suitable problem/solution fit between products and customers is a critical success factor for software startups when acquiring customers.

Giardino et al. (2014) state that knowing the market is another critical growth factor for software startups. This aligns with Kotler and Armstrong (2013) view, that most successful companies go to a great length to learn and understand their customers. Once companies understand customer “needs”, "wants" and “demands”, they will be successful acquiring customers. Giardino et al. (2014) describe how successful startups have a strategy for customer acquisition through a feedback loop. They adapt not only the business, but also the product to achieve a best-possible problem/solution fit. Startups, who know their potential customers, and are willing to adapt and change accordingly, will be more likely to acquire customers, if not they will lose and stop existing.

The importance of a Value Proposition in customer segmentation

Kotler and Armstrong (2013) state that companies must decide how they will serve the target customers. This can be done through differentiation and positioning. A key attribute to do so is to have a clear value proposition, which is the benefits and values the company aims to deliver to customers. Shown in chapter 2.2.1 Value system strategies, Aithal (2016) and Campbell and Alexander (1997) show the importance of having a well-developed value proposition. Wang, Edison, Bajwa, Giardino and Abrahamsson (2016) suggest that software startups who able to communicate their idea, what value it brings to the market, have a strong potential to attract users and customers. For software startups to achieve growth it is essential to have the ability to sell the idea, to raise interests from users and customers (Wang et al. 2016). Mauray (2016) state that startups that know their value proposition are more likely to understand which customers to target, and which potential customers are most likely to see the value in the startup's product. Mauray (2016) argue that creating value, increases the startups revenue which leads to growth.

Marketing Management Orientations

Kotler and Armstrong (2013) argue that there are five alternative concepts, from which the companies carry out their marketing strategy; production, product, selling, marketing, and social marketing concepts. The production concept state that consumers will favor products which are affordable and available (Kotler and Armstrong 2013). Crowne (2002) argue that a reason that startups fail, is because they cannot develop a product that aligns with the value that the founders want to create. Crowne (2002) argue that having a well-developed understanding of product development is directly connected to a software startups ability to grow. The product builds the foundation for subsequent growth. Moogk (2012) and Unterkalmsteiner et al. (2016) state that creating a minimum viable product (MVP) gives the software startup the chance to test the market and start attracting customers. This gives the startup the ability to better understand the customer and to develop a product that is more likely to fit the intended market.

The product concept state that consumer will favor products that offer most in performance, quality, and innovative features typically a strategy with continuous product improvements (Kotler and Armstrong 2013). Unterkalmsteiner et al. (2016) describe how software startups are new business ventures design to deliver new products to the market, founders have seen an opportunity in the marketplace which they are now acting upon. Wangenheim, Anacleto, and Salviano (2006) suggest that software startups that has a strategy for continuous product improvements and growth of the software startup are more likely to reach these goals.

The selling concept state that consumer will favor companies that undertake large-scale selling and promotion effort (Kotler & Armstrong 2013). Wang et al. (2016) state that software startups who have the ability to sell the idea raise interests from users and customers and contributes to growth. Gilbert and Davies (2011) state that software startups which have a well-developed sales execution strategy are more likely to attract customers and grow. When having a clear set of goals, the software startups can focus on growth and building scalable sales models, which drives growth (Gilbert & Davies, 2011; Unterkalmsteiner et al. 2016).

The marketing concept state that achieving company goals is based on knowing the “needs” and "wants" of the customer, by delivering high satisfaction to its customer (Kotler & Armstrong 2013). Bosch et al. (2013) state a software startup have to be aware of its customers “needs” and "wants" to be able to achieve growth, thus making sure that the product stays relevant to the marketplace. Bajwa et al. (2016) describe how important it is for software startups to know their customers' “needs” and be able to respond to achieve growth.

The societal marketing concept state that consumers will favor companies that align their strategy with consumer "wants", consumer long run interest and societies long run interest (Kotler & Armstrong 2013). Bosch et al. (2013) describe how understanding customers "wants" is crucial for a software startup to achieve growth. Part of the societal marketing concept is to understand how society affects the startups and how they can gain from society. Due to the limitations of our research with focus on the internal and external environment, we chose not to research this part of the concept.

2.2.2.2 Competitors awareness strategies

According to Kotler and Armstrong (2013), for a company to be successful they must provide greater customer value and satisfaction than their competitors do. Market competition exists when two or more firms sell the same or similar products and services. Therefore, it is important to know the competition and the customers in order to build a competitive business strategy (Gibe & Kalling, 2019).

Giardino et al. (2014) state that competition is not usually what kills software startups. Only ten percent of them fail because of competition, while ninety percent of startups fail because of a self-destruction (Giardino et al., 2014; Crowne, 2002; Berg, Birkeland, Nguyen-Duc, Pappas, & Jaccheri, 2018). The startups fail because they have not been successful when assessing the competitive environment, where they have to compete with already established competitors, e.g. big companies, other startup companies. These established competitors can outplay a startup by working on the same idea more effectively because of their better access to resources (Bajwa et al. 2017). There is always a risk for stronger players in the field that may force startups to search for a new direction, like specialization on a certain technology, a certain type of enterprise, a certain size of enterprises and/or on particular business activities (Bajwa et al, 2017). For software startups the problem is that they are facing an intense time-pressure from the market. At the same time, they are exposed to tough competition, and they are operating in a chaotic, rapidly evolving and uncertain context (Eisenhardt & Brown, 1998). Therefore, it is important for the startups to find some kind of competitive advantages towards these other competitors.

Rasmussen and Tanev (2015) describe how software startups usually compete in a global environment. No single competitive marketing strategy is best for all companies, and therefore a company should consider its own size and industry position compared to those of its competitors (Kotler & Armstrong, 2013). One way to develop competitive advantage is through a market research, i.e., to make an analysis from collected materials about consumers, competitors, and developments in the marketplace (Kotler & Armstrong, 2013).

Competitive advantage software startups

A company can outperform competitors only if it can establish a difference that can be preserved, competitive strategy or competitive advantage involves positioning a business to maximize the value of the capabilities that distinguish it from its competitors (Porter, 1980;1996). Competitive advantage is the leverage a business has over its competitors and can be gained by offering clients better and greater value in different ways, price, quality, service etc. (Porter, 1985). Porter (1985) defines two ways in which an organization can achieve competitive advantage over its rivals: cost advantage and differentiation advantage.

As we discussed in Strategic management 2.1, according to Porter (1980) there are three crucial parts of strategy, 1) the creation of a unique and valuable position which involves different activities, 2) what Porter calls "fit" and 3) trade-off. In this research we are going to look at the first part the creation of a unique and valuable position. According to Porter (1996) "Strategy is the creation of a unique and valuable position, involving a different set of activities" (p.1).
The activities are the essence of strategy and a company can choose to perform activities differently or perform different activities than rivals (Porter, 1985).

Porter (1980) introduced the concept of generic competitive strategies, to represent the alternative strategic positions in an industry, these describe how a company pursues competitive advantage across its chosen market scope. The first one being cost leadership which is a business' ability to produce a product or service that will be at a lower cost than other competitors (Porter, 1985). The second being differentiation, when a business's products or services are different from its competitors or they try to do things differently, with focus to aim at a few target markets rather than trying to target everyone (Porter, 1985). A company can choose to pursue one of two types of competitive advantage and also one of two types of scope, either focus (offering its products to selected segments of the market) or industry-wide, offering its product across many market segments. According to Porter (1985) The generic strategy reflects the choices made regarding both the type of competitive advantage and the scope.

According to Porter (1985) a company's value proposition is important when understanding competitive advantage. The value propositions show how the company offers clients better and greater value, which can produce a competitive advantage. This, as discussed earlier in *2.3.1. Customer acquisition* can increase customer expectations and choices.

2.2.2.3 Talent Acquisition Strategies

As stated in *2.2.5 Human resources*, Miles and Snow (1984) argue that human resources departments should have a well-developed understanding of company's strategies. Such understanding will enable them to recruit people with talents that are aligned with future "needs".

Cardenas-Navia and Fitzgerald (2019) describe how companies suffer from a gap between supply and demand trying to recruit talent with digital skills. Porter (1998) state that for a company to be able to compete in a competitive environment with sophisticated services, it needs well-educated talents. Having the ability to recruit and attract talented employees is a key success factor in a

competitive environment and builds prosperous companies. Bergmann (2016) explains how having the right people in a startup can be more important than the idea, the business model and funding. Venkataraman (1990) argue that having talented employees may be central in convincing a customer into making a transaction. Yli-Renko et al. (2001) suggest that having talented employees is critical to capture the potential learnings from customers interaction. It is also a critical success factor for new ventures. When startups or established companies can attract talent, they will be more likely to succeed. Without great talent and having the ability to continuously attract top talent, a company is bound to fail.

By having a well implemented strategy for recruitment of talent the company will improve employee recruitment and retention rates, and enhance employee engagement (Hughes & Rog, 2008). Hughes and Rog (2008) state that expected outcomes from talented employees are improved operational and financial performances which leads to growth. For software startups to be competitive in a global market environment, talents are a key critical success factor (Rasmussen & Tanev, 2015; Stahl, Björkman, Farndale, Morris, Paauwe, Stiles, Trevor, & Wright, 2012). It is important to have a strategy for how to maintain and recruit talent that is closely aligned with the business strategy (Stahl et al., 2012). Bergmann (2016) argue that being able to explain why a startup exists in simple terms is one way to attract talent.

Being or striving to be a master of telling the story why a startup exist attracts talents for startups. Potential employees can understand and relate to ideas and purposes of startups better. Rogers and Paul (2018) demonstrate how a startup culture that is transparent, openly communicated, non-hierarchical, adaptive, flexible, and fast paced attract talents. Talented employees need to see and believe that missions, visions and values are true, and that they play a critical role in influencing daily business operations. Startups that do not live up to any of the key aspects mentioned above will lose talents since these talented employees will leave the companies.

3. METHODOLOGY

In the method chapter we intend to describe the method choices that form the basis of the study. On an ongoing basis, we describe how we have progressed in the implementation, motives for the choices we have made while also being critical of the choices. The chapter will describe in the following order the research approach, the research design, data collection, selection, data analysis method, research ethics and the quality of the research.

3.1 RESEARCH APPROACH

3.1.1 Qualitative Method Approach

There are two methods that are the most commonly used in empirical studies, *quantitative* and *qualitative* methods. Quantitative research methods are characterized by the collection of numerical data, which results in systematic results (Bryman & Bell 2012). However, to be able to do this in the timeframe we were given, as well as achieve the best results to be able to answer our research question, we decided to focus on depth instead of breadth. In this research we have used a qualitative research method because our goal has been to create an understanding for how software startups use internal and external environment management strategies to grow. Qualitative research methods are suitable in order to gain a deeper understanding about a phenomenon according to Justesen and Mik-Meryer (2011), which is exactly what we did in this study.

To have used qualitative research methods as our way of doing this research has given us the opportunity to dig deeper into the subject, by using semi-structured interviews. This method provided us with a deeper knowledge and answers compared to if we had used a quantitative method. It would also have been difficult to make the comparisons between the different startups and SMEs that was necessary to be able to truly answer our research question and would not have generated the same result and insights.

3.1.2 Deductive Approach

According to Bryman and Bell (2012) there are two major approaches to how researchers collect data and use theories; deductive and inductive approaches. The deductive approach is the most preferred commonest view of the nature of the relationship between theory and social research. It is when the researcher uses existing theories to build a hypothesis and then confirms or rejects it with the empirical data collected (Saunders, Lewis & Thornhill, 2016).

The researcher creates an hypothesis or a research question based on what they know of a particular subject and of theoretical considerations in relation to that subject. It is then subjected to be scrutinized by collected empirical materials in order to make conclusions (Bryman & Bell, 2015), which is what we have done in this study. We started by looking at earlier studies and theories and found the much research had not been done on the environmental factors of an IT artefact, what

affects a company's potential for growth except their product, especially a startups? Could these factors also affect the creation and modification of the product? After we started asking these questions and looking into existing theories about startups and business environments is when our research question was formed and based on existing theories we collected empirical data and compared it with these theories to answer our research question.

This approach is more common in quantitative research, however it can also be used in qualitative studies (Bryman & Bell, 2012), which is what we have chosen to do as we desired to gain a deeper knowledge about the researched startups and SMEs in order to be able to answer our research question.

3.1.3 Interpretivist Approach

Interpretivism focus on how individuals perceive and interpret their social reality. Saunders et al. (2016) argue that social sciences research needs to be different from natural sciences research because human-beings and their social worlds cannot be studied in the same way as physical phenomena. Interpretivism argue that individuals differ from physical phenomena since they form a meaning. This meaning is the focus in interpretivist research. This philosophy was developed as a critic of positivism, which, in contrast to interpretivism, tries to discover definite, universal "laws" that apply to everybody. Interpretivism argue that we lose the rich insight into humanity if we focus on creating those universal laws. The aim of interpretivist research is to create new, richer understandings and interpretations of social worlds and contexts. This philosophy is considered as beneficial for research within the area of business and management since those studies often study organizations from the perspective of different groups and people (Saunders et al., 2016). In our case, the founders of the startups and SMEs that we have interviewed and whose responses makes up our empirical material. These involves their experiences and beliefs in combination with our interpretations in the analysis. To be able to fulfill our research purpose and answer our research question, it is essential to understand the perceptions of the respondents, their actions and context to how they work.

Bryman and Bell (2017) supports Saunders et al. (2016) and also argue that the very position of which qualitative research strategy is described as is interpretivist, meaning that the importance lies in understanding the social world through an examination of the interpretation of that world by its participants. This is what we are trying to achieve through our interviews. We try to understand how they interpret the environment in which their software companies exist and how they can gain knowledge to achieve growth. This is the strength of qualitative research, i.e., its ability to provide information about the "human" side of an issue, e.g., beliefs, opinions, emotions, and relationships of individuals (Bryman & Bell, 2012). It is also effective in identifying intangible factors, such as social norms, and organizational culture (Bryman & Bell, 2012), which are exactly the factors we are investigating.

3.2 RESEARCH DESIGN

We have chosen to use a comparative case study design (Bryman & Bell, 2017) in our research because we intended and have looked at different cases/ companies and compared them both to each other using more or less identical methods, in other words, a multiple-case study. According to Bryman and Bell (2012), the comparative case study design is used to gain a better understanding of as social phenomenon better, when they are compared in relation to two or more meaningfully contrasting cases or situations. This allows us to compare the empirical data gathered from the different startups and SMEs to better understand their growth journey.

We are interested in understanding causality as our research question presents, what causes this to happen? According to Bryman and Bell (2012) perception of cause and effect, i.e., an understanding of causation, is often referred to as a 'successionist'. As the term 'successionist' implies, the idea of cause and effect allows researchers to describe and explain how a process works. By comparing two or more cases, Bryman and Bell (2012) claim that by using a competitive method, researchers are in a better position to establish circumstances, in other words causality. Because of all of these reasons, Bryman and Bell (2012) recommends using the comparative research design in order to get relevant results, as we are looking for the causality in how software startups use internal and external environment management strategies to achieve growth. As we are generating the results by collecting information from five different companies/ cases the multiple case study is more relevant for us to use than a traditional one. According to Eisenhardt (1989) and Yin (2009) a multiple-case study occurs whenever the number of cases examined exceeds one and it is favorable to use because it improves theory building. By comparing two or more cases, it becomes easier to determine which theories will hold and which will not because it includes two or more observations of the same phenomenon (Eisenhardt 1989; Yin 2009). We are looking for causes, patterns or the absence of them, because the multiple case study is more appropriate than others to find these, we will use it in our research. We have chosen to investigate this subject with a qualitative research method, because we believe that in order to find the important casualties for growth we need to dig deeper to get the answer that quantitative research would not have allowed, in order to find these underlying factors.

However, when applying comparative design (Bryman & Bell, 2017) in our research, had some positive and negative outcomes. Positive because this method allowed us to make comparisons between the different Startups/SMEs that we have been investigating. To find similarities and oddities in their strategic management for growth and scalability, as well as the internal and external environmental factors that affect strategy. We could also have used cross-sectional design, however because cross-sectional design focuses more on situations at one point in time and even though we are analyzing them at this point in time, we have still asked questions about their past and potential future. Therefore, we felt comparative design would be more relevant. However, the negative outcome was that we sometimes had a hard time focusing on the specific context rather than the ways in which the cases can be contrasted as Dyer and Wilkins (1991) argue is easy to do when using comparative design.

3.3 DATA COLLECTION

3.3.1 Literature review

In the earlier stages of the study, the main focus was on software startups, business environment and growth. With these domains a preliminary literature review was formed based on both books and scientific articles that created the foundation for our research and our research question. This was recommended by Bryman and Bell (2012) as it allows for an overview of existing research and a deeper understanding of the topic for the upcoming study. We started to realize that the research was going to be larger than the given time-frame allowed, therefore we decided not to include the macro environment as it would be to extensive and having such factors that varies from country to country, or region would affect our conclusion. It would make the research to broad rather than deep, which is what we were aiming for. We did all our literature search in the beginning of the study up until we started to collect the empirical data. We did this because we used a deductive approach, but also because it gave us knowledge on what questions to ask concerning all the different topics included in this research. It helped us realize what we were really investigating.

The databases used were partly linked to Linköping's university libraries such as Scopus, Springer and Libris, but also Google Scholar. Through a systematic search method, which Rienecker and Jorgensen (2014) emphasize to be a search that is limited to a specific area, we were able to gain insights of the different domains researched. The literature that was found in turn led to the identification of additional books and articles, so-called chain search (Rienecker & Jorgensen, 2014). This means that literature that we consider credible generated additional sources used in the study. According to Thurén (2013), to be critical towards the sources used is essential and emphasize four principles to relate to source criticism: independence, authenticity, time and freedom of tendency. The principles have been the basis of the literature used in the study, since we emphasized, among other things, using sources marked as peer-reviewed and used sources of origin as far as we could find them. We believe that it has thus been possible to avoid making misinterpretations of theories and figures at the same time as other researchers consider the literature relevant.

3.3.2 Semi-structured interviews

The approach to collect material was to use qualitative interviews. Qualitative interviews are commonly used in comparative studies and are also considered as one of the most important sources since qualitative interviews help suggest explanations to key events, as well as giving an insight in participants' perspectives (Yin, 2018). This approach is also recommended by Bryman and Bell (2017) and is supported by Justesen and Mik-Meryer (2011) to be used in collecting data for qualitative research. Qualitative interviews give the researcher reflections that respondents have regarding events and their own viewpoints of the subject discussed in a structured way (Walsham, 1995). According to Bryman and Bell (2012) qualitative interviews can be categorized into three groups; structured, unstructured and semi-structured. Structured interviews are conducted by using questions from a specific research guide with specific and standardized questions. In contrast, unstructured interviews are informal where the interviewer talks freely about the topic (Saunders et al., 2016).

The third one is semi-structured interviews, Bryman and Bell (2012) state that when conducting semi-structured interviews, researchers follow a checklist of issues and questions that the researcher wants to explore and understand. Semi-structured interviews give researchers an opportunity to be flexible in the interview (Björklund & Paulsson, 2012), by allowing the researchers to ask questions that are not prepared before starting the interview. We considered this beneficial since it is a flexible type of interview process which allows supplementary questions as well as a flexible structure (Bryman & Bell, 2012). It also helps us to gain deeper understanding through the possibility to ask follow-up questions to clarify certain aspects. Therefore, we constructed an interview guide with questions based on the theory of the business environment by Kotler and Armstrong (2013) which is developed from Duncan's (1972) preliminary work on business environments, (see appendix). The reason we chose this research method was because we believe it to be the most efficient and appropriate way to collect data in our opinion. We are researching a topic in which sensitive information is being shared and where there is a possibility that the respondents wouldn't have shared the same information in say for example a survey.

Software startups is a complex subject. Our goal is to give the respondents the opportunity to contribute, and therefore not limit our interview questions. Bryman and Bell (2012) describe how semi-structured interviews give the researchers an opportunity to regulate the order of interview questions. Furthermore, semi-structured interviews give the researchers an opportunity to expand the ideas and ask more detailed questions about a specific topic, rather than relying only on concepts and questions defined in advance of the interview.

Bryman and Bell (2012) state that there are two types of interviews, phone interviews and face-to-face interviews. Phone interviews have the advantage of being easily accessed by the respondents and are easier to book and schedule. The length of a phone interview should not be longer than 20-25 minutes according to Bryman and Bell (2012). Phone interviews also lack the human aspect where body language cannot be detected. Bryman and Bell (2012) state that there is no research that concludes that data derived from telephone interviews is inferior to that of comparable face-to-face interviews in quality. Bryman and Bell (2012) shows how it is becoming more common

for researchers to use computer assisted interviews but there is no research at the moment that can describe the advantages or disadvantages of using computer assisted interviews.

The approach for how the interviews were conducted was affected by Coronavirus disease (COVID-19) pandemic reaching Europe in the early spring of 2020. Our goal was to conduct the interviews face-to-face. Due to the virus spread over the world and countries taking extreme measures to limit the spread, we were forced to change our initial plan. We decided after a careful consideration to move forward with the interviews, but we rescheduled them to virtual meetings instead of face-to-face. Our opinion is that by using a virtual meeting platform where the respondents could see us as interviewers is the best compromise between phone and face-to-face interviews. We decided to use a combination of virtual meeting software solutions that were most easily accessed by the respondent. We used a combination of Google Hangouts, ZOOM, Whereby, and Skype for the interview purpose.

The benefits with semi-structured interviews are the flexibility and the possibility to use follow up questions that are not part of the original interview guide, as mentioned earlier. However, this flexibility led to some questions not being answered the same way and lack of answers in some other parts, this mostly because a new question was introduced after the first interview even though it was asked as a follow up question. Also, we had not written down a specific explanation to some question that might have been hard to understand for those that were not completely familiar with some business terms. Even if the explanations are similar there are still some differences that can affect the result.

3.3.3 Processing of Interviews

The first stage of the interviewing process is the planning stage. Denscombe (2014) argue that researchers should plan how long the interview will take. We decided that with the amount of questions we had, that the interviews would take about 45 minutes. Bryman and Bell (2012) state that having carefully considered the questions being asked in the interview and having knowledge about the subject increases the accuracy of the interviews.

Denscombe (2014) state the interviewer in the beginning of the interview should present the subject and ask for permission to record the interview. We sent the questions to the respondents before conducting the interview so they would have an idea of which topic was being researched and what type of questions would be asked. We asked the respondents if we could record the interview. Green and Gilhooly (1996) state that having a recording where you can easily hear the interview is an advantage, we tested different devices to make sure that the recording would have high quality and, depending on which software was being used for the interview we made sure that we used the best recording instrument.

Denscombe (2014) state that in the end of the interview the interviewer should show appreciation for the respondents and give them the opportunity to discuss subjects that were not discussed in the interview. We made sure to show appreciation in the interview and gave the respondents the chance to discuss subjects that were not discussed in the interview.

3.4 SELECTION

Like many other qualitative researchers, we have wanted to ensure that we have access to individuals and companies that are relevant to our study (Bryman & Bell, 2012). We have therefore chosen not to select respondents through a probability sample, ie on a random basis, which is considered to be a representative sample (Bryman, 2018). Bryman (2018) believe that the selection in qualitative studies is objective-controlled as they are directly linked to the study's questions and purpose. The kind of sample method that we choose were a combination of convenience and snowball selection. We felt it was the best way to find startups and SMEs when we were told by friends and acquaintances that it was difficult to find companies that would be willing to do an interview. We were able to use our personal networks and that of friends and family to find companies that were relative to ours studies by using this combination of sampling methods. This method also made it easier to adapt to the consequences of the COVID-19 pandemic that was active when this study was made as the startups and SMEs were still willing to the interviews with everything that was happening around them. Although doing them online.

We contacted these startups and SMEs through phone calls and emails, telling them who we were and who gave us their contact information, what we wanted to investigate and if it would be possible to interview them. In addition, we told them the estimated length of the interview (45 - 60 minutes) and contact information for both of us were described. We also expressed that if they did not consider themselves suitable for the selection or would like to participate, we would be happy to refer us to others that the subject could touch. In this way, we applied the technique of snowball sampling - by passing the request to participate in the study to individuals who were considered more relevant to the study (Bryman & Bell, 2015; David & Sutton, 2016). As we described before, we had heard that it would be difficult to find companies willing to put up an interview. Therefore, we also made use of convenience selection to be able to use our personal network and find potential respondents. Bryman (2018) describe such a selection as selecting respondents who are easily accessible.

We chose to interview five companies, three startups and two SMEs. As we are focusing on growth in this study we thought it would be interesting to study two SMEs, to see if there are some differences in their strategic management compared to that of the startups, how they see and get affected by the business environment. In our study, the different companies have the similarities of being small, relatively new on the market, and working with software. As mentioned earlier, we informed the respondents about the criteria to suit our selection. To ensure a relevant selection that could help us answer our purpose and questions, we decided that the criteria were that the respondent should be one of the founders of the companies. We chose to interview the founders as we believe that they know the most about the companies as they were the ones who started them and have been with them since the beginning. We were able to interview at least one founder from each company and in one of the SMEs, both the founders.

Case:	Startup/ SME	Position(s) of person(s) interviewed	Company type	Type of software product
Alpha	SME	Founder	Consultancy & software	SaaS[1], supports consultancy in short term commitments
Bravo	SME	Founder Founder	Consultancy & software	Software that supports the healthcare industry
Charlie	Startup	Founder	Software	SaaS, that supports engineers.
Delta	Startup	Founder	Software	SaaS, that supports talent acquisition and maintenance.
Echo	Startup	Founder	Software	SaaS, that supports the manufacturing industry

3.5 DATA ANALYSIS METHOD

3.5.1 Transcription

Green and Gilhooly (1996) argue that transcription makes it possible for the researcher to study the interviews and see patterns and data that would not be as obvious without transcription. We transcribed the interviews word by word, in order to not miss important data. We chose to transcribe all the interviews in accordance with Saunders et al. (2007) who state that transcription increases the researcher's knowledge about what has been said in the interviews. Bryman and Bell (2012), and Green and Gilhooly (1996) state that transcription takes time and the researcher has to put many hours into the work, but the outcome gives the researcher important information. We agreed with this statement and took the time needed for transcription into consideration when planning this research.

Case:	Interview length (minutes)	Number of words transcribed
Alpha	46:09 minutes	6026
Bravo	38:08 minutes	4592
Charlie	31:17 minutes	4661
Delta	49:01 minutes	9752
Echo	24:14 minutes	3910

1 Software as a service

3.5.2 Model of Analysis

The model used for analyzing the findings in this study is one of the most common approaches to qualitative data analysis, "thematic analysis" (Bryman & Bell, 2012). Unlike most analysis approaches this model has no distinct outline in terms of techniques or identifiable heritage, it is more similar to the structure of a code, sorted and presented, normally in themes decided by the researcher (Bryman & Bell, 2012). One common strategy for assisting a thematic analysis of qualitative data is to construct an index of central themes and subthemes, this framework is then applied to the empirical data. According to Bryman and Bell (2012) a theme can be, for example, a category identified by the analyst through their collected data; something that relates to the research focus (and quite possibly the research questions); or something that builds on codes identified in transcripts and/or field notes.

However, thematic analysis lacks a clearly specific procedure, though Ryan and Bernard's (2003) and other suggestions made by Bryman and Bell (2012) to provide some pointers about how to begin and how to organize such an analysis. We looked at the pointers which recommended to look at the existing theory and/ or the empirical data to see if there were any clear themes. When we looked at our literature review and the empirical data we found themes based on the theoretical material, probably because the interview guide was based on the theoretical material and limitations. Therefore, we chose to use a theme which is one that Ryan and Bernard (2003) recommend using, that of theory-related material. Theory-related material is when we use social scientific concepts as a springboard for themes, which is exactly what we are doing. We because we could see the themes of the theoretical material in the empirical data, we chose to use and analyze based on those headings in the analysis. We also saw that these themes could help to build the foundation to the answer of our research question as they were connected to the theoretical reference framework. In short, we decided to use this method because it provides us with an answer to our research question, finding the underlying casualties to how strategic management choices in the internal and external environment affect the growth journey for software startup, as well as present the analysis in a way that is easy to understand for the reader.

3.6 RESEARCH ETHICS

Research ethics is how the researcher should act when conducting scientific research. The principles act as a guide in which information should be given to the respondents and how the respondent should be treated (Codex, u.å; Vetenskapsrådet, 2017). According to Bryman and Bell (2017), it is the researches' responsibility to ensure that ethical principles are considered throughout the research.

Diener and Crandall (1978) divided the ethical principles in the treatment of participants in four areas; damage on the part of the participants, the consent requirement, privacy intrusion and false pretenses. All the respondents in this research wanted to be anonymous. During the interviews, some sensitive information was being shared between researchers and interview respondents. This sensitive information will, therefore, not be shared with anybody. To safeguard the sensitive information, it is decided that the recordings, and the transcription will not be shared in this

research to comply with the demands of the respondents. The voice recordings and transcription will be deleted when this research is being published. We took this decision to reduce traceability in our research. The decision was made to comply with the user requirement and the anonymity requirement (Bryman & Bell, 2012; Vetenskapsrådet 2017).

We made it clear that we would make sure that the respondents' integrity and anonymity would not be compromised, and the data was not being used for other research purposes. In accordance with Bryman and Bell (2012), and Diener and Crandall (1978), we gave the respondents the anonymity they asked for. We made sure to handle the data in only safe environments, and that the data was only accessible to us. Because of their wish to be anonymous in this thesis we are going to refer to them as Alpha, Bravo, Charlie, Delta and Echo. The reason we have chosen to name them like this is simply for the reader to easily remember which company is being referred at the same time as anonymity is guaranteed.

3.7 QUALITY OF RESEARCH

3.7.1 Reliability

Reliability discuss whether another research would produce the same or similar results if the researcher applied the same methods (Bryman & Bell, 2012; Yin, 2018). If a study is based in random or temporary events, the study has low reliability. As we have been studying software startups, that are newly created, relatively unique companies in a rapidly changing environment, it will be difficult to produce exactly the same result, but they could be quite similar (Bryman & Bell, 2012). On the other hand, Trost (2012) believe that the results do not have to be exactly the same, as the investigations are probably done at different times and therefore the result may differ to some extent. It could potentially be possible to repeat this study however considering the startups and SMEs, we believe that it would be hard to find companies that are very similar to the ones in our research.

Even though Bryman and Bell (2012) argue that reliability is more important for quantitative studies than in qualitative studies, Bryman and Bell (2012) believe that it is common for reliability to be used in qualitative studies by qualitative researchers. In our study we discuss some sensitive topics, as future growth strategies and future competitive advantage. However, we do not believe that our respondents are lying, there is of course the possibility that they have highlighted themselves, even with the promise of anonymity. We also do believe that the reliability in this study can be considered as good because it provides a list of interview questions in Appendix 1, and extensively shows a connection between literature review, research framework and interview questions.

Furthermore, because we are two observers at work, different interpretations and observations can be made that are sometimes in agreement with the other party and sometimes not (Bryman & Bell, 2012). When differences in interpretations have arisen, we have discussed them to arrive at a common conclusion, given the data we have collected, considered to be the most reliable interpretation. In this way we have been able to ensure reliability in the study.

3.7.2 Replication

Replication is about researchers being able to repeat each other's studies and get similar results to avoid distortions that could lead to a misinterpreted picture of reality (Bryman & Bell, 2012). If the experiment or study cannot be reproduced, the validity is questioned, so researchers try to be very clear about how they proceeded, although few have the interest to actually repeat a study (Bryman & Bell, 2012). However, since our study is mainly a qualitative study, our study will be difficult to replicate as possibilities to collect identical data is very limited.

This is because much of a qualitative study is based on us as the most important tool for data collection. The study is built on our own interpretation of data collection and is influenced by our own characteristics such as our understanding into the subject being investigated. Our reflections will also greatly affect the study (Bryman & Bell, 2013). Nonetheless, future researchers who might be interested in replicating our study should be in a position to do so. This is because we clearly describe what has been studied and how we have studied it. Our research methodology, as well as the process of data gathering, are documented in detail and our choices and decisions throughout the study are carefully considered and motivated. We believe that it can be difficult to achieve the same results as we have, since in practice this means that identical companies must be studied.

3.7.3 Validity

According to Thomsson (2010), validity in a study means that the results obtained during the course of the study are sustainable and convincing. There are several types of validity, according to Bryman and Bell (2012). However, according to Bryman and Bell (2012), internal and external validity are the most relevant to qualitative studies.

According to Bryman and Bell (2012), and LeCompte and Goetz (1982), internal validity is when the result of the research is as close to reality as possible. In other words, how credible the conclusions reached are, and how well they align with reality. In order to increase credibility, we have interviewed five companies, two of which were SMEs, and three which were startups. This has given us a broader understanding of software startups. Together, these factors have made us believe that we have a good picture of the reality of which our study researches, and thus achieved a potential for internal validity. Moreover, internal validity relates mainly to the issue of causality, with the question of whether a conclusion that incorporates a causal relationship between two or more variables, which can be seen as an advantage as we are doing a multiple case study and a comparative study in the pursuit of finding eventual casualties.

External validity is about how the researcher generalizes the results (Bryman & Bell, 2012; LeCompte & Goetz, 1982). According to Bryman and Bell (2012) external validity is high when the sample from which data are collected has been randomly selected. When non-random research methods of sampling are applied, external validity becomes questionable. One of the standard criticisms of case study according to Bryman and Bell (2012), is that findings deriving from the study cannot be generalized because most cases are more or less unique with different situations and variables that affect the research more or less. This can also be said about startups, the situation

is different for all of them, if they get help from another organization, how attractive their product or service are etc. There are different approaches for generalization, the qualitative research focuses on generalizing to theory, theoretical generalization (Bryman & Bell, 2012). Yin (2018) says that when performing case studies or comparative studies, generalization is usually done towards theory rather than the quantity of the number of respondents. It aims towards expanding and generalizing theories, so called 'analytical generalization'. Therefore, qualitative studies allow a generalization from the case being studied, but not from the number of cases represented (Bryman & Bell, 2012).

The only small chance for generalization in this research is that all the companies studied are software companies and that we analyze growth strategies based on internal and external factors, that affect all companies no matter size or access to resources. We do not, however, believe these factors create enough reasons for our study to be considered generalizable. There is the possibility for theoretical generalization, that the theoretical concepts being used in the study can be used to develop further theory (Bryman & Bell, 2012; Yin, 2018).

The central issue of concern in this research is the quality of the theoretical reasoning of the study, for example how well the data supports the theoretical arguments generated, and if the theoretical analysis is incisive. The crucial question becomes about how well the researcher generates theory out of the findings instead of if the findings can be generalized to a wider universe (Bryman & Bell, 2012). We believe that there is a potential for external validity in our research, considering the specific companies and their attributes in this research, we believe that the validity would be low, considering the uniqueness of the companies studied.

4. EMPIRICAL DATA

In this part we will present the answers we got from our interviews with five software startups and SMEs. Because of their wish to be anonymous in this thesis we are going to refer to them as Alpha, Bravo, Charlie, Delta and Echo. The reason we have chosen to name them like this is simply for the reader to easily remember which company is being referred. We have chosen not to introduce the companies, the reason for this is simply to reduce traceability and for our research to respect the respondents wish to be anonymous in this research.

4.1 THE ALPHA COMPANY

The respondent describes that the most important strategy for Alpha is to build a scalable company, which is what all software as a service companies need to reach according to the respondent. Scalability needs to be a part of the sales and marketing process. The respondent argue that is possible through creating a software platform that is as generic as possible, where there are no customizations. Making sure that the infrastructure can be scaled when usage increases. The respondent argue that scalability is closely connected to growth strategy, by saying that a growth strategy is to make sure a company can scale. The respondent state that having a sales process is something Alpha will try to achieve to increase scalability. One way to facilitate growth according to the respondent is from a product perspective to build add features which facilitate growth. Alpha furthermore describe how having a system that makes the user interact a lot like Facebook, for example, supports growth. One way, Alpha is facilitating growth is by adding intrinsic values and having a functionality that makes it possible to connect the software with other companies, which the respondent means drives growth. The ability for the company to reach other customer segments is also crucial to scalability and growth. The respondent describes how their strategy to do this is to increase the functionality of the platform.

The sources of capital for Alpha were personal capital, some risk capital from the government and operating revenues. The respondent state that they did several trade-offs in the beginning when the company was started, because of limited resources and many other commitments. The respondent describe how they did many trade-offs in the market, deciding which customer they would sell to in regard to how much customization the customer needed. One way the respondent is facilitating growth is by piggybacking with others to gain entry to new markets, i.e., by collaborating with other companies.

The respondent has a vision for Alpha. The vision has been the same during the years the company has been active, however it has become more articulate. The respondent state that a vision becomes more important the larger the company becomes. The vision is about creating value for the customer and the end customer to simplify supply and demand of skills.

Alpha's vision is to reach full potential in sales and delivery of skills, to make businesses and people grow, this is the desire for the company's employees as well. The Alpha company wants to offer good and the right assignments so that the employee becomes even more skilled on "their way to reaching their career dreams". The respondent describe how Alpha mission is to reach the company's full potential in sales and delivery of skills to its customers. The mission was to help both business and people grow, with people, i.e., coworkers, subcontractors, end users. Making it easier for people to reach their career dreams. The respondent describe how Alpha also has another mission for the sales department including delivery and management, to live up to a promise to deliver the very best practices, no matter which customers, by making people's everyday a blast and supporting business in reaching their full potential. Alpha does this by connecting the people demanding that skill and the people having that skill. Alpha's objective was to create more reasons for the customer to use the platform, by reducing the possibility of the possibility for the customer to terminate the subscription-based contract. Alpha described the objective becoming more articulate when the company is growing.

The respondent describes Alpha structure in the company, there is a sales and marketing team, which is a sort of entity in their own sales, marketing, customer success to help. The respondent has no real reason why the company is structured like this. The structure is however easily adaptable to future situations according to the respondent because the Alpha is working very agile.

Alpha company culture is very open and inclusive. According to the respondent, the culture it quite often what gets a potential employee interested and hooked. The culture is inclusive which means that Alpha really has a lot of individuals just pushing the culture forward together with everyone else, they are all friends. The respondent also said that from startup to SME the culture was pretty much the same. They have managed to keep that feeling, however now that they have more people working there, they have a stronger "we-feeling". The Alpha company does not have an officially human resource strategy, the respondent believes that the promoted culture with an open company were a lot of individuals pushing it forward together is one of the things that keeps the employees with the Alpha company as well as attract new ones. The Alpha company has employees working as a huge family, the respondent believes that there is a tremendous strength and willingness coming from the inside. The respondent argue that this is a huge success and the thing that the respondent is the proudest of.

The respondent describe how they always have the company's potential growth in mind and the fit with their culture and already existing co-workers when hiring. The respondent believe that all of this goes hand in hand and that they need to be careful about cultural fit, it is quite important. It is all about scaling and to bring in more specialists, for example a CFO[2]. The Alpha company uses some digital channels that are appropriate to find another person for instance, they also use their website and they use their own coworker networks, see if they could recommend some people. Sometimes they work with some headhunters.

2 Chief Financial Officer (CFO)

When it comes to important physical resources, the respondent thinks that having a nice office is important, because it helps to build an identity and the brand. It is also according to the respondent some of the few physical resources they need except computers. Their main area of knowledge is how to build a Software-as-a-Service (SaaS), i.e., what needs to be done and how to find the opportunities, as well as good knowledge of how a consultancy is managed so they can see what was missing. The respondent describe how they know the market and the other actors in this ecosystem of consultancies and how to sell. Not to mention that Alpha also has excellent employees that can build complex software.

Alpha has the capability to supply more customers then they currently have, with their current resources. They also collaborated with other organization to create their products. They also had an external person in user experience, who helped with the development of the enterprise resource planning (ERP) system. This was a key resource in the beginning of the company's growth.

The respondent describe how Alpha decided if their product had a product fit or not. If the market accepts the product, then it is time to focus on scaling the business in the marketplace. Because the respondent is knowledgeable about the marketplace and the consulting business with developers, Alpha could easier access the marketplace. The respondent describes how there is not anything like the product that Alpha offers out there in the marketplace. Alpha have salespeople and use online sales tool to access customers, by adding features to the software.

Alpha has only a segment for the customers, i.e., enterprise customers. They are looking more into how to segment their customers, such as digital segmentation. The respondent describes how trade-offs affect which deals Alpha does. Furthermore, the respondent describe how they have a limited number of potential customers and that they are hard to get to. The respondent says that they try to serve every customer no matter who they are and deliver the best solution by simplifying the handling of the supply and demand of skills. When it comes to keeping customers subscribed to the company, adding features is the only way to decrease the likelihood of customers terminating their contract. Alpha has new features coming where the product will hopefully become viral in another way, this to increase the retention of customers to the platform which makes it easier for them to become paid customers. When companies are registered in the platform, and present in Alpha’s ecosystem, it would be much easier to convert them into being paid customers.

When it comes to targeting new customers, the respondent argue that more functionalities increase the stickiness of the customer. The respondent is also looking at new potential markets in Europe where they think there is a market opportunity. The focus has been the public sector in Sweden. Alpha is active in the international marketplace, and usually looks at customers from a geographical standpoint. The respondent describe how they decide to enter a market if the respondent thinks it would be worthwhile to spend some time trying to get something going. They often consider potential customers with 10 to 2,500 employees. When the respondent decides when to enter a market, or a new segment adapting to a new marketplace, the respondent tries to control risk associated with an entry into new markets.

The respondent describe how Alpha supports the consultants with a great software, the respondent is now looking to collaborate with larger consultancy companies to increase and maintain delivery capacity. These consultancy firms are a gatekeeper, and they can open new doors. The respondent describe how it is also following the market, and they are trying to develop products that the customer will want in the future. The respondent describes how Alpha tries to deliver value for the customers; one way is to make it possible for customers to connect with other companies. The respondent describe that Alpha can deliver the software to more customers.

When it comes to selling, the respondent describe how Alpha is mainly focusing on outbound sales, e.g., contacting customers by phone or setting up a meeting. The respondent describe how they are also using other systems to find and segment customers. Alpha content marketing is mainly done by having a weekly newsletter. Their newsletter is well received, and it has a quite big audience. They also create contents and publish articles on LinkedIn and other social networks. The respondent describes how they, over the time, figured out how to sell its solutions. The respondent tries to use "word of mouth" as a marketing tool because it reduces the hurdle for the customers, because they know the company. The respondent describes how there are competitors that have bits and pieces, but not the whole solution that Alpha offers.

The respondent describe how they are aware of the competition, there is not a company out there that mirrors what Alpha is offering to the marketplace. Alpha knows the actors in the ecosystem. The respondent furthermore describes how important it is to Alpha to distinguish themselves from the competition

4.2 THE BRAVO COMPANY

Bravo is an SME that is located in the same region as Alpha. According to the respondents, who are the company founders, Bravo's strategy was to build the best product and spread it to as many people as possible through the company's customers by allowing their customers which are countries or regions to promote Bravos products. The respondents mention that Bravo has a strategy to become more of a product company. Today Bravo offers several solutions for the healthcare system. Bravo initial capital came from the founders themselves in the beginning. Apparently, Bravo has a strategy with four areas which they focus on according to the respondents; people, system, science, and reports. According to them, Bravo has also made tradeoffs focusing mainly on their current region and not trying to expand in other. Other trade-off has been in regard to accepting new customers, where Bravo has been focusing on developing their product rather than taking on new customers.

According to the respondents, Bravo never has had and still has no clear vision, not one written down at least. According to the respondents they had a vision for the Bravo company that people shared but they feel that there was no need to write it down or specify it. The vision for Bravo is about the end customer, the patient, the user of the software, to give them more power to influence their health care. The respondents argued in a similar way that for Alpha, a vision becomes more important the more employees they have. They never have a clear understanding of what a vision is because they feel that there is never a need for it since there are so few employees. They said

the same about not having an articulated mission for the company, but they did describe more why they worked with what they do by saying they do not want the patient to be lost in the welfare system. Bravo's more personal mission is to empower the patient. The respondents do not have concrete objectives or goals in mind except for their long-term objective to replace one of Sweden's biggest welfare guiding agencies. The short-term objective is to support the welfare agency.

Because of the few numbers of employees in the SME, the respondents claimed that they have a very flat structure. In Bravo all the employees have formal work titles but they barely use them. The two founders are CEO [3]and Chairman respectively, and the others are what they like to be called, i.e., "partners". They all share on the profit that does not go directly into the company. They do not have more of a structure than this because they do not think they need it with only six persons. The respondents have, however, worked with flat structures before and have known it to be successful, both personally and by observing others. It also makes employees feel that they are contributing, and it creates a good culture and atmosphere in their opinion. There is a difference in leaders and bosses in the respondents' opinion. A boss handles the formal things like setting wages and having development calls. A boss in not necessarily a leader. In the respondents' opinion, all companies need a leader. Another benefit with a flat, open structure is, according to the respondent, that this structure is also easily adaptable in their experiences for future circumstances. They believe that even in a case that the company will grow into 60 co-workers, this structure will still work.

The respondents describe their culture as "available" and "loving", and apparently other outsiders would say the same about their culture. This is because partnership is highly valued in the Bravo company. All decisions are made by all the people in the group/company. There is a lot of freedom and flexibility in the culture, the employees can look around and research in areas that they think are interesting and exciting, as long as they can give back to the company. According to the respondents, they have this culture because everyone likes what they work with, and everyone also likes working with each other. There are also the possibilities for bonuses for certain things. It depends on how much experience the employees have. One of the reasons for this level of freedom in the SME is because it is important to the respondents, and the SME itself, to keep competent employees. To have people resign is one of the worst things that can happen to them as knowledge is part of their advantages in the market. Therefore, it is important to motivate employees to stay. The respondents think that there are four things that motivates employees to stay. The first thing is because what they work with is so exciting. The second is because of the culture in the company, especially the freedom and that everyone takes decision together. The third is the possibility for bonus when the work goes well. The fourth is an appreciation for the work they have done.

When it comes to physical resources, the respondents claim that the most important physical resource are the computes and the Internet. They do not, technically, need anything else. The office is a place they meet each other, work and meet some clients. Their main areas of knowledge are IT and the medical care, that combination is extreme with them. The respondents have extensive market knowledge from previously working in this market, they saw an opportunity and when the time seemed right, started their then startup. Today they do not have the capability to supply more

3 Chief Executive Officer (CEO)

customers. If they would choose to do so, they would need to have more staff and manage some with business with an expansion mindset. The responders and the other employees love to research and create new things and solutions. Therefore, they would need others that loved to do business and strategic things in order to expand. They claimed that they know that their product is great, but they are more innovators rather than the salespeople.

When it comes to their customers, the respondents say that their customers are mainly within the healthcare sector of the region they operate in. They are considering whether or not to take their products to a larger geographical market, even expanding to other countries. They see an increase of demand due to the COVID-19 pandemic for virtual meetings between patients and healthcare providers. They, therefore, are looking for some potential opportunities to collaborate with other companies in order to give them the chance to take some of Bravo products to an international market. The respondents claim that right now Bravo's customers are spreading words about their products to other possible new customers and selling them. They believe that this is a fantastic strategy when customers promote to other customers. It is also very cost efficient. They also believe that this generates a higher level of trust because it is a direct recommendation from other customers. They, furthermore, describe how they have a low price and they can deliver fast. The respondents claim that they are outstanding when it comes to product delivery and that they have a lower price than compared to their competitors. This lower price is achieved by having highly skilled employees. They need less employees for a project to deliver its products than their competitors, which makes possible to have lower cost.

To stay competitive in the future, the respondents' strategy is to recruit the right people. Therefore, they are trying to "grow with care", i.e., recruiting the right people rather than a number of people. It is not certain that just because we hire five new people that it will benefit the company, especially those who lack experiences in the knowledge areas. Therefore, Alpha tries to hire new employees with knowledge, they employees that are the best in the business and there are a lot of skilled people out there. When a new person is hired, that decision is made by all the people in the company. Everybody gets to voice their opinions to be certain that the new person will be a good fit. However, right now their recruitment need is not that large as they focus more on their product.

4.3 THE CHARLIE COMPANY

The respondent describe how Charlie has made several trade-offs, e.g., considering which country to set up the company, and what to focus on in certain times, and deciding which customers to focus on. The respondent says that trade-offs happen every day, specifically, when they have to decide on what to focus on. Trade-offs come in many forms, such as whether to focus on a business or a development aspect of the software, which events to attend, which industry(ies) to focus on. They have to consider how the trade-offs affect growth for the company.

Charlie was in the beginning founded with capital from the founders, with the founders having friends and family investing, after that Charlie was able to acquire their first large customer and Charlie took in venture capital. The founder added that it is always the growth perspective when it comes to a venture capital founded startup. The respondent furthermore says that when deciding to take venture capital was when Charlie really started focusing on growth. Part of that was to reach sales scalability and create a repeatable sales process.

Furthermore, the respondent describes how the founders saw an opportunity to create this software solution when they worked in the industry. The respondent then did some market research, but they could not find a solution to the problem. The respondent then contacted potential customers and asked if they experienced the same problems, the answer was yes. That was when the respondent decided to act on the problem.

The respondent described how Charlie had a long-term vision of the company which was clear. The vision was more about how to support their customers, and the coworkers using the software. The long-term vision, for the company, is to become a software that makes it possible for engineers to collaborate and build hardware, in the same way as programs are being coded today, with employees simultaneously working out of different locations and different parts of the code. Charlie's mission is to build a tool that helps engineers in their everyday life.

The respondent describes the objectives as to be able to reach a certain amount of sales in a given year. Another objective is to show that the software could be used across different industries and company sizes. The respondent describe how Charlie wanted to reach sales scalability and create a repeatable sales process as an objective. The respondent furthermore describes how the objective had changed going from one person buying it to now focusing on several different companies buying the software. With the initial goal to prove that the software could work, to now focus more on objectives that contributes to growth.

The Charlie company is mainly structured in two teams; (1) the technical team and (2) the business team. They have a lose hierarchy structure within the company. So right now, there is basically people that have some roles. There are also coordinated teams, so they take leadership roles in certain aspects. However, in principle, there is neither a highly structured hierarchy nor a chain of command more than that. The respondent has observed how other companies grow. It is observed that as they scale, it can get trickier because they might need to start creating new levels of hierarchy in between and so on. The respondent believes, however, that they may adapt the structure quite easily, but that it will surely bring its own challenges when and if the time comes.

The respondent explains how they are trying to build a strong culture around their team. The founder of Charlie thinks that the team connects extremely well, partly because their fascination for engineering, effort space and for “technical stuff”. The employees also socialize with each other frequently, like going out to dinners. Some other things that affect the culture is that they have a strong set of values, that they try to live by and remind themselves to live by. One set of cultures is that the place is more than just work, they are trying to bring in people together in different ways. The respondent believes that people value things like honesty and openness and opportunities for creativity etc. Therefore, the company tries to foster them. In the founder’s opinion, “*culture is what's below what you live on an everyday basis and what impacts people when nobody's looking*”. Therefore, they have thought what would work best, and to observe to find ways to improve. The founders are trying to live by the same standards that they put on people. They have an unwritten rule in how they decide for people will join the company, it is called a “no assholes” policy. This is to ensure a good environment where people feel comfortable and good. They want to provide a culture that makes people feel good when they come to their job, so they not only connect to what the company is doing, but they are also committed the company’s mission. The respondent thinks that there are some truths in people making trade-offs if a person is not a good fit with the team. They believe in an underlying idea that a team wins is always bigger than individuals. They want people to be happy and enthusiastic about what they are doing. Therefore, they are also giving the employees shares in the company so that they feel like when they work toward the company's success, they also work for their own success. The respondent believes that one of the reasons people stay at the company is because of the culture they have and are currently building. The strong values are based on honesty, openness and growing for creativity, and that their people like to go to work and love what they work with. The Charlie company also tries to give credit and recognition for good works, so the employees feel appreciated.

The respondent describe how Charlie attract employees saying that it comes back to the culture as one of the most attractive factors. The company tries to offer salaries that are fair. That also allows them to get talented employees. Although, the respondent believe that the culture is the most driving factor, the company still wants the employees to go to work because of what they are doing at work. Not to mention that they are actually incentivizing all employees by giving them shares in the company, which the respondent thinks is attractive for people in general to work for.

The main goals for the Charlie company when recruiting is similar to one of their culture statements, i.e. the "rule number one, no assholes". They need to find people that are really good at what they are doing, because the larger the organization grows, the more talent matters and the harder it is to have efficient communication. The respondent describe how they prefer to have people with a good fit in the culture and being a good team member. The respondent describe how they have a plan as to how they will go about recruiting more people when a need arises. For example, when they see that they have one more customer and then they start looking for a customer support person. Or when they see that they cannot keep up with all the features they need to develop so they start looking for more people to help in the development and so on. The respondent describe how they always have the growth perspective in mind when recruiting.

During the interview, the respondent describe that significant physical resources Charlie has are the employees and their code. According to the respondent, those are probably the two things they have that are important, and that they rely on. The rests are irrelevant. The code is a good resource, but the main thing is the people who write and improve it. When it comes to the company's main area of knowledge, the respondent think it is technical knowledge about software development and engineering that is crucial. They have quite a lot of people who are very capable. Since the two founders where engineers by training and that they have a few more engineers on the team, it is quite a depth of understanding of what their customers actually do in their everyday life. This is one of the strengths which helps the Charlie company to decide how to make their product so that their customers actually can benefit from it in the best way.

The respondent describe that Charlie has a “clamp approach” to the market, this meaning that Charlie tries to access the market from two sides. Charlie is, on the one hand, trying to gain customers through a bottom-up strategy. This is how Charlie attracts small and medium sized companies, specifically through online sales. On the other hand, Charlie is engaging with the very big enterprise customers. The respondent also describe how Charlie is also trying to expand into other industries. The respondent describe that a customer outreach usually starts with an online meeting. If successful, it moves to an on-the-premise meeting, which usually starts with a proof of concept, pilot phase and then moves into actual deals. Charlie acquires new customers through two different streams across different industries. Charlie does this by focusing on industries where they already have customers and use cases to show for new customers in the industry. In the same way, Charlie is using cases from existing customers to access other industries. This is also how Charlie is segmenting the market by industries. The respondent describe how they are adding features to its software to attract more customers from different industries. To increase the knowledge about Charlie, outbound sales and event attendance are part of Charlie marketing strategy. Geographical areas in which Charlie does businesses are mainly focused on Europe and the US. The respondent describe how they started the company in one industry and then expanded into other industries. The respondent furthermore describes how the software could work for other business functions than engineering, but that this is not something they are actively pursuing.

The respondent did some market research to find out if there were any competitors before starting the company. The respondent further describes how there are a few companies out there in the marketplace that are doing a similar business. The respondent state that their main competition is Microsoft Excel. The respondent says that there are some competitors that is doing something similar, but no one is doing the exact same solution as Charlie. The respondent argue that Charlie offers a single source of truth for business decisions, which is the main competitive advantage. This is how Charlie makes it possible for engineers to collaborate. To stay competitive in the future, the respondent describes how Charlie focusing on being fast since there are no patents protecting the software. There is nothing stopping someone from building the same solution. The respondent describe that Charlie’s main competitive advantage are their extensive understanding of the customers and what they want. Charlie understands how the engineers work, therefore they are able to bring in new features, which are suited for real engineering processes, and think in a new way to help engineers

The respondent describe how they have currently the resources to supply more customers than they do today. The respondent state: "*just give them to me and we can handle it*". Furthermore, the respondent describe how they do have a very scalable system in place. At least from a software perspective. However, it takes a little time to familiarize them with the need and demands of new customers. Some people need more support at some point and things like this. However, the underlying system allows for far more customers. Furthermore, the respondent describe how the Charlie company did collaborate a bit with other organizations to get access to their resources through some partnerships with some other tool vendors to do integrations and sometimes with companies who want to co-sell their software or use it themselves.

4.4 THE DELTA COMPANY

According to our respondent, who is the company founder, the Delta company is structured based on a clear division of business and technology divisions. The Business division is located in one country and the technology development in another. Because of this, the structure has always been pretty clear. The respondent describes it as they have two separate startups where one owns the other company to a 100 percent. Because they are working so separately and there are only six to ten people, the respondent does not feel that they need more structure than this.

The respondent is working in the business division. He feels that their business structure is very clear. There is a clear guideline on what tasks belong to which employee. They divide the work based on an employee's strengths. The entire structure is built from a fact that the co-founders are good at complimenting each other. They start by looking at how they will do things and then complement each other by "*taking it to the next level*". The respondent thinks that there is a big difference between startups and big firms is that startups are very adaptable and very agile. These are advantageous qualities for startups. As a startup, they are not stuck in a rigid structure like a big company. These big companies could have a hard time adapting their structure. Therefore, the respondent believe that it would be easy for a startup to change the structure.

The founders made the strategic decision to go with a Software-as-a-Service (SaaS) model, because they saw an opportunity with such a tool kit missing. The respondent said that the plan is not to be a large standalone software, the plan is become more intertwined with what the customers already do today and then adapt to it. According to the respondent, the Delta financial capital has been from the founders so far, but it is now looking at taking in a large investment. The founders describe how they have not done any trade-offs on a strategic level, but in retrospect, how the focus was perhaps a little too much on building a really good product solution for a few customers, which made them slow on the sales and marketing side. Therefore, they are now focusing on sales scalability according to the respondent and to create a repeatable sales process, which is also their main objective.

The respondent also claim that Delta's focus is on the clients and on delivering good products to the clients. Their mission is to help their clients treat end customers, in this case, talents, in the same way as they treat clients, i.e., by helping companies becoming more professional terating talents. This is also part of their vision according to the respondent. They want to grow, make more money, and have more users. All of this will make it possible for the Delta company to show convincing operating results to potential investors so the company can be sold. According to the respondent, they have an exit plan; they are planning to sell the startup to a larger company. The respondent says that they never planned on growing by themselves, they have a similar goal to Alpha, i.e., to use piggybacking to collaborate with other companies to open doors.

When it comes to corporate culture, the respondent said that they did not feel like they needed a lot of internal culture to start with because of the small number of employees. However, the respondent and the other founder in the business sector had worked together for some years so, the respondent felt that they have a culture among each other and the people they hired. However, the respondent would not say that the culture is particularly strong between them and the subsidiary. They have a professional relationship and the subsidiary is good at what they do. They have never really fought about anything, they always kind of agree with each other, but they have very specific skill sets that complement each other. This is also the case for the respondent and the other founding member in the business sector. The respondent believe that this culture is the result of them working together before and trusting each other. They would not have started a company together and invested their own personal money together unless they had really trusted each other and been good friends. The culture was not premeditated though. When it comes to other employees, they have over the years hiring some people on a part-time basis or as interns. These approaches are considered to be an easy way to get more hands-on deck without hiring someone to escalate super high salary. Considering cases hired under these part-time and intern approaches, sometimes it's worked out, sometimes it did not. The respondent believe that they were used to the two of them working well together that they thought everyone was going to be like this. So, when some people they hired, especially for the sales function, did not really fit in their way of talking to clients or their way of understanding the product, they were surprised when it did not. Delta usually hirer employees on a project basis, due to this reason. The respondent claimed that because the focus in the company is on the client and on delivering good products to the clients, therefore, the culture is influenced by these factors.

Some of the things that the Delta company has been doing is to offer high salaries from the start. This is because they started out as an entrepreneurial project, in which they were already hired in a company. The respondent points out, however, that as a startup does not usually have the same means to reward people in other ways than salary. Therefore, one thing they have done for all of the developers, which are critical to their tool, is to give them stock options within the firm apart from the four co-founders who have actual stocks and equity in the firm. So, if the company does grow, employees can exercise these stock options. The respondent believe that any startup should actually give all employees, not only the ones in the management, the possibility to feel that they are co-owners of the product and/or of the company.

When it comes to physical resources, the respondent state that they do not really have any physical resources. This is because they are a software company, even their server spaces are rented from another larger server. The main areas of expertise and knowledge are the industry they work within. They learn a lot from talking to big companies and clients when they work with them. The respondent thinks that they have domain knowledge around talent acquisition. According to the respondent, the Delta company has the capabilities to supply more customers than they currently have, the respondent believes that as a startup, they should never be limited. The respondent mentions: " *If you want to get a new customer, because the fact is if they pay for the service you provide you can always hire more people on the delivery side so you should never say no to growth just because you feel oh no*". If they do not have the resources to do the project now then they simply tell the customers that they will need some time before they start to prepare, here is where an agility of a startup helps. According to the respondent, they would never turn down a project that makes sense on paper just because they currently do not have enough employees. They actually have those cases sometimes because often the need to adapt the software tool to the company's needs.

They also collaborate with other organizations, especially on the sales side as they have not built a strong sales team themselves. They do not really have a marketing or sales department. It is mostly the respondent and others in the startup that are calling up individual clients, going out, having meetings and slowly getting those deals.

The reason that they started the startup was because the founders saw a need in the marketplace for Deltas product after working in the industry. The respondent said that they are flexible when it comes to developing the software. If the customer can pay for the development, they will do it. They have worked with different partners, agencies, and companies to open doors and access customers. They also have other people recommending them to companies, this means that business consultants like Delta's product and then recommend it to their customers. These people are already in the marketplace and that is mainly how the startup has been growing. According to the respondent, these partnerships are crucial for the growth of the company and it is a key part of the growth strategy. The respondent believes this allows them to assess potential customers at the right level, which is critical to get a deal. So far, they have not asked for any type of financial compensation from partnering with other companies, even though it has been offered.

By having university students doing internships at Delta, they have got some more market knowledge, which helps them with the strategy. They work towards customers which are typically a company's business consultants. The company has the ability to deliver globally and they currently have customers in two continents. When it comes to geographical marketplaces, they are trying to penetrate a marketplace, where there is high potential for its product, although the cost of acquiring talent is quite substantive. These marketplaces, according to the respondent, are mainly within the Western part of the world. Apart from its main business function, the software could work for other purposes. The respondent state that there is no straight competition in which the business section is located. At the international level, there are a few competitors that are providing similar solutions. Some of them have more funding which has made it possible for them to grow faster. The respondent claim that they cannot really compete with larger companies that provide

similar solutions. To stay competitive, they will continue to use partnerships and perhaps getting more investment, and even consider being part of a larger company.

When it comes to recruitment in the Delta company, they usually work a lot with referrals. The respondent still thinks that referrals are the strongest channel for hiring, and they have many colleagues and friends in the industry. The respondent mentions: "*you always hear when someone's looking for a job*". One of the things that they use to attract new employees is to give them stock options. Just like all the other companies, the thought of the company's future growth is critical in the hiring new employees. The respondent state: "*you hire them for the long run, because every person that is hired needs a bit of time before they actually carry their own salary*". According to the Delta respondent, they need some time to get onboard and to start learning. It is an investment to hire a person. Sometimes they just hire a person for a project than hire them permanently.

4.5 THE ECHO COMPANY

The respondent describe how Echo's main strategy is to invest in marketing formats that were scalable, and cost efficient, and creates enough leads to complete sales at a steady rate. According to the respondent, there is plenty of documentation on how companies like Echo grew and scaled into bigger companies. So, by looking at these success cases, they can get inspiration for both the present and the future. With regards to tradeoffs, Echo focuses mainly on product development. This leads to less time being spent on outbound sales. The respondent describes how this strategy has made Echo become more reactive than proactive considering sales. Echo was self-funded in the beginning, and but now it is generating enough sales to support the operations.

The respondent describe how they would look at other startups and companies to formulate their growth strategies. Let's say the top dogs in the industry write a lot of articles on how to scale teams, they too would adopt similar practices. Echo's vision is to ensure a quality assurance across the manufacturing industry. They aim to solve the issues that are happening in the industry in general. These issues are sometimes related to negligence and sometimes even malpractice according to the respondent. Echo's mission is to create a product that completes the company's vision. The respondent describes how the Echo's mission is to grow into profitability. This is also the objective. The respondent describe how they like to have, in essence, a self-sustainable company. Unlike most startups which are obviously going for growth, growth, growth, and subsequently an initial public offering (IPO) or acquisition, they state that even though an acquisition might happen to them at one point, it was not the original objective.

The respondent describes the company to have a flat structure just because of the small number of people working there. There are the two founders; they are the chief executive officer (CEO) and chief technology officer (CTO), and two freelancers, who are helping them with sales. The reason for choosing this structure is because the respondent understands the industry they are in and the industries for which they are creating the software for. The structure and tasks came naturally to them. Due to its small size and simplicity, the structure is easily adaptable. An industrial norm also

plays role in determining the company's present structure. The Echo respondent explains: "*There's plenty of other companies that do similar things to what we do, so it would be very easy to just mimic what they do*".

The respondent describe that they have a good environment; when work is done, everyone can go to have a drink together or do wherever they choose. The respondent describes how this is pretty much what they are trying to achieve with their thought on culture. This culture is created from cultures of other successful companies. There are some software companies that share their culture too, therefore the respondent believe that it is good to try to use proven methods of others.

The Echo company does also pays good wages. They also allow remote working that gives the employees some freedom in their work, as well as a health insurance, medical leave or to take a day off, and work in compensation for that leave day later. The reason for this is that Echo work pretty much on deliverables so there is no need to keep strict formal hours. The respondent describes physical resource as the computers and the people working there.

The main area of knowledge in the company is within the industry that their software supports. Most of the Echo company activities revolves around the industry. They would also be able to serve more customers with their current resources. They have not collaborated with other organizations except for some freelancers that helped them during times.

Echo did some market research before starting the company. Echo used analytics when figuring out potential customers. The following criteria are applied to target customers: (1) how Echo software would work best for customers, (2) company size and (3) number of employees. Echo, furthermore, describe that ninety nine percent of their customer targeting is within a practice of inbound marketing. It is comprised of Google SEO Search Engine Optimization, Google Ads, Bing Ads, email marketing and some social medias, such as LinkedIn. Echo is working worldwide with customers in Europe, United State of America, Brazil, China and India. The software could potentially work for other customers and markets.

In term of competition, there are some competitors within the market. There are some small and medium enterprises and two large enterprises that are moving into the marketplace. The competitive advantage for Echo is that the Echo's product solves a couple of issues that the competitors do not. Echo's knowledge and expertise within the industry that they serve is also a competitive advantage. Another factor according Echo is that its solution looks more modern compared to the competitors. This aesthetic quality has been a driver in sales and customers have chosen Echo because of this quality. To stay competitive in the future the respondent state that it has to keep up with the industry, and the standards. Echo wants to expand into new market segments. Delta also wants to expand the product offering to become more competitive.

The Echo company decides against using any shiny new toy that was out in the industry, but instead use to choose standard practices when recruiting, such as personal networks. Some of the things they have to do to attract new employees are that they to show potential employees that they have a product with a global impact. The product is not global just because it works worldwide, but it is a product that is sold worldwide. They also provide decent salary packages and ensure a good

work-life balance for its employees by being able to work remotely without a need to have specific work hours. When it comes to Echo's main goals when recruiting, it is to have a cultural fit. At the very least, values of that person must align with that of the company's, and they can work in the company's environment. However, it is also important to have experiences with the technologies that Echo use. This ensures that it will be faster to get employees onboard. The Echo company does not, however, consider any future potential growth when they are recruiting. They pretty much have a workload and at a certain point, when they think they need help, they hire.

5. ANALYSIS

In this chapter we compare the study's results with the previous research. As mentioned in the method chapter, we will specifically use thematic analysis based on theoretical themes, strategic managements, internal and external business environment factors, with a comparative research design.

5.1 STRATEGIC MANAGEMENT

Strategic management is the management of a company's resources and consists of factors that affect the startups or SMEs ability to reach their goals and objectives (Ansoff et al. 2018). We see that the startups and SMEs have made several strategic choices to achieve their objectives, and ultimately to achieve growth.

The empirical data supports Porter (1996) that the startups and SMEs, must make strategic trade-offs in their growth journey. We found that the most profound trade-off for the startups and SMEs is the one between sales and product development where they have made strategic decisions. The empirical data shows that Charlie is very aware of this trade-off. Therefore, the company tries to have a balance between sales and product development, and state that trade-offs happen every day. We also see how Bravo mainly focuses on product development and therefore does not put much effort in sales, while Delta focus on the clients and to sell their product. Echo makes a similar strategic decision, by mainly focusing on product development, instead of pursuing sales opportunities.

Coleman and Connor (2008) describe how many startups choose to focus on product development to be more competitive, instead of establishing processes within the companies. This could explain why some of the internal organizational factors have not been observed so much or they been traded away. The trade-offs result in a lack of an official human resources strategy or a formal organizational structure. These will be described more detailed in the next chapters. All startups and SMEs have limited resources and capabilities; therefore, prioritization and trade-off of activities are necessary according to Porter (1996). We believe this as Sutton (2000) agrees that newly created companies have limited resources. The fact is that startups and SMEs cannot do sales and product development in the same intensity as larger corporations.

We believe that the empirical data show how important strategic fit is for software startups and SMEs. “Fit” which is how a company’s different activities interact and reinforces each other (Porter, 1996). A strategic fit can, however, be difficult to accomplish for software startups. As mentioned earlier, they have limited resources (Sutton, 2000) and therefore they often have to often have to trade-off the internal organization. For example, many companies do not focus much on the human resources function (see Section 5.2.4 Human resources) because they believe that it is the culture that is the most attractive factor that makes employees stay, therefore they prioritize it even more. The strategic fit is strongly affected by the trade-offs which the empiric data shows

as the startups and SMEs trade-off some activities for others. Bravo, for example, has a lot of external opportunities as their product is attractive right now (see Section 5.3.1 Customers). However, as they are focusing on product development, so they do not seize the external opportunities they have. This is considered to be a gamble whether the trade-off will be successful or not. If they get better products and the demand is still there in the future, they have a potential to grow rapidly if they wish. If not, they will only keep their current customers and its growth will be much slower. How strategic fit affects the startups and SMEs will be further analyzed in Section *5.2.5 Physical resources & technological capabilities.*

The empirical data shows that the startups and SMEs all have chosen to use differentiation as a strategy which aligns with Porter's (1996) generic strategy. The startups and SMEs all chose to perform their activities in a different way than its competitors (see Section 5.3.2 Competitors). This is a clear strategic choice that all the startups and SMEs have in common. We believe that the reason the software startups have a differentiation strategy is because of a problem/solution fit (Giardino et al., 2014). This will be more analyzed in detail in Section *5.3.2 Competitors*. We believe that the essence of the startups and SMEs in this research has been to leverage a new solution to the market, therefore other generic strategies such as cost leadership is not relevant for these types of startups, even though their software may offer a cheaper solution for their customers, than what currently exist on the market.

5.1.1 Growth

The empirical data shows that all the software startups and SMEs have a growth strategy as part of their strategy. We believe growth can be described in many ways, and it is a crucial part of software startups strategy. Looking on Bravo who wants to spread it product to as many people as possible, or Charlie who wants to increase the number of customers. The empirical data clearly supports Davila, Foster and Gupta's (2003) opinion that growth is an essential part of every startup's strategy. How important rapid growth as Ouimet and Zarutskie (2014) mentions, is not shown in the empirical data collected in this research.

We believe that the empirical data shows some alignment with Crown's (2012) growth stages. However, we believe that this view is very simple and does not necessarily represent reality for which our startups and SMEs exist in. Alpha and Bravo seem to be between stage three and four, where we would say they have achieved what is expected for stage two. When looking at the startups, the empirical data shows that the startups are in between stage two and three. We believe that the Crown (2002) model is perhaps too simple for the complex environment for which software startups are active in. Charlie, Echo, Delta have bits and pieces of stage four. The model may be useful for a very simplified view for software startups growth journey. We believe that flexibility in a startup growth strategy, and its ability to change and adapt are one of the reasons why we can see traces of all the different stages in the startups which aligns with Bajwa et al. (2017), who state the environment in which software startups exist is rapidly changing.

We believe the empirical data shows limited information about how the startups and SMEs strategic choices consider growth (Porter et al., 2005; De Maggio et al., 2009). An interesting

finding is that the SMEs have come further in their growth journey, and we can have a distinction between the startups and SMEs. As we are discussing growth, we should also mention scalability as Alpha, Charlie, Delta and Echo, want to achieve scalability, especially when it comes to sales as part of their strategy. According to Alpha, scalability is what all SaaS companies are talking about. According to some research papers (Unterkalmsteiner, 2016; Crowne, 2002; Wallin et al., 2016; Picken, 2017), scalability is an essential part of growth. For a startup or SME to be able to accommodate growth, they need to achieve scalability by creating or improving current systems, networks, or processes so they can handle the growing amount of work. Alpha is trying to achieve just this by creating repeatable sales processes. Charlie is agreeing by saying that the sales scalability is its focus right now to improve their processes to achieve growth. We also believe that Bravo has some awareness of scalability as Bravo is working on product development so it can work for more customers in the future and then grow.

5.2 INTERNAL ORGANIZATION - BUSINESS ENVIRONMENT

5.2.1 Value System

Vision

The empiric data shows that all the startups and SMEs had a vision. The fact that all the startups and SMEs have a vision supports Preston and Karahanna's (2009) statement that a vision is important for a company. The founders seem to be aware of the importance of the vision. Due to the risk of traceability, we have chosen not to share the case company vision statements. However, we can suggest that we can observe a clear connection between the visions and the customers. Such connection is supported by Crowne (2002). The empirical data does not support for Devadiga (2017), who argue that having a strong community around a company can benefit it and lead to development of a more accurate vision for the startups. We believe there are potential in having a strong community connected to the startups. However, this is not shown in our empirical data. We would suggest that if a startup has the ability to build a strong community around its software, there would be opportunities in open source code, where the community could help develop the software.

We believe that our findings show the importance of vision in the sense that all the startups and SMEs have a vision. The interpretations we got from the interviews was that Bravo seems to have the strongest vision, and how such vision is being shared in the company even though it is not written down. This is just an interpretation that we have based on the interaction with the founders, therefore important to note that there is no empirical data that clearly supports this statement.

Mission

The empirical data shows that all the startups and SMEs have a mission statement, like with the vision statement Bravo did not have one written down. There is no empirical data that supports Stone (1996) and Cochran et al. (2008), stating that a mission can guide a company in its decision making. Feinleib (2011) argue that having a focused mission drives a company forward by showing which specific direction it wants to move towards. We believe that all the startups and SMEs have a at least a basic mission statement, which could potentially drive them forward in the desired direction, however there is no empirical data that supports this statement.

Alpha has the most complex mission as it consists of two different statements, one official which is; "*to reach the company's full potential in sales and delivery of skills to its customers and to help both business and people grow, with people, i.e., coworkers, subcontractors, end users. Making it easier for people to reach their career dreams"*. The second directed towards the sales department; "*to live up to a promise; to deliver very best practices, no matter which customers, by making people's everyday a blast"*. Bravo's mission is to empower the patients. Delta's mission is to help employees to treat talents the same way they treat clients, i.e., by helping companies being more professional in how they treat talent. Charlie has a mission to build a tool that helps engineers in their everyday life.

The empirical data does not support that a mission statement can guide the startups and SMEs in their decision making. However, they do describe the desired direction for which the startups and SMEs want to work towards. We believe this may be an effect of us in this research using semi-structured interviews, where a more specific question may have shown this connection, with specific questions being outside the scope of our research.

We believe after conducting the interviews that for most of the founders, it was easier to describe the mission statement compared to the vision. This could potentially be something to look into. We would suggest that a mission statement becomes more important when the company reaches a larger size, later in the growth journey

Objective

Echo, Charlie, and Delta have a similar set of objectives, i.e., to scale in the sales process, to attract more customers and to increase revenue. This connects to Campbell and Alexander (1997) that if startups and SMEs know what they are trying to achieve, they are more likely to reach their objectives (see Section 5.1.1 Growth). Alpha has an objective to create more reasons for users to be active in the platform, which connects to Campbell and Alexander (1997). Cady et al. (2011) describe how a company objective is strongly related to its vision and mission (see Section Vision & Section Mission). Bravo's objectives clearly show this connection, stating its objectives to replace one of Sweden's biggest welfare guiding agencies. The short-term objective is to support the welfare agency.

We agree with Drucker's (1958) statement that startups chose objectives that are a crucial part of their survival. As sales and customers are a crucial part of any company, and especially for their

survival, it is why these startups and SMEs have chosen objectives that are connected to sales and customers. We also observe that the startups and SMEs included in this study do not have that of a complex objective. This is in contradictory to Ducker (1958) who argue that a company needs to have several objectives answering questions about the business crucial needs. Charlie and Alpha describe how their objectives have changed during their growth journey. This supports Drucker's (1958) statement that the objective must change considering the changing environment and growth. None of the startups and SMEs talks about the stakeholders being part of their objectives as Campbell and Alexander (1997) suggest is important. The empirical data we have does not describe or investigate the connection between objectives and product development. Crowne (2002) argue that this could support growth and would be something to investigate in future research.

We believe, as Alpha mentions, that objectives are strongly connected to where in the growth journey a startup or a SME currently is. The larger the company becomes, the more complex its objectives will be. We believe that this could be the reason why the SMEs in our study are having more complex objectives as can be seen in the cases of Echo, Charlie, and Delta presented in the beginning of this section.

5.2.2. Organizational Structure

The empirical data shows that a common structure in the software startups and SMEs is the separation between business and technology. This clear separation can be found in Charlie, Delta, and Alpha. Bravo and Echo have, in comparison, a very flat structure, with no clear separation between business and technology. We believe the reason for this structure is because of their small employee number and their desire for an open, flexible and trusting culture (see Section 5.2.3 Corporate culture). We can see a connection to software startups culture as they aim to be agile, flexible and open, and therefore they use a non-hierarchical structure. Also, a loose structure gives the software startups an ability to be able to change to respond to the market (Sutton, 2000; Steenhuis & de Bruijn, 2008; Midler & Silberzahn, 2008).

All the software startups and SMEs state that they have a structure which can be changed easily, and it is flexible. This aligns with Clark and Muller (2012), Yu et al. (2012) and Yoo et al. (2012) that software startups need to be flexible to adapt to changes. Steenhuis and de Bruijn (2008) argue that a loose structure empowers startups in their strategy because it offers flexibility. As we can see above, the empirical data supports this, we believe this has to do with the small number of employees and how the startups want and must continuously learn and adapt. We believe, however, that having a completely loose structure is not beneficial either. There must be some structure to create clarity within the startups and it becomes beneficial in scaling and growth as it creates and facilitates the possibility for it (Ambler, 2002; Thorpe et al., 2005). As Bravo and Echo describe, they have some structure even though being very loose is beneficial for software startups, this for the clarity in assignment and the possibility of growth.

5.2.3. Corporate Culture

According to Rise (2017), a toxic old-fashioned culture repels innovative talents, and that is why many companies and especially startups and new industries try to have an open, informal and flexible culture. Rogers and Paul (2018) agree with Rise's (2017) statement. This shows the benefits for a startup to have culture that is transparent, openly communicated, non-hierarchical, adaptive, flexible, and fast paced. Looking at these recommendations for culture and the ones that the startups and SMEs describe, we found many common factors in the empirical data. Alpha, Bravo, Charlie, Delta and Echo all talk about how they are trying to promote open, inclusive and friendly cultures with a lot of freedom built on honesty and trust. They are all trying to have similar cultures to what Rise (2017), and Rogers and Paul (2018) promote for software startups. In the Echo's case, the reason for having and promoting this culture is because it has proven to be successful at other companies that had similar objectives or software function. The other startups and SMEs inherit their culture because the founders like working in such culture in their previous employment or desire to work in a culture like this. Delta claims, however, that they do not have much of a culture because of the small number of employees and the fact that the company is mainly divided in two divisions located in different countries. However, when they discuss about the relationship or culture that they have within the business division, they describe what we mention above. We believe that they try to have and promote this type of culture in the business division at least even if they do not completely register it as such.

We agree with Herbert (1999) that there is no such thing as the ideal corporate culture, we can, however, see parts of his basic traits in the culture described by the software startups and SMEs. The first of the four traits, the importance of accountability, is the most important thing to have in a culture in Herbert's (1999) opinion. This trace seems to be present in all the startups and SMEs. When the startups and SMEs talk about freedom within the company, they all made it quite clear that it is freedom with responsibility. The startups and SMEs all believe that this type of freedom is based on trust and accountability. We believe that the empirical data describe this quality and it is also an interpretation that we share when we conducted interviews with the respondents. All the startups and SMEs express the feeling that they want the employees to know that they and their work matters. Charlie's culture is based on their values and tries to give credit and recognition for good works, so the employees feels appreciated. Appreciation and recognition are something Bravo also tries to do, not to mention the importance of partnership, that everyone gets a say. From all of these, we draw a conclusion that they have accountability as a part of their culture both in form of confirmation and responsibility (Herbert, 1999).

The second trait is that same culture and values must be transmitted coherently though the organization (Herbert, 1999). We can see clear evidence of this trait as all the startups and SMEs directly say that they are trying to promote their culture and live by example (Casson, 1994). As we mention in the beginning of this chapter, all startups and SMEs try to promote a type of culture in which the founders want in their startups and SMEs.

The third trait is to have flexibility in the culture as well as a constant application of the principles and values that a company has (Herbert, 1999). According to Casson (1994), trust is an important contributing factor to the culture. The higher trust that exists within the company, the more flexibility they can afford. As flexibility is something all of the startups and SMEs say that they have, we can interpret that they have a rather high trust in their startups and SMEs. According to Casson (1994), by having a high trust culture, performance can be enhanced within the group, that is why having a high trust culture can contribute to the work of the employees and why many startups or SMEs do not want to lose it (see Section 5.3.3 Talent acquisition). Delta says so themselves that they would never have started their startup if they did not trust each other. However, to have too much flexibility is not good either (Herbert, 1999). The values, principles and norms (O'Reilly & Chatman, 1996; Smithson, 2018) of the culture must still be applied as they contribute to the social structure and environment of the company (Casson, 1994; Smithson, 2018). To have a clear understanding of these principles, norms, and values gives a better understanding of the corporate culture and a clear sense of identity for the employees (Herbert, 1999; Guiso et al., 2013). It seems like these basic guiding principles are all in place at the startups and SMEs as they express indirectly that the flexibility is partly limited, in both what they work with and other constraints. As we have mentioned before, it is a freedom with responsibility.

When we analyze the fourth and final trait, which state that the culture should be able to change and adapt to new market opportunities or circumstances (Herbert, 1999), it seems like most of the startups and SMEs would be able to do so. Even though the startups and SMEs try to encourage a relatively strong culture, it is not as strong as it would hinder flexibility to adapt and change (Casson, 1994). However, because we were unable to conduct the interviews at the offices of the startups and SMEs, in which we would have gotten a better understanding by experiencing a glimpse of the culture ourselves, we cannot claim that this is true.

According to Herbert (1999), the industry that a corporation is a part of will help shape its cultural values. We can see these traces of this in all the startups and SMEs because, as mentioned before in the first paragraph in this chapter they all have similar cultures. The kind of culture Rise (2017) and Rogers and Paul (2018) claim is the common one in the software industry. In our opinion, the influence of the industry culture might be a bit stronger than the influence of the national culture of the countries the companies are located in. We know that some of them are located in what Rise (2017) defines as high trust countries, but as we do not have direct experience of the different cultures in all the countries in which our startups and SMEs are located, we cannot really analyze this factor. Also, because we have chosen not to observe parts of the macro external business environment, we will not analyze that further. As we started to discuss in the beginning of the first paragraph in this chapter, Rise (2017) mentions that having a culture based on old values repels innovative talents, this is also another reason why culture is important. The corporate culture of a company attracts certain kinds of people, the ultimate corporate resource (Rise, 2017). This turns out to be true in our cases as Alpha, Bravo and Charlie mention that their culture is one of the things that attracts talents to their startups/SMEs (see Section 5.3.3 Talent acquisition).

According to Herbert's (1999) study, even though most companies do not quantify the effects of corporate culture, the majority feel that it has contributed a great deal to their success and growth. This is also something our startups and SMEs seem to agree with as they themselves express that they thought culture was very important. Even Delta that feels like they do not really have a culture still believe culture is important because it determines how they work together. Furthermore, we believe that the culture is a contributing factor to growth as it lays the foundation for all work within the company, i.e., the fit, the tasks and the way all interact with each other inside and outside the company.

5.2.4. Human Resources

Rogers and Paul (2018) claim that in most startups human resources function is often represented by one person in an entire team where the person may only work part time. Our empirical data supports this statement, the startups and SMEs mainly have one or at most two people representing human resources, while still having other work commitments. Human resources is an important part of any company. Pfeffer (2005) argue that how a company manages their employees is a more important factor than technology or strategic position, which the company has, because employees are the company's most important resource. Aktouf et al. (2005) agrees with this statement, as they argue against Porters' (1985) strategic framework for not considering the importance of employees.

According to Pfeffer (2005), how a company manages their employees affects growth and success of the company, when a company see its employees as a source of strategic advantage, it can create competitive advantage (Aktouf et al., 2005). This is something that all our startups and SMEs agree on (see Section 5.3.2 Competitors). The empirical data shows the importance of the employee's skills and talents to all the startups and SME, Bravo state that having one of the employees quit is one of the worst things that can happen as they are so dependent on them. All cases are depended on their employees for competitive advantage (see Section 5.3.2 Competitors).

Because of their importance to the company, the startups and SMEs have different strategies to support their employees. These strategies enable them to stay and work for the company (Pfeffer, 2005). Although at the same time, all cases claim that they do not have any official human resource strategy, they simply offer benefits. Freedom and flexibility within work and assignments are some of the cultures that Bravo and Alpha are practicing. They focus more on deliverables. This practice agrees with Bosma et al.'s (2004) statement that there is a necessity to invest in employees. Alpha and Bravo state that they try to offer interesting assignment that makes the employees and business grow. The culture is another factor that all, except Delta, believe is the biggest reason they keep their employees (see Section 5.2.3 Corporate culture). Alpha and Bravo believe that it is the feeling of everyone working together as a team. It is a culture that everyone gets a say in things, and it is the culture that "*gets someone hooked*".

Another strategy that Delta, Charlie and Echo practice is to give competitive salaries, especially for Echo considering the company is located in a country where a general cost of living is lower than other case companies. On top of that, they offer a good work-life balance for employees. Also, in Bravo, there is a high chance of a good bonus at times. Delta believe that as a startup, they do not always have other means of reward. This goes against some of our theoretical foundation. Bergmann (2016) state that startups lack resources compared to larger enterprises, therefore salaries that they can offer are usually not that high in startups. However, employees are willing to trade-off the salary benefit for a better culture and freedom. Maybe Delta, Charlie and Echo are able to offer high salaries because they started the companies while they were working in for other companies. When they were ready to start working full time for their companies, the startup stable enough to offer good salaries (see Section 5.1.1 Growth). Delta, Bravo and Charlie also give their employees stock options. Delta and Bravo believe that any startup should actually give all employees, not only the ones in the management, the possibility to feel that they are co-owners of the product or of the company. This thought is backed up by Pfeffer (2005) who state that when employees have an ownership, there is less conflict. We also believe that it makes employees more dedicated to make the company successful, since they are also working towards their own success. Another extra benefit that stock option offers to the company is that it gives extra capital to the company (Pfeffer, 2005).

Since human resource practice is what makes the employees stay with the company, it is important for the startups and SMEs to fulfill them. If they do not live up to any of the key aspects mentioned above, they will lose talents since those talented employees will leave the startups and SMEs (Rogers & Paul, 2018; Hughes & Rog, 2008) (see Section 5.3.3 Talent acquisition). The empirical data shows that the startups and SMEs have similar ideas to maintain employees. We suggest that our cases share a similar belief regarding human resources policy because their corporate cultures are quite similar and because it is a general practice in the software industry (see Section 5.2.3 Corporate culture). Corporate culture and human resource as closely connected to each other. Another factor that we think could influence a similar human resource practice among our cases is an influence from their geographical location (Porter, 1998). It could be one of the reasons why Bravo and Alpha have many similarities in their way of human resources, or it might be because they are both SMEs.

5.2.5. Physical Resources & Technological Capabilities

The startups and SMEs state that they do not have any important physical resources as they are just software companies. All of them stat that computers were the only essential physical resource. Alpha and Bravo mention their office as a good physical resource because it helps them build a brand identity. All of them, however, refer to their employees (see Section 5.2.4 Human resources) and their knowledge, or their technological capacity (Gibe & Kalling, 2019) as the most important resource of the startup and SME.

According to Coleman and O'Connor (2008), software startups are unique because they are the ones who have built and designed the software product, this giving them a unique understanding of the product, its limitations and possibilities. The empirical data shows that the startups and SMEs have unique technological capabilities connected to the software they develop, which are of most importance. It is also a part of their competitive advantage (Coleman & O'Connor 2008; Porter, 1980;1996) (see Section 5.3.2 Competitors). As all the startups and SMEs are specialized, it makes sense that they would also name their strong knowledge about their respective industries as one of their technological capacities (see Section 5.1 Strategic management). IT capabilities as found in their own software system and knowledge about their respective industries are their main technological capabilities. These capabilities and knowledge are, however, completely dependent on their employees and their talents. We believe based on the empirical data and theoretical framework that employees are one of the most important resources. Therefore, it is important to maintain and develop employee capabilities (see Section 5.2.4 Human resources & Section 5.3.3 Talent acquisition).

According to Sutton (2000), newly created companies, as software startups, usually have limited or lack of resources that are affecting their strategy and they need to prioritize and trade-off (see Section 5.1 Strategic management). The empirical data supports this statement for all the startups and SMEs. Sutton (2000) claim that because of this, startups might need help from a third party. Unterkalmsteiner et al. (2016) suggest collaboration with other organizations in order to get access to their resources as well access to internal and external networks. All the startups except from Bravo have gotten help from other organizations that help and promote startups or other organizations that had/have resources that could benefit them. For example, Alpha with the creation of their product, Charlie and Delta with sales and marketing and Echo that collaborated with freelancers. However, in general they did not and do not have many collaborations with others as they mostly try to do things themselves.

When it comes to the current capabilities of the startups and SMEs we have researched, all of the startups and SMEs, except for Bravo, would be able to take on more customers than they currently have, with their current capabilities or easily adapt for it. In Delta's opinion, a startup should never be limited and say no to growth. This is an idea that is supported by Beverly (2017) who claim that slow growth can lead to failure. This shows a pretty good strategic fit for the startups and SME as they have the internal capacity to seize external opportunities when they arise (Porter, 1996; Venkatraman, & Camillus, 1984) According to Porter (1996), Rivkin (2000) and Siggelkow (2002), strategic fit drives both competitive advantage and sustainability for a company. Therefore,

for the startups and SMEs to have the capabilities to have more customers, they are in a beneficial position strategically, for both growth and scalability (see Section 5.1 Strategic Management). According to Beverly (2017) one of the reasons why software startups fail to grow can be because their lack of resources to sustain growth. If they do not have the capacity for more sales or to deliver on the deals they have, this can lead to decrease in sales with customers not being happy. But as all the startups and SMEs have the capability, except for Bravo, while they are focusing on sales, there is a small risk for this to happen, as they seem to be aware of this possibility.

We believe it is about having an understanding for internal fit and being able to adapt it to fit changes in the external environment, even if it means to be able to scale down as well as up in order to survive a market turmoil. When it comes to Bravo's capabilities for more customers, they neither have the capability or seem not to currently strive for it. They have so many potential customers that they would need to scale their business model, take in more employees etc. Another reason for growth failure, according to Beverly (2017) can be growing too fast by being overloaded, to many meetings and to many projects going on at once, can lead to a negative impact on quality and focus, which would potentially lead to failure. In our opinion, this is something that Bravo is trying to avoid by focusing on developing their product for the future instead of trying to sell to more customers, when they do not currently have the capacity to support such growth. Which makes focusing on product development a currently good move until they decide to scale, and it prepares Bravo for potential growth. However, scalability and growth does not seem to be something Bravo aspire to do right now as they want to focus on creating and developing their product, so it is a temporary trade-off at the moment.

5.3 EXTERNAL ENVIRONMENT- BUSINESS ENVIRONMENT

5.3.1 Customers

Customer Selection & Segmentation

Our empirical data shows that Alpha, Charlie, Bravo, Delta, and Echo have a well-developed understanding of the marketplace in which they exist. They have also done some different kinds of market research, which is an essential action according to Kotler and Armstrong (2013) to understand the marketplace. This increases a likelihood of targeted customers buying the products, because the startups and SMEs understand the "wants" of their customers. This action increases a potential of startups and SMEs to serve the target customers (Kotler & Armstrong, 2013; Giardino et al., 2014). We believe, as suggested in Yunfei et al. (2014), that customer involvement has an impact on startup growth. However, the empirical data neither confirms nor denies this statement. We believe that customers may be one of the most important factors affecting growth. However, this is something we believe has to be researched more.

We can see that all the software startups and SMEs had some idea of their value proposition, what they want to bring to the market. We believe that the empirical data shows how all the founders had some idea of what they want to bring to the marketplace, as they all had a vision and mission (see Section 5.2.1 Value system) (Kotler & Armstrong, 2013; Aithal, 2016; Campbell & Alexander, 1997). However, the empirical data neither confirm nor denies that there is a connection between the value proposition having the ability to attract customers (Wang et al.,2016; Mauray, 2016). We believe it would be interesting to see if a well-developed value proposition leads to more growth as Mauray (2016) claims. We also believe that the value proposition could change during the growth journey as it adapts to the company's real capabilities and the market, with time it also becomes easier to understand themselves and what value they bring to the market. We would suggest as Alpha mentions that the value proposition becomes more important later in the growth journey for software startups and SMEs, as it becomes an even more important guideline during scalability, so the company can keep their value.

When considering how the different startups and SMEs chose to segment their market, it is clear that Bravo and Echo have a well-developed understanding of its customer segments, in particular Bravo. Although Charlie, Delta and Alpha employ a similar approach in the process of defining its customer segments, when it comes to an understanding, it is harder because their segments are much broader due to the nature of their products. We believe that because of their products work for many different industries, they also yield them a much broader customer segment. It is important to note that we believe that a customer segment is potentially more connected to the product. We believe that Kotler and Armstrong (2013) and Giardino et al. (2014) are correct in saying that the more defined a company customer segment is, the better. This is because it helps the startups and SMEs to identify new business opportunities as well as adapt to their customer "needs". Furthermore, it is our belief that a clear segmentation in combination with the startups knowing how to serve its target customers and a clear understanding of the startup's value position are essential for growth (Kotler and Armstrong 2013) (See Section 5.1 Strategic management).

This might be one of the reasons why Bravo has the ability to fairly easily attract customers, compared to the other startups and SMEs. Bravo has a high problem solution fit for its customers as suggested by Giardino et al. (2014), but they also know their customers just as Echo does. One reason Bravo wins deals can be because they do have a more well-defined customer segment than the others, which makes it easier to target customers.

Another thing that can make it easier to understand and find a company's customer segment is, according to Mauray (2016), to first know the company's value proposition. In other words, companies need to know their competitive advantages (see Section 5.3.2 Competitors). Because if they know their own value propositions, it makes it easier to understand which customers to target and which potential customers that might see value in the product (Mauray, 2016).

Many researchers (Wang et al., 2016; Kotler & Armstrong, 2013; Aithal, 2016; Campbell & Alexander, 1997) agree that having a well-developed value proposition is important as it affects the entire startup or SME (see Section 5.3.2 Competitors). It is not enough for companies just to understand their own value propositions. Companies must be able to communicate the ideas, the values that their product present for potential customers, as well as an understanding regarding what customers "need" and "want" in order to have a strong potential to attract users and customers (Wang et al. 2016). By knowing their value position, companies have an ability to sell the idea, raise interests from users and customers (Wang et al. 2016). As we can see in Section *5.3.2. Competitors*, the empirical data shows that all the startups and SMEs know their value proposition to some extent. Based on the theory, we believe that this knowledge has a positive impact on customers acquisition, which contributes to growth.

Giardino et al.'s (2014) strategy of how to create growth, by starting at a regional level and then expand into other regions, is applied by Alpha and Bravo. Charlie, Delta and Echo focus on a global market straight away, which is an approach promoted by Tanev (2012), Zijdemans et.al (2015), and Bailetti (2012). Specifically, Tanev (2012) argue that software startups that are active on a global market will grow faster. However, considering our empirical data, other factors may be more crucial for a company's strategy whether to start at an international level or a regional level. Factors such as a potential number of customers, a lack of competition, and a fact that the product is more in demand in a particular region rather than at an international level, play a role in determining their strategy. The empiric data does not, however, show that choosing an international or a regional marketplace is a driver for growth. The empiric data shows that the founders are aware of the international market, which we believe it shows that there might have been a strategic decision to focus at a particular level based on the market research. Unfortunately, empirical data is unable to demonstrate this. Our empirical data shows that Bravo is the only one that is currently strategically focused on operating within a region. Alpha and Delta seem too look more into the geographical areas when it comes to the international market compared to Charlie. This type of approach is supported by Rostek and Skala (2018). Bravo is, however, now looking for a possible expansion to other regions and potentially at an international level to grow more. They are well aware that it would mean a need for more employees and many other changes. That is why they have chosen to develop their products more first (see Section 5.1 strategic management).

Marketing Management Orientations

This study supports Kotler and Armstrong (2013) that creating products that are affordable and making such products available to the market are important for achieving growth. Alpha describe how it tries to build a software that is widely available, like Facebook, to achieve growth. As we can see in the empirical data, Bravo has a strategic thought by building affordable products, considering their customers are part of the public sector. From what we can analyze, without revealing too much of the case company identities, we are convinced that all companies have pretty attractive products for the current market. This makes sense as they are problem/solution products (see Section 5.1 Strategic management). However, we have noticed that Bravo's software products are one of the most attractive, and highly sought- after. This is because it is one of the few that makes this product for this particular industry in the public sector. On top of that, it also offers affordable prices (see Section 5.3.2 Competitors), which are very attractive in the public sector. Therefore, there are plenty of others in that industry who are very interested in their product. It can be concluded that Bravo has a lot of potential customers.

Even though we have not looked at the price of the software products, the startups and SMEs have, in this study, expressed a possibility to adapt their products to the needs of the customers. Therefore, we can assume that depending on the amount of work and maintenance of the software the customer "wants", the price can also be adapted, even if there is a fixed minimum in order for them to get a profit.

According to Kotler and Armstrong's (2013) theory about the product concepts, that the customer will favor a high performance and quality product with new thinking features, is something that this study can confirm as an important factor. Unterkalmsteiner et al. (2016) claim that software startups are new business ventures that want to deliver a new product to the market, a problem-solving tool that the founders have seen a potential for. Which have also been confirmed to be the case for the startups and SMEs in this research (see Section 5.1 Strategic management). Therefore, the idea of continuous improvement of their products and services as the current recommended strategic approach might be a good idea in order to stay relevant on the market place and achieve growth (Wangenheim et al., 2006), and to maintain their competitive advantage as differentiation provides (see Section 5.1 Strategic management & Section 5.3.2 Competitors). Bravo seems mainly to focus on this concept for their market strategy. We can see how Alpha and Charlie have a clear strategy for how to build more features to attract and maintain customers.

The empirical data supports that the selling concept described by Kotler and Armstrong (2013) seems to be a crucial part of Alpha, Charlie, Delta, and Echo's strategy (see 5.1 Strategic management). Wang et al. (2016) and Gillbert and Davies (2011) agree that selling is an important part of a software startups customer acquisition strategy. As mentioned by Delta and Echo, they acknowledge that they were a bit slow in the beginning with putting an effort into selling the product, in a way that such delay might have affected their growth. This is a confirmation that selling is an important strategy. Alpha, Delta, and Charlie argue in a similar fashion that selling and being able to scale sales are important parts of their strategy to achieve growth. In the light of Bravo's strategy, which is not focused on selling, the strategy chosen by Bravo supports Kotler

and Armstrong's (2013) statement that there are several concepts for startups and SMEs to pursue their marketing strategy. In Bravo's case, they have no current desire to get more customers and therefore do not focus on selling (see Section 5.1 Strategic management).

As we can see from the analysis so far, the concept of marketing (Kotler and Armstrong, 2013), knowing the "needs" and "wants" of potential customers, is crucial to achieve growth (Bosch et al., 2013; Bajwa et al., 2016). We have shown that the startups and SMEs are aware of it. As we have discussed in Section *5.3.1 Customers*, they know their customers and they are willing to adapt to their "needs" and "wants". Furthermore, all the startups and SMEs in this study seem to work on continuous improvements of the product to stay relevant in the marketplace (Kotler & Armstrong, 2013) (see Section 5.1 Strategic management). However, this study does not measure customers satisfaction, which could be a factor that affects growth as suggested by Kotler and Armstrong (2013). We cannot draw any conclusion based on the empiric data that one or several of the startups and SMEs in this research would be better at understanding the "needs" and "wants" of its customers.

Mentioned in the paragraphs above, all the startups and SMEs in this research seem to have, at least, a basic understanding of its customers *"*wants*"* (Kotler & Armstrong 2013). We could potentially say that Bravo seems very accurate when it comes to an understanding of the "wants" of its customers. Furthermore, we believe that "wants" is a way to describe future "needs" of the customer. If a startup can maintain its accuracy of understanding customers "wants", it is our belief that it will have a positive impact on growth (Bosch et al. 2013).

5.3.2 Competitors

The software market is a relatively young industry in a time where technology moves quickly (Eisenhardt & Brown, 1998). We believe that changes constantly occur in this industry and that they affect every software startup's daily life (Bajwa et al., 2017). New technology, solutions and competitors come from many other industries as software is becoming more or less a fundamental part of every business (Bajwa et al., 2017). An example is how Amazon, traditionally a non-software company, shocked major software companies, such a Microsoft, by becoming the leading cloud service provider (Amazon 2020).

We agree that there is no single perfect competitive strategy (Rasmussen & Tanev, 2015; Kotler & Armstrong, 2013), it all depends on the market, whether it is local or global. That is why we believe that all our software startups and SMEs have chosen to compete in many different ways. We believe that our empirical data supports this by showing that the software startups and SMEs seem to adjust their strategy to the marketplace as they all claim that they have good flexibility to adapt to the changes in the market (see Section 5.2.5 Physical resources & technological capabilities).

As mentioned in Section *5.3.1 Customers*, all the startups and SMEs have done some kind of market research to better understand their marketplaces, their competition and their potential competitive advantages (Kotler & Armstrong, 2013). The empiric data shows that all the startups and SMEs focus on delivering higher customer values than its competitors. This idea is promoted by Kotler and Armstrong (2013) as they believe that providing greater customer value and satisfaction leads to success. Delta, for example, claim that providing good products to clients is their main focus.

As has been stated by many authors (Giardino et al., 2014; Crowne, 2002; Berg et al., 2018), that 90 percent startups fail because of internal factors. However, the ten percent of startups that fail because of competition is because they have not been successful when assessing the competitive environment, where they have to compete with already established competitors, e.g. big companies, other startup companies. They have a hard time competing with already established companies. These established companies typically have access to more resources than startups (Bajwa et al., 2017). This is a fear that Delta and Echo share, Delta is, among other strategies, using partnerships as a possible solution to become more competitive. They believe that in order to compete, they must raise more funding or be a part of a larger enterprise. Echo believe that they need to keep up with the industry to stay competitive. In short, they are making strategic choices to try to gain and strengthen their competitive advantages to achieve growth. For software startups, the problem is that they are facing an intense time-pressure from the market and therefore it is important to find some kind of competitive advantages towards other competitors (Eisenhardt & Brown, 1998).

Competitive advantage software startups

According to Porter (1996) “Strategy is the creation of a unique and valuable position, involving a different set of activities” (p.1). An in order to create a unique and valuable position, a company need to perform activities differently or perform different activities than rivals (Porter, 1985). In other words, competitive advantage.

We have mentioned competitive advantage in some chapters before, but here we are going to look at it more closely. According to Porter (1980;1996) a company can only outperform rivals if they can establish a difference from its rivals, something that separates the company from its competitors. As all of our startups and SMEs have differentiation as their generic strategies, we can say with certainty that they all have thought about how to be different from others. Then comes the question, just because they are different from others it does not mean that it is a competitive advantage. However, in the case of our startups and SMEs it is, as their software is developed as a solution to a problem in one or more industries, as not many similar solutions exist this gives them a competitive advantage. Another advantage that they all mentioned was understanding the industry for which the software was created for. The "wants" and “needs” of the customers (see Section 5.3.1 Customers), and as Bravo and Echo are prioritizing production development, they are working towards keeping this advantage. But in order to have these advantages they need competent and talented employees, which is why the startups and SMEs feel that their most

important resource is their employees as they make the other competent advantages possible (see Section 5.2.4 Human resource & Section 5.2.5 Physical resources & technological capabilities).

Section *5.3.1 Customers* shows how the software startups and SMEs had a basic understanding of their value proposition. We believe that the empirical data also suggest some support for Porter (1985) statement, that a value proposition can contribute to a competitive advantage. As value proposition is a promise of value from the company and the customers correspondent trust in that value. When the company understands their value proposition and what value they offer the customers, it can generate competitive advantage as providing the company with means and understanding how to outperform their competitors. We therefore suggest that, when a company can understand the “needs” and "wants" of its customers, and have a value proposition that is closely connected them, it will create a competitive advantage. If a company can make sure that its value proposition stays relevant towards the customer, it will have a very valuable competitive advantage, that will be hard for competitors to imitate.

Except for these competitive advantages that we have mentioned, other things have also been mentioned when we asked about competitive advantage. Bravo claim that they have good delivering time and have a relative low cost. Charlie also mentioned that being fast in delivery is one of their main competitive advantages. Apart from what we have mentioned above we could not see any significant difference in the strategic choice regarding competitive advantages for the software startups and SMEs in our research, there might be other factors affecting the growth in regard to competitive advantage that are not being researched in this study.

5.3.3 Talent Acquisition

Many authors, such as Porter (1998), Bergmann (2016) and Venkataraman (1990), discuss the need and the benefits of having talented employees to be able to compete in a competitive environment. This research promotes the idea that having talented employees is a competitive advantage and that they are a valuable resource (see Section 5.3.2 Competitors, Sector 2.2.4 Human resources, & Section 5.2.5 Physical resources & capabilities). This seems to be a strategy that the startups and SMEs in this research agree with. It is an essential part of their growth strategy. Talented employees can be a crucial factor in gaining and keeping customers (see Section 5.3.2 Competitors). Cardenas-Navia and Fitzgerald (2019) also discuss a current gap between supply and demand when it comes to recruiting talents with digital skills. Furthermore, talented employees support the company’s growth journey, especially for startups as they will need more employees when they scale (Rasmussen & Tanev, 2015; Stahl et al., 2012). Yli-Renko et al. (2001) agrees with this statement and claim when startups or SMEs have the ability to attract talent, they will be more likely to achieve growth.

As we have already discussed in Section *5.2.4 Human resources*, it is important to keep talents as they give the startup or SME a competitive advantage, especially with this gap in mind. If a software startup cannot attract talent, the startups will fail. The empirical data supports this statement, as the interviews from the startups and SMEs described how losing talented employees is among the worst that can happen to their companies. The employee’s knowledge and talent are

among their company's most important resources (see Section 5.2.5 Physical resources & technological capabilities). Yli-Renko et al. (2001) also suggest that having talented employees is critical to understand potential learnings from customers, as talented employees can have it easier to see and understand the "wants" and "needs" of the customers and then act on it (see Section 5.3.2 Customers). Therefore, it makes sense that the startups and SMEs try to hire for the long run and with growth in mind. In the interviewees we can see how Delta state that: "*you hire them for the long run, because every person that's hired needs a bit of time before they actually carry their own salary*".

Talent acquisition seems to be an essential part of all the software startups and SMEs strategy to achieve growth with the exception of Echo. The empirical data shows how Echo does not seem to have a strategy to attract talents. We believe that there are many reasons behind their lack of interest in attracting talents. The first reason being the Echo already has an exit strategy in place. It wants to be bought by a larger cooperation, and it has already achieved that goal. The second being that the talents which the founders had was enough to achieve this goal. Therefore, we believe Echo made a strategic choice not to focus on attracting talents to achieve growth. Rather it focuses on other strategies. It only hires talents for a short-term project when there is a need.

Miles and Snow (1984), and Stahl et al., (2012) claim that when the human resources department or the recruiter has a well-developed understanding of a company's strategy, it is more likely for the talent to be compatible with the startup's future needs as it is being considered at the recruiting process. This is backed up by Hughes and Rog (2008) who claim that having a strategic approach to human resources management increases chances to attract talent. As we have concluded in section *5.2.6 Human resources,* it is more likely to be only one person that is in charge of human resources in startups and sometimes only part time. We believe that the number of human resources employees is irrelevant in comparison to the knowledge and understanding of the individual in charge of recruiting new talent. This is also backed up by Miles and Snow (1984) as well as our empirical data. All the startups and SME alike, claimed that they always hired based on their future goals and growth as well as the present in mind. We can see some evidence of this in the empirical data, the startups and SME have goals when hiring. The goals can be a desire to hire "talented" people or that they have knowledge of IT or other parts of the business that startups or SMEs need to achieve growth. However, the most critical factor seems to be fit, if the new person would fit with the rest of the employees and the startups and SMEs culture. The strategic choice the startups and SMEs make over talent is if the new potential employee would fit into their culture and team, and how the new employee would potentially affect the current employees, their work and the culture (see Section 5.1 strategic management & Section 5.2.3 corporate culture). Charlie directly talked about how they could understand that some startups and SMEs trade-off talent for fit in order to achieve this (Porter, 1996) and Bravo lets everyone have a say in the hiring to be certain that the new person will be a good fit and not destroy the team. Even Echo agrees with the importance of fit even if they do not consider growth.

The empirical data shows how the startups and SMEs see the factors that attract talents to the company are the same factors that make the employees stay. This observation is support by Hughes and Rog (2008). The startups and SMEs refer to the stock option, good pay and/or especially the culture when they talk about what attracts talent (see Section 5.2.4 Human resources). According to Rise (2017), every culture attracts certain kind of people. Old-fashioned culture tends to repel innovative young talents, which is why many new industries try to have an open, informal and flexible culture, especially software startups. This is something all our startups and SMEs have confirmed to have (see Section 5.2.3 Corporate culture). Which is why we feel that the startups and SMEs should not have any problems in attracting talents and maintain them as long as they live up to their promises, if not they will lose talents (Rogers & Paul, 2018; Hughes & Rog, 2008) (see 5.2.5 Human resources). This is supported by the empirical data in our study. the data suggest how the startups and SMEs describe their culture and try to encourage it (Hughes & Rog, 2008) (see 5.2.3 Corporate culture).

Rogers and Paul (2018) believe that talented employees need to see and believe in the startups missions, visions and values, as well as being aware that they play a critical role in influencing them and the daily business operations (see Section 5.2.1 Value system). Bergmann (2016) argue that one way to attract talents is to have a great story, telling why a startup exists can help prospective talents to better understand and relate to ideas and purposes of the startup or SME. Therefore, as mentioned above, it is good for companies to truly understand their businesses. and what their businesses stand for so they can promote it to others. This would make it easier to attract talents. As the empirical data shows that the startups and SMEs all understand themselves, i.e., what they want. They are using this in the recruitment process, even if they are not aware of the fact that they use this method.

When it comes to finding the right talents, even though some of them do not have any big plans of recruiting right now, they have their methods for hiring. Delta seems to be more for hiring people on half-time or as interns, it is an easy way to get more hands-on deck without hiring someone who needs a full-time salary. For most of the cases, their recruitment methods are similar, e.g., current employee networks, friend networks, referrals, some digital channels. In the case of Alpha, recruitment through their own website, and sometimes headhunters are the key resources to find talents. These methods are used when the startups or SMEs themselves are looking, but they express that talents also come to them. We believe, as discussed earlier that talent place an instrumental role in the growth journey of software startups, and can affect many of the other factors discussed in this research.

6. CONCLUSION

This chapter will initially present this study's conclusions from the discussion chapter in response to the study's purpose and issues. As well as contributions to the academic research and the business community. These are followed by suggestions for further research. We will lastly reflect on our research and factors that could have had an impact on our result.

Going back to the purpose with our research, to investigate how does strategic management choices in the internal and external environment affect the growth journey for software startups, we no look at the conclusions we have drawn from our analysis. It is our belief that, as mentioned earlier in this research, the environment in which software startups exist is complex, rapidly changing and has many moving parts. Therefore, it is important for software startups to be able to adapt the internal organization to the external environment. This is one of the things that makes them able to grow.

From our analysis we draw the conclusion that the internal organization is not as important in the very beginning of the software startup growth journey as the external environment. Our conclusion is that in order to go from the startup stage to the stabilization stage in the growth journey (Crown, 2002). The most important factors to consider are, (1) customers, (2) competitive advantage and (3) culture. These factors in combination with a company's adaptability and flexibility to meet customer's specific demands. Not to mention having talented employees. This are trades that we saw in all the software startups and the SME, however when it comes to the foundation for growth from a startup to an SME.

Customers are the most important factor that affects growth for software startups. It is also essential to have a product with a competitive advantage, to be able to pass the first startup stage in the growth journey, to achieve scalability and to reach the stabilization stage (Crown, 2002). This research shows how important it is to understand the customer and the software startups competitive advantage. As we have been studying the environment around the IT artefact rather than the IT artefact itself in relation to a software startups growth journey, we still like to point out that the IT artefact or product itself also affect the growth journey. How attractive it is and how competitive it is on the market. However, it is the employees that contributes to the product/IT artefact, they play just as an important role as the product, as they affect the product, to getting customers and competitive advantage.

As we can see in the analysis, all the startups and SMEs employ a similar generic strategy of product differentiation (Porter, 1985). This means that the startups and SMEs rely on being different to its competitors to achieve growth, it is clear that the differentiation strategy gives them a competitive advantage together with the knowledge of their employees. This allows the software startup and SMEs to be able to compete with already established competitors.

We believe that our research shows the importance of customers and competitive advantage in the beginning of a software startups growth journey. However, we can also see that one internal factor is almost as important as the two external factors. That internal factor is corporate culture. We believe that this research shows that culture is one of the most important internal factors that influences growth strategies of a software startup. Culture is one of the main factors as it sets the foundation for the internal organization. It also affects the other internal factors and how the software startups adapt to the external environment. It is clear that all the founders thought that culture is an essential part of growth. Based on our empirical data and comparison, we believe that culture is one of the main factors that attracts and makes talented employees stay. The culture makes the employees work towards growth and supports the maintenance of a software startup competitive advantage according to the empirical data and the comparative analysis, which is why we draw this conclusion.

Furthermore, the culture and the talents it attracts, helps the startups to understand their customers. If a software startup starts with a beneficial culture, it makes it easier to form and establish the other internal factors within a software startup. Therefore, culture promotes growth and scalability. It is our belief that if a software startup has a culture that retains employees and attracts talent and can understand the "needs" and "wants" of its customers and has the ability to deliver its promised value, will grow.

However, we believe that achieving both a beneficial culture and an understanding of the customers is not easy. Software startups do not only exist in a complex environment, the environment is changing in such a high speed that being able to predict customers "needs" and respond to customers' future "wants" are not only a necessity, they are the absolute requirements for survival. From what we have been able to see, the employees are the key element which influences all the internal and external factors. Talented employees support the creation of competitive advantage, they affect the culture, and the startups/SMEs ability to understand its customers.

It is clear that Aktouf et al. (2005) are correct in claiming that the employees are an important factor that needs to be considered in the company growth strategy. In our opinion the startups and SMEs are more or less in the stabilization stage in their growth journey. As they are moving toward the "growth" stage in order to reach the maturity stage (Crown, 2002), the internal organization factors become more important in this stage in the growth journey. In order to be able to grow and to attract more customers, scalability becomes important. To achieve scalability, many internal factors, such as structure, resources and value system, become a more essential part of the software startup growth strategy. Bravo is an example of this, as today the SME has mainly development people and almost no businesspeople. The company has not established a clear structure for its internal organization, except for the culture. This will make it hard for Bravo to scale and grow. They have reached a milestone where they need to evaluate these factors in order to achieve growth. Alpha, on the other hand, has observed the internal factors, and are aware of how essential scalability is to achieve growth.

Looking at the analysis, we have not been able to see many significant differences between startups and SMEs when it comes to internal and external factors, at least not with the ones we have studied. The differences this research shows between software startups and SMEs, we believe may have to do with geographical differences. There is however one difference we have been able to identify, and that is, as mentioned above, the complexity and the necessity for scalability that the SMEs require in order to grow. We can, in this research, see that all the software startups are aware of the importance of scalability and how it offers growth potential in their strategy.

Even though all the software startups and SMEs exerted a differentiation strategy on product differentiation, there are significant differences in their strategic decisions. The most essential trade-off and strategic decisions that all the companies have in common is to focus on either product development or sales. Though we cannot comment on how strategical wise these trade-offs are for other companies when taking growth into consideration because of the uniqueness of all circumstances for the researched startups and SMEs. All companies must make trade-offs base on their own strategies and circumstances. Our position has been supported by Kotler and Armstrong (2013), who mention that there is no perfect strategy. Software startups need to understand their environment and see how the changes are about to come, so that they are in a position to adjust their growth strategy to sustain fit. These actions are required to ensure their survival in the continuously changing environment in which they exist.

We believe that some other factors, apart from those already examined in this thesis, that may also influence the growth of a software startup. A hidden factor could be feelings and emotions that affect culture. Another hidden factor we believe may have a major impact on growth of software startups is timing. This means that when a startup is being born, the market is ready to adopt a new innovative solution. We would like to state that the limitations of this research have had some effect on the result.

6.1 SUGGESTIONS FOR FURTHER STUDIES

We believe that this thesis shows the need to better understand growth strategies for software startups. We believe it would be of much interest to the academic IS-field to better understand the growth strategies of software startups not to mention other potential software startups. Software startups are new companies that are innovative and has sometimes tremendous growth potential, therefore being an essential part of the IS-field. We believe a better understanding of software startups can generate knowledge and insights that can be applied in the whole IS-field. Therefore, we suggest a much more extensive study which considers the whole environment in which software startups exists and take timing into consideration. We furthermore would suggest researching how software startups can segment and cluster their potential customers, to be more accurate when selling software. We believe this topic to be instrumental for the success and growth of software startups. The IS-field lack knowledge about how software startups can cluster their customers, we believe this could bring value for not only managers but also to the academic field itself.

With a more extensive study, with more companies in different regions, both close and distant from clusters, researchers could study if the proximity to a cluster helps a software startup to grow or if it does not make any difference. Looking into the future, the idea of clusters becoming virtual is a possible scenario (Wieser, 2002). If clustering became virtual it would be possible for all startups around the globe to be a part of them. Therefore, research studying the potential of virtual clusters could potentially create a new area of knowledge within the IS field.

6.2 CONTRIBUTION TO RESEARCH

We believe that this thesis offers a basic and limited understanding of software startups growth strategies. The field has not been researched much before, and therefore, this research sheds some light on the subject. The findings in this research gives an idea of which important factors influence software startups growth strategies, however we are humble in saying that there is much research left to be conducted before there can be a clear path for which strategies software startups should choose considering growth.

As mentioned in Section *1.4 intended contribution*, we believe that our research addresses a new topic in the IS research, where there is a lack of knowledge (Thomas et al., 2019; Wallin et al., 2016; Giardino et al., 2014; Crowne, 2002). Furthermore, we believe that the research which we have conducted, is relevant for the IS field. Because, as mentioned by Benbasat and Zmud (2003) and Walsham (2002), the IS field is not only about the IT artefact, it is also important to understand the environment in which the IT artefact exists. We believe that this thesis offers some new valuable insights for which, we believe, new research can grow from and give some future ideas of which strategies and factors affect software startup growth. As software, being the IT artefact, is only one piece of the puzzle. For the puzzle to be complete, all different pieces, with different shapes and dimensions are required. We believe that this thesis is one new piece which can be added to the IS puzzle.

6.3 BUSINESS IMPLICATIONS

This thesis offers some ideas about which strategic choices are important when considering growth for software startups. We believe it highlights three important factors that has an impact on growth; customers, competition and culture. The research show how important differentiation can be in the early growth stages for software startups. If managers apply the findings from this research, we believe it will have an impact on growth. Furthermore, we believe these findings could be used by managers, not only in software startups to make better strategic choices considering growth.

As mentioned earlier, growth is complex, it is not just about having the best product, or having the highest sales. We believe this research therefore shows how important it is for managers to consider different factors, when wanting to achieve growth.

This thesis gives managers some idea on why having a beneficial culture is so important, we believe that managers who live by the values and culture which they desire to have within a company, will be much more successful. Culture does not only attract talent, it creates the possibility to have highly skilled employees, which can attract customers, and make it possible to achieve growth. We believe knowledge is *power*, the more talented employees a company has, the more *power* it will have. Power, which can be used to grow the company, compete, and being able to offer outstanding solutions to customers.

Managers who are aware of the rapidly changing environment, and can adjust, change and improve their growth strategy will be better equipped to reach their growth ambitions. We believe there is no perfect growth strategy, however those managers who accept this fact, will be better in adjusting their growth strategy, and by doing so achieving growth.

6.4 REFLECTION OF THE RESEARCH

We are satisfied with the result of this thesis, we believe that the subject we chose to study became much more complex than what we could have anticipated. This challenged us both as individuals and forced us to develop our academic skills in ways that we probably right now cannot imagine. Not to mention our way of cooperating in distances because of the COVID-19 pandemic and that we are residents in different cities.

We believe that our process was efficient and worked well to research the subject and find an answer to the research question. However, as mentioned earlier, we believe that the limitations for this research had a major impact on the conclusion. We believe that with more respondents, from different regions and companies in different sizes (startups, SMEs and enterprises), markets etc. The result may have been different compared to what our research shows. Not to mention that it might potentially increase the generalization of this study. However, given the limited time, and the complexity of this research we are happy with the result and conclusion being reached in this research.

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APPENDIX

The interview guide

Introduction

1. Do you wish to be anonymous?
2. Would it be possible to send you follow up questions by email or phone/skype call?

Contextual information

- Interviewer
- Date
- Place
- Person conducting interview
- What is the name of the company?
- How many employees does the company have?
- How long have you been in business?
- What kind of product/service does your company supply?

Strategy background (strategic management)

- What are the key aspects of your strategy for continuing growth?
    - What is the source of capital for your startup?
- What do you have to trade-off in order to do this?

Internal business

- *Factor One: Vision, Mission & Objective*
    - What is your vision? How was it created?
    - What is your mission? How did you create it?
    - What are your current objectives/ goals?
    - What were they before you became an SME?

- *Factor two: Structure, Culture & HR*
    - How is your company structured?
    - Why have you chosen to structure in this way?
    - Can you easily change or adapt the structure future needs?
    - Do you have a strategy for Human resources, how to keep and maintain employees?
    - How is the company's internal culture?
    - Is there a thought behind it, why it is as it is?

- *Factor Three: Resources & Capabilities*
    - Can you describe physical resources that are significant in your company?
    - What are your main areas of knowledge in your company?
    - Do you have the capability to supply more customers, do you have the resources?
    - Did you collaborate with other organizations in order to access resources?

External business

- Did you make some kind of research of the potential market for your product/service before you started the company? How?
- On what scale do you perform business? what regions/ countries/ industries?

- *Factor One: Customer*
  - Which are your customers?
  - Could your product work for others?
  - How do you attract new customers?

- *Factor One: Competition*
  - Are you aware of your competition? who are they?
  - What is your competitive advantage? /How are you different from your competition?
  - How do you intend to stay competitive in the future?

- *Factor Three: Talent Acquisition*
  - How do you attract talented employees?
  - What were/are your key goals when recruiting new people?
  - Are you considering future/ potential growth when you are recruiting new people? (In what way?)