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The startup journey from idea to first Proof of concept - customer

A multiple case study

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Startups resa från idé till första proof of concept kund

av

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Abstract

Startups within the tech field are increasingly using proof of concept (POC) customers as a partner when developing new products and services as this enables them to sell the product before building it, ensuring that the product they are developing is aligned with the market needs before making it available to a wider market. Because of the positive results that designing and developing new products together with users and customers have shown, the acquisition of POC customers has become a crucial step in the product development process for many startups. The purpose of this study is to understand how the process from business idea to first proof of concept customer evolves and in this process, what are important factors in acquiring the first proof of concept customer. The study is of qualitative nature and leverages a multiple case study based on interviews with eight Swedish tech startups. The findings from the research show that the process is of iterative nature and has seven sub-processes; Defining and scoping problem, Defining target market, Finding customers, Defining customer needs, Initial pitch, Persuasion, and finally, Negotiation and signature. Furthermore, five concepts influencing this process were found; Market understanding, Product understanding, Sales tactics, Customer management, and Entrepreneurial attitude.

Key-words

Entrepreneurship, Proof of concept, Customer acquisition, B2B, Startup, Sell first - Build later

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Sammanfattning

Startups som verkar inom techindustrin inkluderar allt oftare proof of concept (POC) kunder i utvecklingen av nya produkter och tjänster då det gör det möjligt att säkerställa att produkten är anpassad till marknadens behov. Då utveckling av nya produkter tillsammans med användare och kunder har visat sig vara effektivt och ha positiva resultat, har förvärvet av POC kunder blivit ett avgörande steg i produktutvecklingsprocessen för många startups. Syftet med denna studie är att förstå hur processen ser ut från affärsidé till signering av första proof of concept kunden, och i denna process även förstå vilka faktorer som är viktiga för att signera första proof of concept-kunden. Studien är av kvalitativ karaktär och använder fallstudier baserad på intervjuer med åtta svenska tech startups. Resultaten visar att processen är av iterativ natur och har sju delprocesser; Definiera problemet, Definiera målgrupp, Hitta kunder, Definiera kundbehov, Inledande pitch, Övertalning och slutligen, Förhandling och signatur. Vidare presenteras fem koncept som påverkar denna process; Marknadsförståelse, Produktförståelse, Säljtaktik, Kundhantering och Entreprenöriell attityd.

Nyckelord

Entreprenörskap, Produkt validering, Kundförvärv, B2B, Startup, Sälj först - bygg sen

Acronyms

SaaS Software as a Service
POC Proof of Concept
B2B Business-to-business
MVP Minimum viable product

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Contents

Chapter 1

Introduction

This chapter gives an introduction to the studied field and the problem statement. Further, the purpose and research questions are presented followed by a description of how this research contributes to the global goals.

1.1 Background

Entrepreneurs and entrepreneurship are a huge part of our economies. In Sweden alone, 12 % of the population aged between 18-34 are involved in running and owning a business (Statista n.d.[a]). The same figure within the remaining part of the working population reaches 7 % (ibid.). Entrepreneurs exist within all industries, however, the proportion operating within professional, scientific, and tech activities together with information and communication make up as much as 26 % of all entrepreneurs in Sweden (Holmquist and Halabisky 2020). As tech companies make up a significant portion of entrepreneurial ventures, there is no wonder that the tech industry has received researchers' magnifying glasses. Previous studies have explored tech companies in particular in regard to different perspectives and their differences from other industries. One such perspective is the customer, and many studies have been conducted to understand better what impact customer relationship management can have on business performance. Previous research has found that when high-tech manufacturers keep long-term relationships with customers through Customer Relationship Management, they can expect to further enhance customer value and create market competitiveness (Tsou and Huang 2018). Another study focusing on knowledge management and innovation in the high-tech industry found that market

knowledge and customer knowledge management mediate the relationship between market orientation and product innovation performance (Lin, Che, and Ting 2012). Further, it has been shown that the customer relationship exerts a positive effect on lean launch, which in turn exerts a positive effect on new product performance, implying that companies can have higher levels of lean launch execution toward new product performance when managing brand-customer relationship through cooperativeness and behavior monitoring (Kou, Lee, and Wei 2015).

Looking at product development and understanding customer needs, tech startups have to choose whether to involve customers in their product development process or not. The relationship and interplay between companies and their customers have also been highlighted in prior research. To match customer needs there are a variety of strategies ranging from market studies to customer involvement through for example joint product development. Either how it is absolutely necessary to understand the customers' needs (R. Cooper 1979). However, there are companies deciding not to involve customers due to a belief of they not contributing to more innovative products (ibid). On the other hand, research has shown that involving customers through the use of the lead user design methodology will contribute positively to the design outcome (Herstatt and von Hippel 1992). Another study found that the guerrilla tactic, meaning to identify and collaborate with respected practitioners who understand and appreciate the new practice and can become natural references for the majority of users, can be used to successfully cross the chasm, meaning transitioning from reaching the early adopters to the mainstream market (Borjesson, Martinsson, and Timmeras 2005). One study focusing on the process of getting the first reference customer for startups in the Thai software industry underlines the importance of customer relationships and that a customer reference can aid a startup in acquiring future customers (Ruokolainen and Igel 2004). Furthermore, not only does the study bring to attention that there is a need to find more tools for this process, but also that there is a need to further understand the process in order to help startups successfully commercialize their first products. Another study comes to a similar conclusion after investigating the construction of a market domain for startup technology. They conclude that customer references help in building credibility around the startup and its product (Ruokolainen and Mäkelä 2007). However, how a startup can succeed in initiating customer collaboration and getting customers involved even before a product has been developed is a subject that remains unexplored.

The findings indicate that there is a further need to understand the relationship between a startup and its customers and disclose the factors behind the phenomena. Further, it has been stated that there is room for further contributions to entrepreneurial process research (Davidsson and Gruenhagen 2021). While the customer relationship has been the subject of a variety of studies in prior research, little attention has been paid to the interplay between startups and their first customer. Within the tech industry, the first customer is often a proof of concept customer (POC). A POC customer agrees to implement a product or service in a real operational setting and by giving iterative feedback on how it can be improved to better fulfill customer requirements, they are involved in the early stages of product development (Vandermerwe 2004). A startup's relationship with a POC customers may look different than with standard paying customers. As stated there is a knowledge gap in previous research regarding the relationship between a startup and its customers. More specifically there is a research gap in understanding the challenges in the process of acquiring the first customer, especially POC customers.

1.2 Problem statement

Previous research presented in the background points out the value of understanding the customers' needs when developing a product. However, research on what challenges, and, enablers that help overcome those challenges when identifying customer needs in the early stages has been given limited attention. Startups within the tech field are increasingly using POC customers as a partner when developing new products and services as this enables them to sell the product before building it, ensuring that the product they are developing is aligned with the market needs before making it available to a wider market. Because of the positive results that designing and developing new products together with users and customers have shown, the acquisition of POC customers has become a crucial step in the product development process for many startups, as it helps them to validate the product-market fit and obtain early traction. However, signing a POC customer implies selling a product before it is developed. As presented in this chapter, the previous research on the dynamic between startups and POC customers is lacking, especially through the lens of selling first and building later. Given that the use of the POC strategy is increasing, this study aims to uncover that dynamic, more specifically, how to acquire the first POC

customer.

1.3 Purpose

This research provides insights to early-stage tech entrepreneurs on firstly, how to acquire and secondly, what challenges startups face when acquiring POC customers. As the research is limited to eight cases, it allows for more in-depth analysis and comparison of the factors involved in signing the first POC customer across different startups and industries. The research is performed from the entrepreneur's perspective, resulting in practical insights and lessons that can be applied to startups, particularly in the tech and B2B sectors. The findings of the research can help entrepreneurs identify and overcome challenges they may face in signing their first POC customer. Understanding the key factors involved in signing the first POC customer can help entrepreneurs make informed decisions and improve their chances of success. Overall, this research could provide valuable insights and lessons for both academic and entrepreneurial audiences and could help to advance the understanding of the startup journey and the factors involved in signing the first customers.

1.4 Research Questions

To fulfill the purpose of this research, the following research question will be answered:

How does the process from business idea to first proof of concept customer evolve?

In this process, what are important factors that enable a tech startup to acquire the first proof of concept customer?

1.5 Global Goals

This research contributes to the UN Global Goals as it is focusing on researching key success factors that enable entrepreneurs to build successful software startups. As the research is a multiple-case study based on a number of startups that all are part of different industries, the conclusions of this research may be applied to

startups within several industries and product natures, including those that have a positive impact on their communities. Further, this research is aligned with the UN Global Goal 8: Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all (Global Goals n.d.). More specifically, the research contributes to the sub-goal 8.2: Diversify, Innovate, and upgrade for economic productivity, as our research aims to contribute with insights on how to increase technological upgrading and innovation through the success of startups. The research also contributes to the sub-goal 8.3: Promote policies to support job creation and growing enterprises, as our research promotes development-oriented policies that support productive activities, entrepreneurship, creativity, and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises (ibid.).

1.6 Delimitation

One should note that each case represents a SaaS startup focusing on the B2B market and their journey from the creation of the company to signing their first POC customer. This could result in the factors identified only being applicable to startups and entrepreneurs operating within the same business model and market. Previous research has shown that the dynamic between company and customers is very different between startups operating in the B2B and B2C markets which makes the finding of this report limited to the B2B startups. Less findings have been done stating that there are significant differences between SaaS companies and other tech companies with different business models, implying that the findings of this research could benefit all kinds of tech startups. However, previous research has found that there are differences from different perspectives on the dynamic between customer and startup when comparing high-tech companies and other industries, implying that the findings of this research may be generally applicable within the tech market but not necessarily outside of this particular market.

1.7 Thesis Structure

Chapter 1

Introduction to the background, problem statement, and purpose of the research. The research questions are presented as well as the research delimitations and contributions to the global goals.

Chapter 2

Overview of the existing literature within the research area and presents the conceptual framework and instruments that the research will be based on.

Chapter 3

Describes the methodology that is used to answer the research question.

Chapter 4

Presents the results and findings from the data analysis.

Chapter 5

Discussion on the findings.

Chapter 6

Presents the conclusion based on the findings.

Chapter 2

Theoretical Background

In this chapter, a detailed description of the background of the studied knowledge domain and the previous related work is presented. First, different perspectives on entrepreneurship and startups are presented followed by startup and customer interactions. Further, previous research on product and business models and market validation are discussed. Lastly, the theoretical framework that this research will have as a foundation is presented.

2.1 Entrepreneurship

Entrepreneurship is a vital part of the global economy as it creates jobs, and products and gives back to the community, its importance can simply not be overlooked (Sułkowski and Chmielecki 2018; J. C. Carland, J. W. Carland, and Stewart 1996). Entrepreneurship has been defined as the process by which individuals pursue and exploit opportunities irrespective of the resources they currently control (Katz and Corbet 2019). Different definitions of what an entrepreneur and startup are have been studied in previous research and are further elaborated on in the following sections. Moreover, there are different ways of viewing entrepreneurship and how to build a new venture.

2.1.1 Entrepreneurs and startups

The definition of an entrepreneur is described in the Cambridge Dictionary as someone who sees a new opportunity and who attempts to make a profit by starting their own

business or by operating alone in the business world, especially when it involves taking risks (Cambridge Dictionary n.d.[a]). Further, entrepreneurs have been described as individuals with great ideas, who can take on the opportunity to create value that will benefit their community and meet the needs of people by designing new products and services in an efficient way (Sułkowski and Chmielecki 2018). The entrepreneurial spirit has been claimed to be reflected in creativity, the ability to spot opportunities, resilience, and a strong sense of vision (ibid.). A startup is defined by the Cambridge Dictionary as a small business that has just been started (Cambridge Dictionary n.d.[b]). The Lean Startup philosophy defines startup as the process of identifying and developing startup opportunities driven by the spirit of innovation and entrepreneurship where startup activities involve "developing new products or services under extremely uncertain conditions, highly integrated and uncertain management activities led by entrepreneurs" (Ries 2011). Another previous research has defined startup as "the practical activity of starting a business in an uncertain environment" (C. Wang et al. 2022). The same research states that entrepreneurs transform the unknown into the known and uncertainty into certainty, and establish reproducible and sustainable business models by gaining knowledge and insights through continuous exploration and iteration (ibid.).

2.1.2 Entrepreneurial companies lifecycle

An entrepreneurial company's typical life cycle can be represented by the stages: startup, transition, and scaling (Picken 2017a). Several hurdles within the transition phase have been identified as critical to enable the company to reach the scaling stage (Picken 2017b):

- Setting a direction and maintaining focus
- Positioning products/services in an expanded market
- Maintaining a customer/market focus
- Building an organization and management team
- Developing effective processes and infrastructures
- Building financial capability
- Developing and nurturing an organizational culture

- Managing risks and vulnerabilities

Previous research has shown that there is a positive correlation between new ventures' success and using methods (Pereira, Lopes, and Geciane 2018). This is aligned with other studies that have presented that tools are a critical element in supporting efforts on managing uncertainty and information asymmetry during sensemaking and strategizing efforts (Jarzabkowski and Kaplan 2015; Whittington 2007).

2.1.3 Agile

Startups most commonly operate in turbulent markets which require them to adapt and change their strategy, organization, and product decision on a constant basis. Previous studies have proposed that agile road mapping in combination with SCRUM can support strategic and operational management by continuous planning of small teams dealing with constant changes, better communication between stakeholders, better absorption of road mapping and its benefits by teams already proficient in agile approaches, and a better balance between plan and action in startups (Pontelo de Souza et al. 2022). Further, it has been shown that agile practices can promote entrepreneurial behaviors and skills in software development (Tolfo et al. 2018). An exploratory multiple-case study based on three digital platform startups shows that Lean Startup Approaches can be employed as agile methods to enable business model innovation in entrepreneurship (Ghezzi and Cavallo 2020).

2.1.4 The Lean Startup

A popular method used by entrepreneurs, mentors, and investors, as well as taught in business schools all around the world is the Lean Startup Method. New ventures use this method to translate their vision into business model hypotheses that can be tested by a series of minimal viable products (MVPs). By entering markets with MVPs and getting feedback, new ventures can fail quickly and adapt their offering and business model according to the insights they receive (Blank, Steve 2013; Ries 2011; Vogel 2017). The Lean Startup Method was introduced and launched in 2008 by Eric Ries and the method was quickly absorbed by high-tech startups in Silicon Valley (Gbadegeshin and Heinonen 2016) but has come to be adopted by established corporations, incubators, accelerators (Cohen and Hochberg 2014) and universities worldwide (Lutz et al. 2017).

In a multiple-case study based on four London-based, growth-oriented ventures, they found that the Lean Startup Method can be insufficient for new venture success if it is merely used to make product iterations. The research even proposed that it may have detrimental effects leading to venture failure or downscaling of growth ambitions. The study found that only when the Lean Startup Method is combined with prior market knowledge, ventures are able to interpret new market information which can lead to meaningful iterations and the development of strong problem–solution fit which in turn can enable them to attract external financing and move to the next stage in their growth journey (De Cock, Bruneel, and Bobelyn 2020). Research has also shown that even though innovative ideas that originate from startups are characterized by a higher degree of novelty and tend to provide a greater benefit for the customer, customers still tend to implement innovative ideas originating from suppliers (Homfeldt, Rese, and Simon 2019). Another research has studied the failure of the market-leading motorcycle manufacturer Harley-Davidson's inability to meet customer demand by following a path of crafting and executing a business plan based on goals and assumptions, with no customer discovery, validation, or iterative testing performed. The research proposes that the lean startup method could have averted the lack of customer response which led to a loss of USD 100 million in capital and eventual bankruptcy that Harley-Davidson's experienced (Clement 2019).

2.2 The team

2.2.1 The entrepreneur

Startups founded by entrepreneurs with prior entrepreneurial experience, regardless of whether it is successful or not, perform better than those founded by novice entrepreneurs (Paik 2014). Entrepreneurs without prior experience from VC financing perform better than entrepreneurs with prior entrepreneurial experience, suggesting that there might be an inadvertent cost of learning from having financing from VCs (ibid.). Entrepreneurs with prior startup experience that are in the process of raising venture capital, tend to value the VC firm's network and reputation more than the actual valuation (Falik, Lahti, and Keinonen 2016). On the other hand, inexperienced entrepreneurs attach more importance to valuation than entrepreneurs with prior startup experience, and in general, entrepreneurs are more concerned about valuation when the VC firm has less of a reputation (ibid.). Other research

has found that success breeds success and strengthens performance persistence as entrepreneurs with a successful track record are more likely to succeed than first-time entrepreneurs and those who have previously failed. Entrepreneurs with a successful track record exhibit persistence in selecting the right industry and timing which makes them more likely to outperform their industry peers (Gompers et al. 2010). Further, suppliers and customers that perceive the entrepreneur as skilled in terms of market timing are more likely to commit resources to the company (ibid.). Similar research aiming to understand the impact of previous experiences has focused on understanding how the pre-entrepreneurial career can affect business performance. Evidence is presented in research studying entrepreneurs in the electronics and software sectors that established their ventures mid-career, after a significant time working as an employee (S. Cooper 2006). The research suggests that secondary and tertiary education and workplace-based learning are complementary components in the development of a would-be entrepreneur as the entrepreneur can gain knowledge and develop skills and a network, which can contribute to establishing a well-conceived and sustainable venture (ibid.).

Other research has also investigated the role of industry and startup experience in business performance and has found that the benefit of industry experience on entrepreneurial forecast performance is greater in high-technology industries (Cassar 2014). This is consistent with other research, stating that having knowledge of the setting, enables informed decision-making, especially in highly uncertain environments (ibid.). However, this research contradicts previously mentioned research as the study did not find any significant evidence that startup experience improves entrepreneurial forecast performance (ibid.). Another study exploring the association of social, cultural, and economic capital with the performance of female entrepreneurs established in Turkey found that previous work experience, having a team of three or more partners, and the age of the venture are found to be positively associated with business success (Cansiz and Tekneci 2018). The same research found that having a doctorate-level education is negatively related to business success and similar to the previously mentioned research paper, they did not find that previous entrepreneurship experience has a statistically significant association with entrepreneurial success (ibid.).

Going forward, organizing entrepreneurial actions as a team has been found to reinforce collectiveness through and during joint analysis and planning of

entrepreneurial opportunities and strategies, the joint decision-making and realization of opportunities, and the evaluation and feedback of entrepreneurial actions (Forsstrom-Tuominen, Jussila, and Goel 2019).

2.2.2 Investors

Funding from venture capital is one of the main sources of financing for startups and often comes with advice and different fields of expertise. In a qualitative multiple-case study, a number of successful tech companies were studied to understand when and what type of help VCs can give and how the practices differ between the US and Northern Europe. The major differences were found to be that European startups are more supported with governmental funding at an early stage in Europe and also have a higher level of VC involvement than US startups (Rungi, Saks, and Tuisk 2016). Whether venture capitalists add value besides money to their portfolio companies is a never-ending debate that a study aimed to understand further by studying the role of outside boards of directors, especially those representing the venture capital firms. The research found that if entrepreneurs need outside board members who bring value-added other than money, they will have equal value-added with non-venture capitalists as with venture capitalists, the most important factor is that they have significant operating experience (ROSENSTEIN et al. 1993). In research, it has been found that companies with higher capital expenditures/profits and companies with strong growth objectives are more likely to seek external finance providing strong support for the traditional pecking order theory which predicts that firms prefer to finance new projects internally prior to seeking external capital (Cosh, Cumming, and Hughes 2009).

High-flyer exits are exits that returned more than five times what the VC firm invested in the first round. A study based on 64 ventures identified that investments with the following characteristics have the best chance of becoming a high-flyer exit: targeting the B2C market, location in a metropolitan cluster and close to the lead investor, raising VC funding prior to the POC level and having strategic partners raising the first round of VC investment (Streletzki and Schulte 2013).

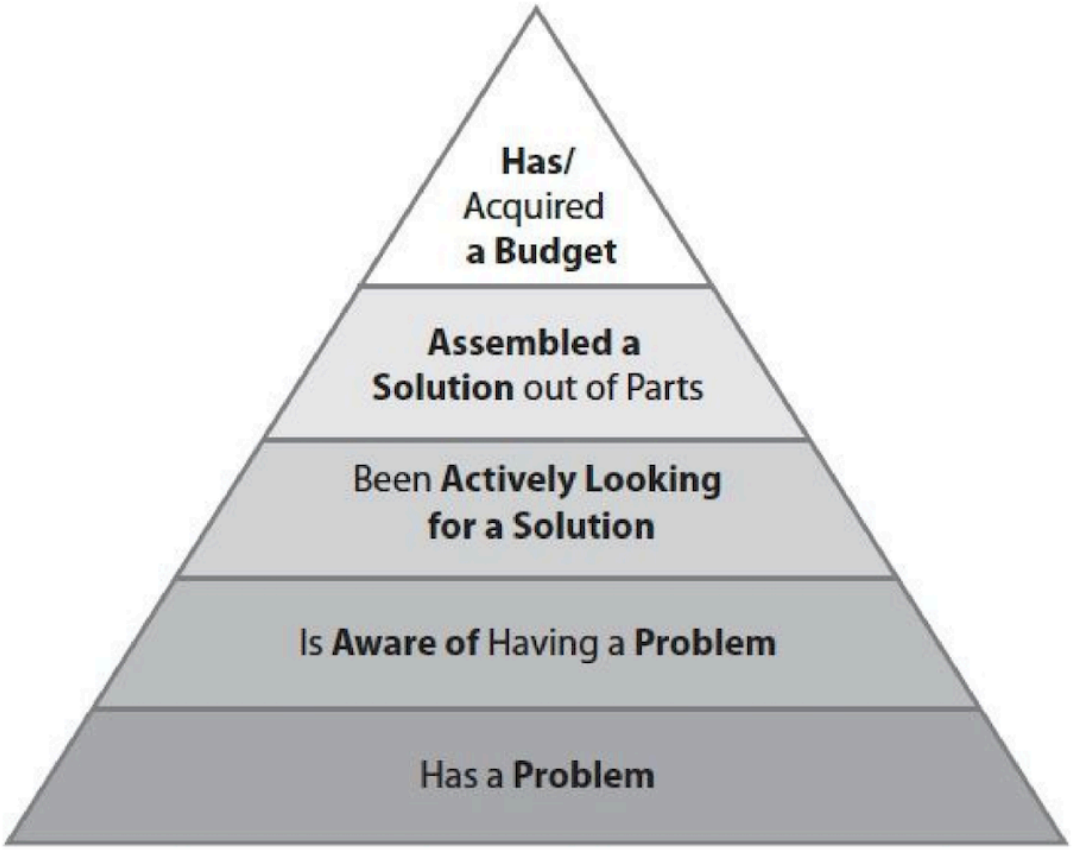
2.3 Startup and customer interaction

Several important aspects of the interplay between company and customers have been addressed in prior work (Peppers 2011; Evans 2009; Ruokolainen 2008; Ruokolainen and Aarikka-Stenroos 2016). Some areas that have received more attention are aspects such as reference customers, market offerings, customer requirements, and customer behavior (Wouters, J. Anderson, and M.A Kirchberger 2018; Evans 2009; Ruokolainen and Aarikka-Stenroos 2016). However, the majority of the studies have focused on companies of greater maturity than that of startups. As customer interaction is different between industries, markets, and business models, and startups are facing other challenges than those of established organizations, previous findings should not without caution be extended to the world in which startups operate. As such, a somewhat scarce theoretical foundation regarding drivers behind the customers' choice to commit to an offering exists within the tech startup literature domain. However, even though prior findings may not be directly transferable to the tech startup domain they can still provide an elementary understanding of what factors an entrepreneur should consider in the process of finding, approaching, and signing a POC customer. In the upcoming subsections, this theoretical background as well as literature regarding startup and customer interaction is presented.

2.3.1 Finding customers

Finding potential customers in the first place is a challenging part of the idea-to-market process. There are a variety of ways to get in contact with customers one of which is through networks such as LinkedIn. However cold interactions are often both time-consuming and can have a low success rate in terms of getting to the meeting phase. This is also reflected in prior work where the benefit of social capital is highlighted as an enabler for getting the first customer (Aldrich and Zimmer 1986; Ostgaard and Birley 1994). In a previous multiple-case study that analyzed over 5000 responses revealed that acquiring the first paying customer is among the perceived key challenges for early-stage software startups (Giardino et al. 2015). Further, the same study implies that early-stage software startups need to address issues connected to the validation of the identified problem-solution fit (ibid.). In the book *The Startup Owner's Manual*, it is stated that it is important to find customers who are visionaries and understand what the startup's vision is and why it is important (Blank and Dorf 2020). They call these

Figure 2.3.1: Characteristics of earlyvangelists



(Blank and Dorf 2020)

types of customers earlyvangelists and the book claims that it is the most important one of all customers (Blank and Dorf 2020). The earlyvangelists are according to the book willing to make a leap of faith and buy an early product (ibid.). Further, the earlyvangelists have several hierarchical characteristics presented in the 2.3.1 (ibid.). In general, they all have in common that they have a problem or need that they are aware of as well as actively searching for a solution to it (ibid.).

Although it appears to be a consensus that entrepreneurship is a social role, it has also been shown that the pilot customer is often an acquaintance of the entrepreneur (Ruokolainen and Igel 2004). Further, another previous study analyzed customer acquisition based on the variables: budget dedicated to customer acquisition activities, presence of an executive responsible for customer acquisition, an understanding of the economics of customer acquisition, and the deployment of CRM technologies to support customer acquisition (Ang and Buttle 2006). The study found that only one variable distinguishes startups that excel at customer acquisition, they have a budget

dedicated to customer acquisition activities (ibid.).

2.3.2 Persuading customers

In the process of approaching and persuading a customer to commit to an offer, there are multiple variables to consider. What these are and how to manage them are two areas of focus in prior work. Back in the eighties Ray Kordupleski described in his book *Mastering Customer Value Management* the importance of choosing, delivering, and communicating the value proposition as it will aid the processes of successfully managing the customer adoption challenge (Narasimhan 2003). In more recent literature, insights on the matter have broadened, and empirical findings have established the importance of addressing value propositions. One study finds empirical evidence from the German technology startup market which indicates that adopting the perspective of the customer, quantifying the monetary benefits, and substantiating the value proposition are key processes to successfully obtain the first customers (Markus Kirchberger, Marc Wouters, and J. C. Anderson 2020). Furthermore, it has also been noted that it is important for companies to have a proactive approach in order to manage changes in the market value proposition over time to adapt their value proposition strategy (ibid.). However, new technology startups appear to frequently fail in communicating their value proposition in a way that aids the customer in evaluating the benefit of the offering and what the customer will need to contribute, in order to obtain the benefits (Wouters, J. Anderson, and M.A Kirchberger 2018). One suggested way to overcome this challenge is to firstly, communicate how the offering is innovative and how it contributes with superior value than existing solutions, and secondly, emphasize what benefits the customer will get by committing to the offer (ibid.). The emphasis on communication is also backed in other literature concerning the customer perception of risk (Ruokolainen 2008). Another study focusing on investigating potential lenders of legitimacy for B2B startups as reflected in the willingness of potential customers to do business with startup firms found some critical efforts that they suggest B2B startups focus on in order to successfully acquire customers (Batra et al. 2022). The critical efforts include familiarizing potential customers with the key features of its products with the ultimate goal of having the customer understand the product offerings (ibid.). Additionally, the study suggests that once the customer is familiarized with the products, the startup should try to familiarize the customer with the brand (ibid.).

Previous research also highlights the involvement of the founder in three vital functional areas: sales, customer development, and product development (Eesley et al. n.d.). The research conducted in-depth interviews with 11 startup founders in the US and found insights related to the involvement of the founder within different fields (ibid.). The study suggests that not only the founders' existing resources but also their desire to gain future resources act as a critical motivation behind their increased involvement in the three vital functional areas (ibid.). Further, the research illustrates how customer and product development go hand-in-hand and suggests an "outside-in" view of product development where involving customers early on reduces business risks through understanding customer needs and searching for an appropriate way to satisfy them early on (ibid.). The research highlights that exploring new ways to create and deliver value for the customer is key in a fast-paced market environment and will impact the sales-generating capacity and survival of the startup (ibid.). This research also sheds light on the fact that founders usually have a high involvement in finding and acquiring the first customers in the early stages of a startup and it is often leveraging and based on their social network (ibid.). Another study observed a software startup during its first 31 months of life and presented some lessons based on their observations (**evolving**). The study presented mainly two lessons related to persuading customers: avoid informal communication and identify decision makers as soon as possible (**evolving**). Avoiding informal communication by leveraging written evidence showed a return of investment in the form of money and time, as well as minimized rework (**evolving**). Further, by identifying decision makers in the customers' team, it is possible to understand what is important for the business and if this is done early on in the process, it can reduce effort, resources, and time spent on meetings (**evolving**).

One area that has received attention in previous literature work is customer references. It has been found that customer references can help communicate the offer, build credibility, and reduce the customers' perceived risk when they evaluate a potential offer (Bauer 1960). Furthermore, more recent studies have found that as little as a single customer reference can be amplified and leveraged to build convincing sales arguments (Ruokolainen and Aarikka-Stenroos 2016). But how does a tech startup best proceed when not having a single customer reference? According to Kirchberger et. al. a startup should do two things, for one, they should understand their customers, which can be achieved by involving them early through idea sharing, and secondly,

they need to concretize and substantiate its value offering, which can be achieved by for example quantifying monetary gains (Markus Kirchberger, Marc Wouters, and J. C. Anderson 2020). Another concept that has been identified as an enabler when conveying the first customer is motivating through extraordinary tailoring of the technology to the customers' needs (Wouters, J. Anderson, and M.A Kirchberger 2018).

2.4 Product and Business model

2.4.1 Product Development

Product development is a highlighted subject in the startup research field, and that is for a good reason. A successful product or prototype development process can in the early stage of a startup act as an enabler both for acquiring funding and convincing the first customer (Bjarnason 2021a). However, earlier research indicates that early-stage software startups tend to not adopt any software development methodology in its completeness. Rather, they direct their efforts on speeding up the software development through some agile methods and isolated practices and guide the development based on feedback from the consumers (Souza et al. 2019). Another study investigating product development and more specifically, prototyping practices in software startups, found that prototyping can aid both in testing business ideas as well as validating the market viability (Bjarnason 2021a). The study concludes that prototyping is not only a commonly used practice in product development for startups but also that it is often implicitly required in order to obtain funding in the early stages (ibid.). Moreover, the study also found that there is a challenge in balancing the scope of the prototype with the expected gains. Moving forward, prior research has also investigated the logic behind different software development practices within startups and identified that the effectuation-driven entrepreneurial logic is the most prevalent when focusing on process management, software design, requirement engineering, software construction, and maintenance (Nguyen-Duc, Kemell, and Abrahamsson 2021). On the other hand, the casual logic tends to drive test-driven development practices (ibid.). It is also emphasized that the effectuation logic is the most essential model for developing suitable software engineering practices for software startups (ibid.).

2.4.2 Customers in product development

Involving customers in the product development process is not an unusual approach in the startup world and previous research has found that using customer development can help to improve software requirement elicitation processes (Chanin et al. 2017). Other research has found that openness to innovation and collaboration with customers are key actions in a startup because of their positive effects on customer knowledge management and marketing results (Fidel, Schlesinger, and Cervera 2015).

However, in recent research, key factors for a valuable collaboration have been brought to attention. Among five key aspects to successfully managing a product development collaboration, a Swedish single case study points out that involving customers early in the process as well as having a mutual process of choosing and getting chosen as a collaboration partner is one aspect of great importance (Laage-Hellman, Landqvist, and Lind 2018). Furthermore, several studies have highlighted the importance for startups to involve customers in order to align and prioritize product or service capabilities with the actual demanded requirements in the application area (Paternoster et al. 2014) (May 2012) (Midler and Silberzahn 2008) (Crowne 2002). Another research presents three patterns that can help when involving users to gain meaningful feedback and learning (Hokkanen and Leppaenen 2015). The research suggests that feedback has to be received from the right people and the right questions have to be asked (ibid.). Also, if the feedback is collected with a prototype, users should be able to give their feedback on the actual idea (ibid.). Moving on, other research has found that in the early stages of a startup, the founder's involvement in product development is high and that product development and sales processes are entwined (Eesley et al. n.d.). Further, the same study states that product development and customer development are iterative processes (ibid.).

2.4.3 B2B and B2C

Generally, companies can be categorized in regards to whether the customers are businesses or consumers. With this differentiation, customer relationships between startups in the business-to-business market (B2B) versus the business-to-consumer market (B2C) have been somewhat explored in previous research. One such previous study has found that companies in the B2B context require a more strategic approach to

capturing and managing customer experience than adopting input-and output-based measures that are widely used in a business-to-consumer (B2C) context (Zolkiewski et al. 2017). Furthermore, previous research has found that content marketing plays an important role for B2B companies due to the higher dependence on customers than for B2C companies as the B2B context often implies longer purchase decision time, a smaller number of customers, and longer business relationships (Bakhtieva 2016). Another difference between B2B and B2C companies has been shown in regard to leadership in high-tech companies. A study analyzing knowledge-oriented leadership, in particular, found that the impact of knowledge-oriented leadership on performance is especially high among companies operating in medium-high tech industries, mainly in B2C markets (Soniewicki 2021). As previous research has shown, the B2B and B2C markets differ regarding customer relationship dynamics due to the smaller number of customers in B2B and therefore a higher dependency on those customers.

2.4.4 Software as a Service

SaaS stands for ”Software as a Service” and are companies that provide software applications to customers over the internet, typically on a subscription basis (Investopedia n.d.). Instead of customers having to install and run software on their own computers or servers, they access the software over the Internet. The first SaaS companies emerged during the 80s with the first CRM system developed and launched under the name ACT!. Other early SaaS companies that launched shortly after included Great Plains, which later was acquired by Microsoft, and Concur. In the 90s, many of today’s major SaaS players such as Salesforce were established (Salesforce 2020). The global SaaS market today is estimated to reach a worth of 254 billion US dollars in 2023 (Statista n.d.[b]). As the SaaS market has grown a lot and revenue is expected to show an annual growth rate of 8 percent until 2027, there is a lot of potential capital to be invested in the market and there are several venture capital firms that have niched their investments within this business category (ibid.).

The software distribution model, software as a service, has received increasing attention in the business world over the last decade and the increased attention shows no indication of slowing down. McKinsey estimated the Saas market to be worth 3 trillion in 2022 and expects the market to grow to 10 trillion by 2030 (Gnanasambandam, Libarikian, Turkeli 0202). With the increasing use of the business

model, the research field has been giving it more spotlight and the understanding of Saas and its relation as well as implications to organizations have been addressed in a variety of studies. One study concerning the adoption of saas solutions within SMEs found that the key reasoning behind the decision to adopt a saas solution is the belief in cost advantage (Fretschner et al. 2022). However, there appear to be other significant drivers in play, such as the CEO's belief of how well the saas solution fits the implemented strategic direction (ibid.). Another interesting finding shows that security concerns play a rather small part in the saas adoption decision (ibid.).

2.5 Market validation

Determining whether there is a market for a business idea is one of the most important processes in the early stages of a startup (Windheim and Myers 2014). As a consequence, researchers have aimed their efforts towards market validation and its relation with entrepreneurial success (Stevenson, Allen, and T. Wang 2022; Windheim and Myers 2014). Furthermore, they have tried to identify key aspects and define methodologies to succeed in the task and as accurately as possible validate the market (Cespedes, Eisenmann, and Steven Blank 2012). Even though the need for market validation is a cross-industry challenge, the ways to orient within the task may differ between industries and companies. As such prior studies have proposed a variety of market validation perspectives fit for different industries. One such study looking at customer preferences within the cloud service market was able to differentiate the customers into five clusters depending on their selected preferences. The study found the following preference properties corresponding to each cluster; 1 flexibility and pricing preference, 2 mobility and distributed use of cloud services, 3 reputations of cloud service provider, 4 relationships to provider, and lastly, 5 customers with low expectations and requirements (Repschläger, Erek, and Zarnekow 2013).

Another study states "Prototyping plays a vital role in market validation and in obtaining paying customers." and emphasizes that prototyping can be a useful method for aligning efforts with market need and thus avoid investing in a non-market viable product (Bjarnason 2021b). Moreover, the scope of a prototype may well vary depending on the intent of the prototype goal, i.e., will the prototype be used to validate market potential, as little as a sketch could be sufficient while in other situations a high-quality well functioning prototype is necessary (ibid.).

2.5.1 Talking to customers and users

Understanding whether there is a market for a business idea and how to maximize the output from an entrepreneur's interactions with investors and customers is a challenge Rob Fitzpatrick addresses in his book The Mom Test. The book points out that one of the biggest challenges in understanding the market potential is people not telling the truth. The proposed explanation for this phenomenon is that entrepreneurs often ask the wrong questions (Fitzpatrick 2013). By "wrong" he means that the questions are formulated in such a way that the customer/investor will not be able to provide objective answers i.e., data. In order to increase output from customer/investor interactions it is proposed that the focus of the questions should circle around the customers' life not the actual business idea (ibid.). This will result in people giving honest answers and as such, usable objective information. It will therefore minimize the risk of social constructs affecting the answers such as confirming an idea to protect the entrepreneur's feelings. In other words, the received data will carry less noise and be more useful in the process of understanding the business idea, the market, and the customers. The book also stresses the importance of acknowledging the gathered data as is and not imposing expectations and internal validation on it (ibid.). In other words, entrepreneurs should also pay attention to the risk of validation bias.

2.5.2 Reaching mainstream market

The American organizational theorist Geoffrey A. Moore has become known for the blueprint for marketing for high-tech startups. In his book Crossing the Chasm, he argues that in order for startups to make their product get the initial traction, they need to eventually reach the majority of the market and not die in the chasm between early adopters and the mainstream market which he refers to as the pragmatists (Moore 2014). According to Moore, the key to crossing the chasm is through positioning and focusing on the right segment to secure a "beachhead" in a mainstream market (ibid.). Furthermore, he argues that the pragmatists want to buy from market leaders so you need to be a market leader niche by niche (ibid.).

A factor that has been shown to have contributed to successfully crossing the chasm, is business learning (Goldasteh et al. 2022). In a multiple-case study where 23 startups in the Tehran Province were qualitatively analyzed, researchers found that half of them had crossed the chasm perfectly by using business learning through

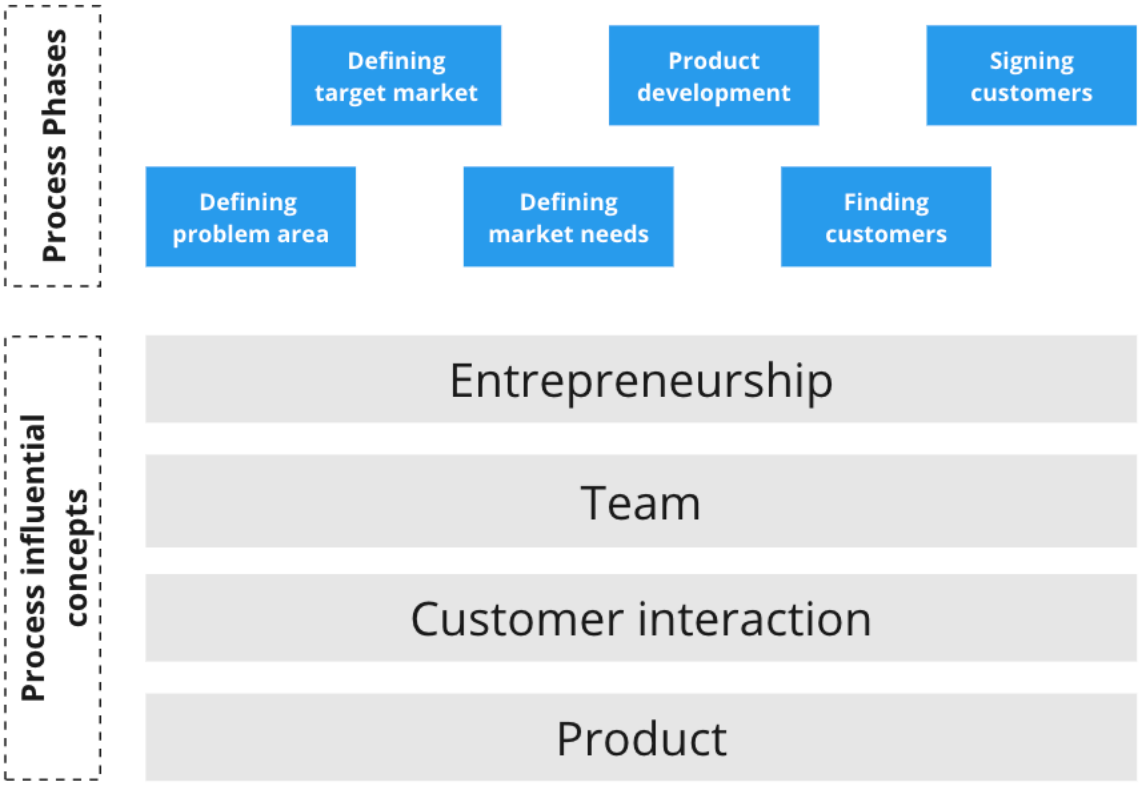
customers, benchmarking, prior experience, competitors, consultants, internal ideas, and educational content (Goldasteh et al. 2022). Furthermore, research has studied why many telehealth initiatives fail to go beyond prototype application status and provides lessons on how these initiatives can act in order to cross the chasm and transition from adoption mode to diffusion mode (Cho, Mathiassen, and Gallivan 2008). The research proposes the following 6 lessons to successfully cross the chasm as a telehealth startup: Develop a long-term plan for post-pilot stages, Position innovation as win–win propositions from the start, Align with rural hospital processes, Accommodate rural area technology infrastructure issues, Accommodate institutional arrangements and legal issues and Involve business leadership from early stages (ibid.).

2.6 Theoretical framework

The findings and knowledge from prior research that has been presented in this chapter will act as the theoretical foundation upon which this study is conducted. The current knowledge within the research field will be used, not only to deepen the process analysis based on the multiple case study results but also to connect the insights drawn from this work to the current knowledge domain, and in the end, hopefully, extend it. The theoretical foundation has also guided the formulation of the instruments, which ensures alignment between this research with the up-to-this-date contributions in the area.

In order to investigate and ultimately answer the research questions, a theoretical framework has been proposed, see figure 2.6.1. The purpose of this theoretical framework is two-faced, for one it aims to aid the reader in following the author's perception of the theoretical field and lay forth the common phases of the early stages of an arbitrary entrepreneurial journey. Secondly, it intends to communicate how the previously presented literature within the field relates to the common startup phases. These two perspectives are displayed in figure 2.6.1. Visualized in blue are the sub-processes that are part of the arbitrary early startup journey process. These sub-processes are expected to provide a backbone to the instrument development and henceforth analysis of the first research question, *How does the process from business idea to first proof of concept customer evolve?* . It should be emphasized that this is an *arbitrary* early-stage startup journey presenting the modules of the process without a

Figure 2.6.1: Theoretical framework



defined timeline or suggested sequence, and the proof of concept startup journey may turn out to have significant differences.

The second perspective is the process-influential concepts, visualized in grey. These variables demonstrate the perspective from which the analysis is carried out. In other words, the analysis is not carried out from a meta-level perspective where process influential concepts such as macroeconomic situation is taken into account. It can therefore be considered the lens from which the analysis of outcome-driving factors will be carried out - to successfully answer the second research question - *In this process, what are important factors that enable a tech startup to acquire the first proof of concept customer?*

2.6.1 Process phases

The arbitrary sub-processes have been derived from the literature review. However, the early-stage startup process will naturally differ significantly between different startups. Anyhow, within this process, similarities can be observed such as the need to

define the problem and its target market. Hence, adhering to the literature review more specifically, these challenges take a leap from Joseph Pickens's eight hurdles within the transition phase as described in section 2.1.2. Moreover, the arbitrary process challenges have been based on other literature findings, namely the lean startup methodology theory in section 2.1.4. The lean startup methodology emphasizes the iterative nature of startup development, a characteristic believed to be an underlying process influencer in the tech startup. Finding customers is a natural sub-process to successfully sign a customer and as the Lean startup method is stating, customer feedback can be leveraged to better understand customer and market needs in order to start developing a prototype. Moving on, the literature review provides a deepened understanding of the overall process scope as well as its sub-processes. Next, the arbitrary process map will be connected to the different variables, that the previous literature review has identified may impact the outcome of each sub-process. Forward on, these variables will be known as process influential concepts in this research.

2.6.2 Process Influential concepts

In previous research, several areas of potential contributors to the outcome of a startup's success have been explored. Applying an agile entrepreneurial style and leveraging the lean startup model have in previous research been shown to have a positive impact on the business performance in startups (Ghezzi and Cavallo 2020). Previous research is pointing towards *entrepreneurship* and will be considered as one of the process influential concepts in this research throughout each one of the process boxes.

Moving on, research on how the entrepreneur's earlier experience may impact the success of a startup from different standpoints has been previously explored and the findings are divided. Some research claims that companies founded by entrepreneurs with prior entrepreneurial experience perform better than those founded by novice entrepreneurs (Paik 2014; Gompers et al. 2010). Other research found that previous entrepreneurship experience has a statistically significant association with entrepreneurial success (Cansiz and Tekneci 2018). However, all previous research mentions some kind of impact from earlier experience, regardless if it is of entrepreneurial nature or not. *The team* is therefore considered a process influential concept impacting the process boxes.

The third process influential concept in the theoretical framework is *customer interaction* as previous research has highlighted the importance for startups to involve customers in order to align with the actual market demand and customer needs (Paternoster et al. 2014) (May 2012) (Midler and Silberzahn 2008; Laage-Hellman, Landqvist, and Lind 2018) (Crowne 2002). Further, best practices such as how to talk to customers in order to increase output from customer/investor interactions have been proposed (Fitzpatrick 2013). The customer interaction has also been highlighted in previous research focusing on how to bring them on initially where social capital has been highlighted as a main enabler for getting the first customer (Aldrich and Zimmer 1986) (Ostgaard and Birley 1994). Previous research has also deep-dived into how to persuade customers (Wouters, J. Anderson, and M.A Kirchberger 2018; Markus Kirchberger, Marc Wouters, and J. C. Anderson 2020).

Lastly, *product* is considered the fourth and last process influential concept as prototypes have been found to be required in order to obtain funding and customers in the early stages as a startup (Bjarnason 2021a). Earlier research also indicates that early-stage software startups tend to direct their efforts on speeding up the software development through some agile methods and isolated practices and guide the development based on feedback from the consumers (Souza et al. 2019). Therefore the product is considered to be integrated with the process boxes.

2.6.3 Definitions

Different definitions of entrepreneur and startup have been presented in previous research, see section 2.1. The theoretical framework of this research is based on the definitions presented below.

- *Entrepreneur* is someone who sees an opportunity and who attempts to make a profit by starting a business or by operating alone in the business world, especially when it involves taking risks.
- *Startup* is the practical activity, led by an entrepreneur, of starting a business in an uncertain environment.
- *Proof of concept (POC) customers* are involved in the early stages of product development. More specifically, they agree to implement a product or service in a real operational setting and give iterative feedback on how it can be improved to

better fulfill their requirements. The POC customers are not paying customers until some critical pre-determined features have been developed based on the POC customers' needs.

Chapter 3

Methodology

This chapter presents and elaborates on the methods used in the research. Firstly, the research design is presented, followed by a description of the multiple case study and how the data was collected. Further, the research quality in terms of reliability and validity is discussed, and lastly, research ethics.

3.1 Research Design

In order to answer the proposed research questions i.e., *How does the process from business idea to first proof of concept customer evolve?*, and *In this process, what are important factors that enable a tech startup to acquire the first proof of concept customer?* the study leverages various research techniques and methods. In short, the study is a mono-method qualitative study and takes on an exploratory inductive perspective and leverages a process research methodology. Furthermore, Eisenhardt's multiple-case methodology is applied to manage and structure the research work with multiple cases and the Gioia method is used in combination to ground a conclusion from the research.

3.1.1 Process research

In order to answer the first research question i.e., *How does the process from business idea to first proof of concept customer evolve?*, a process research methodology is applied. This is due to the fact that capturing and understanding changes in *time* can be particularly challenging (Abdallah, Lusiani, and Langley 2019). Moreover,

previous research concerning entrepreneurship research methodology has highlighted that a process approach will lead to an increased understanding of the entrepreneurial journey (McMullen and Dimov 2013). The process research methodology is in this study expected to enable a structured analysis and identification of the logical flow of events as well as act as a foundation for the presentation and communication of the study and its results. However, due to the lack of explicit frameworks within the methodological choice in current research, a variety of process research strategies exist. These strategies can be categorized into four categories depending on how the study is conducted; Evolutionary Process Stories, Performative Process Stories, Narrative Process Stories, and Toolkit-based Process Stories as described by Abdallah et al. (Abdallah, Lusiani, and Langley 2019). Moreover, as Ann Langley put it ”process data is notoriously challenging”, highlighting the need for more in-depth process research in order to be able to go beyond a superficial level in organizational research (Langley 1999). To overcome this challenge, this study combines the process research methodology with other methods that enable more in-depth analysis. With that said, this study leverages a *Performative Process Story* to understand the unfolding of events and answer the stated research questions.

As described by Abdallah et al., the perspective of this type of process research rests on how reality is brought into being in every moment in everyday activities and interactions (Abdallah, Lusiani, and Langley 2019). Moreover, it enables a temporal perspective where identities or objects are viewed as in the process of becoming (ibid.). This allows us as researchers to concertize micro-interactions as well as grasp the big picture of the startup journey. The performative process story is also believed effective for the research due to the temporal scoping of the study, i.e., as the process from idea to first POC customer can be achieved in a relatively short period of time. Therefore it is the best-suited process research approach for this study.

There are, however, challenges in conducting process research. Studies have acknowledged that the temporal dimension adds another layer of challenges in conducting entrepreneurial process research (Davidsson and Gruenhagen 2021; McMullen and Dimov 2013), however in this study the data collection is mainly carried out post-event and not during, which reduce the temporal complexity making this challenge manageable. Furthermore, according to Abdallah et al., two major challenges in studies taking a performative process story approach are, “How to reach beyond the local and specific?” and “How to sustain process ontology throughout

the writing?" (Abdallah, Lusiani, and Langley 2019). The first mentioned challenge follows as a consequence of large data sets, in which the performative process methodology falls short as the process view requires picking selected parts to analyze to a greater extent compared to other methodologies (ibid.). However as the study has defined a somewhat narrower scope than other comparable process research studies, this shortcoming is expected to be affordable as the scoping implies lesser data. The second challenge is best overcome by being explicit about one's underlying ontology/epistemology upfront and employing consistent language throughout the writing of the report (ibid.). The authors intend to comply with this and would like to state that in this research the interaction between entities (e.g., individuals) within the activities is perceived to drive the outcome of the process.

Lastly, two general challenges mentioned in the process methodology literature are, firstly, how to avoid imposing theory on data, and secondly, how to present multiple cases of temporally evolving phenomena(ibid.). These challenges will be managed through the use of the Gioia method as well as the Eisenhardt approach for multiple case studies (Eisenhardt 1989a). Why and how these methodologies are applied is elaborated for, in the upcoming sections.

3.1.2 Eisenhardt approach

The Eisenhardt approach is a methodology that allows the researcher to analyze and understand processes from an objective point of view. The method is commonly used to manage multiple cases and it allows for cross-case analysis and theory development. This approach is deemed fit for this study as it will allow for consolidating insights across all cases and thus enable combining data from the different processes to draw appropriate conclusions and analyze phenomena as a whole. As described by Kathleen M. Eisenhardt, 1989 in her paper Building Theories from Case Study Research, the methodology is an eight-step method which in short has the following steps; definition and scoping, case selection, crafting instruments, entering the field for data collection, analyzing the data, shaping hypotheses, comparing hypotheses to literature and finally reaching closure when additional data no longer effect theory development (ibid.). The use of the Eisenhardt approach is also expected to increase replicability of results. However, as for all methodological procedures the Eisenhardt approach has faced criticism such as for its use in testing theory (Woodside and Wilson 2003). On the

other hand, contradicting judgments have been made among scholars and researchers who have highlighted that the method is important and valuable for replicability and validity in qualitative research (Ravenswood 2011).

3.1.3 Gioia method

The Gioia method takes the perspective through a person's interpretation of an event/process (Denny Gioia 2021). The method involves collecting and analyzing data through various methods, such as interviews, observations, and document analysis, with the goal of uncovering the underlying processes that drive organizational behavior (Magnani and Denny Gioia 2023). This uncovering is in other words, not just grounded in data, more specifically it is grounded in a person's experience and understanding of that experience (Denny Gioia 2021). Within this study, the Gioia method is leveraged to complete the analysis by ensuring that this perspective is considered. Furthermore, it also aids in managing a great amount of qualitative data. However due to this study taking on a monomethod approach the data analyzed with the Gioia method is limited to interview data. The data collected is then used to construct an analysis of the process, which provides a comprehensive understanding of the process and how it is shaped by various factors, such as stakeholder relationships, technology, and entrepreneurial paradigm.

The Gioia method allows for analyzing the individual's personal experience from the journey and is expected to increase the replicability of the results as well as add depth to the analysis. By applying the Gioia method it is possible to code the interviews without any initial ideas on what the key concepts are as it is a process that unfolds over time. To find the lower-level meanings in the interviews we will use the same method described by Gioia et al. (2007) in the paper *The intersection of organizational identity, knowledge, and practice: attempting strategic change via knowledge grafting* (Nag, K. G. Corley, and D. A. Gioia 2007). The method involves coding interviews based on labels or the phrases and terms offered by the interviewees (ibid.). In short, the process follows these steps; I read and reread the interviews while observing conceptual patterns, II initial coding of the interviews to develop first-order codes, III compress conceptually similar codes into second-order categories, and lastly, IV develop higher-level themes that originate from the second order categories.

Figure 3.2.1: Participating start ups

Company ID	Founding year	Industry
1	2022	Finance
2	2022	Finance
3	2022	E-commerce
4	2022	Governance
5	2022	Compliance
5	2022	Compliance
7	2020	Procurement
8	2019	Compliance

3.2 The multiple case study

3.2.1 Partner company

The multiple case study was conducted in partnership with The Case Company which is a Venture Capital organization investing in ideas with a SaaS solution targeting the B2B market. The Case Company is active in the Swedish market with an office in Stockholm. The Case Company was founded in 2019 as an academic and entrepreneurial business development experiment. Today, they have become a unique venture builder specializing in solving inefficient work processes within organizations through new digital services. The Case Company starts new ventures based on commercially viable problems that they believe can be solved through a digital service. The venture receives initial financing, tools, critical business expertise, and a broad network to transform the problems into practical digital solutions and ultimately into a self-sustaining SaaS company. To date, The Case Company has started over a dozen portfolio companies aimed at solving hidden problems in industries such as manufacturing, medical research, food service, and healthcare.

3.2.2 Portfolio companies

The multiple case study is conducted on eight of The Case Company's portfolio companies. All of the studied companies are SaaS startups targeting the B2B market. The companies are all solving administrative problems of the same nature but are niched in different industries.

3.3 Participants and Procedures

3.3.1 Participants

The semi-structured interviews were conducted with the entrepreneurs of the portfolio companies, see table 3.2.1. Both the entrepreneurs' previous experiences and the maturity of their startups differ. However, all of the entrepreneurs have founded their startup together with The Case Company and is also the CEO of the company. The entrepreneurs are expected to give their perspective on the process of signing POC customers based on the topics presented below as the instruments, see section 3.3.2. One interview per studied startup was conducted with an additional follow-up interview when necessary. As the interviewees brought up no new information after interviews with eight entrepreneurs, further data collection was considered unnecessary. This methodological principle of data collection is often used in qualitative research and is known as saturation (B. Saunders et al. 2018).

3.3.2 Data collection

The data collection method used was semi-structured interviews as this made it possible to use predetermined questions but still be flexible to ask additional ones. The predetermined questions were based on the instruments, presented in the following section. The interviewees were all from Sweden resulting in the interviews being conducted in Swedish. As the interviewees are not geographically located in the same place as the researchers, the interviews were conducted remotely on a video communications platform. The researchers were all present during the interviews and asked the questions together. The interviews were recorded on the platform with the consent of the interviewee and The Case Company. Once the interview was done, the data collected were discussed by the researchers and further notes were written for future reference. The interview recording was translated into English and transcribed.

Instruments

In order to fully unfold the procedural proceedings and identify the critical factors in the process, the question development has taken a leap from the literature findings and the theoretical framework presented in section 2.6.1. The topics were based

on the process phases discussed in section 2.6.1. For each topic, predetermined questions were designed based on the process influential concept in section 2.6.2. The predetermined questions were asked in Swedish and have been translated to English, presented in appendix A. Moreover, in order to obtain nuanced answers and reach beyond the superficial level the question formulation has been inspired by the insights presented by Rob Fitzpatrick in his work ”the mom test” as described earlier 2.5.1. Presented below are the question topics and the corresponding intended insight areas.

Entrepreneurship

- Type of entrepreneurial mindset
- Prioritized areas and actions

The Team

- Previous entrepreneurial experience
- Team constellation and required skills when searching for and signing POC customers

Customer interaction

- Actions, process, and challenges to find the first POC customer
- Actions, process, and challenges to signing the first POC customer
- Reasons why a potential POC customer decides to sign or not sign

Product

- Type of POC customers ideal for the product development phase
- Lo-fi technical aid such as prototype and mockups

3.3.3 Data analysis

This research took on a thematic approach to analyze the data collected in accordance with the following steps: becoming familiar with the data (1), coding the data (2), identifying themes and patterns (3), evaluating the data (4) (M. Saunders et al. 2015). As described in the research design section, 3.1.3, the coding of the data was done using the Gioia method and was supported by the Eisenhardt approach to ensure that the

data collected was sufficient by stopping data collection when additional data no longer contributed with new perspectives.

The first step, becoming familiar with the data, was initialized during the process of translating and transcribing the interviews. The transcription and the notes taken after the interviews were stored digitally together with the recordings. The second step, coding of the data, was done by categorizing the collected data with labels describing the general content of the data. The coding process was both theory and data-driven and was conducted in Microsoft Word and all labels were given a written definition.

Moving on to the third step, identifying themes and patterns. Once all interviews had been coded, relationships between the codes were identified which generated a list from where themes and patterns relating to the research questions could be further identified. The themes and patterns were derived from the theoretical framework in section 2.6.1 and the data collected. Codes that were not related to the process phases and process influential variables in the theoretical framework were consolidated under new themes.

The themes and patterns identified were evaluated and analyzed in alignment with the fourth and last step. The evaluation and analysis were based on the theories in the theoretical framework in section 2.6.1.

3.3.4 Unit of analysis

This unit of analysis in this research is the process from forming an idea to signing the first POC customer. In order to unfold how this process evolved and what the most important factors are, this study analyzed the entrepreneurs' actions, perceptions, attitudes, and opinions of the process.

3.4 Research Quality

3.4.1 Reliability

Reliability considers how replicable a research is and ensuring it in qualitative research is a challenge as the method reflects subjective interpretations of the interviewees in a particular time and context (M. Saunders et al. 2015). As the data collection was made

through semi-structured interviews, it allowed for open-ended questions and follow-up probes that enabled the participants to provide nuanced and detailed responses (H. J. Rubin and I. S. Rubin 2011). By using semi-structured interviews, reliability is improved as this enables depth in the understanding of the topics discussed in the interviews and a reduced risk of misinterpretation (N. K. Denzin 2005). As this research uses the Eisenhardt method which allows for an in-depth investigation of specific cases, it enables for complex exploration of the phenomena in detail and further contributes to the reliability of the study by providing a comprehensive understanding of the context and factors influencing the phenomenon (Eisenhardt 1989b). Moving on, this research has ensured internal reliability, meaning that there is consistency throughout the research process, by having both researchers involved in collecting the data as well as the processing and analyzing it (M. Saunders et al. 2015). The involvement of both researchers made it possible for dual evaluation and analysis of the data as well as deciding on what the observations and interpretations are (ibid.). Further, this minimized biases and ensured that the interviewees were interpreted properly and the analysis was reasonable even though the research is of qualitative nature with semi-structured interviews as a data collection method. Further, the external reliability has been improved in this research by being transparent on documentation of the process in a systematic way as it is thoroughly described in section 3.3. This ensures that the data collection methods are consistent enough to be replicable and that similar findings would be produced if the research were replicated in another research (ibid.). The usage of the Gioia method ensures a systematic coding process resulting in consistency and reliability when identifying themes and patterns within the data (Dennis Gioia, K. Corley, and Hamilton 2012). Further, the Gioia method emphasizes transparency in coding decisions and provides clear guidelines allowing for replication of the coding process and in turn, enhancing reliability (Corbin and Strauss 2008). Finally, the Gioia method encourages a rigorous analysis where the data is critically analyzed and assumptions challenged. This contributes to the reliability of the research findings as it reduces biases and ensures a comprehensive exploration of the data (Saldaña 2015).

3.4.2 Validity

The appropriateness of the measurements used and the accuracy of the analysis is known as validity (M. Saunders et al. 2015). In this research, the data collection

was designed to capture the phenomena as accurately as possible by conducting the interviews in a relaxed environment. The nature of the questions allowed the interviewee to provide data outside what was explicitly asked for resulting in an in-depth exploration of participants' experiences and perspectives, providing rich and diverse data. The diversity of the data enhances the validity of the study as it captures a wide range of perspectives and ensures comprehensive coverage of the phenomena (H. J. Rubin and I. S. Rubin 2011).

Further, the interviews allowed the researchers to engage participants in a dialogue, seeking clarification and probing for deeper insights with follow-up questions. This interactive process ensures external validity as the correct interpretation of the phenomena can be used to draw appropriate general conclusions, ensuring analytical generalisability of the research (M. Saunders et al. 2015; Smith 2018; N. K. Denzin 2005). Moving on to the Gioia method which ensures consistency and transparency in the coding and interpretation process, resulting in enhanced validity as it provides a clear and replicable process that can be followed by other researchers, leading to trustworthy and credible results (Dennis Gioia, K. Corley, and Hamilton 2012). Further, the Gioia method also encourages the researchers to reflect on their own biases during the analysis process with the purpose to reduce them. Reducing biases on the interpretation of the data improves the validity of the research as it makes them more accurate (Corbin and Strauss 2008). The Eisenhardt method also contributes to increasing the validity of the study as it allows for an in-depth examination of the specific cases, providing a holistic understanding of its complexities (Eisenhardt 1989b). Having depth in the analysis enhances the validity of the study as it makes the exploration of the phenomenon under study nuanced (ibid.).

The findings from the data collected have been analyzed and categorized aligned with the theoretical framework 2.6.1, and all relevant data available in this research is presented in order to give a comprehensive and transparent picture of the research findings. Internal validity has not been considered an issue as it is associated with quantitative research (M. Saunders et al. 2015).

3.5 Research Ethics

This research has been conducted in line with The Swedish Research Council's four requirements for ethical research (The Swedish Research Council 2002). The

four requirements are the information requirement, the consent requirement, the confidentiality requirement, and the good use requirement (ibid.).

3.5.1 The Information Requirement

The interviewees received information about the research's purpose in a reasonable time before the interview invitation was sent out. Additionally, the interviewees were informed once again at the beginning of the interview and were given the possibility to ask questions about the study to ensure that they understood the purpose of the study and felt confident sharing their knowledge and opinions. The interviewees were also informed that the data would be collected and stored aligned with the GDPR regulations. Clear verbal communication was practiced during the research to ensure full transparency towards all involved parties, such as The Case Company. As a result, the information requirement stating that the people affected by the study should be well informed about the purpose of the research and that the researcher needs to inform all participants about their rights and contribution to the study can be considered fulfilled (ibid.).

3.5.2 The Consent Requirement

In this research, all interviewees were informed about the estimated duration of the interview before it was scheduled. The interviewees were also informed that participating is voluntary and before starting the interview, consent was given by the interviewees verbally. This is aligned with the consent requirement stating that all participants should be given the right to decide if and how long they want to participate in the research (ibid.). Further, the requirement states that the researcher is responsible to ensure consent from the participants before including them in the study and that participants must not be subjected to pressure or influence alternating their decision to participate (ibid.).

3.5.3 The Confidentiality Requirement

According to the confidentiality requirement, personal data should be confidential and stored in a way that unauthorized people cannot access it (ibid.). The requirement was met in this research as the data collected in this research was stored on the researchers' personal password-protected computers and inaccessible to unauthorized

people. Further, the personal data of the participants were not shared with anyone, and their anonymity was protected by referring to them with codes such as ”entrepreneur 1”.

3.5.4 The Good Use Requirement

The data collected in this research will not be used for any other purpose than what has been communicated with the participants. Furthermore, the data will not be used in any future research. This is aligned with the good use requirement stating that all data collected during the research should only be used for the purpose of the research (The Swedish Research Council 2002).

Chapter 4

Findings

This chapter presents the findings from the thematic analysis based on interviews with eight tech startups. The analysis resulted in five dimensions and 18 themes, see 4.0.1. The findings are presented based on the dimensions.

4.1 Market understanding

4.1.1 Validate your market

The importance of understanding and validating the market that your product is targeting and that your customers are active in, was highlighted several times by the interviewees. All interviewees agreed that once an idea had been formulated into a solvable problem, validating the market is a natural next step. They stated that there are different dynamics in different markets when it comes to how busy people are, how much purchase power they have because of market margins, the technological evolution, and what the sales processes look like.

Validation of product

Several of the interviewed entrepreneurs stated that it is valuable to have a few customers who can validate the product in an operational setting to understand if you are targeting an appropriate market. Further one of the entrepreneurs mentioned that validating a product with POC customers is an effective way to increase the chance of success in a startup as it gives an indication early on whether a startup need to change their product, pivot or target a different customer segment or market. One of

Figure 4.0.1: Themes and codes from thematic analysis

Section	Dimensions	Themes	Codes
4.1	**Market understanding**	Validate your market	Customers need to validate the product Understand sales cycles in the industry
		Leverage your network	Learn from other entrepreneurs Social network knew people in the industry
		Understand your customer	Prototype enables discussions Know your customer and their problem Timing for the customer is important Every meeting gives you new market knowledge Customers internal solution is not the optimal one
4.2	**Product understanding**	Clear user problem with a simple solution	There must be a problem The product must sell itself Your solution must be easy to explain
		Sufficient technical understanding	You must know your product Important to know the technology
4.3	**Sales tactics**	Leverage media exposure	Media profiling PR on successes Don't be afraid of exposure (LinkedIn, call acquaintances, etc.)
		Communication	Difficult to persuade without a product Adjust the technical langugage to the customer Important with communication and sales skills Listen first, sell second Negotiating skills is important
		Key factors to adress in pitch	Convince customer that POC is not time consuming Frame PoC as a tailored experience Highlight the value for the customer Pitch it as non-risk Present a prototype Product that will differentiate the customer
		Pitch yourself, not just the product	Build trust in the entrepreneur Tell the story behind the person Ability to create trust
		Pricing	Pricing is complex Understand the value of your product and price it accordingly

the entrepreneurs said that, in conversations with customers early on they understood that their problem definition was not accurate to the customers' situation and as a result, they changed it in order to get validation of the potential product and solution. Hence, it was necessary for this particular startup to go back one step and reevaluate the defined problem.

Sales cycles

One interviewee explained how their startup had to change the target customer and market because of the change in environmental settings because of the pandemic. Changing the market, made them realize that there can be big differences in what the typical sales cycles looks like in different industries and that you as a startup need to have sufficient knowledge of the market to meet their customer on the level

Figure 4.0.2: Themes and codes from thematic analysis

Section	Dimensions	Themes	Codes
4.4	**Customer management**	Customer meeting management	Prioritize important topics in customer meetings Physical meetings are better than remote Problem solver and analytical thinking in customer meetings
		Engaging customers	Engage the PoCC to contribute Important to do check-ins and follow up customer meetings Involve and engage customers through webinars
		Create internal ambassadeurs	Give the potential material that easily can be pitched internally Help the customer build the business case Internal customer ambassadeurs
		Choice of customer	Cold contacts are efficient Cold contacts are inefficient Talk to many potential customers and be proactive Find potential customers that are in the forefront of digitization Find the customers that will get the most value from the product Quality customers before quantity
		Point of contact	Contact the wrong person to reach the correct one Entry through management can be hard and time consuming Entry through management is efficient Reach decisionmakers as point of contact
		Administrative enabler	Non-risk/complex agreements Sales process = intro, demo, transaction, legal
4.5	**Entrepreneurial attitude**	Credibility	Build credibility by being transparent on limitations Important to build credibility Beneficial with industry knowledge Use advisors, investors and the board to build credibility Use reference customer
		Entrepreneurial mindset	Entreprenurs need to be executers Have perseverance and positive mindset Have trust in yourself Reflect and analyze on wins and drawbacks

that is normal to them. Further, the entrepreneur stated that factors that could impact the sales cycles are things such as general availability and recent technological advancements that have been made in the market.

4.1.2 Leverage your network

Seven out of the eight companies stated that your network is the most valuable source for finding the first customers. The entrepreneurs said that, once they had defined the problem, they got some great initial connections from friends and family as well as people in their network that were familiar with the same industry that their startups were active in. Many interviewees also said that they got some valuable contacts from their investors and advisors. Another point why you should leverage your network was brought up by one of the entrepreneurs who said that warm contacts usually already have some kind of trust for you as an entrepreneur as you connected through some kind of mutual contact. To summarize it is important to have the social ability and not

be afraid to ask your network for help and connections or write on LinkedIn.

Cold vs warm contacts

The interviewees had different views on whether it works or not to approach cold contacts when searching for your first customers. Two entrepreneurs said that cold calls work well for them and that they had a mass mailing tool that they used to connect widely with potential customers. The startups who had used such mass mailing tools said that is valuable to use the personalization features to make the email less of a standard text. However, the other six of the interviewees thought that you should focus on warm contacts as cold calls are inefficient and cold contacts via LinkedIn usually have a low response rate.

Quality vs Quantity

In general, the interviewees said that when finding and signing the first customer, you should go for quality over quantity. As the first customer is quite important as they can act as customer references in the future and are a vital part of the continued product development they would recommend to focus on quality customers. However, some interviewees said that they did not prioritize any potential customer over the other and signed all potential POC customers. The same interviewees said that they would do the same if they were taking on a new venture as they found it positive to have many POC customers. Further, several entrepreneurs said that it is beneficial to spend time on the potential customers that have shown interest and where you have momentum rather than spending time on customers just because they could be considered of good quality.

Maturity

There are different customer characteristics that entrepreneurs had found both positive and negative. Six of the entrepreneurs said that it is valuable to find companies that are at the forefront of digitization and technology as they in general are more risk-averse and forward striving. These customers generally already understand the advantages of SaaS solutions and are therefore more approachable. However, some entrepreneurs said that it can be valuable to approach more traditional and older companies with old processes as they would have the most value to gain from the

product. One entrepreneur said that the first customer is the most important one when it comes to having a strong brand. However, the same entrepreneur said that large customers might be more difficult to sign as their budgeting process is more rigid and the solution may be more difficult to implement. Another entrepreneur said that it comes down to analyzing the value the product brings to the POC customer and that the added value should be sufficient enough in comparison to their current solution or the size of the problem.

4.1.3 Understand your customer

During the interviews, it was highlighted several times that it is important to understand your customers but once you have found a customer and initiated a conversation, it is also important to understand each individual customer. By taking every possible meeting that you can as an entrepreneur, you will gain a lot of information about the customers within the market you are operating in. One entrepreneur even said that you should see each meeting as a lecture on the customer and industry. The same entrepreneur struggled with keeping customers' attention after pitching the solution and thus started to proactively book lunches with people working for potential customers to get a better understanding of how the customer perceived the problem. The entrepreneur stressed that this significantly increased the quality of the pitch. Another entrepreneur said that there needs to be a balance between wanting to understand the customer and selling your product as understanding your customer will make it easier to understand how you can adjust your pitch to fit into their setting better. The pitch should also be adjusted to the one you are pitching to and trying to convince. To do this it is important to not only understand what their problems are and how they view them, but the entire situation that it has created. As timing was said to be a critical factor, understanding your customer can also give you a better understanding of whether the timing for the customer is right or if you should plan to approach them at a more suitable time. In order to fully get the picture without any biases, one entrepreneur mentioned that it is important to ask the right questions to potential customers and that they have the book Mom Test as their go-to methodology when doing so. Further, another entrepreneur said that it is critical to quickly understand what the customers are hesitating about and their needs, not the willingness to buy. The same entrepreneur emphasized the importance of showing that you care and be responsive to customers and their requests.

4.2 Product understanding

4.2.1 Clear user problem with a simple solution

To successfully sign POC customers, seven interviewees stated that you need to have a product that solves a big problem with a simple solution. In the best case, the product should efficiently solve such a well-defined problem that the product sells itself.

Clear user problem

According to several interviewees, a startup should have defined a clear problem with a well-defined scope. Further, one of the entrepreneurs said that the more obvious problem you are solving, the better chance of success you have. Another entrepreneur said that the explanation of the problem must be a maximum of 300 words and in order to achieve this, it is crucial to first understand the users' situations. The same entrepreneur initially found that their problem explanation was too complex and therefore narrowed their problem scope.

Simple solution

Having a simple solution was stated as very critical by several entrepreneurs. However one of the entrepreneurs said that even if the solution should not be too complicated in the beginning, it may become complex in the long run. All interviewees were aligned on the fact that the solution must be very easy to explain and something that almost anyone could understand.

4.2.2 Sufficient technical understanding

Four of the entrepreneurs highlighted the value as an entrepreneur to understand the technology behind their products. One of the entrepreneurs said it is absolutely critical to know your product with its possibilities and its limitations as this would increase the customers' perception of your expertise within the identified problem. Further, the same entrepreneur stated that in order to build trust within the startup, you need to demonstrate great technical understanding. However, they stated that it is important to adjust the technological discussion to the customer.

4.3 Sales tactics

4.3.1 Leverage media exposure

Five of the interviewed entrepreneurs claimed that media profiling had been an important factor in their success as it build credibility and awareness. One entrepreneur who has had media exposure because of other previous engagements said that their startup was early on exposed to media leading to customers reaching out to them. Another entrepreneur said that by publishing in the right channels about your successes and advertising in industry magazines, you can create brand awareness and reach potential customers.

Another useful media tool is press releases according to several of the interviewees. One interviewee said that they try to find news value in what they do and send out press releases on a regular basis. The same interviewee said that they got access to a media list with journalists from their VC investor and that once you have been exposed to media, it is easy to get your press releases published again. As a result of recurring media exposure, this specific company got some of its first customers because the customers read about them and reached out to the company. Another entrepreneur mentioning similar things, also said that it is important to be active on LinkedIn and not be afraid of media exposure.

4.3.2 Communication

In all interviews, different perspectives on communication were brought up by the interviewees. As the first customers in all the studied cases were POC customers, all entrepreneurs have gone through the process of pitching to customers without a product. This was stated by the entrepreneurs as quite difficult and they opened up about important things to think about and skills to leverage to sign POC customers.

Sell without a product

Nearly all of the entrepreneurs expressed that in the process of signing POC customers, one of the biggest challenges is that you need to sell a product that does not exist. The main thing to overcome this challenge was presented by one of the entrepreneurs as believing in the product. The entrepreneur said that if the entrepreneur truly believes

in the solution and the intended product, it will have a huge impact on the outcome of whether the potential customer will sign or not as the belief in the product will rub off. Further, another entrepreneur said that in the case of selling something that does not exist, it is critical to explain the long-term benefit and focus on talking about the opportunities rather than limitations.

Listen first, sell second

Another insight that was mentioned by almost all of the entrepreneurs was that as an entrepreneur approaching customers, you need to listen first and sell second. This goes hand in hand with what has been presented previously about the importance of understanding your customer. One of the entrepreneurs expressed that it is important to have the ability to listen and analyze what the customer says in a way that you can read between the lines and understand what the customer actually needs. Once you have listened and asked the customer a few questions, it will be much easier to pitch accordingly to the customer, said an interviewee.

Key communication skills

In order to efficiently communicate with potential customers, the interviewees mentioned some key communication skills worth practicing. Firstly, they all mentioned that general communication and sales skills are good to practice and regularly work to improve. Some also said that they had benefited from pitch and presentation technique training that they had done in the past. One of the entrepreneurs specifically highlighted that you need great social skills and the ability to engage people when you speak without coming off as a typical salesperson. Another entrepreneur stated that in the first meetings, you should not mention anything about ”buying” or ”selling” and that you need to adapt your way of communicating to the atmosphere of the company or industry. Furthermore, the majority of the entrepreneurs highlighted that negotiation skills are super important and that they would have wanted even more training in negotiation before entering the situations where it was clearly needed.

Some interviewees also brought up that it is important to early on in a meeting understand the technical level of the potential customer so that you can adjust your language and way of communicating to their knowledge. One of the entrepreneurs

said that as you need to adjust your technical language to the customer, it is beneficial to have decent tech skills as it can demonstrate confidence and the ability to answer any questions about the technology that may come up.

4.3.3 Key factors to address in pitch

Talking about the actual pitch with the interviewees, they expressed a few key factors that are necessary to convince the customer that they need your solution and finally sign the POC agreement. All interviewees mentioned that it is important to emphasize the value for the customer, frame the POC experience as tailored, work with risk aversion, and finally use a prototype. Further, the interviewees added that working with these factors early on when managing customers, will make the process of persuading and signing customers easier.

Value for customer

When pitching a product, one entrepreneur said that it is critical to understand what the value to the customer is and have that in mind throughout everything you say. The same entrepreneur said that how to present your value proposition can with an advantage be discussed with others on the forehand to understand different aspects of your product that could be valuable for different types of customers. Further, it was mentioned by another entrepreneur that it must be very easy for the customer to quickly see the value and understand what in their operational setting will become better with the solution implemented. Several of the interviewees stated that it is a great benefit to present the added value for the customer in monetary gains by presenting a clear business case on how much they could financially improve. Some entrepreneurs also said that it is important to explain how the customer gets an advantage and an edge with the solution as well as that they can use the POC project in branding and marketing contexts.

POC as a tailored experience

When it comes to pitching the idea of becoming a POC customer in particular, seven of the entrepreneurs said that you should frame it as a tailored experience. One entrepreneur stated that they usually pitch it as a customized solution with low effort and high reward. A few entrepreneurs said that a reason for hesitation for some

customers is a lack of time and resources. The same entrepreneurs expressed the importance of highlighting the low effort and time required from the customers' side. Another entrepreneur said that they usually highlight the benefits that come with the fact that it is not a done product but a work in progress, opening up a flexible roadmap where the customer can be part of deciding on priorities.

Risk aversion

In nearly all interviews, the risk was mentioned as a critical part of whether a customer signs or not. Several entrepreneurs emphasized that you need to convince the customer that there are no major risks in becoming a POC customer and that the startup owns all the risk. As this is usually such an integral part of the decision on the customers' end, one entrepreneur said that you need to be sure to answer all effort and risk-related questions and be proactive in those discussions. One entrepreneur even said that they had experienced it to be beneficial to have physical meetings as it is easier to build better relationships and reduce risk awareness.

Prototype

Each and every one of the entrepreneurs highlighted the importance of demonstrating a prototype in the pitch and some even claimed that it was a must. As every interviewee highlighted the importance of having a prototype, some said that having just pictures or a bad demo is better than showing nothing. Furthermore, some of the entrepreneurs explained that the prototype does not have to be sophisticated as long as it clearly explains the solution. The entrepreneurs who initially failed in signing POC customers said not having a prototype was a big reason why they did not succeed in the signing. One entrepreneur said that having a prototype is critical as it helps visualize the solution for the customer, especially if the solution is complex and naturally difficult to understand. When customers get a visual understanding of your offer, they can usually better communicate their hesitations, current behaviors, pain points, and needs. Another entrepreneur said that a prototype can make the discussions about the solution run smoothly and quickly, giving more time and focus on actually selling the product. Further, the same entrepreneur said that having a prototype and presenting it as part of the pitch, helps to have a better structure in the presentation. Another entrepreneur said that in their case it had been of greater importance in the meetings with cold contacts as the prototype gave credibility to their ability to build something

that can solve the customers' problem.

4.3.4 Pitch yourself, not just the product

In several interviews, it was mentioned that it is important that an entrepreneur can pitch themselves and not only the product that they are selling. Specifically two entrepreneurs said that this comes down to building trust within the main person in a startup as in the early stages, the team is the biggest asset. The same entrepreneurs stated that to pitch yourself and build that trust, you need to show that you care, tell your story in an engaging way, and express why this product or startup is so important to you. One entrepreneur said that if you have industry knowledge, you have an easier path to build up trust in you. The same entrepreneur said that demonstrating dedication to the company is, however, more important than having previous industry knowledge. Further, it was also stated in the interviews that previous entrepreneurial experiences generally have a positive impact on how the potential customer perceives the startup in regard to its ability to succeed and its credibility.

4.3.5 Pricing

Setting a price for a product that does not exist or has a proven track record, can be very difficult, as was expressed by the five of the entrepreneurs. One entrepreneur said that you need to understand the value of what you do in order to not set yourself too low in either price or self-worth. Another entrepreneur expressed that it had helped a lot in the price discussions that they had been in similar situations before and that a more inexperienced entrepreneur probably would have a harder time negotiating and pricing their product.

4.4 Customer management

4.4.1 Customer meeting management

In the interviews, the interviewees mentioned insights on how to best facilitate a meeting with customers. Several entrepreneurs said that it is important to have problem-solving skills and analytical skills in customer meetings to truly capture everything that the customers share about their situation. One entrepreneur said

that it is also critical to prioritize what is important in the meeting and focus on the important topics as it is easy to end up in discussions not leading to actions. Many interviewees shared opinions on whether meetings should be remote or physical but their thoughts were somewhat divided. Seven of the entrepreneurs agreed that physical meetings are better as it is easier to build trust. However, one entrepreneur said that the first meeting can be done remotely with the purpose of making the first screening to decide if it is worth continuing to pursue the customer spending time and resources on traveling to them.

4.4.2 Engaging customers

Half of the entrepreneurs shared that it is important to regularly engage both potential and signed POC customers. Seven of the entrepreneurs said that you need to follow up on emails and meetings after the pitch when trying to persuade the customer. However, it is important to not be perceived as too pushy. One entrepreneur said that webinars on interesting topics can be a great way to engage with your customers.

4.4.3 Create internal ambassadors

Several entrepreneurs highlighted the fact that one of the most important pitches is actually often out of their control as the one they are initially pitching for might not be solely the decision maker resulting in they will have to pitch the solution internally if they like it. One entrepreneur said that the second-hand pitch, which becomes the customers' internal pitch, will most likely be much worse than the original one. Further, the same entrepreneur aligned with several of the other interviewed entrepreneurs said that because of this phenomenon, you need to give the customers a pitch along with material so that it is easy to repeat. In the best-case scenario, one entrepreneur said that the problem is so clear and the solution so simple that the pitch material sells itself, and the internal ambassador is barely given room to worsen the message. Further, one entrepreneur said that they usually build a business case together with the customer that they can use to further sell the product to the decision-makers in the customer company.

Moving on, some entrepreneurs said that it helps a lot if you find people in the company who wants to develop the industry and are not happy with the status quo. Further, they said that these people are often willing to push for and sell new innovative

solutions internally something that can help a lot after the initial meetings when you are persuading a company into becoming a signed customer.

4.4.4 Choice of customer

When finding customers, the interviewed entrepreneurs mentioned varying strategies and thoughts on how to reach them and what customers a startup should go for. In general, they said that it is important to talk to many customers in order to successfully define the target market and expose yourself to different types of clients to understand what matters the most to them. The interviewed entrepreneurs also shared thoughts on who to ultimately reach out to and have as a point of contact within the potential customer company. Further, they had a number of different strategies on how to reach these contacts, see the following section.

Decision makers

All entrepreneurs said that the preferred point of contact is someone within the management team and that ultimately they take on a top-down approach when approaching a potential customer. By approaching someone in the company on a high level, you can either get attention early on from management or get directed to the right decision-maker for your product. However, the management team and decision makers are in many cases not the user, meaning that they might not understand the value of the product or even be aware of the size of the problem. One of the entrepreneurs stated that you need to have a point of contact with both understandings of the problem and the power to buy. Further, the same entrepreneur said that this can be difficult to find in the same contact and therefore you should ultimately approach different stakeholders, both management and people that are the target user.

Some entrepreneurs that got in contact with the right decision-makers early on in their POC customer cases, said that they were just lucky. However, some entrepreneurs explained that they had found strategies to reach them. One such strategy was to deliberately send a message to the wrong person in a company to be directed to the right one. This entrepreneur found it easier to get a response from someone in the management team when they could mention that they were directed by someone else on the inside. Another entrepreneur shared that they usually approached customers from two sides at the same time as that would create some buzz internally leading to

higher chances of getting a response.

4.4.5 Administrative enabler

Some administrative enablers were highlighted in the interviews, mainly regarding agreements. It was emphasized by many interviewees that a critical part of the signing process is to have easy-signed contracts with a short notice period. They also said that they should be written professionally. Further, they said that it is highly important that it is clear in the agreement that the company can sign it without taking on any major risks.

One entrepreneur explained the process of signing a customer as introduction, demo, sell, and legal. Another entrepreneur said that it usually takes about 4 meetings to sign a customer, however, they said that this is probably varying a lot. As signing is part of the last step and you do not want anyone to lose the thread when you have come so far, one entrepreneur said that they usually have a meeting dedicated to going through the POC agreement together to avoid lots of changes and finally sign it together.

4.5 Entrepreneurial attitude

4.5.1 Credibility

Demonstrating credibility was mentioned by all entrepreneurs as very important when signing customers. The entrepreneurs expressed varying thoughts on how difficult it is to build credibility. One entrepreneur said that they initially built credibility by always having two people representing the startup in customer meetings. Another entrepreneur said that it was very difficult as they were new in the industry but overcame this challenge by being very transparent on what they can and can not do. The strategies to build credibility varied but the two main ones were said to be through industry knowledge and by having credible advisors, investors, and board members.

Industry knowledge

Being able to demonstrate knowledge in the industry was said to be valuable when building credibility. One entrepreneur said that researching and understanding the

industry and customer segments is a must before approaching a customer. Several entrepreneurs emphasized that having previous experience in the industry helps a lot in the process of demonstrating credibility and one entrepreneur even claimed that it will increase your chances of signing the customer. Having previous experience was also said to help as it can ensure the customer that the entrepreneur understands the problem they are trying to solve. Another way of building credibility that was mentioned by several interviewees is to have reference customers, however, this is not possible until you have signed at least one POC customer. One entrepreneur said that a similar perception of credibility can be achieved by participating in innovation projects and known incubators.

Advisors, investors and board members

Another way of demonstrating credibility brought up by many entrepreneurs is to have advisors, investors, and board members with industry experience. The entrepreneurs said that ultimately you want heavy industry names on board that can vouch for you as an entrepreneur but also for the product. Further, one entrepreneur said that having heavy names connected to the company in any way helps a lot in getting media exposure which in turn builds credibility. The same entrepreneur also emphasized that advisors, investors, and board members with industry experience can open up doors to great contacts.

4.5.2 Entrepreneurial mindset

During the interviews, several entrepreneurial traits were brought up by the entrepreneurs. The main thing that came up in every interview was that as an entrepreneur you need to have perseverance and a positive mindset. Several entrepreneurs said that it will be tough sometimes and you need to be prepared for that as well as not give up too easily. One entrepreneur said that rather than taking a ”no” hard, you should learn from them and analyze what went well and what went bad. Further, another entrepreneur said that every meeting is a lesson and if you learn from them and improve your way of working, you will succeed eventually. Several entrepreneurs also said that you should look at missteps as instructive and believe in your ability to solve problems and move forward.

Chapter 5

Discussion

This chapter discusses the findings presented in chapter 4. The discussion is further based on the theoretical background and framework, 2, in order to answer the research questions. As presented throughout the results, the journey to the first POC customer evolved somewhat differently between the cases. However, between the cases, the same sub-processes were experienced. The sub-processes identified in the POC signature journey were: Defining and scoping problem, Defining target market, Finding customers, Initial pitch, Defining customer needs, Persuasion, and Negotiation/Signature. What these sub-processes are, how they evolve, relate and what factors impact the outcome of each sub-process, will be elaborated for in this chapter.

5.1 Defining and scoping problem

During the interviews, it was repeatedly mentioned that defining a clear problem will set out a good foundation from where the value proposition can emerge, see section 4.3.3. Hence, defining and scoping problem is the first sub-process identified in the POC startup journey. Once a problem is identified it is important to understand whether there is a market for a business idea that solves this problem. As mentioned in the book The mom Test, one of the biggest challenges in understanding the market potential is people not telling the truth (Fitzpatrick 2013). This is aligned with what the interviewees said about the importance of asking the right questions in order to fully get the correct picture of a situation described by a potential user or customer, see section 4.1.3. As stated both in The Mom Test and by an interviewee, it is up to

the entrepreneur when trying to define the problem area, to ask questions in such a way that they will receive objective answers (ibid.). Asking questions in a non-biased way will result in people giving honest answers and will therefore minimize the risk of social constructs affecting the answers such as confirming an idea to protect the entrepreneurs' feelings, see section 4.1.3. In other words, the received data will carry less noise and be more useful in the process of defining the problem area.

In the interviews, it was mentioned that the more obvious the problem is that you are solving for the customer, the better your chances of signing them, see section 4.2.1. To be concrete, in the interviews, one of the entrepreneurs explained that a good thumb rule for problem definition is that the explanation of the problem must not exceed a maximum of 300 words. It was also mentioned in the interviews that in order to define such a clear problem, you must understand the user's situation, see section 4.2.1. This is aligned with previous research stating that a startup should understand their customers, which can be achieved by involving them early through idea sharing (Markus Kirchberger, Marc Wouters, and J. C. Anderson 2020). Similar findings have highlighted that startups should involve customers in order to align and prioritize product or service capabilities with the actual demanded requirements in the application area (Paternoster et al. 2014) (May 2012) (Midler and Silberzahn 2008) (Crowne 2002). This was brought up as an issue by one of the interviewees who said that they thought they had found and defined a clear problem but once they started to talk with customers, they were struggling a lot with getting the customers to understand both the solution and problem. Quickly the startup understood that the problem they had defined was not as obvious to the customers as they initially thought. By having conversations with customers about their situation they could identify how they could slightly change the problem definition in order to make it more accurate to the customer's situation, see section 4.1.1. In other words, it is crucial to define the problem area so that it is both clear to the user as well as aligned with the actual needs in the application area. As in the case described above, defining a problem area and talking to customers about it, can be an iterative process and the findings in this research indicate that it generally is. This is supported by other research stating that product development and customer development are iterative processes (Eesley et al. n.d.).

5.2 Defining target market

Even when a problem is well defined, the perception of it will differ among different markets, segments, and customers, and as a consequence, the attractiveness of an offer to solve that problem will vary across customer segments as well as customers within each segment. Defining target market is the second sub-process identified in the POC startup journey and is parallel to the sub-process, finding customers, as approaching customers is needed to fully grasp the market dynamic and define the target market.

5.2.1 Market fit

The question of where the entrepreneur should orient their efforts is a challenge that was consequently brought up during the interviews, see section 4.1.1, 4.1.3. From a target market perspective, this challenge was brought up in terms of the need to address questions such as; what market has customers that are aware of the problem and has no other or a bad solution to it currently? and, which market and customers are in a state of potential adoption? One of the entrepreneurs specifically called out that the concept of POC customers is especially useful for quickly understanding whether a startup need to redirect its efforts and target a different market or segment. Another entrepreneur stressed that researching the industry and its customer segments is a must before approaching a customer, see section 4.5.1. The importance of understanding the market in an early stage has also been brought up in previous studies as discussed in chapter 2, (Blank, Steve 2013; Ries 2011; Vogel 2017). However, the analysis showed that this was not always the case and so it can appear that there is not a consensus on the need to do this. But, that is probably not the case, looking at the background of the entrepreneurs, with a history in the industry prior to starting a company the entrepreneur is likely to deem this step as less important due to already possessed industry and customer knowledge. Hence, the need to in fact commit to market research and customer segmentation is still a critical step. However, entrepreneurs with previous experience in the industry come in with an advantage in this task. This is also supported in previous research as discussed in chapter 2 (Moore 2014; Repschläger, Erek, and Zarnekow 2013; Windheim and Myers 2014).

Moving on, one of the entrepreneurs emphasized that the fact that a market or segment has a solution to the identified problem does not imply that the market fit is necessarily

the wrong one. In his own words, ”The customer’s problem is always right but their solution is almost always wrong” meaning that if you have a better solution and are able to communicate it in an effective manner then that segment might be just the one you are looking for. The fact that the solution to a problem exists indicates that there is an awareness and understanding of the issue within the market and so a new innovative solution to it can be attractive.

5.2.2 Openness to innovation

The issue of varying problem perception and how to overcome this challenge was brought up by the entrepreneurs under various discussion topics, see sections 4.1.3, 4.1.1. Furthermore, as discussed in Chapter 2, previous studies have highlighted that the customers’ approach to new innovations has positive effects on the startup’s customer knowledge (Fidel, Schlesinger, and Cervera 2015). In the case of the POC customer startup journey, this appears to be an important consideration not just when gathering customer knowledge but also when defining the target market, and perhaps even more so than in a traditional startup approach. As mentioned in the findings chapter, the customers’ openness to innovation was brought up as an enabler for getting customers engaged, and interested in discussions, and ultimately perhaps even nudged towards considering embracing the startup’s initiative of developing a solution to it. Moreover, as elaborated previously, one of the entrepreneurs who was struggling with the process of signing POC customers even mentioned that when they reoriented their efforts (due to increased market knowledge) and targeted a different segment based upon the customers’ maturity of innovation and digital solutions, the smoothness of the process was increased significantly, see section 4.1.1. If compared to the other cases some entrepreneurs found this particular sub-process significantly more smooth. The answer to this seems to rest on the same cornerstone, i.e., the targeting of customers mature and open to innovation. As far as how come they did target this type of customer in the first place, is perhaps a consequence of previous industry knowledge. Furthermore, there appears to be an embedded beneficial synergy in this process which is that customers being open to innovation are more likely to respond and interact with startups than customers who are not. However, before jumping to conclusions and acknowledging such as synergy a more in-depth analysis of this specific pattern is necessary. Either way, as emphasized in three of the interviews, in order to unfold the market and the customers’ perception of the problem, the ground

rule is ”Don’t just sit at home in your chamber, get out there and talk to people”. It goes to show that the efforts in understanding your customers are critical to define a target market for your product and ultimately achieving a smooth transition from this sub-process to the next.

5.3 Finding customers

Finding customers is another sub-process identified in the POC startup journey. This sub-process was in five of the cases carried out in parallel with the above described process, defining target market, as finding and interacting with customers contributes to the knowledge needed to define the target market. A previous study taking over 5000 responses into account revealed that acquiring the first customers is among the perceived key challenges for early-stage software startups (Giardino et al. 2015). Both previous research and the interviews conducted in this study have presented different strategies on how to overcome this challenge starting with finding the first customers.

5.3.1 Network

Seven of the studied companies said that the network is the most valuable source for finding the first customers, see section 4.1.2. This is aligned with previous research stating that the pilot customer is often an acquaintance of the entrepreneur (Ruokolainen and Igel 2004). Using your network to find customers is claimed to make the process much easier as there is a clear indication of who you should contact. In the interviews, it was brought up that finding customers through your network gives you an advantage as these customers usually have a somewhat pre-built trust in the company and entrepreneur that can be valuable at the beginning of the relationship, see section 4.1.2. As both the results in this study and in previous research indicate that social capital is an enabler for getting the first customer, it is important to leverage the entire team’s, including investors and advisors, networks in the process of finding customers (Aldrich and Zimmer 1986; Ostgaard and Birley 1994) (Ostgaard and Birley 1994). Furthermore, it should be noted that due to the fact that the startups studied, operate under the same portfolio company umbrella, they have had access to an already existing wide network. As a consequence, this sub-process may be even more challenging for stand-alone startups than the studied startups.

5.3.2 Cold contacts

Different opinions on whether it works or not to approach cold contacts when searching for your first customers are presented in the results, see section 4.1.2. It is clear that the usage of mass emails and cold calls had varying results in the studied cases. However, six of the studied cases mainly focused on warm contacts as they found cold calls as an inefficient method with a low success rate in terms of setting up a meeting, see section 4.1.2. Circling back to the previous section, it is reasonable that interactions with cold connections are perceived as more challenging as both the results and previous studies have highlighted how important the network is when it comes to finding customers and the advantage of warm or mutual connections. Based on this research, it can be stated that entrepreneurs should focus on processing warm contacts and rather spend resources on finding and creating warm contacts than approaching cold ones. However, as one of the interviewed entrepreneurs explained, committing to a cold contact approach can be useful if appropriate cold contact strategies, such as personalizing send-outs, are leveraged. In the case of that startup, they mapped out a great number of potential contact persons on LinkedIn, segmented them, and then formulated a set of pre-prepared send-outs in order to balance efficiency with quality. The findings show that this strategic approach was only leveraged by this specific startup and it was also the same startup that perceived cold contacts as most valuable. This shows that engineered cold contact strategies have the potential to be useful for the POC signature process and perhaps even more so if the entrepreneur is lacking social capital and does not have access to such a network as the one provided by the portfolio company.

5.3.3 Media

How media exposure impacts the process of finding customers has not been given much attention in previous research but was brought up in five of the studied cases as an enabling factor in building customer awareness and finding customers, see section 4.3.1. In three of the cases, media exposure resulted not only in them finding customers, but customers finding them. The interviewed entrepreneurs who succeeded in getting media exposure mentioned several ways of getting attention. Actions included writing and sending out press releases to industry-specific magazines and journals as well as posting regularly on LinkedIn. News value can be found in

many things that a startup goes through and it is about framing it in a way so that it becomes worthy of media attention. Further, it was stated that once you have caught journalists' eyes once, it will become easier to receive media exposure, see section 4.3.1. The startups who spent time and resources on getting media exposure observed desirable results in the challenge of finding customers. Therefore it is not surprising that the entrepreneurs highlighted it as a success factor. Although this study finds evidence of empirical nature on this, it implies that media exposure can be a tool of significant importance in the process of overcoming the challenge of finding customers. As such, it is something entrepreneurs should have in mind when building a new venture. Furthermore, having media exposure appears to not only positively influence the process of building customer awareness and finding customers, but also to establish credibility around the startup and or entrepreneur. This is further elaborated on in the upcoming section, see 5.6.2. Lastly, it should also be mentioned that the studied companies have been given recurrent PR support from The Case Company so it should be highlighted that the level of media exposure that the studied startups have had is likely more than what startups has in general. Therefore, the process of finding customers may for a stand-alone startup case be an even more challenging task. As such, the importance of concerning media exposure and actively working towards achieving it, is perhaps an even more important task in this sub-process for stand-alone startups. To conclude, as a startup you have to start somewhere regardless of who is backing you and the findings of this research show that it is valuable to prioritize media exposure.

5.3.4 Customer characteristics

To find the first customer, a couple of customer characteristics have been brought up in both previous research and in the interviews with the studied companies. Results indicate that startups should focus on a few numbers of qualitative customers rather than on quantity, see section 4.1.2. However, it is even more important to make sure you spend time and resources on the potential customers that are most likely to sign. Potential customers that have shown direct interest in your product or the problem are worthy of your time and resources, as they can be considered low-hanging fruits with a high chance of becoming a signed POC customer 4.1.2. This aligns with previous research referring to earlyvangelists as the most important potential customer (Blank and Dorf 2020). These kinds of customers make a leap of faith and buy an

early product because they have a problem or need that they are aware of as well as actively searching for a solution to it (ibid.). Moving on, being forward striving and risk-averse are preferred customer characteristics that should be taken into account when finding customers, see section 4.1.2. Customers with these characteristics are generally at the forefront of digitization and technology and understand the advantages of SaaS solutions. However, it should be noted that it is not always positive to approach companies in the forefront as they might not be as much in need of smart solutions as more traditional and older companies with old processes. These companies might have more to gain from the product, see section 4.1.2. In general, regardless of the maturity of the company, entrepreneurs should be encouraged to find the customers that will gain the most from the POC partnership but also value and understand that gain.

5.4 Initial pitch

Upon finding and initiating contact with a customer, the next sub-process identified is the first meeting and initial pitch. The interviewed entrepreneurs emphasized that during this meeting it is of great importance to collect further knowledge about the customer and define the customers' needs as well as give the first pitch 4.3.3. The latter of these will be discussed in this section and the sub-process of ”defining customer needs” will be addressed in the following section.

A differentiator between the process of signing the first POC customer compared to the build first-sell later approach is the subprocess of the initial pitch. In the case of the POC process, the entrepreneur has to pitch without a product, see section 4.3.2. This forces the entrepreneur to approach the pitch challenge somewhat differently compared to the traditional approach. Additionally, the ultimate goal of the POC pitch is not just to sell the product, but rather, to get the customer to commit to a type of partnership where they are expected to take part in the product/solution development process. As a consequence, the scope of the pitch needs to be extended to include a compelling offering not just in terms of product and business case but also the entrepreneur themselves, see section 4.3.4. This is because the customer is not just buying a product or a solution to a problem but rather, a problem solver. Therefore, the perception of the entrepreneur and their perceived ability to create an efficient solution is taken into consideration by the customer, and this needs to be kept in mind by the entrepreneur.

5.4.1 Pitching without a product

Looking at the first challenge i.e., pitching without a product, the entrepreneurs mentioned various factors to take into consideration during this process in order to achieve a successful outcome. One of the factors stressed as critical was to address opportunities and minimize the discussion about limitations, see section 4.3.2. Two other factors identified were to avoid mentioning either buying or selling as well as to adapt the communication to the culture of the company, see section 4.3.2. The latter mentioned, adapting the communication to the organizational culture, once again enlightens the importance of gathering knowledge about your customer and how that can be an enabling factor, see section 4.1.3. As previously presented, similar findings have been brought forth in the literature field, emphasizing that taking the perspective of the customer is a key factor in successfully acquiring the first customer (Markus Kirchberger, Marc Wouters, and J. C. Anderson 2020).

5.4.2 Pitching the entrepreneur

The second challenge, i.e., extend your pitch to include yourself (the entrepreneur) not just the product/solution, was brought up in several interviews see section 4.3.4. According to the entrepreneurs, one way to do this is to show how important the product/startup is to the entrepreneurs themselves. As discussed in chapter 2, previous studies have highlighted that the involvement of the founder in sales is important (Eesley et al. n.d.). Combined with the results of this study, it should be noted that if the founder showing involvement in sales was important in a traditional startup approach, it is of critical importance in the case of the POC approach. What can be stated is that in the challenge of selling without a product, the image of the entrepreneur is extremely important and as an entrepreneur, you need to understand this in order to create not only an appropriate image but one that is desirable for the customers to be associated with.

5.4.3 Pitch training

Moving on, as mentioned earlier, pitch training was brought up as a positive contributing factor, see section 4.3.2. All of the entrepreneurs attended pitch training offered by the portfolio company. As it was offered by the portfolio company, the pitch training was not just providing general pitch tips but rather tailored pitch training

for saas startups using the POC strategy. The fact that it was a tailored training could be a contributing factor to why the pitch training was perceived as a positive contributing factor by the entrepreneurs. Furthermore, by attending pitch training the entrepreneurs with a lack of previous relevant pitch experience indicated that the training significantly increased their chance of success.

5.4.4 Pitching with a prototype

As presented in the findings chapter, the usage of prototypes was brought up by all entrepreneurs during the interviews, even by those who did not use the tool. Furthermore as presented in chapter 2, the usage and implications of prototypes have been highlighted in previous work where their use in convincing customers has been acknowledged (Bjarnason 2021a). However, the findings of this study reveal that in the POC process, it may well be even more important to use a prototype due to it contributing to more than just convincing the customer to commit to the offer. The entrepreneurs explained that a prototype enhances customer knowledge gathering by enabling a discussion regarding their current state, hesitations, pain points, and needs, see section 4.3.3. In other words, it is another tool that an entrepreneur can use to improve their understanding of the customer - which as discussed above is an enabler for the process as well. Furthermore, the findings show that the usage of a prototype improves meeting structure, and solution presentation and aligns expectations between entrepreneur and customer, see section 4.3.3. As elaborated in the interviews, it is critical to have a simple solution, and thus a prototype can aid in achieving such a perception from the customer 4.2.1. As the prototype helps in aligning expectations it can also reduce the conflicts in the upcoming sub-processes; persuasion and negotiation. However, the findings also indicate that in the pitch, the prototype does not necessarily have to be sophisticated, as long as it matches the problem and clearly visualizes the proposed solution it can be a valuable tool, see section 4.3.3. Therefore as little as a few pictures can be sufficient. Moreover, the findings also indicate that the importance of leveraging a prototype increase with the increase of problem complexity. To conclude, using a prototype when pitching can positively impact the process, and as this is the case even for simple prototypes, the time spent to create one is time well spent.

5.5 Defining customer needs

As stated in the previous section, defining customer needs is yet another sub-process in the POC startup journey, often carried out in parallel with the initial pitch. During this phase, it is crucial for an entrepreneur to be attentive and responsive in order to fully understand the customer so that the value proposition can be adjusted accordingly in the following communication, see section 4.3.2. This is aligned with previous research stating that adopting the perspective of the customer is a key process to successfully obtain the first customer (Markus Kirchberger, Marc Wouters, and J. C. Anderson 2020). Further, the analysis of the collected data highlights that an entrepreneur needs the ability to read between the lines and understand what the customer actually needs as they might not be able to articulate it specifically, see section 4.3.2. Another part of this sub-process is understanding what type of person the entrepreneur is dealing with (e.g., decision maker, user) which at this stage can be unclear. Moreover, the emphasis on understanding your customer should not be underestimated, even if the customer after this stage shows a lack of interest and decides not to proceed, the knowledge gathered is critical to the entrepreneur as it can be leveraged for further actions and interactions. Some of the entrepreneurs reached this phase but then due to newly acquired knowledge and market understanding circulated back to the earlier described sub-processes to for example re-target a new market segment.

5.5.1 Perception of problem

One of the major outcomes of this process is acquiring knowledge about how the *specific* customer perceives the problem and what approach they expect would solve the problem. This is of importance for the entrepreneur in the POC signature process as this knowledge will set the boundaries of the following sub-processes and how the entrepreneur should approach them. For example, by understanding how the customer perceives the problem, the entrepreneur can get an indication of what value a solution would bring which is important in order to effectively persuade as well as price the solution 4.3.3. In other words, this understanding will first of which enable the entrepreneur to communicate appropriately in the upcoming sub-processes; persuasion, negotiation, and if not yet carried out, the initial pitch, see section 4.1.3. Secondly, understanding the perception of the problem is also of great importance in the later development phase, to make sure the delivered solution is

aligned with expectations and thus enables customer retention in the long term.

5.5.2 Perception of risk

An important aspect to bear in mind when talking to customers is both their level of risk-taking in general and their perceived risk in regard to the proposed POC partnership. Ultimately the entrepreneur should understand these two perspectives of risk and proactively work with risk aversion, see section 4.3.3. By understanding where the customers stand in relation to risk, the entrepreneur can better define the customer needs and adjust their communication accordingly but also more concrete things such as making sure all written documentation and agreements explicitly leave out any potential major risks for the customers, see further elaboration in the section 5.7.1. Another thing that was expressed during the interviews that might impact the level of risk and devotion to a new project, is timing, see section 4.1.3. Timing is stated to be an important factor that is very much out of the entrepreneurs' control. However, by dedicating time to fully understand your customer and their situation from a more holistic perspective, it might be possible to change their opinion in regard to timing by framing the POC experience or the problem you are solving in a way so that the customer wants to prioritize it. If the timing really is bad and there is not much to do from an external standpoint, understanding the customers' situation and defining their needs is still valuable as it gives a better perception of when in the future it is more appropriate to approach the customer.

5.5.3 Listen first and sell second

The ability to listen first and sell second was mentioned several times during the interviews. By doing this, the entrepreneur is able to customize the offering and frame the offering to the specific customer. As the product is non existing during this sub-process the entrepreneur is offered a somewhat unique opportunity. Instead of funneling the product/solution to the customer through emphasizing its value - which a salesperson might do in a traditional build first sell second approach, this instead allows for funneling the customers' needs towards a suggested product/solution. Something that can be perceived as tailoring and as such, be an even more valuable offering. This also correlates with the findings by Wouters et. al., that tailoring is an enabler in the process of acquiring the first customer (Wouters, J. Anderson,

and M.A Kirchberger 2018). And again, we remind ourselves of what Kirchberger et. al. highlighted; a startup should understand its customer (Markus Kirchberger, Marc Wouters, and J. C. Anderson 2020). In other words, by first orienting the effort towards knowledge gathering the entrepreneur have the possibility to turn the dilemma of selling first and building later, to her/his advantage. How to go about doing this and frame the offering is what we will address in depth in the following section.

5.6 Persuasion

Another sub-process in the POC signature journey is the phase of persuasion. In this phase, there are many different perspectives to bear in mind including both who your customer contact is, i.e., who is representing the potential customer company, and what factors one should be aware of when persuading.

5.6.1 Company contacts

It has been brought up both in previous research and in the conducted interviews that whom you are talking to when persuading a customer is of high importance, see section 4.4.4 and (**evolving**; Narasimhan 2003). Ultimately you want to reach a decision-maker as early on as possible as this can help in understanding what is important for the business which in turn can reduce effort, resources, and time spent on meetings (**evolving**). However, people of power are naturally busy and therefore you can not expect them to be available until the persuasion phase when it is crucial that they are part of the decision-making. A challenge one need to keep in mind when persuading decision-makers is that in many cases they are not the end user, resulting in the fact that they might not fully be aware of the problem being solved, see section 4.4.4. If the decision maker has not taken part in the process until the persuasion phase, it is important that the initial pitch is repeated so that they have the right conditions and understanding when making the decision.

Moving on, it was explained in the interviews that there is an important part of the persuasion phase that is somewhat outside of the entrepreneurs' control, see section 4.4.3. Once the initial pitch has been presented to the first point of contact, internal pitching of the product will be done by the point of contact if they have been convinced

by the solution, see section 4.4.3. Ultimately the problem should be so clear and the solution so simple that the POC solution sells itself but as one can not take that for granted, it is critical to have prepared these internal ambassadors in the best way possible in order for them to deliver a great internal pitch, see section 4.4.3 4.2.1. It should be mentioned that it is of value to find people who are genuinely interested in developing the industry or challenging the status quo as they are likely to push more internally for your idea, see section 4.4.3.

When persuading decision makers and preparing internal ambassadors it is critical to make them understand the value of the product and how it can benefit their current operations, see section 4.3.3. To specifically underline the value of being a POC customer, the POC concept should be presented as a tailored experience where the customer is central, see section 4.3.3 (Wouters, J. Anderson, and M.A Kirchberger 2018). The importance of communicating the value proposition and its inventiveness when persuading a customer has also been emphasized in previous research (Narasimhan 2003; Markus Kirchberger, Marc Wouters, and J. C. Anderson 2020; Wouters, J. Anderson, and M.A Kirchberger 2018). Both the interviewees and previous literature have stated that the added value should also be presented in a business case where the monetary gains are clear, see section 4.3.3 (Markus Kirchberger, Marc Wouters, and J. C. Anderson 2020). Finding internal ambassadors and giving them the right resources to internally sell the idea should be at the top of an entrepreneur's priority list. An important resource they should be given is a business case that is as accurate as possible for the specific customer. The problem solved is not always on the decision-makers' priority list but if they see an opportunity to save a lot of time and resources, especially when it is specified in monetary gains, it is more likely that they investigate and potentially invest in that opportunity.

5.6.2 Credibility

Previous studies have emphasized the role of credibility when it comes to whether a company wants to do business with B2B startups (Batra et al. 2022). The importance of being perceived as credible by a potential customer was also highlighted by all entrepreneurs in the conducted interviews. The main strategies stated by the entrepreneurs on how to build credibility are through media exposure, demonstrating industry knowledge, and having credible advisors, investors, and board members,

see section 4.5.1. Further, the data collected highlighted previous experience as an enabler when building credibility, see section 4.3.4. Several entrepreneurs emphasized that having previous experience in the industry helps a lot in the process of demonstrating credibility and one entrepreneur even explicitly expressed that it will increase your chances of signing the customer, see section 4.5.1. If the entrepreneur is lacking previous industry experience, one of their focus should be to develop a deep understanding of the industry their startup is operating in. Time and resources are with advantage spent on expanding the entrepreneurs' network in the industry, such as by inviting credible and experienced people in the industry for lunch for example. Having a good understanding of the industry from different perspectives is not only beneficial for this sub-process but throughout the entire POC process journey. It will most probably add to the perception of the entrepreneur being capable of delivering on what has been promised.

Further, another entrepreneur explained that having both previous industry and entrepreneurial experience ensures the customer that the entrepreneur understands the problem they are trying to solve and has the ability to lead the process of in fact solving it. This is aligned with previous research stating that industry and startup experience has a positive impact on business performance as it can give knowledge, skills, and a network that contributes to establishing a sustainable venture (Cassar 2014; S. Cooper 2006). However, there is contradicting research claiming that they did not find any significant evidence that startup experience improves performance (Cassar 2014; Cansiz and Tekneci 2018). Yet, the results of this study strengthen the first finding as previous experience in fact will be beneficial in the process of signing customers due to its role in establishing entrepreneurial credibility. Another way of building credibility that was mentioned in the interviews is to have at least two people representing the startup in customer meetings, see section 4.5.1. This is somewhat aligned with previous research stating having a team of three or more partners is positively associated with business success (Cansiz and Tekneci 2018).

5.7 Negotiation and signature

Negotiation and finally getting a signature from the customer is another sub-process identified in the POC startup journey. This sub-process is also the last sub-process in all cases. At this step, there are two main things that most commonly come up for

negotiation, price, and agreement. It was stated in the interviews that pricing a product that does not exist can be challenging and as a new startup without a track record, it is easy to undervalue your work. This can be overcome by understanding the value that the product gives to the customer and pricing it accordingly, see section 4.3.5. This can be a challenging task but as discussed previously there are two main factors that simplify this task. First of which is having a profound understanding of the customer and the second factor is having previous industry knowledge. It was also stated in the interviews that having previous negotiation experiences is a great benefit when being in price discussions with customers, see section 4.3.5. A similar discussion has been made in previous research highlighting that entrepreneurs with prior entrepreneurial experience perform better than those founded by novice entrepreneurs (Paik 2014; Gompers et al. 2010; Cansiz and Tekneci 2018). One factor contributing to that might be the level of negotiation and communication skills and the ability to give the customer a feeling that the startup is able to deliver on what they claim without major risks, see further elaboration in section 5.7.1.

It was expressed in the interviews that once you come to the final step, negotiation, and signature, it is crucial to not lose momentum with the customer, as this can result in an unnecessarily prolonged signature process or even worse, not getting a signature at all. Across the cases, the entrepreneurs had distinctively different experiences of this process. What was found is that the entrepreneurs who proactively booked physical meetings to read through the contract together with the customer experienced a more smooth signature process. Meanwhile, the entrepreneurs who did not continue to orient their effort and energy toward the customer at this stage experienced a longer negotiation and signature process with repeated back and forth communication, revisiting the persuasion phase. In other words, the main difference between the approaches is the choice to meet the customer and sign the contract together or send the contract digitally. One of the entrepreneurs specifically explained that a physical meeting lowers the customers' risk awareness. Thus one takeaway from this study is to book meetings to go over the POC contract together with the customer if possible. By doing this any changes and concerns can be addressed immediately and the process of reaching a signature becomes shorter, see section 4.4.5.

5.7.1 Risk aversion

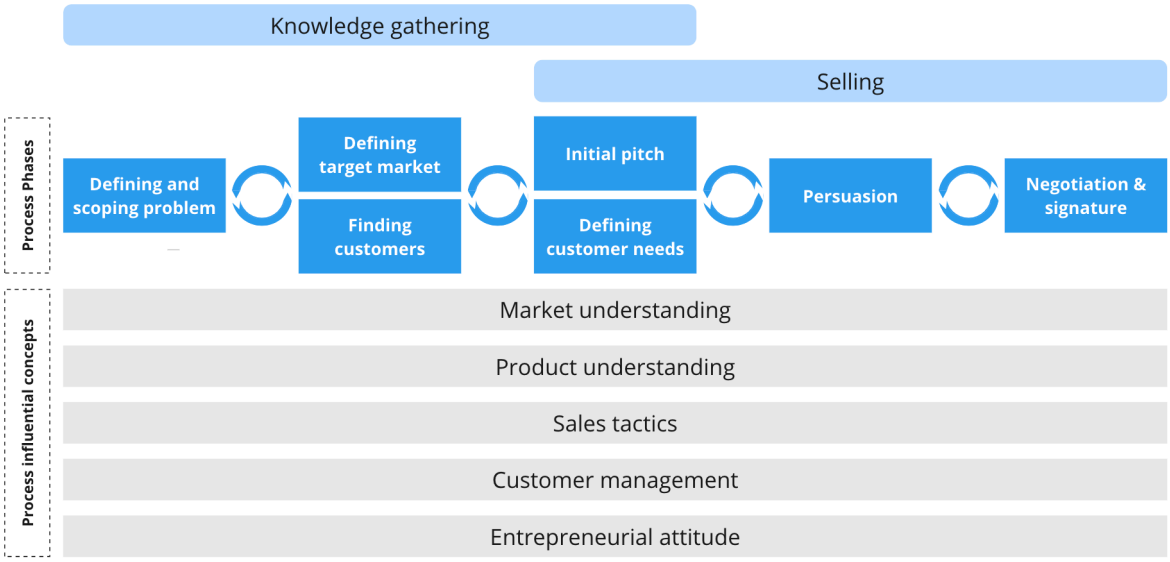
A factor that was given much attention in the collected data is the importance of handling risks and giving the customer a perception that the startup carries all of it. Risk was even stated as one of the most critical factors in whether a customer signs or not, see section 4.3.3. Previous research has shown that how you communicate with a customer can impact the perceived risk (Ruokolainen 2008). Further, as an entrepreneur, you need to work proactively with risk aversion and have an answer to all risk-related questions as it is most likely to come up as a reflection from the customer, see section 4.3.3. The main risks should be addressed as early on as possible by the entrepreneur. As stated in the interviews, if the risk is not discussed, the customers' perception of the risk is likely to grow unproportionally and become increasingly challenging to later overcome. Furthermore, if the risk is a major pain point for the customer, the startup should emphasize in their communication that they own all the major risks and that this will be reflected in the agreement, see section 4.4.5. Having easy-signed contracts with short notice periods is claimed to make it clear to the customers that they can sign them without taking on any major risks. The most explicit way to overcome risk aversion is through agreements. It can not be emphasized too much, the entrepreneur needs to choose their battles, especially towards the end of the process when the entrepreneur has invested substantial resources, to not let a potential customer slip as a consequence of details that are not crucial. We remind ourselves that a part of starting a business is accepting risk. The entrepreneur needs to decide what is the most important thing for their startup and ultimately fight for that and give up on other major perspectives that the customer might address.

5.8 Proof of Concept signature process evolution

5.8.1 Process phases

As presented, the sub-processes identified in the POC signature journey are: Defining and scoping problem, Defining target market, Finding customers, Initial pitch, Defining customer needs, Persuasion, and Negotiation/Signature. Between these sub-processes, there was no obvious underlying linearity. Hence, the derived process map, illustrated in figure 5.8.1 has circular connections between each sub-process to acknowledge the iterative nature of the process. Furthermore, the process is found

Figure 5.8.1: POC signature process evolution



The process phases have a dynamic and non-linear relationship. The process influential concepts influence the process throughout the entire evolution.

to be non-linear as six out of eight of the entrepreneurs described how they had experienced some kind of misfit resulting in that they had to go back one or two steps. The misfit was expressed both in regard to the lack of target customers and the wrong perception of the customers' situation and problems. In some cases, this could be adjusted by changing the target market, but in some cases, they had to move back to the very beginning of defining and scoping the problem. The process did not only look different in between the cases. Six of the entrepreneurs had more than one signed POC customer, out of these, four shared that the process had been different for the customers they had signed. To look at the process as non-linear where it is important to be responsive to new knowledge such as market and customer insights, is aligned with what the Lean Startup methodology preaches. As presented in section 2.1.4, the Lean Startup methodology states that by entering markets with MVPs and getting feedback, startups can fail quickly and adapt their offering to the insights they receive. Based on the results of this research, the same approach as the Lean Startup methodology preaches can be applied before even an MVP is developed. As presented in previous research, the Lean Startup Method can be insufficient for startups if it is merely used to make product iterations (De Cock, Bruneel, and Bobelyn 2020). The method needs to be combined with prior market knowledge so that interpretations of new market information can lead to meaningful iterations (ibid.). This is aligned with what the entrepreneurs stated about the fact that you first have to go through a

phase of knowledge gathering before you can sell a product, especially when it does not exist. Knowledge gathering is mainly done under the first sub-processes when the entrepreneur defines and scopes the problem, defines target market and finds customers, presented in figure 5.8.1. During the initial pitch, there is also room for knowledge gathering which helps to define the customer's needs and vice versa. In these sub-processes, the selling phase is initiated in parallel with the knowledge gathering and naturally transitions into a phase of persuasion and if successful, negotiation and finally signature. During the sub-processes when selling rather than gathering knowledge is dominating, it is natural that more stakeholders might join the process and as a result, the entrepreneur might need to go back to previous sub-processes and do some further knowledge gathering in order to be sufficiently equipped in the selling phase. This further supports the idea of the process not being linear, but rather, agile. Approaching the journey of signing the first POC customer as an agile process challenges the idea of having a golden recipe for performance. Frankly, the idea of a recipe being golden might be misconceived in the first place. The result of this study indicates that there is no point in having a standardized process to sign POC customers as it is of higher importance to be agile and responsive to the market and customers than following a pre-determined path. Applying an agile approach to the challenge of signing the first POC customer benefits everyone, the customer, the entrepreneur, and the investor. Standardizing the sub-processes can help as it lays out a guideline on key challenges and in turn, important steps, to overcome these and successfully sign POC customers, but standardizing the sequence of the sub-processes is not a performance solution.

5.8.2 Process influential concepts

The process influential concepts found in the study are the dimensions presented in the result: Market understanding, Product understanding, Sales tactics, Customer management, and Entrepreneurial attitude, presented in figure 5.8.1. The concepts influence each sub-process in the journey to sign the first POC customers in different ways, but the results indicate that they are somewhat constantly present. As previously discussed, the dimensions are derived from the identified themes. These themes each individually explain the factors that are critical to enabling a startup to acquire the first POC customer. In this section, we will reassemble each dimension respectively with respect to the discussion about these factors presented in this chapter. By doing

this, we aim to consolidate the findings and unfold the main keys that an entrepreneur can leverage in a tech startup idea- to signature - journey.

Market understanding

The first mentioned dimension ”Market understanding”, see section 4.1, refers to the factors enabling the entrepreneur to understand the business landscape, its dynamics, and the environment which the startup does or intends to operate within. In other words, it can be viewed as the factors that provide an understanding of the ”playground”. This dimension highlights the importance of understanding your market and customer, which can and should be done by leveraging your network. Understanding your market is rather important during the first part of the process, mainly in the knowledge gathering phase as it is crucial to have a sufficient picture of the industry in order to approach and target it appropriately. As a natural step, understanding the market will transition into understanding customers as you start approaching them. Ultimately the entrepreneur has understood the market and its dynamics so well that it is clear what type of customers they should approach. In general, a tech startup should aim to approach customers that have a positive approach towards startups and innovation, and even try to find those that want to be at the forefront of digitalization. In order to understand the market and in the next step reach out to customers, it has been highlighted that leveraging your network is the ultimate way.

Product understanding

Throughout the process of signing POC customers, one of the identified dimensions is Product understanding, see section 4.2. Even though there is no final product present before signing the POC customers, having a product understanding has been shown to be very important. It has been mentioned several times in the result and discussion that having a clear user problem and a simple solution is crucial. To come up with a simple solution, product understanding is fundamental. Further, it is important to face potential customers with confidence in regard to the product and technology. It is critical that the customers’ perception of your expertise within the identified problem is high and that you can address any concerns regarding the product that you aim to build.

Sales tactics

Sales tactics is another identified dimension, see section 4.3, emphasizing how media exposure can be leveraged into both building credibility and awareness, and ultimately getting customers to reach out instead of the other way around, see 4.3.1. As signing POC customers naturally includes the challenge of selling without a product, the importance of communication skills has been emphasized as an enabler to overcome this challenge. Moreover, as previously mentioned, the key communication skill is to listen. Again, all entrepreneurs highlighted that it is crucial to listen before selling and that the communication during the selling phase should be derived from, or at least adapted to, the knowledge received from practicing an active ”listening” strategy. Selling includes pitching the solution which the findings indicate, should be executed with a prototype as it carries multiple enablers, which are, a better flow in the pitch, increased chance for the customer to fully understand the solution brief, and in turn enables better discussion that can help the entrepreneur to gather knowledge about the specific customer. Selling also includes pitching the entrepreneur themselves as when the pitching is done without a product, the team seems to be increasingly important.

Customer management

The dimension ”customer management”, see section 4.4.1, highlights factors such as choosing the right type of customers and the importance of engaging them. Further, the dimension includes factors such as finding internal ambassadors and enablers of administrative nature such as agreements and customer meeting management. As mentioned previously in the discussion, it is valuable to make an active choice on what company contact to approach as it is of value to find the people who understand the problem and want to develop the industry. These people are not just preferable to sell to because they understand the value in the offering but ultimately they can act as internal ambassadors, pushing for becoming a POC customer internally 4.4.3. Further, it is emphasized that the contacts should be engaged throughout the entire process which can be done through emails, webinars, and meetings 4.4.1. In the meetings, it is important that the entrepreneur has the ability to lead the meeting in a forward-striving direction so that clear actions can be taken after the meeting. Ultimately you want to prioritize the important topics and not end up with topics far from the agenda. Finally, having professionally written agreements with a short notice period

and without any major risk for the customer, is a powerful enabler to successfully sign POC customers.

Entrepreneurial attitude

The results under the dimension ”entrepreneurial attitude”, see section 4.5.2, indicate that factors such as building credibility and having an entrepreneurial mindset are important throughout the entire journey. Having an entrepreneurial mindset includes having the ability to prioritize where time and resources are spent as these are generally limited within startups. The data collected points for example out that having a few quality POC customers is better than having too many, implying that it is worth to be reflective on what potential customers you spend time on and generally you would want to prioritize the ones where you have momentum and an articulated interest from the potential customer, see section 4.1.2. Moving on, other important entrepreneurial traits that have been stated to impact the entire process by the entrepreneur, are problem-solving and analytical skills, see section 4.5.2. These skills are critical in order to fully capture everything that a potential customer shares about their situation. Finally, having perseverance and a positive mindset throughout the tough times when you might experience less engagement from customers or other challenging uphill slopes, have also been brought up as important traits. Every meeting throughout the process is a lesson learned and even if it has a positive or negative outcome, it is important to be reflective on that outcome, what lead it there, and how you can move forward in order to ensure a final signature.

Chapter 6

Conclusions

In this final chapter the findings, analysis, and insights from the study are consolidated to answer the research questions stated in chapter 1. Furthermore, the implication of the findings on the research field, proposed future work as well as the limitations of this study is presented.

6.1 Research Questions

The purpose of this study is to provide insights to early-stage tech entrepreneurs on what challenges startups may face in signing their first POC customer and what the key factors are in overcoming those challenges.

First research question

How does the process from business idea to first proof of concept customer evolve?

The findings of this study show that the process from business idea to first POC customer evolves in a dynamic and non-linear way. The process consists of seven sub-processes whose relation to each other are characterized by iterative connections. These connections are a consequence of the need for an agile and dynamic approach to be able to make iterative adjustments to current strategies in regard to newly acquired knowledge. The process as a whole is therefore defined by a combination of knowledge gathering in parallel with strategic actions. In other words, because knowledge about the market, product, and customers unfolds over time, the entrepreneur must be

attentive and prepared to revisit previous sub-processes in order to ultimately reach a customer signature. The seven sub-processes identified are the following;

- Defining and scoping problem
- Defining target market
- Finding customers
- Defining customer needs
- Initial pitch
- Persuasion
- Negotiation and signature

The first process, *Defining and scoping of the problem*, is characterized by addressing the problem which the startup aims to solve. Defining a clear problem is necessary to get a foundation from where the value proposition can emerge. The next processes, *Defining target market* and *Finding customers* have been identified to be carried out in parallel. The process of defining target market is necessary as a consequence of the varying perception of the problem between different markets, segments, and customers. As defining the target market is closely connected with talking to customers, these processes are generally performed in parallel. Further, in these sub-processes, knowledge gathering is in focus. The processes, *Defining customer needs* and *Initial pitch* were identified as the following steps. These sub-processes are characterized both in the nature of knowledge gathering and selling. These sub-processes are also carried out in parallel as it enables the pitch and approach toward the specific customer to be adjusted to the customers' current needs. The next process, *Persuasion*, and the following process *Negotiation and signature* are characterized by selling, and are the final steps before successfully signing a POC customer.

Second research question

In this process, what are important factors that enable a tech startup to acquire the first proof of concept customer?

Five process influential concepts with key factors per concept, have been identified to enable tech startups to acquire the first POC customers. The five process influential concepts identified are the following;

- Market understanding
- Product understanding
- Sales tactics
- Customer management
- Entrepreneurial attitude

The first concept, *Market understanding*, involves understanding the business landscape in order to approach and target the market appropriately. This is a critical concept in the knowledge gathering phase as it lays out a foundation for the entrepreneur to stand on in regard to scoping the problem, defining target segment, and approaching customers. An important factor in this concept is to leverage your network as approaching a customer where an established connection exists, is shown to be a key enabler in both gathering knowledge and finding customers. Another identified concept is *Product understanding*, which is an essential concept despite not having a product during the process. Having a simple solution that solves a clear user problem is a key factor that requires product and technical understanding. The concept *Sales tactics* includes leveraging media exposure, effective communication skills, and listening to customers. These factors enable entrepreneurs to sell without a product. Further, *Customer management* is an identified concept highlighting factors such as selecting the right type of customers, engaging them, and finding internal ambassadors. Having professional agreements and the ability to drive effective customer meetings are also emphasized in this concept. The final concept is *Entrepreneurial attitude* which encompasses problem-solving and prioritization skills as well as building credibility. Further, the concept highlights the importance of being reflective, having perseverance, and maintaining a positive mindset. In conclusion, the process of acquiring the first POC customer in a tech startup requires market understanding, product understanding, sales tactics, customer management, and an entrepreneurial attitude. By embracing these concepts and being responsive to the knowledge gathered, entrepreneurs can increase their chances of the selling phase and successfully sign POC customers.

6.2 Limitations

The context in which the research is performed provides boundaries for our findings. The research is limited to eight cases where all originate from the same venture capital firm. This means that they share characteristics and may have similar approaches to tackling challenges in their startup journeys. In other words, the interaction between each case and the venture capital firm such as guidance during the first six months could be a variable influencing the findings in the study. Furthermore, all cases share other characteristics such as geography, political environment, and to some extent methodological procedure. This means that the scope of the study is narrowed to Swedish startups which naturally, could face different challenges and factors compared to startups in other countries and markets than those of the Nordic. Because of the above-mentioned boundaries, the findings and conclusions should be interpreted, accounting for the specific context of the empirical study.

Furthermore, in this study the data collection was performed after the actual process of signing the first POC customers had taken place, this means that the study analyzed the process post-event. As a consequence, it is possible that specific actions and events elaborated by the interviewees have a slight deviation from reality. As such, it would be preferable from a researcher's perspective to follow the POC journey as it evolves to overcome this limitation. However, the process evolution identified in this study is likely to be aligned with the reality of the main challenges faced, and the actions taken, as the interviewed entrepreneurs have been the ones solely driving the process. Moreover, it should be mentioned that social interactions can be more challenging to capture and analyze post-event and are therefore regarded as the main weakness in this study. Further, the interviews were conducted with only one person per company, the entrepreneur, which may result in biased perspectives. To further capture the process, and other potential factors that influence the process of successfully signing customers, the other participants in the process such as the customers, investors, and entrepreneurial network, should be studied as well.

6.3 Contributions

6.3.1 Theoretical contributions

As previously presented, there is still a need to further understand the new venture creation process and there is yet room for more research within the field of entrepreneurship (Davidsson and Gruenhagen 2021). This study contributes to the theoretical field by reducing the lack of knowledge within the customer acquiring process, and more specifically, the POC customer acquiring process. The research builds upon Joseph Picken's theory on the entrepreneurial venture life cycle, section 2.1.2 and the lean startup methodology theory in section 2.1.4, and expands the current theoretical knowledge regarding the startup POC signature process and uncovers the most important factors that influence the outcome of this process. The study contributes to the theoretical field of entrepreneurship by providing a figure, 5.8.1 disclosing the POC signature process evolution with identified process phases and influential concepts. Lastly, this study can hopefully act as a theoretical plateau that future researchers can use as a starting point to further develop the theoretical field covering the startup POC strategy.

6.3.2 Practical contributions

The findings from this research can aid entrepreneurs in the customer acquisition process, especially in signing the first POC customers. More specifically, the research lays out the playground on what sub-processes are part of the process of signing the first POC customers, from which entrepreneurs can take inspiration when developing their action plans. Further, this research help discloses challenges and gives insight into how to overcome them. The findings may also be valuable for venture capitalists when investing in startups as it points out factors that are important for early customer acquisition and thus, contributing to a new venture being successful. The importance of certain crucial factors such as having a clear problem and a simple solution are presented, that investors can keep in mind when looking for new investment opportunities. Further, the contributions to entrepreneurs and investors can in turn contribute to sustainable economic growth and productivity, support job creation and growth of micro-, small- and medium-sized enterprises, aligned with the eight UN Global Goal (Global Goals n.d.).

6.4 Future Work

This study have had the main goal of identifying the process and the main factors that enable a startup to acquire the first POC customers. This study has been of exploratory nature and uncovered the main factors that influence the process outcome, however, how critical each of these factors is for the entrepreneurs to succeed in the POC signature journey is still unknown. Furthermore, as stated in the first chapter there is still a need to find more tools that can increase the success rate of startups 1.1. Thus, to fully understand this process and hopefully provide even more applicable tools that entrepreneurs can apply to increase their chance of success in the journey, in-depth factor analysis is suggested. Therefore, for future work, it is suggested to analyze the strength of impact each factor has on the process and its success. One indication from the findings of this study is that the factor of media exposure has a strong impact on the process outcome and is therefore suggested as a possible hypothesis for such a study.

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Appendix - Contents

Appendix A

Interview questions

1. Do you have any previous entrepreneurial experience other than running XXX?
2. How did you find your first POC customer?
    (a) Was there any part of the process that felt easy and smooth?
    (b) What made it feel easy?
3. What was the biggest challenge in finding POC customers?
    (a) Why was it difficult?
    (b) What did you do to overcome this?
4. What did your team look like when you were looking for/signing your first POC customers?
    (a) Was there any specific expertise that you consider particularly important in this process?
    (b) Did The Case Company or any other external support do anything that you feel had an impact on the outcome?
5. How did you sign your first POC customer?
    (a) Was there any part of the process that felt easy and smooth?
    (b) What made it feel easy?
6. What was the biggest challenge in signing POC customers?
    (a) Why was it difficult?

   (b) What did you do to overcome this?

7. Did you have any prototype/mockup?
8. How many POC customers did you have in the first year?
9. How long did it take for you to sign your first POC customer?
10. Did you have many POC customers to choose from?
    (a) How did you filter and choose among them?
11. Do you see any patterns in the companies that chose to sign POC agreements?
12. Did you receive any rejections from potential POC customers?
    (a) What were the reasons given by the customer for rejecting it?
    (b) Does it differ from your understanding of the reasons for the rejection?
13. If you were to do this task again, would you do anything differently?
14. Any final insight you would like to add regarding the journey from idea to signing your first POC customers?
15. How has your previous experience contributed to signing POC customers?