

UiO : **Centre for Entrepreneurship**  
University of Oslo

## *New Market Business Strategies*

*A comparative study of selected Norwegian entrepreneurial companies*

**MSc in Innovation and Entrepreneurship**

Anders Arnesen Tiltnes

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## **i. Acknowledgements**

This thesis marks the conclusion of my master's degree in Innovation and Entrepreneurship at the University of Oslo. The program has been demanding, but also very inspiring and rewarding. This thesis has given me a better understanding of business strategies in new markets.

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## **ii. Abstract**

This thesis is based on two assumptions: that disruptive technology changes the conditions of how new businesses are created, and that effective management methods and the adaption of internet facilitate an increasingly more rapid change in most markets.

This thesis argues that any company doing business in a segmented or a new market (i.e. an entrepreneurial company) could consider using a new market business strategy. This thesis introduces the term *New Market Business Strategy* as a generic term for all business strategies looking to create value in a segmented or a new market.

The aim of the research is to learn if Norwegian entrepreneurial companies are using new market business strategies, and how these business strategies have evolved.

The theoretical foundation for this research is obtained from the selected new market business strategies: Blue Ocean Strategy, The Customer Development process, Lean Startup and demand creation theory.

The research design of this thesis is a combination of a multiple case design with a holistic analysis, and a cross-sectional design. The data was collected by doing in-depth interviews of five Norwegian entrepreneurial companies in the IT-industry.

The results were ambiguous. None of the entrepreneurial companies use the selected theories consciously, but researching their business strategy discovered that they use many of the processes and ideas from new market business strategies.

These findings suggest that new market business strategies are common knowledge for entrepreneurial companies, and that these business strategies have developed either empirically or as systematization of common knowledge.

Interesting further research include a longitudinal study of how entrepreneurial actions affect practical and theoretical business strategy.

### ***Key words***

Business strategy, strategic management, strategy, new market business strategy, entrepreneurship, entrepreneurial company, demand, demand creation, lean startup, blue ocean strategy, customer development process, IT, Norwegian entrepreneurial companies, marketing as a strategy, marketing.

### iii. Abbreviations

- BOS = Blue Ocean Strategy. A theoretical framework for companies pursuing both differentiation and cost leadership.
- NEC = Norwegian entrepreneurial companies. Companies actively pursuing new markets or tries to create new markets.
- NMBS = New market business strategies. Business strategies for new markets.
- LS = Lean Startup
- TPS = Toyota Production System. The predecessor for the lean movement and eventually lean startup.
- MaaS = Marketing as a strategy
- MVP = Minimum Viable Product
- HBR = Harvard Business Review
- B2B = Business to business

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## 1. Introduction

In this introduction I will present the background for doing this research. I will introduce and explain two new concepts, the terms *Entrepreneurial Company* and *New Market Business Strategy*. I will define business strategy. I will present the research topic and relevant literature, as well as the limitations and assumptions I have made. Concluding this introduction I will present the hypothesis and research questions of this thesis.

The two following chapters are History of Business Strategy and Theory.

### 1.1. "The times they are a-changing"

"*The times they are a-changing*" is a famous stanza from one of Bob Dylan's legendary songs. When Dylan recorded the song 24<sup>th</sup> October 1963, it was very relevant, and that was probably one of the reasons for its popularity. Dylan's message is just as relevant today, as it was back then. Everything changes, all the time, in one way or another. There is no helping it.

In this thesis I will argue that new, disruptive technology facilitate increasingly faster changes in the market, therefore, succeeding in these new markets could require *New Market Business Strategies* (NMBS).

In business the challenge of change is increasingly important. People have an inherently inertia, which affect how we do business. "If it ain't broke, don't fix it"-mentality and peoples lizard brain tries to prevent change, and the status quo is always comforting. If you have a business, and it is working fine, why would you need to re-think your strategy?<sup>1</sup>

I want to argue that there are two major reasons for a disruptive change to how we do business:

1. Effective management of factories, and
2. The adaption and integration of internet.

Lean manufacturing and the *Lean Movement* is perhaps the most famous expression of effective management of factories. Effective management in general has obvious implications to distribution of products, and also to price, quality and speed of production. One result is the ever more globalized world which eradicates many of the old boundaries in business management.

The internet has affected the availability of information, thus makes changes to the rules of the marketplace. In some markets there are no longer geographical or social boundaries, and in some

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<sup>1</sup> [www.youtube.com/watch?v=JAoFPIHBu6U](http://www.youtube.com/watch?v=JAoFPIHBu6U)



even the economic boundaries has vanished as prices for goods are compared to suppliers all over the world.

David Silver describes in his book, *The Social Network Business Plan*, how disruptive the effect the internet is to our lives, and to the way we think about business:<sup>2</sup>

*“6000 years ago the business model of the time was a “hunt-eat-hunt”-business model. That model was disrupted with the invention of bread. When the Egyptians started to plant seeds, make plows and harness for the cattle and make big crops of wheat for bread production, there was a possibility to store food. Bread became the trading currency. Goods (fish) and services (slaves) were exchanged for bread and bread obtained a religious meaning. Bread had a disruptive effect on the life thousands of years ago”.*

Silver argues that the same is happening now, with the internet. He argues that business up until now has been dominated by a hunt-eat-hunt business model, where the comparison is that we find a customer, sell something to the customer, and then find another customer. This method is also known as *“shrinking the available market”*. Silver argues that this is *“inefficient, costly, repetitively and not conducive to innovation”*. With the internet, Silver argues, the modern entrepreneur can create communities where customers can review, rate and recommend products and services, thus disrupt the way we do business. “Hunting” and finding customers with ads and interruption marketing is wasteful. The internet changes all of this, thus disrupting the way of doing business.

These thoughts are similar to famous internet marketer, Seth Godin, who popularized the idea of Permission Marketing,<sup>3</sup> and we also see these trends in various online communities. Not only in social networks, like Facebook or Google+, but also in communities within all thinkable industries.

The idea of reducing waste is also central in the *Lean Movement*.

We are just learning how to use the internet, and many believes that the “the internet of things” will change the way we live our lives and do business.<sup>4</sup>

As our knowledge on how to use the internet grow it will becoming increasingly effective. Consider for example the trajectory of Apple’s products. Tim Cook said in April 2012: *“It took Apple 2 years to*

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<sup>2</sup> (Silver, 2009)

<sup>3</sup> (Godin, Permission Marketing : Turning Strangers Into Friends And Friends Into Customers, 1999)

<sup>4</sup> The term, «The internet of things», was first used by Kevin Ashton, the creator of the global standard system for RFID, in 1999. The term describes a system where the internet is connected to the physical world via ubiquitous sensors.

*sell 67 million iPads. To put that in some context, it took us 24 years to sell that many Macs, and five years for that many iPods, and over three years for that many iPhones”.*<sup>5</sup>

In traditional business strategy (TBS) the timeframe of planning was years, or even decades. With the internet this has been shortened to months or even weeks. 500 years ago Sir Francis Bacon said “*time is the greatest innovator*”, and if that holds true today there will have to be implication, also to how we do business and business strategy.<sup>6</sup>

In *The Innovators Dilemma*, Clayton M. Christensen argues that when disruptive technology and innovation changes the market or industry, the incumbent companies are unable to react fast enough to the change.<sup>7</sup>

Thus, an interesting question is how internet and the rapid changes in most markets will affect the field of business strategy. As I will try to show, there are an infinite number of definitions of business strategy, and new theories are developing every year.

In the next section I will introduce the concept of *New Market Business Strategy (NMBS)*. It is not the scope of this thesis, nor is it possible in a thesis like this, to do a full presentation of the complete field of business strategy. Still, during my literature search I have discovered what I believe is two fundamental differences in strategic thinking, and I want to make a distinction between the two camps of thought: i.e. *Traditional Business Strategy* and *New Market Business Strategy*.

The two concepts will be elaborated even further in chapter 2, History of Business Strategy. In particular, the table that concludes chapter 2 summarizes the difference between the two camps of thought.

### **1.1.1. New Market Business Strategy**

In this thesis I will argue that business strategy theories relevant to doing business in segmented or new markets can be grouped under the generic term *New Market Business Strategy*. These are business strategies aim that at creating value in new markets, take new technology in consideration when making strategic decision, and have a focus on learning, adapting and innovation. They are also recognized for having a focus on the customer and developing the market, in contrasts to a focus on products and available resources.

The term *New Market Business Strategy* is descriptive and easy to understand. It could be the goal of any contemporary company to use a new market business strategy, but I will not try to advice in

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<sup>5</sup> www.forbes.com, 27.april 2012 @ 11:29.

<sup>6</sup> (Lockwood, 2010)

<sup>7</sup> (Christensen, 2003)

which new market business strategy is the best. Savvy business strategists must apply the strategy best suited for the individual company's situation. This challenging task makes business strategy both interesting and rewarding.

### **1.1.2. Entrepreneurial Companies**

Most people think of entrepreneurship as starting a new company. Studying innovation and entrepreneurship I have come to believe that innovation and entrepreneurship is maybe more important for existing companies. Existing companies need innovation to prevent being out-grown by a fast changing market. Innovation in an existing company can be called intrapreneurship and a company with intrapreneurship is in my mind entrepreneurial.<sup>8</sup>

To make this thesis relevant for both startups and existing, innovative companies, I use the term *Entrepreneurial Company* for any company pursuing business in segmented or new markets.

I think a person with responsibility for business strategy in an entrepreneurial company can and should be called an entrepreneur.

This thesis is relevant for any company looking to grow in a segmented or new market, i.e. an *Entrepreneurial Company*.

Next in this chapter I will show the difficulty of defining business strategy. After that I will present the research topic, the literature search, the limitations and assumptions of this thesis and concluding this chapter the hypothesis and research questions are presented.

Chapter 2 presents a historical overview of the practical and academic field of business strategy. The goal is to put the thesis in a historical context before elaborating on the differences between traditional and new marked business strategies. As mentioned there are a vast number of ideas applicable to business strategy, and the table concluding chapter 2 aims at visualizing the differences.

Chapter 3 will take a closer look at the selected theories relevant for the topic and research questions of this thesis: Blue Ocean Strategy, The Customer Development Process, Lean Startup and Demand creation theory.

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<sup>8</sup> Intrapreneurship was first used in a paper at the Tarrytown school of entrepreneurship in 1978, but later credited to Gifford Pinchot in the April 17, 1982 issue of *The Economist*. See: <http://www.intrapreneur.com/MainPages/History/Economist.html>

## 1.2. What is business strategy

There is an overwhelming amount of definitions of business strategy. Also, academics use different terms for similar ideas. Terms like strategic management, strategy, corporate strategy, and corporate management are historically being used interchangeably.

In 1985, Ellen Earle Chaffee argued in her paper that leading scholars lacked a common agreement on how to define business strategy.<sup>9</sup>

Haugstad argued in 1999 in his article *Strategy Theory* that there are so many different definitions and meanings of what strategy are that the term is becoming meaningless.<sup>10</sup>

Some say strategy is a vision of where they want the company to be in the future. Some uses strategy as a tool for planning. And some use strategy and management interchangeable, something Porter tried to clarify in his famous article, *What is strategy*, from 1996.<sup>11</sup>

Mike W. Peng argues that business strategy can be divided into three schools of thought; strategy as a plan, strategy as action, and strategy as integration. The latter being a combination of the two former types of strategy.<sup>12</sup>

Henry Mintzberg proposes ten schools of thoughts about strategy formation. A table describing the ten schools of thought about strategy formation is included in the appendix.

Below are some examples of definitions, found on miscellaneous online business-pages:

- *A business strategy specifies the way a firm competes in an industry.*<sup>13</sup>
- *The definition of business strategy is a long term plan of action designed to achieve a particular goal or set of goals or objectives.*<sup>14</sup>
- *Strategy is the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations.*<sup>15</sup>
- *Strategy is a plan of action or policy designed to achieve a major or overall aim.*<sup>16</sup>

Haugstad presented in his article from 1999 three definitions from three leading scholars:

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<sup>9</sup> (Chaffee, 1985)

<sup>10</sup> (Haugstad, 1999, s. 2)

<sup>11</sup> (Porter, What is Strategy, 1996)

<sup>12</sup> (Peng, 2009)

<sup>13</sup> <http://edbarrows.com/Resources/briefs/BusinessStrategyDefined.pdf>

<sup>14</sup> <http://www.rapid-business-intelligence-success.com/definition-of-business-strategy.html>

<sup>15</sup> [http://tutor2u.net/business/strategy/what\\_is\\_strategy.htm](http://tutor2u.net/business/strategy/what_is_strategy.htm)

<sup>16</sup> (Berkshire Strategic)

James Quinn defined in 1998 strategy as,<sup>17</sup>

*The pattern or plan that integrates an organization's major goals, policies and action, sequences into a cohesive whole. A well-formed strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents.*

Kenneth Andrews defined in 1998 strategy as,<sup>18</sup>

*Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes and goals, produces the principle policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human contribution it intends to make to shareholders, employees, customers and communities.*

Hax and Majluf argued in 1996 that strategy is a “multi-headed monster” and propose nine different dimensions of strategy:<sup>19</sup>

1. *Determines and reveals the organizational purpose in term of long-term objectives, action programs, and resource allocation priorities;*
2. *selects the businesses the organization is in, or is to be in;*
3. *attempt to achieve a long term, sustainable advantage, in each of its businesses by responding appropriately to the opportunities and threats in the firms environment, and the strengths and weaknesses of the organization;*
4. *identifies the distinct managerial tasks at the corporate, business and functional level;*
5. *is a coherent, unifying, and integrative pattern of decisions;*
6. *define the nature of the economic and non-economic contributions it intends to make to its stakeholders;*
7. *is an expression of the strategic intent of the organization;*
8. *is aimed at developing an nurturing the core competencies of the firm;*
9. *is a means for investing selectively in tangible and intangible resources to develop the capabilities that assures a sustainable competitive advantage.*

In the conclusion of his famous article from 1996, Porter defines strategy as:

*Strategy is creating fit among a company's activities. The success of a strategy depends on doing many things well – not just a few – and integrating among them. If there is no fit among activities, there is no distinctive strategy and little sustainability.*

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<sup>17</sup> (Quinn, 1998)

<sup>18</sup> (Andrews, 1998)

<sup>19</sup> (Hax & Majluf, 1996)

### 1.2.1. Marketing as a Strategy

Doing business in a segmented or new market can imply a need for a more strategic contact with the market. Knowing and building the market is central to most new market business strategies. The rapid change and creation of new markets dictate a need for constant contact with the customer, and a constant evaluation of the current situation. Therefore I want to argue that marketing is becoming one of the most important aspects of New Market Business Strategy, re-introducing the term, *Marketing as a Strategy*.<sup>20</sup>

A definition of marketing from tutor2u.net I like is:

*“The all-embracing function that links the business with customer needs and wants in order to get the right product to the right place at the right time”*

The *all-embracing* part is a keyword in this argumentation.

A traditional belief in marketing and positioning is that you have to compete in price or quality. According to the famous marketer and business thinker, Seth Godin, this will not be sustainable in a new, globalized world. He argues that there will always be someone making it cheaper, and even if you could win “the race” to make a product the cheapest, you would lose. He says it very clearly: *“The bottom is not a good place to be, even though you are able to get there”*.<sup>21</sup>

Seth Godin is an entrepreneur, author, and speaker and recognized by Harvard Business Review as one of the most influential *management gurus* in 2011.<sup>22</sup>

Godin argues that marketers try to spread the idea of a product or service. A popular technique is *storytelling*. What a marketer wants to accomplish is to bring change to people’s lizard brain, and convince them to buy into your idea/story. In the book, *The Tipping Point*, Malcolm Gladwell articulates how ideas spread through populations.<sup>23</sup>

Seth Godin emphasizes this idea, saying: *“the most effective ideas are the ones that spread”*. In his book, *Permission Marketing*, Godin argues that attention from customers will be an increasingly valuable asset in the future.<sup>24</sup> This is the same argumentation made by David Silver in his book *The Social Network Business Plan*, where Silver outlines how, what he calls *the recommender online community* will be a disruptive change to how we do business.

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<sup>20</sup> Nirmalya Kumar published his book, *Marketing as Strategy: Understanding the CEO's Agenda for Driving Growth and Innovation*, in 2004 (Kumar, 2004).

<sup>21</sup> (Godin, *Stop stealing dreams*, 2012, p. 12)

<sup>22</sup> [hbr.org/web/slideshows/the-50-most-influential-management-gurus/17-godin](http://hbr.org/web/slideshows/the-50-most-influential-management-gurus/17-godin)

<sup>23</sup> (Gladwell, 2000)

<sup>24</sup> (Godin, *Permission Marketing : Turning Strangers Into Friends And Friends Into Customers*, 1999)

Another important book from Seth Godin is *The Purple Cow*, from 2009.<sup>25</sup> In the book he argues that it is impossible to make a marketing plan for new markets. He argues that it has to be a process, a system: instead of marketing to the mass-market, which he argues will vanish, the best strategy is to market for the edges.<sup>26</sup>

The edges that you can or cannot reach are identified with the traditional marketing P's. These edges make boundaries which you should move. Godin argues that the process should be to market to these edges, and because these edges will change, this should be an iterative learning process. Godin continues with the argument that *the purple cow*, i.e. the edges, has not been seen yet, and is unknown. This argumentation has similarities with Christensen's argumentation in *The Innovators Dilemma*. In *The Purple Cow*, Godin also argues about fast adaption, measuring and learning, and say: "If you measure it, it will improve".

Further, Godin argues that marketing should be involved in everything an entrepreneurial company does and that marketing is the process of making *a remarkable product*.

### 1.3. Research topic

Preparing for this thesis, I used time to iterate and develop the research topic. I wanted the topic to be relevant to innovation and entrepreneurship, specific and achievable. This is advices from both teachers and Jonathan Wilson's, *Essentials of Business Research*.<sup>27</sup>

Furthermore, I wanted the topic to satisfy the guidelines of a good master thesis advised from the University of Oslo.

I wanted the topic to be of personal interest, and to provide the right kind of motivation to work with and learn from the thesis. This point was important for me.

What is a research topic? In the field of business and management research, a topic can be said to be a business related idea or issue.<sup>28</sup>

During my studies and in preparation for this thesis I developed an interest in business strategy and entrepreneurship in new markets. I specially found the idea of entrepreneurial action as either

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<sup>25</sup> (Godin, Purple Cow, 2009)

<sup>26</sup> The mass-market is visualized with the bell curve, and popularized in *Crossing the Chasm* (Moore, 2006).

<sup>27</sup> (Wilson, 2010)

<sup>28</sup> (Wilson, 2010, s. 32)

creating demand or discovering demand interesting.<sup>29</sup> Together with my supervisor, these ideas were refined further.

Below is my broad and specific research topic:

### **1.3.1. Broad research topic**

- Business strategy in new markets.

### **1.3.2. Specific research topic**

- New market business strategies in the Norwegian IT-industry.

This topic allows for a multiple case study of a specific industry, but also leaving room to use a holistic research design, which I am a fan of.

## **1.4. Literature search**

During the first phase of working on this thesis I did a thorough literature search. The goal was to get a complete overview of the field of business strategy. I soon recognized the challenges of this daunting task. The goal was subsequently reduced to get a more general overview of the field of business strategy, identifying the historical trends and have focus on reading and understanding the contemporary work.

Nevertheless, I wanted to understand the history of strategy, the development of business strategy as a science as it originated in the 1950s and 60s, and to understand how these models has been developed for applicability in companies pursuing entrepreneurial activity like innovation, new market development and demand creation.

The traditional, historic, literature is easily available, from Sun Tzu's *The Art of War*, dated back to around 470 BC, to Alfred DuPont Chandler's *The invisible hand* (1977). Philip Selznick's *Foundations of the Theory of Organization* (1948) developed into what we now call *the SWOT-analysis*. Igor Ansoff's *Corporate strategy* (1965) and Peter Brucker developed *Management with Objectives* in the 1950's. Ellen-Earle Chaffee summarized in her article *Three Models of Strategy* in 1985 the science of strategic management as it looked up until 1970.<sup>30</sup>

Searching for literature relevant to new market business strategy I found an enormous amount of articles online, some scientific, but most written by self-taught entrepreneurs, startup-magazines and

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<sup>29</sup> (Alvarez & Barney, 2007)

<sup>30</sup> (Chaffee, 1985)



business consultants. I wanted to find out if the thoughts and ideas from today's practitioners of business strategy had some common sources.

I used reference lists, where they were available, and dialogue with my supervisor to pinpoint theories that seemed to be adapted more broadly in the entrepreneurial community.

What I found out was that many of the thoughts from articles, web pages, and new business books, were derived from the work done by W. Chan Kim and Renée Mauborgne, and Steven G. Blank. Eric Ries' book *The Lean Startup* (2011) is a successor of Blank's *Four Steps to Epiphany* (2005) and also builds on the theory of the *Lean Movement* started in the early 1990s, and ever earlier with Toyota's *Toyota Production System* (TPS). One of the best books on the origin of *The Lean Movement* is Taiichi Ohno's *Toyota Production System: Beyond Large-Scale Production* (1988).<sup>31</sup>

The field of business strategy is enormous and the process of mapping out the terrain has been extremely rewarding. Unfortunately it has not been possible to read all the books I would like, so I have used the limitations of the thesis and the research topic to prioritize.

In addition I have read contemporary marketing theories, articles on demand creation, sales literature, leadership literature and newer practical books on entrepreneurship.

My argument for including references to these fields of business is this: business strategy is the work of prioritizing the use of all possible resources, adapting part of Porter definition of strategy: "...creating fit among a company's activities". In NMBS these activities no longer only include a vision and some milestones; they include creating fit among a vast array of activities. And as I have argued, the fit has to be created fast. With the increasingly speed of innovation many of the strategic decisions has to be made autonomously and on intuition; there is not always enough time for in-depth analysis of strategic moves. For entrepreneurial companies *The Innovators Dilemma* by Clayton M. Christensen is becoming relevant as he argues that nobody can analyze a market that does not exist.<sup>32</sup> My point is this: business leaders who want to make successful strategic decisions on behalf of their company can benefit from having insight in all activities of the company. I also think domain knowledge is a prerequisite for creating fit.

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<sup>31</sup> Taiichi Ohno is the founding father of the famous Toyota Production System (TPS). The book is based on Ohno's personal notes before he died in 1990. His other book *Workplace Management* is also widely recommended, but difficult to find.

<sup>32</sup> (Christensen, 2003)

Three books I found particularly interesting were *Design Thinking* by Thomas Lockwood,<sup>33</sup> *Business Model Generation*, a book co-created by 470 practitioners from 45 countries,<sup>34</sup> and David Silver's book *The Social Network Business Plan*.<sup>35</sup>

It has also been important for me to bring with me the literature read during the master program at the University of Oslo, which includes books on innovation strategy and global strategic management.

## 1.5. Limitations

When reading this thesis, it is useful to understand its limitations.

This research is limited to 17 weeks of work. This puts a constraint on what kind of data and how much data should be collected.

The time constraint made it necessary to narrow the research to an achievable, yet relevant, topic.

The result of narrowing down the research topic to focus on the Norwegian IT-industry was tactical. The supervisor and student have a bigger network in the Norwegian IT-industry which made it easier to collect relevant data.

## 1.6. Assumptions

This master thesis assumes the reader has good knowledge about the field of business strategy. The thesis will give an overview of business strategy, with the aim to put this thesis in the right context, but it will not lecture about the fundamentals of the various business strategy theories.

There will be a more thorough review of the selected *New Market Business Strategy* theories. These are the theories that form the basis for the research questions and this study.

## 1.7. Hypothesis

After studying the literature I have formulated a hypothesis. The hypothesis makes a foundation from where to develop the research questions.

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<sup>33</sup> (Lockwood, 2010)

<sup>34</sup> (Osterwalder & Pigneur, 2010)

<sup>35</sup> (Silver, 2009)

The hypothesis is:

*Norwegian entrepreneurial companies in the IT industry use new market business strategies unconsciously. New market business strategies have evolved empirically or through systematization of common knowledge.*

## **1.8. Purpose and Research Questions**

The purpose of this study is to explore the business strategies of Norwegian entrepreneurial companies (NECs) in the IT industry, and to better understand if companies use new market business strategies (NMBSs). More specifically, the research questions that guided this research were:

1. What background do the persons responsible for a NEC's strategy have?
2. How is the company's business strategy embedded in the organization?
3. Do NECs have a strategic focus on customer development or on product development, and do they recognize the difference?
4. Do NECs create demand or discover demand?
5. To what degree do NECs in the IT-industry use New Market Business Strategies?

## **1.9. Structure of this thesis**

This introduction described the research topic of this study and the student's motivation for choosing this topic. It described the literature search, the limitations and assumptions, the hypothesis, as well as the purpose of the study and the research questions.

The next chapter describes the history of business strategy, and aims at putting the thesis in a historical context.

The third chapter presents the selected NMBS theories, including Blue Ocean Strategy, the Customer Development process, Lean Startup and an interesting view on demand creation.

The fourth chapter describes the method used for this research. This thesis is a qualitative multiple-case study with a holistic design, using a deductive approach. The data is collected through interviews of selected companies.

The concluding chapters include results and analysis, a discussion and the conclusion.

But first, in the following chapter: a historical overview of business strategy.

## 2. History of Business Strategy

In this chapter I will present a short history of the field of strategy as it has developed up until today.

Historically the concept of strategy derives from the military discipline of war. The word strategy has its origin from the Greek word *strategos*, which means “what the general do”. The American Heritage Dictionary of the English language defines strategy as: *The science and art of using all the forces of a nation to execute approved plans as effectively as possible during peace or war.*<sup>36</sup>

People have always developed strategies on how to do business. The Egyptians started growing wheat 6000 years ago, and trading bread for other products and services. Their business strategies were not academic, but it is possible to say that people made plans on how to make fit between their resources and needs. People developed *tools* to make their business more effective, *distribution channels* like aqueducts and the Silk Road, and *currency* to more easily trade products and services.

Before strategy became a word in business literature the concept of strategy was used in the military. The famous book, *The Art of War*, written by Sun Tzu describes military strategy as how to do positioning in a changing environment.<sup>37</sup> Tzu argued that planning worked in the office, but in a changing environment there would be unexpected situations.<sup>38</sup>

Frederick Winslow Taylor (1856-1915) published his book *Principles of Scientific Management* in 1911,<sup>39</sup> and he is recognized as “The Father of Scientific Management”. His thoughts are referred to as Taylor’s principles, or Taylorism.<sup>40</sup>

John Maynard Keynes (1883-1946) is regarded as the father of microeconomics and published his book, *The General Theory of Employment, Interest and Money* in 1936. Joseph Schumpeter (1883-1950) published his book *Capitalism, Socialism and Democracy* in 1942. Schumpeter argued that economic change revolves around innovation, entrepreneurial activities, and market power.

Even though Taylor published his book in 1911, and traditional business literature were published in the 30’s and 40’s, the academic field of business strategy is recognized to be only five decades old, tracing back to the early 1960’s. Before the 60’s, business literature had a focus on business management. This changed in the 60’s with the introduction of business strategy and with Michael Porter being the strongest spokesperson for the differentiation of the two terms management and strategy.

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<sup>36</sup> [www.ahdictionary.com](http://www.ahdictionary.com)

<sup>37</sup> (Tzu, 2007)

<sup>38</sup> (Wylid, 2010)

<sup>39</sup> (Taylor, 1911)

<sup>40</sup> The book is available on Google Scholar, [scholar.google.no](https://scholar.google.no). Search: Principles of Scientific Management.

In his article from 1999, Bjørn Haugstad highlights three books as important early contributors to business strategy: *Strategy and Structure* by A. Chandler Jr. (1962), *Business Policy: Text and Cases* by E.P. Learned, C.R. Christensen, K.R. Andrews and W.D. Guth (1969), and *Corporate Strategy* by I. Ansoff (1965).<sup>41</sup>

Michael Porter (1947 - ) wrote his two famous books, *Competitive Strategy* in 1980, and *Competitive Advantage* in 1985. Together with his important article from Harvard Business Review from 1996, *What is Strategy?*, he is regarded as the father of business strategy.<sup>42</sup>

Henry Mintzberg (1939 - ) categorized in 1998 the field of business strategy into what he calls “*The ten schools of thoughts about strategy formation*”.<sup>43</sup> The three books highlighted by Haugstad form Mintzberg’s *Planning school*. Mintzberg himself is a critique of the planning school and an advocate for *Strategy as Action*. Mintzberg was a visiting professor at INSEAD, Fontainebleau, France, between 1991 and 1999.

A complete presentation of Mintzberg’s *Ten schools of thoughts about strategy formation* is included in the appendix.

Toyota developed their Toyota Production System (TPS) between 1948 and 1975.<sup>44</sup> This is a production management method that focuses on reducing waste in every part of the production. It starts with the end-need of the customer and identifies improvement potentials by working backwards through the production process. The technique called *The 5 Why’s* was developed as a tool for the TPS and is described as the basis of Toyota’s scientific approach.<sup>45</sup>

Steven G. Blank wrote *The Four Steps to the Epiphany* in 2005, where he describes the Customer Development process. In this process the goal is to develop the customer and market. Blank argues that it is too much focus on product development and that with new markets and disruptive technologies, the customer also needs to be developed.

The TPS and Customer Development process started the so-called *Lean Movement* in the 1990’s. Inspired by TPS and Blank, Eric Ries published *The Lean Startup* in 2011. *The Lean Startup* adapts ideas from TPS and Blank to fit startups.

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<sup>41</sup> (Haustad, 1999, s. 1)

<sup>42</sup> [en.wikipedia.org/wiki/Michael\\_Porter](https://en.wikipedia.org/wiki/Michael_Porter)

<sup>43</sup> [www.12manage.com](http://www.12manage.com)

<sup>44</sup> [www.strategosinc.com/toyota\\_production.htm](http://www.strategosinc.com/toyota_production.htm)

<sup>45</sup> (Ohno, 1988, s. 17)

During the 1980's and 1990's the INSEAD professors, W. Chan Kim and Renée Mauborgne, developed the Blue Ocean Strategy. The Blue Ocean Strategy is based on research of 150 companies in more than 30 industries, and the results were published in articles in the Harvard Business Review (HBR). The first article, *Value innovation – The strategic logic of High Growth*, was published in HBR in 1997, and was followed by seven more before the book *Blue Ocean Strategy* was published in 2005.<sup>46</sup>

These new thoughts, the Customer Development process, lean thinking and Blue Ocean Strategy, may be a result of the technological disruptions we are experiencing with modern management methods, internet, and complementary peripherals like mobile phones, software and new media.<sup>47</sup> With ever more rapid changes in the business environment there can be a need for new thoughts when developing and doing business strategy.

## **2.1. Traditional Business Strategy vs. New Market Business Strategy**

In this section I will argue about the introduction and the differences between the two terms, Traditional Business Strategy (TBS) and New Market Business Strategy (NMBS). From the birth of business strategy in the 60's new theories and thoughts on the topic of business strategy has been introduced. I want to argue that all these different business strategy theories can be put into one of these two generic terms, or camps of thought, if you will.

In this section I will identify and explain three main differences between the two terms. In the end of the section I have included a table to more easily visualize which camp of thought different business related ideas belong to.

The first difference between TBS and NMBS is what kind of market they are applicable to. It is possible to argue that there are three types of markets: existing, segmented, and new markets. What kind of business strategy is suitable for a company depends on what kind of market it is in.<sup>48</sup>

If you are in an existing industry and competing against well-known competitors in an existing market, and assuming you are content with this situation, TBSs may be right for you. TBSs focus on competing within the industry's rules. They focus on planning and allocating resources. TBSs include but are not limited to competitive based strategy, resource based strategy and industry based strategy. Famous business tools are the SWOT-analysis and Porter's 5-forces.

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<sup>46</sup> [en.wikipedia.org/wiki/Blue\\_Ocean\\_Strategy](https://en.wikipedia.org/wiki/Blue_Ocean_Strategy)

<sup>47</sup> (Silver, 2009)

<sup>48</sup> (Blank, 2005)

On the other hand, if you are an entrepreneurial company, or a startup, targeting segmented or new markets, or if you do not know yet the answers to these questions, then you may want to consider NMBSs. NMBSs can be identified by iterative learning and customer development. In the theory chapter selected NMBS theories are elaborated.

The second main difference between TBS and NMBS is how they view the *Value-Cost Trade-Off*.<sup>49</sup> TBS and Porter argue that a company must choose between a cost leadership, differentiation or focus as a business strategy.<sup>50</sup> NMBSs argue that a company can defy this infamous Value-Cost Trade-Off, and pursue both differentiation and low cost simultaneously. NMBSs call this *value-innovation*.

The third difference is the differentiation between *corporate strategy* and *functional strategy*. The former is the more fundamental of choosing industry and market to compete in. The latter is a strategy to make a fit between, but not limited to, marketing, product development, HR, supply-chain, finance, and IT. NMBSs argue the importance of an integral strategy.<sup>51</sup> NMBSs include all aspects of the company with the goal to minimize the risk of doing business in an unknown market, or creating a new market.

There are more ways to differentiate between the two terms. A table visualizing business related ideas, and which strategic camp they belong to, is presented below. This table does not contain any descriptions and it is assumed that the reader has some knowledge of the different ideas.

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<sup>49</sup> The term is advocated by Kim & Mauborgne and describes the action of pursuing both differentiation and low cost simultaneously.

<sup>50</sup> (Porter, *Competitive strategy: techniques for analyzing industries and competitors*, 1980)

<sup>51</sup> This idea is similar to the ideas in chapter 1.2.1 Marketing as a Strategy.

<b>Traditional Business Strategies:</b>	<b>New Market Business Strategies:</b>
Origin from military-tactics	Origin from a consumer-centric world view
Management	Strategy
Competitive strategy	Blue Ocean strategy
Red Oceans	Blue Oceans
Making the Value-Cost Trade-Off	Value Innovation / Breaking the Value-Cost Trade-Off
Demand discovery	Demand creation
Exploit existing demand	Create and capture new demand
The Product Development model	The Customer Development process
Choose market	Create market
Known markets and risk avoidance	Uncertainty and risk management
Sustaining innovation	Disruptive innovation
Resource based strategy	Outsourcing
Primary industries and factories	Scalability
Strategy as Plan	Strategy as Action / Strategy as Learning
Huge marketing budgets, marketing departments and mass marketing	Viral marketing
Interruption marketing	Permission marketing
Submission	Creativity
Obedience	Talent
Mass production	Customization and design thinking
Slow	Fast
Static strategy	Strategic learning
Protection and IPR	Progressing and open-source
Linear strategy	Adaptive strategy
VC funding and banks	FFF, bootstrapping and early sales
Execution	Learning and discovery
Performance and short-term success	Learning from failure and looking for long-term outcomes
Control and hierarchy	Empowerment and authorization
Productivity and busyness	Reflection and focused action
Competition and empire-building	Collaboration and shared purpose

**Table 1: Traditional Business Strategies vs. New Market Business Strategies**



### 3. Theory

The academic and practical field of business strategy, or strategic management, is huge. As mentioned, there are many different definitions, and no widely agreed upon definition of business strategy.

Presented in this chapter are four selected theories that can be labeled as a *New Market Business Strategy* (NMBS). This presentation does not aim at lecture about the details of the theories, but rather to give an overview and a context to which it is possible to understand the research, analysis, discussion and results presented in the following chapters.

In this thesis I have selected four NMBSs that form the theoretical background for the research. I have also tried to explain the connections between the theories by highlighting some similarities.

The selected NMBSs are:

- Blue Ocean Strategy
- The Customer Development process
- Lean Manufacturing and Lean Startup
- Demand Creation

The main objective of this chapter is to present the theoretical fundament which the research and analysis is built upon.

#### 3.1. Blue Ocean Strategy

Doing business in new markets is fundamentally risky.<sup>52</sup> The researchers behind the Blue Ocean Strategy (BOS) argue that BOS should be about risk minimization and not risk taking.<sup>53</sup> Blue Ocean Strategy is a theory about how to create new markets, and eliminate competition through differentiation, value-innovation and by breaking the *Value-Cost Trade-Off*.

The term Blue Ocean Strategy was introduced in the Harvard Business Review article published October 2004.<sup>54</sup> The book with the same name was published the next year. The authors, W. Chan Kim and Renée Mauborgne, are researchers at INSEAD in Fontainebleau, France.<sup>55</sup> They studied over

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<sup>52</sup> (Christensen, 2003)

<sup>53</sup> (Mauborgne & Kim, Blue Ocean Strategy, 2005, s. 23)

<sup>54</sup> (Mauborgne & Kim, Blue Ocean Strategy, 2004)

<sup>55</sup> ISEAD is a French abbreviation: *Institut Européen d'Administration des Affaires*, which translates to English: *European Institute of Business Administration*.

150 companies in over 30 industries during the 1980's and 1990's, and published eight articles during their research.<sup>56</sup>

The first finding was that 86 percent of the companies were so-called line extensions and accounted for 62 percent of total revenue and 39 percent of total profits. The remaining 14 percent of the companies were aimed at so-called new markets, and generated 38 percent of total revenue and 61 percent of total profit.

### The Profit and Growth Consequences of Creating Blue Oceans

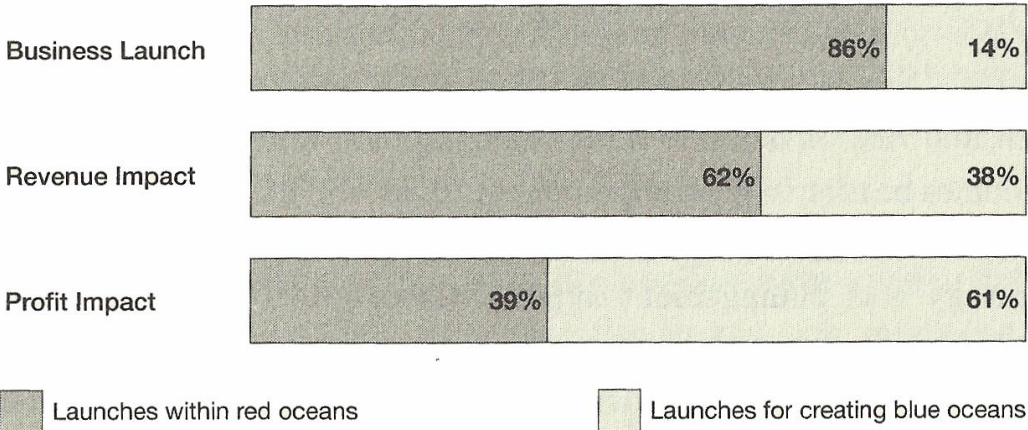


Figure 1: Revenue and Profit of Creating Blue Oceans (Source: Mauborgne & Kim, Blue Ocean Strategy, 2005, p.7.)

Furthermore, the authors argue that there is no such thing as permanently successful companies or permanently attractive industries. The study shows that it is the strategic move, not the company or industry, which explains sustained high performance. This is contrary to the bestselling books *In Search of Excellence* and *Built to Last* from 1982 and 1994.<sup>57</sup>

The authors argue that even though the term Blue Ocean is new, the existence of Blue Oceans is not. Looking back hundred years, most of the markets we know today were then unknown. Industries like automobiles, music recording, aviation, petrochemical, health care, and management-consulting did not exist.

<sup>56</sup> A complete list of the articles that led to the formulation of the Blue Ocean Strategy is included in the appendix.

<sup>57</sup> (Peters & Watermann Jr., 1982) and (Collins & Porras, 1994) respectively.

Looking back only thirty years, many of today's industries were practically unheard of; cell phones, biotechnology, discount retail, express deliver, minivans, snowboards, coffee bars, home video are today's multibillion industries not existing three decades ago.

Looking back only a decade and we did not know about social network platforms, crowd sourcing, smartphones, independent book publishing, app-development and music streaming.

The authors ask the questions: Look twenty or fifty years ahead and try to imagine what will be possible. What rules exist, who are the customers and how do you create these customers and markets? These are the questions Blue Ocean Strategy seeks to explain.

### **3.1.1. What is a Blue Ocean?**

Blue Oceans are all the markets not in existence today, what the authors call *the unknown market space*.

The opposite is Red Oceans, where industry boundaries and competitive rules are defined and accepted. In a Red Oceans we find companies that try to outperform each other with the goal to take a greater share of the existing demand. Grossly simplified, this is achieved by choosing from two actions: lower prices or better product/service. BOS argues that if a once attractive and profitable market (i.e. Blue Ocean) gets "crowded", products become commodities, and "*cutthroat competition turns the red ocean bloody*".<sup>58</sup>

In contrast, Blue Oceans are defined by untapped market space, demand creation, and the opportunity for highly profitable growth. Some Blue Oceans are created outside existing industry boundaries, but most are created from within Red Oceans, expanding existing boundaries.

This is not to be confused with the popular action of market segmentation. BOS argues that segmentation is done when a company, with tools like price or positioning, tries to differentiate and make Blue Oceans within a red ocean. This action does not expand the boundaries of the market, creating only a small, temporary, Blue Ocean within the existing industry.

The differences between Red Oceans and Blue Oceans are visualized in the table below, and have similarities with the differences between TBS and NMBS in table 1.

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<sup>58</sup> (Mauborgne & Kim, Blue Ocean Strategy, 2005, s. 4)

Red Ocean Strategy:	Blue Ocean Strategy:
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole system of a firm's activities with its strategic choice of differentiation <i>or</i> low cost	Align the whole system if a firm's activities in pursuit of differentiation <i>and</i> low cost

Table 2: Red Ocean versus Blue Ocean Strategy (Source: Mauborgne & Kim, *Blue Ocean Strategy*, 2005, p.18.)

### 3.1.2. Blue Ocean as a Strategy and Value Innovation

Mauborgne & Kim's study of 150 companies in 30 industries revealed that what separated the winners from losers was their approach to strategy. Instead of using TBS, the market winners followed a strategic logic that the authors call *Value Innovation*. The logic is that while TBSs focus on either differentiation or lower price, Value Innovation and BOS create both simultaneously.

Value Innovation places equal emphasis on value and innovation. It is different from value creation which is incremental. BOS argues that innovation without value is technology driven, focuses on product development, and is not connected to customer need.<sup>59</sup>

Using Blue Ocean as a strategy means differentiation based on value innovation. This challenges the Value-Cost Trade-Off which is fundamental in TBS.

The NMBs *Lean Startup* and *Customer Development process* also uses the term Value Innovation.

<sup>59</sup> This problem is central in the new market business strategy *Customer Development Model*, presented in the next section.

## Value Innovation: The Cornerstone of Blue Ocean Strategy

Value innovation is created in the region where a company's actions favorably affect both its cost structure and its value proposition to buyers. Cost savings are made by eliminating and reducing the factors an industry competes on. Buyer value is lifted by raising and creating elements the industry has never offered. Over time, costs are reduced further as scale economies kick in due to the high sales volumes that superior value generates.

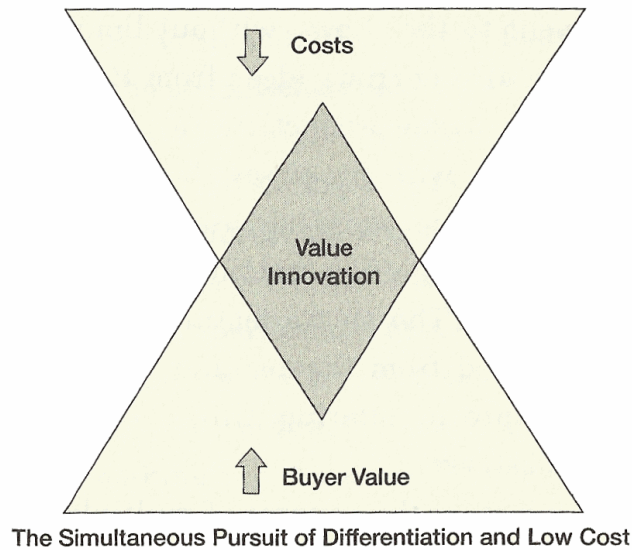


Figure 2: Value Innovation (Mauborgne & Kim, Blue Ocean Strategy, 2005, p.16.)

### 3.1.3. Practical implications of the Blue Ocean Strategy

The practical implementation of the Blue Ocean Strategy focuses on risk minimizing. Because of the obvious risk and uncertainty of competing in unknown terrain, the action of mapping out the risks and create actionable steps to handle them is central in BOS. BOS identifies six principles: four principles to formulate the strategy, and two principles to execute the strategy. These principles are presented in the table below.

Formulation Principles:	Eliminating which risk factor:
Reconstruct market boundaries	Search risk
Focus on the big picture, not on numbers	Planning risk
Reach beyond existing demand	Scale risk
Get the strategic sequence right	Business model risk
Execution principles:	
Overcome key organizational hurdles	Organizational risk
Build execution into strategy	Management risk

Table 3: The Six Principles of Blue Ocean Strategy (Source: Mauborgne & Kim, Blue Ocean Strategy, 2005, p.21.)

To put these principles into action BOS has a framework and tools to guide every step. *The Blue Ocean Strategy Canvas* is a diagnostic and actionable framework. It uses a two-axis grid where the horizontal axis shows all the factors which the industry competes on, and the vertical axis show the offer level customers receive from the company. The result is a value curve of the company compared to the industry.

Using this framework to visualize how your company is doing in the industry is the diagnostic part. The action part is identifying which factors to eliminate, reduce, raise or create to make a divergent value curve compared to other companies, thus creating a new market space.

According to the authors there are three characteristics of a good BOS: Focus, divergence and a compelling tagline.<sup>60</sup>

#### **3.1.4. BOS's contribution to NMBS**

Blue Oceans are unknown. The dominant focus of research on business strategy over the last decades is on how existing players have performed in existing industries. The idea of studying something that does not exist is for obvious reasons challenging, and maybe not possible in an academic context. This may also be the reason theories are based on empirical studies.

One of Kim's and Mauborgne's most important findings is that it is not the company or the industry that defines sustainable performance. It is the strategic move. Taking this one step further they have identified that the 14 percent of companies that target so called new markets account for 61 percent of total profit.

Formulating general tools and framework to eliminate risk of creating new markets is also an important contribution, making it actionable and methodical.

### **3.2. The Customer Development process**

Steven G. Blank is a serial entrepreneur and teacher at the University of California Berkley's Haas business school and a teacher at Stanford University. Blank is the author of the book *The Four Steps to The Epiphany*. In the book, Blank describes *The Customer Development process*, a process to develop and explore new markets.

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<sup>60</sup> (Mauborgne & Kim, Blue Ocean Strategy, 2005, ss. 17-21)

Blank argues that the traditional model of developing business, *The Product Development model*, is obsolete. He argues that many companies use this model, either because of lack of better models or because of the influence of management theory and traditional business strategies. *The Product Development* model consists of four steps: concept, product development, alpha/beta test and launch, which is performed serially.

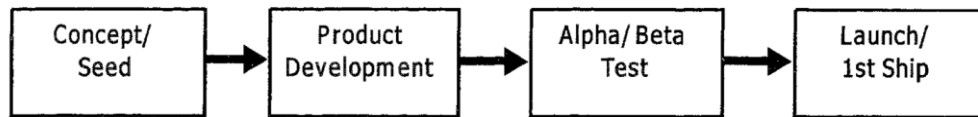


Figure 3: The Product Development Model (Source: Blank, 2007, p.2.)

Blank argues that one of the reasons *the Product Development model* is popular is a company's bias toward its own products. It does not matter if it is the passion of an entrepreneur or scientist, or if it is the inertia of an established company; most companies have resources and an idea and try to build a business around it.<sup>61</sup> This is a natural approach to a problem; humans like to start with themselves and their resources, and go from there.

### 3.2.1. Flaws of using a Product Development Model for Entrepreneurial Companies

The linear progression from idea, to product development, followed by tests before a launch, is the traditional way of making a product. Blank argues that this Product Development model has several flaws when it comes to making products for new markets:

- It does not reduce the greatest risk of new markets: will the customer buy it?
- It focuses on a shipment date and allocates resources with this in mind.
- It focuses on execution instead of learning and discovery which is okay in existing markets, but risky in new markets.
- It does not integrate sales, marketing, product, and business development.
- Sales and marketing milestones are decided based on product development. There are other uncertainties in new markets compared to existing markets, which means that even though the product is ready on launch day, it is not necessarily needed to hire a complete sales or marketing department.
- Premature scaling and the cost of getting the product launch wrong.<sup>62</sup>
- Not knowing if the company is entering an existing market, a segmented market as a low-cost entrant or as a niche entrant, or entering a new market.
- Having biased or unrealistic expectations. The overenthusiastic mindset of entrepreneurs or narrow focus of a researcher often fails to see the bigger picture.

<sup>61</sup> Resource Based View (RBV) is a business management tool. The VRIO-framework is a part of RBV.

<sup>62</sup> This is similar to what Eric Ries calls *the startup runway*.

### 3.2.2. The Technology Life Cycle Adoption Curve and Crossing the Chasm

Blank argues that the technology life cycle adoption curve developed by Everett Rogers, and popularized by Geoffrey Moore, should not be the focus of companies in new markets. The primary focus in a new market must be to develop customers. The challenge of crossing the chasm is relevant only when the market has been developed.

### 3.2.3. The Customer Development Process

As a solution for new markets, Blank proposes a new model: *The Customer Development process*. It should not replace, but rather complement and be used side by side with the Product Development model.

The Customer Development process is a process for solving for the flaws of using traditional product development in new markets. It is a four step, iterative process with focus on discovery and learning. The four steps include *Customer Discovery*, *Customer Validation*, *Customer Creation* and *Company Building*.

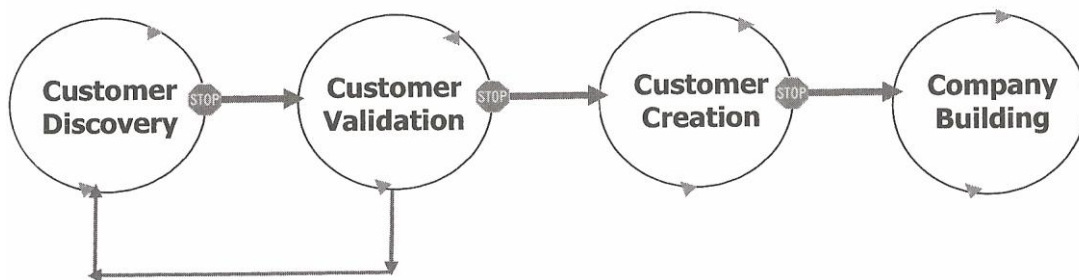


Figure 4: The Product Development Model (Source: Blank, 2007, p.19.)

*The Customer Discovery* step aims to discover whether the problem, product and customer hypotheses of the business plan are correct. The job of the customer development team is to see whether there are customers and a market for their vision.

*The Customer Validation* step has as goal to build a repeatable sales road map. It should validate the business plan hypothesis by selling to early customers.

*The Customer Creation* step has as goal is to create demand. This process varies depending on what kind of market the company is in. What kind of market the company is in should be known from the first two steps, and appropriate actions should be identified.



In *The Company Building* step the company transitions from informal, learning and discovery oriented customer development teams, into formal departments. A common pitfall is premature scaling, using traditional business management.

Blank is the progenitor of the Customer Development process. One of his successors, Eric Ries, is the author of the book, *The Lean Startup*, and a spokesperson for the *Lean Movement*. *The Lean Startup* is built on the ideas from *the Customer Development process*, as well as Lean Manufacturing.<sup>63</sup>

### 3.3. Lean Startup and the Lean Movement

Lean Manufacturing, Lean Enterprise or Lean Production is a management philosophy derived from the Toyota Production System (TPS). James P. Womack and Daniel T. Jones popularized the term *Lean* in their book *Lean Thinking* published in 1996, which can be said started the *Lean Movement*.

Based on TPS and the Customer Development process Eric Ries published the book *The Lean Startup* in 2011. The book describes how startups should adapt the same types of techniques.

The main takeaway from *The Lean Startup* is the iterative loop of what Ries calls *The Build, Measure, and Learn - Feedback Loop*. Ries argues that both startups and entrepreneurial companies can benefit from these techniques, which eliminate any work or investment that does not produce value for customers.

Ries claims that effective business management and technology the last decade has made American manufacturing output 15% higher, even though the number of jobs is going down.<sup>64</sup> He claims that the manufacturing output is higher than manufacturers know what to do with, and that we lack the managerial tools to handle the situation.

There are four key elements in *The Lean Startup*:

- Learning process
- Learning to experiment
- Pivot or persevere
- Creating validated learning

The Lean Startup theory aims at structuring the “just do it” attitude of entrepreneurs, removing chaos and risk.

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<sup>63</sup> en.wikipedia.org/wiki/Lean\_manufacturing

<sup>64</sup> (Ries, 2011)

It encourages entrepreneurial companies to ask “should this product be built”, instead of “could this product be built”. Answer this question, entrepreneurial companies should experiment by using the *build, measure, learn feedback loop*.

The Lean Startup argues that it is more important to build a so-called *Minimum Viable Product* (MVP), and use measurable metrics to learning from it, than to develop rigid product specifications. It also advocates the use of the technique “*The 5 Whys*” to identify whether to pivot or persevere.<sup>65</sup>

The fourth key element is creating validated learning. Ries argues that validated learning is the best metric to measure the effect of an entrepreneurial company. Some traditional metrics are sales-numbers, revenue or gross-profit. Ries argues that these metrics are not suitable for entrepreneurial companies targeting segmented or new markets. He calls them *vanity metrics* as he believes that they trick the entrepreneur to think he is succeeding. An example is high sales-numbers, which does not necessarily give proof of concept. There may be other reasons for the high sales-numbers, such as advertising or financing.

In *Global Strategic Management* Peng presents a quote from Meg Whitman, the eBay’s CEO, which in many ways identifies the core in the Lean Startup theory.

*This is a completely new business, so there’s only so much analysis you can do . . . It’s better to put something out there and see the reaction and fix it on the fly. You could spend six months getting it perfect in the lab . . . But we’re better off spending six days putting it out there, getting feedback, and then evolving it.*<sup>66</sup>

### **3.4. Demand Creation**

How to create demand is fundamental in BOS and the Customers Development process, recalling the definition of BOS: “*Blue oceans are defined by untapped market space, demand creation, and the opportunity for highly profitable growth*”.<sup>67</sup>

Alvarez and Barney argue in their 2007 article, *Discovery and Creation: alternative theories on entrepreneurial actions*, about the distinction between discovery and creation of demand.<sup>68</sup> While the former is more traditional and possible to plan for, the latter is highly unpredictable.

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<sup>65</sup> The primary goal of the technique is to determine the root cause of a problem or defect product by asking why five subsequent times.

<sup>66</sup> (Peng, 2009)

<sup>67</sup> (Mauborgne & Kim, Blue Ocean Strategy, 2005, s. 4)

<sup>68</sup> (Alvarez & Barney, 2007)

The differences between Demand Discovery and Demand Creation are visualized in the table below, and have similarities with the differences between TBS and NMBS.

	Discovery Context	Creation Context
Leadership	Based on expertise and (perhaps) experience	Based on charisma
Decision Making	Risk-based data collection tools; Risk-based decision making tools; Importance of opportunity costs	Iterative, inductive, incremental decision making; Use of biases and heuristics; importance of affordable loss
Human Resource Practices	Recruitment: Specific human capital recruited broadly	Recruitment: General and flexible human capital recruited from pre-existing social networks
Strategy	Relatively complete and unchanging	Emergent and changing
Finance	External capital sources: Banks and venture capital firms	'Bootstrapping' and 'friends, families, and fools'
Marketing	Changes in marketing mix may be how new opportunities manifest themselves	Marketing mix may fundamentally change as a result of new opportunities that emerge
Sustaining Competitive Advantages	Speed, secrecy, and erecting barriers to entry may sustain advantages	Tacit learning in path dependent process may sustain advantages

Table 4: Discovery of demand vs. creation of demand: alternative theories on entrepreneurial action (Source: Alvarez & Barney, 2007, s. 17).

In most business literature, the topic of demand creation gets allotted some pages of concern or a chapter at most. During the literature search I found especially one interesting book, dedicated to the theory of demand creation: *Demand – creating what people love before they know they want it*, by Adrian J. Slywotzky. The author has, through consulting and interview with hundreds of companies, identified a process of seven steps he claims all “demand creators” follow.

The steps in the process are relevant to many of the ideas in NMBSs, although the word strategy is never mentioned in the book. The author calls it a process, which is a common word in NMBSs.

The idea that future markets are unknown forms the basis for the process, which makes it an interesting theory for this thesis.

The six steps in Slywotzky’s Demand Creation process are:

1. Make it Magnetic
2. Fix the Hassle Map
3. Build a Complete Backstory

4. Find the Triggers
5. Make a Trajectory by Continue to Innovate
6. Create Variation

### 3.4.1. Make it Magnetic

Slywotzky argues that the modern marketplace has an enormous amount of products and services. Our productivity will most likely not decline. The result is that more and more products become commoditized. TBS argues that it is “a first movers market”. Slywotzky argues that the winner in the future is the one who first creates and captures an emotional space. The product needs to generate excitement and create conversation, a *wow-factor*.

Jeffrey Gitomer, the author of *The Sales Bible*, also uses the term *wow-factor*.<sup>69</sup> Seth Godin wrote *The Purple Cow*, a book dedicated to the importance of making something stand out of the crowd.<sup>70</sup> Steve Jobs was infamous for emotionalizing the computer.

### 3.4.2. Fix the Hassle Map

In the first entrepreneurial classes at the university we learn to put the customer in the center, and ask what kind of frustrations she has. If you can solve these frustrations, then there is a good chance you have a market for an idea. Nespresso CEO, Hank Kwakman said: “*When you discover a problem, you discover a business*”.<sup>71</sup>

In the western world, time is becoming more valuable than money. With new tool and technologies we are becoming more and more effective and the result is that if it takes too long time, we don’t want it. When all other things are commoditized, time becomes the scarce resource.

Slywotzky argues that eliminating the hassles of a product or service creates demand. In the age of the internet we talk about a “*one-click-world*”. Apple counts how many touches you need to send an e-mail. Google, Amazon and Adobe fights over who has the patent for the *auto-complete feature*, a feature that takes away the steps of writing the whole word and pressing the enter-button.<sup>72</sup>

The challenge is to accurately and precise write up the customer’s hassle-map, identifying which steps of the life of the customer can be eliminated. Slywotzky argue that if you can eliminate a step, someone is willing to pay for it. He calls it “*the long rocky road to a one-click world*”, and fixing the hassles provides “*the path to explosive potential demand*”.

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<sup>69</sup> (Gitomer, 1994)

<sup>70</sup> (Godin, Purple Cow, 2009)

<sup>71</sup> (Slywotzky, 2011, s. 165)

<sup>72</sup> February 8th 2012, [www.wired.com/threatlevel/2012/02/patent-troll-trial](http://www.wired.com/threatlevel/2012/02/patent-troll-trial)

### 3.4.3. Build a Complete Backstory

The backstory is everything you do not see but what makes “the backbone” of the product. The backstory includes infrastructure, ecosystem and business design.<sup>73</sup>

The classic example of a missing backstory is Sony’s 2003 attempt to sell their e-book “Librié” to the mass-market. Sony had every resource needed to make the e-book a success. The missing part was the partnership with Japanese book publishers. The backstory was not complete, even though the Librié itself was an excellent product and first to market.

Slywotzky argues that *“it’s what you don’t see that counts”*.

### 3.4.4. Find the Triggers

Slywotzky argues that there is a difference between hearing about a product and buying it. When creating a new market the biggest obstacles are inertia, skepticism, habit and indifference. This is also a popular topic in marketing literature, and Seth Godin calls it *“The Lizard Brain”*.<sup>74</sup>

Blank writes in *The Four Steps to the Epiphany* about the importance of knowing your market type; you need to know if you are targeting an existing, segmented or new market. He argues that what buying triggers you need to create, depend on what market you are in.

Entrepreneurial companies are targeting segmented or new markets, and Slywotzky’s Demand Creation theory argues that the most important trigger is to educate you potential customers. They do not know your product yet.

Seth Godin says:

*“People don’t believe what you tell them. They rarely believe what you show them. They often believe what their friends tell them. They always believe what they tell themselves”*.<sup>75</sup>

Hank Kwakman, Nestlé Nespresso CEO from 1997, put emphasis on the learning process when creating triggers for new markets. He says:

*“If you pioneer something new into the market, there is no example; there is no roadmap, so that the key thing is that you have to try. Nobody knows*

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<sup>73</sup> (Lockwood, 2010)

<sup>74</sup> (Godin, We are all weird, 2011)

<sup>75</sup> (Godin, Purple Cow, 2009)

*what will happen, so the more you try, the more you discover, the faster you learn the faster you go".<sup>76</sup>*

### **3.4.5. Make a Trajectory by Continue to Innovate**

Slywotzky defines trajectory as *the rate at which the characteristics of a product is enhanced (technical, emotional, affordable, amount of content) over time*. A steep trajectory makes current customers happy, creates new customers and sends a signal to potential competitors.

Slywotzky argues that if you want to tap into the demand you created during the first four steps of the demand creating process, you need to keep innovating. Competitors will eventually catch up, and by the time they do they will *outrun you*.

A marketplace evolves and if a company evolves in the same pace the relative innovation speed will be zero. To keep a competitive advantage it is necessary to build, measure and learn, i.e. create validated learning and value innovation, faster than the competitors.

### **3.4.6. Create Variation**

Slywotzky defines a company's variation as *the science of developing cost-effective ways to provide individual customers with products that precisely fits their varying need*.

Slywotzky warns against what he calls *the myth of the average customers*. In TBS, where the goal is to sell to the mass market, it is popular to make and market a product to the average customer. In *Crossing the Chasm*, Geoffrey Moore gives the names *the early and late majority* to this group.<sup>77</sup> Slywotzky argues that this idea can be problematic in a new market because of the high expectations customers have; with the distribution speed of the internet, manufacturing capabilities in modern factories and increased wealth to choose, customers no longer fit the mass-market description.

Seth Godin writes about this in his manifesto *We Are All Weird*.<sup>78</sup> He claims that for the last century marketers, industrialists and politicians has worked to put everyone in boxes. Through mass marketing, factories and education, companies and institutions has worked to create the average customer to sell their average products to. Godin argue that this is about to change, much with the help of social networks, cheap and available labor and the new wealth many around the world experience. Seth measures wealth by the ability to choose. These thoughts are also expressed by David Silver in the book *The Social Network Business Plan*.<sup>79</sup>

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<sup>76</sup> (Slywotzky, 2011, ss. 174-175)

<sup>77</sup> (Moore, 2006)

<sup>78</sup> (Godin, We are all weird, 2011)

<sup>79</sup> (Silver, 2009)

Slywotzky argues that in the future, the customer will decide what to buy. This is radically different from the mass market centric view of TBSs, where companies decide what to offer.

### 3.4.7. Launch

Slywotzky's Demand Creation theory argues that demand creating has an "Achilles heel": the launch of the product or service.

Slywotzky has identified a process of seven steps to minimize the risk of launch:

- Conduct a fatal flaw search. Find flaws early, and avoid the *Semmelweis Reflex*.<sup>80</sup>
- Compete inside the organization. Make two parallel products and choose the strongest to compete on the outside. This leads to a lot of iterations and learning.
- Imitate to be unique. Great demand creators do not innovate everything themselves. They focus on core areas, and borrow or steal the rest.
- Make the offer emotional. Emotions turn a product from very good to magnetic. Social network and design is powerful emotional triggers.
- Organize the organization around that specific launch. No launches are similar.
- Balance the feeling of fear and confidence. The fear helps you fully develop the imagination of disaster when you can actually do something about it. This is similar to the *plan for failure* mentality and *The Lean Startup*.
- Think in terms of series and processes, not events.

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<sup>80</sup> The Semmelweis Reflex is a metaphor for a human behavior that rejects new knowledge because it contradicts current norms or beliefs. It is named after the Hungarian physician Ignaz Semmelweis. Semmelweis suggested in 1847 that mortality would go down if doctors washed their hands with chlorinated lime solutions before operation. This suggestion was rejected by his contemporaries.

## 4. Method

In this chapter I will describe the research design and analysis method. Concluding the chapter the anonymity principle, reliability and validity and how the research creates credibility and transferability are discussed.

### 3.1. Research design

In this section I will present

- The criteria used when choosing the research design
- The research design
- The research questions
- The selection
- The research method

According to Thagaard the research design is an explanation of what the research is about, whom or what the selection is, and where and how the research is conducted.<sup>81</sup>

#### 3.1.1. Criteria for the research design

The choice of research design depends on what kind of criteria the research are constrained by.

This research has these criteria:

- The specific topic and research questions
- Access to relevant interview candidates, i.e. access to data
- Time constraint of 17 weeks
- Geographic constraints

#### 3.1.2. Research Design: Multiple case study and cross-sectional

Wilson argues that there are seven types of research designs.<sup>82</sup>

- Action research
- Case study
- Experimental
- Longitudinal
- Cross-sectional
- Archival analysis
- Comparative

Based on the research topic, hypothesis and the limitations of this thesis I could argue to use two types of research designs simultaneously: multiple case study and cross-sectional design.

Wilson argues that there is no problem opting for using multiple research designs, as long as it works in practice and answers the research questions.<sup>83</sup>

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<sup>81</sup> (Thagaard, 2003)

<sup>82</sup> (Wilson, 2010, s. 106)



A cross-sectional design is also referred to as a survey design. It looks at data from several cases collected at a single point in time. The hypothesis, research questions and time limit dictates to look at NEC's in a contemporary view, thus a cross-sectional design is suitable.

The obvious choice would be to use a case study design.<sup>84</sup> It is therefore interesting to assess this further, using Yin's framework for research design.<sup>85</sup>

Yin uses a two-by-two matrix to describe case studies. The matrix is presented below. The research topic and research question for this research suggest choosing a holistic design and a multiple case design (upper right quadrant of the matrix), allowing to research if there are any strategic trends among the NECs interviewed.

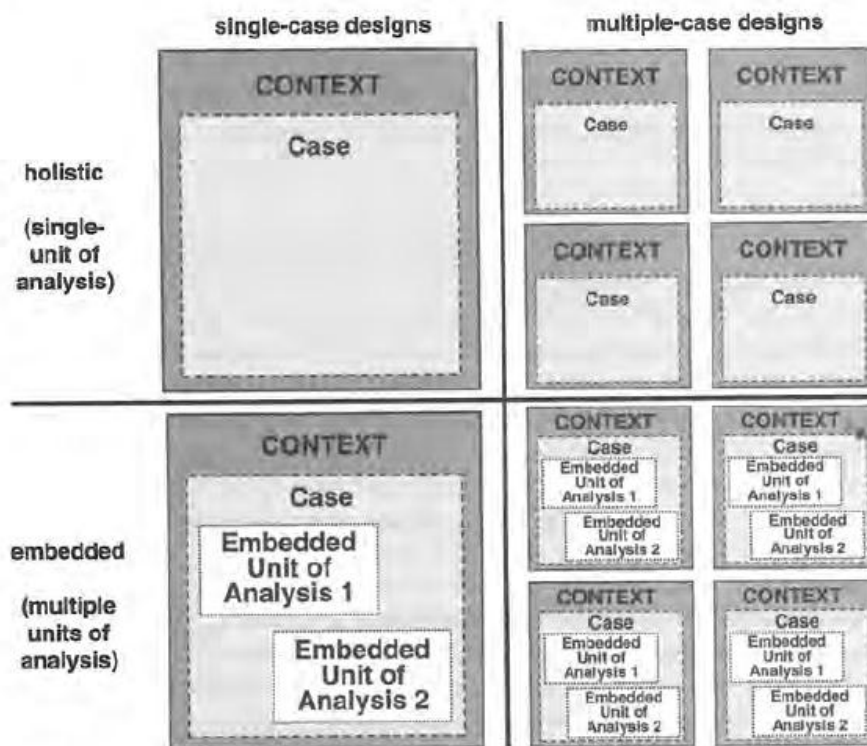


Figure 5: Basic types of Design for Case studies (source: Yin, 2003 p.40.)

The research design of this thesis is a combination of a multiple case design with a holistic analysis, and a cross-sectional design.

<sup>83</sup> (Wilson, 2010, s. 114)

<sup>84</sup> It is obvious because Wilson argue that it is the most popular research design among students.

<sup>85</sup> (Yin, 2003, ss. 19-56)

### **3.1.2.1. Pros and cons with case study and cross-sectional research design**

In this section I will briefly mention some of the main pros and cons of the chosen research design:

#### ***Cross-sectional***

- The pros include: cheaper and more time efficient than longitudinal research design, possibility to optimize completeness of data.
- The cons include: potential for selection bias and sample size required.

#### ***Case study***

- The pros include: flexibility when doing a deductive research, possibility to adjust the interviews, possibility to adjust or change the research questions during the research and primary data sources.
- The cons include: A flexible approach can limit the possibility to compare the different cases, biased analysis of collected data, and limited number of samples/interview candidates.

### **3.1.3. The research questions:**

Recalling the research questions:

1. What background do the persons responsible for a NEC's strategy have?
2. How is the company's business strategy embedded in the organization?
3. Do NECs have a strategic focus on customer development or on product development, and do they recognize the difference?
4. Do NECs create demand or discover demand?
5. To what degree do NECs in the IT-industry use New Market Business Strategies?

### **3.1.4. The Selection**

The selection consisted of five entrepreneurial companies in the Norwegian IT-industry. In each company I interviewed the person responsible for strategic decisions on behalf of the company.

Three of the companies were contacted through the network of my research supervisor. Two of the companies were contacted through the student's network.

It is possible to argue that the selection of five companies is too few. Because of the time constraint of 17 weeks there was a need to narrow down the scope of the research and the number of companies.

All of the companies were located in the Oslo region.

### **3.1.5. The Research Method**

Data was collected by doing in-depth interviews using an interview guide.

The interview guide was made with the goal to answer the research questions. It was also a goal to compare the five interviews/cases, thus using similar interview guides for each interview. The interview guide is included in the appendix.

Each interview was conducted in the office of each company. The interviews were audio recorded, with the permission of the interviewee, and anonymised in the thesis.

## **3.2. Analysis method**

In this section I will present how the data is transcribed, and what analysis method is used. I will also present and describe the different categories I started with.

### **3.2.1. Transcribing**

Directly after finishing each interview the interview got transcribed, using the audio recordings. This is a time consuming task, but necessary. It was also rewarding for the student, as many interesting details were discovered.

### **3.2.2. Analysis method**

I have used a deductive approach when analyzing my qualitative findings. In the deductive approach you start with a set of categories (theories) that you want to research.<sup>86</sup> When using a deductive method you do a literature review and afterwards construct a hypothesis. Doing the opposite, using an inductive method, means that the data collection is done first, before developing the categories, labels, and a resulting theory. The inductive approach is regarded as more difficult, more time consuming and also generally needs more data collection than a deductive approach.<sup>87</sup>

I used 4 categories and 38 labels. The categories are presented below. In the analysis I identified which answers in the transcribed data that corresponded to which label.

A big part of the analysis was reducing the data.

The next step was to get an overall view, and eliminate data that was not relevant for the specific topic and research questions.

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<sup>86</sup> (Thagaard, 2003)

<sup>87</sup> (Thagaard, 2003)

The next step was to look for trends in the answers. The goal was to compare the answers to each label and learn if there was any trends in the answers or if the data was divergent.

The next step was to identify qualitative answers that would highlight relevant aspects and be interesting to include in the results-part of the thesis. These qualitative data, also called quotes, should pinpoint an issue from a research question and shed light on the specific topic.

In the *Results and Analysis* chapter selected quotes highlighting interesting for answering the research questions are presented.

The complete analysis of the 38 labels is included in the appendix.

### ***Categories***

The categories include:

- The Customer Development process
- Blue Ocean Strategy
- Lean Startup
- Demand creation

### ***Labels***

The labels are found in the complete analysis included in the appendix.

## **3.3. Anonymity, reliability, validity, credibility and transferability**

In this section I will describe the anonymity principle, reliability and validity and how the research creates credibility and transferability.<sup>88</sup>

I have tried to follow the guidelines from *Den nasjonale forskningsetiske komité for naturvitenskap og teknologi* (NENT).<sup>89</sup>

In the following chapter, the results and analysis of the interviews are presented, followed by a discussion and the conclusion.

### ***Anonymity***

In this thesis I have chosen to keep all of the interviews anonymous. The initial reason was because I thought it would be easier to get interview candidates and also to get complete answers from the candidates, included sensitive and personal information that could be interesting to the research.

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<sup>88</sup> (Thagaard, 2003)

<sup>89</sup> [www.etikkom.no](http://www.etikkom.no)

During the research the interviewees explained that there was no need for anonymity. Still, the choice of an anonym research was kept.

### ***Reliability***

Reliability concerns the extent to which the research provides stable and consistent results.<sup>90</sup> Yin suggests three principles to help establish reliability, which I have tried to follow:

- *Use multiple sources of evidence.* In this research I have consulted a broad variety of literature to look at trends in the academic field of business strategy and be able to establish the term New Market Business Strategy. I have also used multiple sources to cross-reference the selected theories.
- *Create a case study database.* I have a database consisting of the recorded interviews in its entirety and the transcribed interviews in its entirety. The complete analysis is included in the appendix.
- *Maintain a chain of evidence.* I have tried to describe the steps of the analysis, from the selection of research topic, literature review, selection of theories, the development of research questions, interviews, transcription, analysis and results, discussion and conclusion.

### ***Validity***

Validity is defined by Frankfurt and Nechmias (1992) as “*when you measure what you intend to measure*”. I have tried to create validity in five ways:

- Define research questions and repeat them in the analysis and conclusion.
- Inform the interviewees about the research and make sure they know what they are interviewed about.
- Make sure that the interview and answers are related to the research questions.
- Conduct the data collection as described.
- Analyze the data with the guidelines from the chosen research method and with the goal to answer the research questions.

### ***Credibility and Transferability***

Transferability describes the process of applying the results of research in one situation to other similar situations.

By including a broad specter of sources as references I hope to have achieved transferability and an interesting foundation for further research.

Credibility has been built by following the research design.

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<sup>90</sup> (Wilson, 2010)

## 5. Results and analysis

I have chosen not to present the transcribed interviews in its entirety. Using the specific topic and the research questions as guidelines, relevant answers from the analysis has been extracted and presented in this chapter. The primary objective is to answer the research questions.

Results based on the analysis are presented below. It is selected data regarded most relevant to answers the research questions. For a presentation of the complete analysis, see the appendix.

The quotations are cited in their original language to keep the content unbiased.

Discussion, conclusion and suggestions for further research are presented in the following chapters.

### 5.1. What background do the persons responsible for a NEC's strategy have?

The result from the analysis is presented below, included selected quotations.

Of the NECs interviewed 5 of 5 are managed by the entrepreneur and in all of the companies at least 2/3 of the company are owned by the founder and the employees.

One interviewee explained:

*“Vi er 40 ansatte som eier 2/3 av selskapet. Det er ikke så vanlig. Ofte selger man ut mye til VC, men hos oss er alle ansatte aksjonærer. Alle har puttet inn aksjekapital. Min visjon med det er at vi skal kunne ha langsiktighet i det vi gjør. VC'er er kortsiktige. Og det andre er at det gir en helt annen eierskap for de ansatte så de gjør en bedre jobb, og det ser jeg fungerer.”*

None of the persons responsible for the strategic work of their companies has any relevant education to business strategy. 5 of 5 interviewees have a technological background and all of them exude confidence from related work in their previous company. 3 of 5 had experience from startups.

One interviewee explained:

*“Nei, jeg har ingen formell utdanning i forhold til strategi, men det kommer som erfaring fra tidligere selskap”.*

None of the interviewed companies receive external help with their business strategy.

## 5.2. How is the company's business strategy embedded in the organization?

The result from the analysis is presented below, included selected quotations.

5 of 5 companies answer they have an open strategy process. All executives are included, and all employees are informed and understand the company's strategy.

None of the interviewees' answer they have had any trouble convincing stakeholders about the strategy they were to pursue.

Two interviewees explained:

*"Alle ble inkludert i arbeidet med strategien. Vi jobber med forretningsstrategien i et lite team. Det er approachen vi har på det meste vi gjør. Vi forsøker å være litt sosialdemokratiske. Vi har en høy takhøyde. Vi diskuterer mye og lar folk komme med innspill før vi tar en avgjørelse. Litt forskjellig fra en amerikansk struktur for eksempel. Jeg tror ikke Steve Jobs diskuterte så mye. Hans lederstil fungerte der han var, men ville for eksempel kanskje ikke fungert så bra i kommune-Norge. Vi kan lage vår egen kultur."*

*"Vi jobber mye med kultur i selskapet. Hva vi skal stå for. Det er  $\pi^2$  = people integrated passion innovation. Dette kommuniserer vi også ut til kundene våre."*

## 5.3. Do NECs have a strategic focus on customer development or on product development, and do they recognize the difference?

To analyze this research question the interviewees were asked a series of questions from Steven G. Blank's theory on Customer Development.<sup>91</sup> The analysis is presented below, included selected quotations.

3 of 5 companies answers they work parallel on product and customer development. The trend in their answers is that they had a focus on the product, but that they have an "extreme knowledge about the problems of the customer", and was "certain about the customer frustration".

Two interviewees explained:

*"Vi har jobbet parallelt. Først fokus på kunden for gidder ikke lage noe firma om ikke markedet er interessert. Vi har hatt markedsorientering fokus, samtidig med produktutvikling."*

*«Vi snakker veldig mye om customer driven innovation, og det er jo litt samme greia. Det å jobbe med kunden. Det er der vi lærer. Vi kommer på*

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<sup>91</sup> (Blank, 2005)

*noen ideer vi også, men det aller fleste ideene får vi når vi snakker med kunder. Det er ubetalelig det man får fra prat med kunder. Så er kluet å sette opp relasjon med kunden så man er alignet om du vil så det blir effektiv utvikling og er skalerbart».*

None of the interviewees could answer if they made a hypothesis about the customer or not. One company explained they had a hypothesis about the product. Another had a hypothesis about a skill they wanted to learn.

The answers were also unclear whether or not their value offering was tested or verified.

None of the interviewees answered they had their original strategies or ideas changed after contact with customers. 5 of 5 said they did incremental adjustments, or improvements, but no real changes to what they would call their initial hypothesis, i.e. no pivots.

Two interviewees explained:

*“Litt ble endret etter tilbakemelding fra kunde, men svært lite. Litt på detaljnivå. Kongstanken var at det skulle bruke mindre energi. Vi endret kanskje 10% av specen etter tilbakemelding. Vi kjente produktet godt. Vi kjenner det nesten bedre enn kunden kjenner det selv.”*

*“Noen sier at når man skal lage et produkt, så må man lytte til kunden og hva den sier at man skal lage. Det er jeg uenig i. Fordi hvis man skal la kunden bestemme hva en skal gjøre så..., kunden kjenner bare det som eksisterer i dag, så du kan ikke gjøre det, for du skal lage noe som er ledende..., som er ferdig om 2-3 år, så da kan du ikke kopiere noe som allerede finnes. Du må ligge mye større steg foran enn det. Men du må kalibrere dine egne tanker og spesifikasjoner mot kundenes behov.”*

None could answer convincing if they tried to have or had early sales.

One interviewee explained vaguely:

*“Ja, veldig bevist forhold til å få tidlige salg. Eller ikke nødvendigvis salg, men commitment fra kunden.”*

When asked if they were conscious about what kind of market they were in there were divergent answers even though 5 of 5 said they knew what market they were in. 2 of 5 companies challenges an existing market. 1 of 5 tries to improve and dominate an underdeveloped market. 2 of 5 said they were in a new market.

None of the answers built confidence that they used this knowledge as a strategic advantage. One company answered in the same sentence that they were in a new market and that they tried to be better than the competitor.

One interviewee explained:

*“Litt, det er et nytt produkt. Men folk kjenner konkurrenten da.”*

*“Vi kjenner markedet veldig godt. Vi gjør det motsatte av en segmentering egentlig. Vi samler tjenester.”*



## 5.4. Do NECs create demand or discover demand?

To analyze this research question the interviewees were asked a series of questions from the Demand Creation framework<sup>92</sup>, as well as from the Discovery and Creation article by Barney and Alvarez.<sup>93</sup> The summary of the analysis is presented below, included selected quotes.

5 of 5 companies said they are able to make a product with a “wow-factor”. They are unable to answer if this was intentional.

None of the companies have made a “Hassle map” of the market or customer experience.

One company explains:

*“Nei, ikke kommet så langt. Kundene sier de er veldig fornøyde fordi det er så lite hassle for dem. Også partnerne våre sier det er det beste de har sett.”*

None of the companies are able to explain convincingly if they looked at the “whole product”. This is also a vague question, so it is understandable. 5 of 5 companies say they have very good domain knowledge.

One company explains:

*“Før vi lanserte oss jobbet vi mot potensielle distributører, så når vi lanserte hadde vi distribusjonskanaler satt opp. Det var veldig bevist. Tidligere ventures ventet vi med distribusjon til vi hadde produktet klart. Nå kjørte vi alt parallellt.”*

4 of 5 companies have a very clear plan for updating the product

One company explains:

*“Ja, en plan for oppdatering som er ca. 3mnd frem i tid. Det dukker opp nye muligheter og ideer hele tiden. Det gjelder og se disse mulighetene og ikke låse seg fast i noe. Man må ta ideen når den kommer. Og siden vi er kjappe og handlekraftige klarer vi å ta vare på disse mulighetene.”*

All companies answers they adapts or configure the products for each customer.

One company explains:

*“Vi konfigurerer. Hver kunde fikser sin egen side, utseende. Kunden konfigurerer utseende selv.”*

None of the companies planned for failure. 3 of 5 had a launch-date while one company had their partners launch the product for them and one company had a “quite launch”, i.e. just offering the product to customers who presented themselves.

4 of 5 companies said they were confident in their work.

Two interviewees explain:

*“Vi er ambisiøse, selvsikre og motiverte for å lykkes. Humble og selvsikker, om det går ann.”*

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<sup>92</sup> (Slywotzky, 2011)

<sup>93</sup> (Alvarez & Barney, 2007)

*“Hadde vi vært usikre hadde vi fortsatt med 2-3 ansatte, men vi gira fort opp til 20 ansatte. Det gjør du ikke hvis du er redd for å mislykkes.”*

5 of 5 companies say they stole ideas and functionality from competitors or other markets or industries.

Two interviewees explain:

*“Selvfølgelig, vi kopierte ting fra andre. Alle kopierer. Hvor mange unike tanker finnes det der ute i verden? Hvor mange unike tanker har du tenkt i ditt liv? Vi har sikkert ikke tenkt en eneste unik tanke.”*

*“Man må jo prøve å kopiere. En del åpenbart fra konkurrenter. Så vi prøver å lære. Jeg leser veldig mye hver dag hva ulike aktører innenfor vårt space gjør.”*

4 of 5 companies answer they have discovered a demand, and that they also try to create demand. One interviewee answers that they do not know if there is a demand for their product, but that they try to create it. This company is also the company that appears most uncertain in their answers.

## **5.5. To what degree do NECs in the Norwegian IT-industry use NMBs?**

To gather data to analyze this research question interviewees were asked questions from the BOS framework, Customer Creation framework and the Lean Startup theory. Below is the analysis of their answers.

There were divergent answers to the questions from the Blue Ocean Strategy framework.

There was no clear trend among the five interviewees that they had a strategy to eliminate, reduce, raise or create value in their product, as compared to the industry standard. 3 of 5 answered they had a strategy to differentiate. One company said it tries to “win the battle in their market”.

Three interviewees explain:

*“Vi lagde et veldig avansert produkt fra dag 1 med veldig mye funksjonalitet, men så har vi gjort det enklere etter hvert. Fjerna noe funksjonalitet etter hvert.”*

*“Det er når du kombinerer eksisterende funksjoner at det plutselig kan bli innovasjon.”*

*“Det er veldig farlig å lage det feature-complete. Det er den interaksjonen med kundene som er veldig viktig sånn at man finner ut hva som er de viktigste prioriteringene. Og så er det å finne balansen, det er alltid kunder som skriker og gnåler om nye features, balansere det med den røde tråden.”*

3 of 5 have a clear, compelling tagline. 1 of 5 have something they call an internally tagline they also communicate out towards customers, and 1 of 5 have not thought about it.

One interviewee explains:

*“Vi kommer på flere ideer fordi vi har det slagordet. Vi kan lage mange spennende tjenester når vi har det slagordet.”*

5 of 5 companies answers they want to and try to change trends in their market and industry.

*“Ja, vi forsøker å endre trender over tid. ”The best way to break the future is to create it”. Det er faktisk ganske sant det.”*

None of the companies were able to answer if they made any “buzz” or loyalty among customers, and there was divergent answers to the question if any competitors or customers made ridicule about their strategy.

Three companies explained:

*“Ja, føler noen har gjort narr av oss. Våre konkurrenter lo av oss i starten. Vi lo nesten av oss selv. Det var nesten et dødfødt prosjekt fordi det er så vanskelig, men det er det som gjør at jeg synes det er så gøy også.”*

*“Lojalitet måles over tid, og lojalitet er viktig. Men man trenger ikke en egen strategi på det. Måten å få lojalitet på er å ha gode produkter, fortsette å ha gode produkter og yte god service til dem. Da får man lojale kunder.”*

*“Jo, det vi forsøker å gjøre er å skape buzz gjennom det vi gjør, ikke det vi har gjort. Og buzz gjennom kundene.”*

There were also divergent answers to questions relevant to the Lean Startup theory.

3 of 5 answer they have a short product development time, but none express that this is their clear strategy. Only 2 of 5 say they have several iterations with the customers in during product development.

Three companies explain:

*“3 års utvikling. Ideen kom på skolen. Det har tatt altfor lang tid.”*

*“Kontinuerlig kontakt med kunden. Vi har ikke hatt noen produktsjef, og det har vært et bevist valg fra dag 1.”*

*“Vi ruller ut ny software en gang i uka. I motsetning til Microsoft. Vi bruker såkalt SCRUM. Vi planlegger månedslige sprinter, også implementerer vi iløpet av den måneden og da ruller vi ut nye features hver uke.”*

2 of 5 say they listen to the customers to learn, but chooses themselves what to implement. 2 of 5 say they try to implement “everything”.

Two companies explain:

*“Lagde en lang liste og begynte med prioriterte funksjoner. Det er ingen feil i feedbacken.”*

*“Produktfolka har mye makt. Vi må tørre å si nei. Jeg sier til produktutviklerne, ‘Vår oppgave er ikke så si ja til kunden’. Vår oppgave er å forstå kunden og det kundesegmentets behov og få dem til å forstå at vår løsning er best for å løse det problemet.”*

None of the companies could answer if or how they measured the results of their product development.

## 6. Discussion

In this chapter I will discuss the results. I will also discuss relevant thoughts and ideas that have come up during this research.

The conclusion is presented in the following chapter.

### **Does a NEC use NMBS?**

It was clear from the answers that none of the interviewed NECs used the NMBSs consciously. None of the interviewees has read the books or answer that they consciously followed any of the theories. Trying to figure out if they use the theories unconsciously and to what degree is interesting. Although it is impossible from this research to quantify the degree of which NMBSs are used, it has been interesting to look at some trends.

All companies have an open organization, focusing on learning and iteration. All companies also have contact with the customers, in one way or another, and actively listen to their feedback. These are key elements in NMBSs and generally I would say that the interviewed companies use many of the ideas from NMBSs.

I think it is interesting to hear that none of the interviewees have read any of the NMBS theories. Despite this they use many of the same principles, thus supporting the claim that the theories were built empirically or evolved through systematization of common knowledge.

### **How have they developed?**

An interesting question is: how have these NMBSs been developed? I would suggest three alternative scenarios:

- The NMBSs were formulated as theories and presented for entrepreneurial companies to follow.
- The NMBSs were built empirically, based on results of the actions of players in new markets.
- The NMBSs is common knowledge that has been structured by different authors, suggesting an evolutionary scenario.

Looking at the historical development of these theories excludes the first scenario.

Although Blue Ocean Strategy is based on a research of over 150 companies, it is hard to imagine that all NMBSs have this foundation. I think it is unlikely that all the different NMBSs were developed by doing strict, empirical, academic research.

The nature of new markets is that they do not exist yet. Doing research on not existing things is difficult, or maybe impossible? Therefore I think NMBSs have arisen through a mix of two scenarios:

- Looking at empirical data, building theories inductive, and
- Through systematization of common knowledge. Entrepreneurs and entrepreneurial companies learning from each other, passing on best practices, evolving NMBSs to fit the contemporary market they are in.

I would also make a clear distinction between these two scenarios and the so-called *trial and error approach* to entrepreneurial activity. Using a trial and error approach is warned against by NMBSs. Trial and error does not remove risk, which is one of the most central activities in NMBSs.

Development of NMBSs through systematization of common knowledge implies that they are more general and should be more relevant to entrepreneurial companies than the ad hoc activities that entrepreneurs usually are recognized for.

From the research I think it is worth noticing the one company that do not know if there is a demand for their service, is also the company that seems the most uncertain about their value proposition. I think this uncertainty is natural when trying to create something new. At the same time I think NMBSs could remove many of these risks which is dangerous to the demand creation process.

### **Pivot or persevere?**

None of the NECs considered that they had made any pivots in their strategy, citing that they only made incremental changes. This is quite extraordinary regarding this statistics: 90% of entrepreneurial companies that does not pivot during 12 months fail.<sup>94</sup> It could be interesting to research deeper what kind of incremental changes the NECs had made, knowing the bias entrepreneurial companies has towards their own ideas. Maybe they did pivot after all?

### **A strong argument for innovation**

The findings of W.Chan Kim and René Mauborgne are that it is not the company or the industry that defines sustainable performance. It is the strategic move. Taking this one step further they have identified that the 14 percent of companies targeting new markets account for 61 percent of total profit, which is a significant finding. This result should motivate innovation in all industries.

This result should also motivate governmental and NGOs to create incentives for innovation and entrepreneurship.

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<sup>94</sup> [www.onset.com](http://www.onset.com)

### **The importance of relative innovation speed**

Gaining insight into how businesses can meet change in their market and industry has been interesting. I have argued that the speed of innovation is increasing. I have come to believe that a business' sustainable advantage is always limited by time. To meet this challenge I believe businesses need to adapt (read: innovate) faster than the market, or else it will lose its competitive edge. The idea is that it is not a company's innovation speed it should measure. It is the relative innovation speed compared to the market that is important. I think it is an important difference.

This also raises some questions about protection and IPR. If you are able to out-innovate your competitors and the market, can it substitute the enormous amount invested in IPR? And with the connectedness and creativity of the world, maybe innovation is *the only* way to keep a competitive advantage in the future?

### **MBA-education kills innovation**

Discussing the importance of NMBSs I would like to mention the term "the desert journey" introduced to me by one of the interviewed companies. "The desert journey" is the long period starting from when a company has proven profitable and that lasts until it dies or innovates. For some companies the time a company proves profitable is when business strategy, and maybe NMBS, is being replaced by management. In a scenario where this management has a classical MBA-education<sup>95</sup> there is an imminent danger that the MBA-background will affect strategic decisions and color the company's future. If a MBA background equals TBS background it could prevent change and limit innovation and entrepreneurial activity.

### **The contradiction between innovation and funding**

An interesting dilemma for any entrepreneurial company is what I think is the contradiction between innovation and traditional funding. Traditional funding, like VCs and banks, require a businessplan with assumptions. The problem is that the funding is made on the basis of these assumptions, so changing the assumptions is difficult for the VC or bank. This in turn gives incentives to the entrepreneur not to pivot. Also, the funders often have representatives on the board of the company, having direct power over the strategic decisions of the company. This make it interesting to research how much influence the board of directors has on strategic decisions, and if the board of directors limit change and innovation.

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<sup>95</sup> MBA = Master of Business and Administration

I think this discussion can be relevant to the popular discussion of the effectiveness of Innovation Norway's incentives for innovation.<sup>96</sup>

### **B2B Business strategy**

It can be interesting to discuss how suitable NMBSs are for companies pursuing B2B. It can be argued that processes in B2B take longer time and that it is more difficult to change behavior in a B2B-market compared to a consumer market. One of the main arguments for using a NMBS is that it is better when working with uncertainties and fast changes. In a B2B-market where this is not the case, e.g. medical technology, TBS could be the better option.

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<sup>96</sup> [techcrunch.com/2012/04/23/is-norway-leaving-its-tech-startups-out-in-the-cold/?utm\\_source=UberTwitter&utm\\_medium=twitter](http://techcrunch.com/2012/04/23/is-norway-leaving-its-tech-startups-out-in-the-cold/?utm_source=UberTwitter&utm_medium=twitter)



## 7. Conclusion

In this chapter I present the conclusion of the results of the research. The conclusions are presented as answers to each of the six research questions.

### *What background do the persons responsible for a NEC's strategy have?*

None of the NECs have any formal education within the field of business strategy. All of the NECs have earlier experience from building products and in-depth knowledge about the technology they use.

### *How is the company's business strategy embedded in the organization?*

All of the NECs have a flat organization with short way from the top to the employees. All of the employees and stakeholder are informed and understand the business strategy that the company is pursuing. None interviewees experience organizational complications in implementing the business strategy.

### *Do NECs have a strategic focus on customer development or on product development, and do they recognize the difference?*

There is no evidence that the companies interviewed has a strategic focus on customer development, similar to the one developed by Steven G. Blank. Despite this, all of the companies collect feedback from customers and have in-depth domain knowledge about their market.

All of the NECs have a product development model.

There is no evidence that the NECs recognize the difference between customer and product development.

### *Do NECs create demand or discover demand?*

The conclusion is divergent. 3 of 5 NECs have discovered a demand which they are trying satisfy. 2 of 5 NECs are creating demand they do not yet now are there.

### *To what degree do NECs in the IT-industry use New Market Business Strategies?*

None of the NECs use the theories as rigid guidelines, or even as support, but unconsciously many of the principles are adopted. Looking at all the answers it is clear that many of the principles from these NMBSs are used by the NECs.

None of the NECs choose business strategy based on what market type they are in.

**7.1. Answering the hypothesis:**

*Norwegian entrepreneurial companies in the IT industry use new market business strategies unconsciously. New market business strategies have evolved empirically or through systematization of common knowledge.*

This thesis has confirmed this hypothesis to be true.

The validity is only as strong as the size of the selection, thus making it necessary to mention that five NECs were interviewed in this research.

## 8. Further research

Haugstad writes in his literature review in 1999 that the next step in strategy research should be to study the practical implications on strategy as something the firm *do*, in contrast to strategy as something the firm *have*. He argues that this way future research will be much more relevant.

After doing this research I would suggest some interesting topics, which could be relevant for further research.

Below is a list of possible further research. These are ways to build on this thesis and do more research on *New Market Business Strategy*:

- By choosing four NMBS theories for this thesis I studied relatively broadly the concept of NMBS. Therefore, it could be interesting to do a more specific study of only one selected NMBS theory.
- The criteria of relevant interview candidates and the limited time available did put a constraint on this research. It can be interesting to do a similar research over a longer time period, and interviewing a more complete list of companies within an industry.
- While this thesis research the Norwegian IT industry, it would be interesting to have a look at other industries, and also to compare NMBS across industries.
- It could also be interesting to research if the development of NMBSs is done empirically or by systematization of *common knowledge*.
- It could be interesting to research how NMBSs affect the way existing companies do business. This kind of research would be made possible for example with a longitudinal research.
- It could be interesting to research companies who have failed, and learn what kind of strategy, or lack of strategy, they used.
- This thesis is a qualitative study of “on-going” startups, so it could be valuable to look at more mature entrepreneurial companies and learn about their business strategic thinking.
- In April 2012 Steven G. Blank published his new book, *The Startup Owner’s Manual*. It is a follow-up on *The Four Steps to the Epiphany*, and is a more methodical approach of his theory. It could be interesting to research if startups use a methodical approach or make strategic decisions based on “common knowledge”.
- An interesting further research would also be to do a longitudinal study of how entrepreneurial actions affect practical and theoretical business strategy.

## 9. Suggested reading

Presented below is highlighted literature for readers interested in learning more about new market business strategies.

- Marketing as a strategy: Godin, S. (1999). *Permission Marketing: Turning Strangers into Friends and Friends into Customers*. New York: The Domino Project.
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- [en.wikipedia.org/wiki/Michael\\_Porter](http://en.wikipedia.org/wiki/Michael_Porter)

## **Appendix:**

The appendix includes:

1. The interview guide
2. Complete analysis of the interviews
3. A list of Blue Ocean Strategy articles
4. Henry Mintzberg's Ten schools of thoughts about strategic formation

## 1. The Interview guide

# Interview Guide

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This interview guide is meant as a support document when conducting the interview.

The goal is to have a flexible interview and in this way open up for qualitative responses.

The interview guide can and should be iterated from one interview to the next. At the same time it is important to use the same question framework for each interview in a way that it will be possible to compare the answers.

### ***The goal:***

Should be to find if they use/used all, or part of, or none of the theories from Blue Ocean Strategy, Lean Startup, The Four Steps to the Epiphany and Demand creation.

### ***Presentasjon:***

- Hei! ☺ Jeg er UiO student og veldig interessert i forretningsstrategi og innovasjonsledelse.
- Dette er en kvalitativ masteroppgave, så håper du ønsker å dele.
- Jeg ønsker også å gjøre lydopptak av intervjuet, og håper det er greit? Alt blir anonymisert.
- Lov å si "pass, dette har jeg ikke hørt om".
- Det er mange spørsmål. Håper det blir litt interessant for begge parter ☺

### ***The interview:***

Firma:

Navn:

Stilling:

### ***Generelt:***

1. Hvordan type selskap er dere? Hvor gamle?
2. Hvem eier selskapet? Antall ansatte?
3. Når ble/blir produktet lansert?
4. Har en eller flere personer hatt ansvar for forretningsstrategien for produktet og firmaet?
5. Hadde denne personen relevant utdanning? (skole, grad, år?)
  - a. Evt innleid kompetanse?
6. Hvordan vil du beskrive strategiarbeidet med produktet?
  - a. Hvor lang tid tok det? Fra idee til lansering (produkt og strategi)



### ***Proessen: The four steps to epiphany:***

7. Hva vil du si dere hadde størst focus på: produktutvikling eller kunder/salg?

### ***Customer discovery***

8. Startet dere prosessen med å lage en hypotese (om produktet, kunde/problem, distribusjon/prising, hvordan skape etterspørsel, markedets type, konkurranse?)
9. Ble hypotesen testet?
  - i. Test av problemet sammen med kunden?
  - ii. Produkt testing?
10. Ble hypotesen bekreftet? Evnt gjorde dere endringer?

### ***Customer Validation***

11. Hvordan foregikk den første kontakten med kunder?
12. Hadde dere bevist forhold til tidlige salg?
  - a. Hadde dere noe du vil kalle «tidlig salg»?
13. Hva slags kunder var deres første?
14. Ble noen av hypotesene/oppfattningene endret etter de første salgene?
15. Ble noenting endret underveis som følge av tilbakemelding fra kunde?

### ***Customer Creation***

16. Hadde dere et bevist forhold til hva slags marked dere var i? (nytt, eksisterende, resegmentering)
17. Hadde dere en posisjonering (pris vs. Kvalitet) av produktet?
18. Hvordan ble produktet lansert (big launch day, eller stegforsteg)?
19. Hvordan var strategien for å skape etterspørsel etter at produktet?
  - a. Reklame, events, champions, sponing, give-aways, freemium, annet?

### ***Questions for BOS:***

I forhold til andre, lignende, produkter, eller iforhold til «hypotesen»:

20. Fjernet dere funksjoner?
21. Minsket dere funksjoner?
22. Gjorde dere noen funksjoner viktigere og mer fremtredende?
23. Lagde dere nye funksjoner?
  - a. Hvilke:
24. Vil du si at strategien hadde en tydelig målsetning? Eller flere?
25. Mener du dere hadde en annen strategi eller lik strategi ifht konkurrenter?
  - a. Var dette et bevisst valg?
26. Hadde strategien/produktet et «slagord»?

27. I utformingen av strategien, forsøkte dere å bruke ideer fra helt andre industrier eller markeder eller kundegrupper/mennesker?
28. Forsøkte å endre eller påvirke trender over tid.
29. Under produktutviklingen og strategiske valg, så dere på det store bildet eller planla dere utifra enkeltkunder og salg.
30. Hvordan vurderte dere skalerbarheten på sikt? Nye type kunder eller grow the pie? (scale risk)

### ***Om rettfærdig prosess:***

31. Ble alle/noen/ingen inkludert i strategiarbeidet?
  - a. Fikk noen/alle mulighet til å bidra i prosessen å lage strategien?
32. Ble strategien fortløpende forklart til alle i organisasjonen?
  - a. Føler du alle forstod strategien og hva som krevdes?

### ***Om å utføre strategien:***

33. Var det noen i organisasjonen som måtte overbevises?
  - a. Hvordan ble de overbevist om å bruke strategien?
34. Hvordan ble strategien presentert for resten av organisasjonen?
35. Betydde strategien at bedriften måtte endre seg?
  - a. Måtte dere flytte rundt på ressurser?
36. Var det noen problemer eller noen som ikke ville følge strategien? Noen «interne sabotører»?
  - a. Hvordan ble dette håndtert?

### ***Barriers to enter/copy:***

37. Gjorde noen eksterne narr av det dere gjør?
38. Føler du at dere skapte litt prat om det dere gjør?
39. Har dere lojalitet fra kunder?
  - a. Evt. er det et bevist mål?

### ***Produktutvikling: Lean Startup:***

40. Bruker dere Lean Manufacturing/production?
41. Brukte dere kort utviklings-/produksjonstid?
42. Hvor mange iterasjoner og runder med kunder før ferdig produkt?
43. Brukte dere tilbakemeldinger på å forbedre produktet?
  - a. Hvor mange ganger?
44. Fikk dere brukbar tilbakemelding som dere lærte av?
  - a. Vil du si dere var dere kritiske til feedback'en?
45. Endret dere strategi underveis?
  - a. If so: Hva var grunnen?

## **Create Demand - framework**

46. Føler du at dere lager noe magnetisk? Er det en wow-faktor?
  - i. Vil du si dette var en målsetning i arbeidet?
47. Har dere laget et hassle-map av situasjonen? En beskrivelse av "en dag i kundens liv"?
48. Har dere sett på "hele produktet" ?
49. Lager dere *en* hovedgrunn for kunden å ta steget å kjøpe produktet?
  - i. Hva var hovedgrunnen/insentivet for kunden å kjøpe?
50. Var det en plan for oppdateringer av produktet? For å holde det i livet over tid...
  - i. Levetid på første produkt/Produktsyklus/Oppdateringsfrekvens?
51. Tenkte dere på hvordan produktet kunne tilpasses kundens egne ønsker? (we are all weird)
52. Hva var lanseringstaktikken (launch)?
  - i. Hadde dere en fast eller fleksibel lanserings dato?
  - ii. Planla dere for suksess eller å mislykkes? Kunne dere få en "second chance" om det trengtes?
  - iii. Føler du produktet var helt "klart" ved lansering?
53. Lagde dere flere versjoner internt, før dere slapp ett ut?
  - i. evt. Hvilken ble valgt og hvordan/hvorfor?
54. Kopierte eller stjal dere ting fra andre som en strategi (good artist borrow, great artists steal)?
55. Har dere noe følelsesmessig aspekt ved produktet? En historie eller myke sider ved salg?
56. Var dere usikre eller selvsikre i arbeidet med produktet?
57. Har dere brukt samme strategi for flere produkter? En "suksessformel"?

## **Oppsummering:**

58. Har du/dere lest Blue Ocean Strategy, eller The Four Steps to the Epiphany, eller Lean Manufacturing?
59. Hva er viktigst: produktutvikling eller forretningsstrategi og markedsarbeid?
60. Føler du at dere skaper noe nytt eller fyller et behov?

## 2. Analysis of the interviews

# The Complete Analysis

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Presented below is the complete analysis. It consists of 4 categories with in total 38 labels. Each label is presented together with the selected, relevant answers from the interviews.

## Background:

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Hvem eier selskapet: **Alle selskap eies av sine ansatte og gründer.**

1. ENK, eies av gründer. 1 ansatt.
2. AS, eies av gründer. 4 ansatte.
3. AS, 2/3 eid av ansatte, 1/3 eid av VC. 70 ansatte
4. AS. eies av ansatte. 7 ansatte.
5. AS, 2/3 eies av de 40 ansatte. Det er ikke så vanlig. Ofte selger man ut mye til VC, men hos oss er alle ansatte aksjonærer. Alle har puttet inn aksjekapital. Min visjon med det er at vi skal kunne ha langsiktighet i det vi gjør. VC er kortsiktige. Og det andre er at det gir oss en helt annen eierskap for de ansatte så de gjør en bedre jobb, og det ser jeg fungerer. Etablert mars 2010.

Relevant utdanning: **Ingen har formell utdanning innen forretningsstrategi. De er teknologer som har startet utviklet ideen sin. Alle har noe erfaring fra tidligere jobber.**

1. Nei, teknisk.
2. Nei, teknisk.
3. "Nei, ingen formell utdanning ifht strategi, men det kommer som erfaring fra tidligere selskap".
4. En som har ansvaret. Ikke relevant utdanning, men praktisk erfaring med merkevarebygging, discreative.
5. Noen MBA. De fleste, og grunder, har teknisk bakgrunn, men med erfaring fra tidligere ventures.

## The Customer Development Model:

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Størst fokus på kunden eller teknologien: 3/5 oppgir å jobbe parallelt. 1 hadde i starten fokus på produktet og en hadde ekstrem kjennskap til problematikken til kunden og var "sikker" på behovet.

1. Produktet i starten, kunden etter hvert.
2. "Vi har jobbet parallelt. Først fokus på kunden for gidder ikke lage noe firma om ikke markedet er interessert. Vi har hatt markedsorientering fokus, samtidig med produktutvikling".
3. "Mest fokus på produktutvikling, men i kombinasjon med marked. Man skal aldri utvikle et produkt uten å ha virkelig fundamentert det i et behov i markedet, og da må man jo snakke med veldig mange kunder. Vi hadde sikkert snakket med 100 forskjellige kunder før vi hadde ferdig "specen" på produktet".
4. Paralelt løp mellom produktutvikling og komersialisering (presse, investorjobb, markedsføring). Likt fokus på begge. Brukt ganske like mye tid på alt (prod og cust). Det er nok litt overvekt i selve utvilginga, men det er ufattlig mye tankearbeid på markedet.
5. Vi snakker veldig mye om customer driven innovation, og det er jo litt samme greia. Det å jobbe med kunden. Det er der vi lærer. Vi kommer på noen ideer vi også, men det aller fleste ideene får vi når vi snakker med kunder. Det er ubetalelig det man får fra prat med kunder. Så er kluet å sette opp relasjon med kunden så man er alignet om du vil så det blir effektiv utvikling og er skalerbart.

Startet dere med en hypotese om produkt/marked: Litt uklart om bedriftene laget en hypotese i ordets rette forsland, men alle oppgav en formening om hva de ønsket å starte opp.

1. "Nja... tenkte på et kundepotensiale. Tenkte jo gjennom ting."
2. "Nei, vi starta med at vi ville bli kvitt papirkvittring. Alle andre følte samme irritasjonen over dette problemet."
3. "Vi hadde en hypotese om et behov i et marked. Et behov for en annen type og bedre type microcontrollere."
4. Ja, vi hadde definitivt en hypotese om ideen. Utgangspunktet var at man ville lære seg kompleks mobilplattform utvikling. Ideen var å lage en tjeneste der man kunne dele ting og tid mellom venner.
5. Vi veit at hvis vi klarer å lage en løsning som om 10-15 år klarer å når du slår på en device, så finner den den informasjonen du vil ha. Det er en visjon. Vi veit at om vi kalrer det så er vi golden. Det er jo veldig vagt og visjon og uklart. Det nytter ikke å gå ut å selge en visjon. Man kan si som på engelsk at det går å få folk til å buy into you vision, kjøpe inn i visjonen, men de kjøper ikke visjonen. Det de betaler for er det du kan levere I DAG. Men vi hadde konkrete produkter. Da snakker jeg om steppingstones. Det er som å dra til sydpolen. Om man har en visjon om å dra til sydpolen og godt vær og masse mat, men man kommer jo ikke dit. Men for å komem dit må man ha niste, godt vær og produkter å selge. Vi hadde veldig konkrete produkter. Enkelt: de fleste lager godt innhold, mediehusene tjener på annonser, men de er urelevante. Vår første steppingstone er å levere relevante annonser, og det er produktet nå.

Ble hypotesen testet: **Ingen hadde noe tydelig svar på om de hadde en klar strategi på å teste "hypotesen" sin. 4/5 føler de har fått svar på spørsmål ved at de har gjort salg.**

1. Nei.
2. Produkttesting med første kunde. Vi føler at det ble verifisert. Mange partnere som er interessert.
3. Testen var at vi selger mye. Mellom 1-2 nye kunder hver dag.
4. Nei, vi testet mest på oss selv i starten. I senere tid har vi hatt fokusgruppe. Med mentorer, og insopull fra andre også i utlandet. 5-6 stk.
5. Vi veit at hvis vi klarer å lage en løsning som om 10-15 år klarer å når du slår på en device, så finner den den informasjonen du vil ha.

Ble hypotesen verifisert: **Ingen tydelige svar.**

1. –
2. "Vi føler at det ble verifisert." Mange partnere som er interessert.
3. "Hypotesen ble bekreftet senere enn vi trodde". Før dette mye lovord, men få bevis. Trodde det skulle gå fortere. Som entreprenør er man optimistisk av natur.
4. Nja, både og. Hypotesen er bekreftet for lenge siden. Desto mer bekreftet over tid. Vi har "tunet" underveis, basert på ny teknologi og behov. Et produkt i dag har behov for oppdatering. Og mer kontinuerlig utvikling.
5. "Det er bare åpenbart. Vi har jobba i området så lenge. Vi vet om så mye som er problemer."

Hvordan foregikk første kontakt med (potensielle) kunder/brukere: **Litt ulikt, men alle hadde en eller annen form for kontakt med bruker, før produktet var ferdig.**

1. Tidlige medlemmer i "grønne miljøer".
2. Liten lokal bruker på universitetet.
3. Tradisjonell salg etter lansering.
4. Møte med kunde gjennom bruk av produktet.
5. Kontakt med kunder var eksisterende nettverk. Internet marketing er blitt veldig viktig, SEO er viktig nå. "Nå kontakter folk oss 10-20/uke fra hele verden. Vi sørger bare for at det vi lager blir distribuert ut på internett og så søker folk det opp. Og så kontakter de oss."

Bevist forhold til tidlige salg: **Ja og nei, i mer eller mindre grad. En bedrift var veldig tydelig på at dette var et mål.**

1. Studenter og grønne.
2. Vi hadde produkttesting med første kunde
3. "Ja, veldig bevist forhold til å få tidlige salg. Eller ikke nødvendigvis salg, men commitment fra kunden".
4. –
5. –

Ble noen oppfatninger av hypotesen endret underveis: **Ingen har gjort store endringer av den initiale ideen. Alle oppgir de har gjort såkalte inkrementelle endringer.**

1. Ja
2. Den samme ideen lever videre, men vi har bygd ut konseptet basert på e-kvitteing platformen.
3. Litt ble endret etter tilbakemelding fra kunde, men svært lite. Litt på detaljnivå. "kongstanken var at det skulle bruke mindre energi". Vi endret kanskje 10% av specen etter tilbakemelding. "Vi kjente produktet godt. Vi kjenner det nesten bedre enn kunden kjenner det selv"
4. –
5. Ikke det fundamentale. Men vi lærer jo hver dag. Jeg er overbevist om det fundamentale kommer til å være der. Vi må bare komme oss dit.

Ble posisjoneringen endret underveis: **Ja, men ikke mye. Alle har endret seg litt, men ikke radikalt.**

1. Mindre på grønn. Mer på gøy, lett, oversiktlig, sosialt.
2. Fra å
3. "Noen sier at når man skal lage et produkt, så må man lytte til kunden og hva den sier at man skal lage. Det er jeg uenig i. Fordi hvis man skal la kunden bestemme hva en skal gjøre så..., kunden kjenner bare det som eksisterer i dag, så du kan ikke gjøre det, for du skal lage noe som er ledende som er ferdig med det om 2-3år, så da kan du ikke kopiere noe som allerede finnes. Du må ligge mye større steg foran enn det. Men du må kalibrere dine egne tanker og spesifikasjoner mot kundenes behov".
4. Ingen nøyaktig profil på brukerne. Ingen spesiell gruppe mennesker. Gikk bredt ut. Det var ganske tilgjengelig. "Vurderte nisje og ta innovatørene først, vi kjenner jo innholdet i marketinglitteratur, men de begynner å bli utdatert. Nå er alle innovatører. Du kan være innovatør. Det kan være tilfeldigheter som fører til at du omfavner ting og påvirker din omgangskrets. Det er et folkelig produkt og det ønsket vi også." Gikk ikke til en spesifikk kategori mennesker". Ja, bevist på posisjonering. "Vi er overlegen på UI og design".
5. –

Bevist forhold til hva slags marked de var i (nytt, segm, eksist): **Alle sier de kjenner markedet. At de er i et resegmentert eller nytt marked. 2/5 i nytt marked, 2/5 utfordrer eksisterende marked og 1/5 forsøker å forbedre eller dominere et marked som ikke er ferdigutviklet enda.**

1. "Litt, Det er et nytt produkt. Folk kjenner Finn.no da."
2. "Vi er i et nytt marked. Det var noen konkurrenter, men ingen som var tilgjengelige."
3. Ja, er veldig bevist forhold til hvordan type marked.

4. "Nja, vi var bevist på hvordan marked vi er i. Vi utfordrer en del kategorier, bla. Finn.no. Vi prøver å være smartere enn finn."
5. Kjente markedet veldig godt. Motsatte av en segmentering egentlig. Vi samler tjenester.

Hadde dere klare mål i starten: **Ikke fått gode svar fra alle på dette. Alle sier at det har tatt lenger tid enn forventet å få ferdig produktet og å få kunder.**

1. Ja, 1000 brukere iløpet av et år.
2. "Vi er nå alltid optimistisk. Vi hadde klare mål for første året, men det gikk ikke helt. Vi måtte dele på 3."
3. –
4. –
5. –

Hvordan er strategien for å skape etterspørsel: **Veldig forskjellige metoder. 2/5 bruker virale metoder, et firma bruker salgsteam, et firma lar andre gjøre salget og et firma bruker virale metoder, SEO og salg.**

1. Viral markedsføring. Gratis i starten (dvs. ingen annonsering).
2. Posten kommer til å lansere det og markedsføre alt. Vi samarbeider med dem, men partnerne gjøre markedsføringa.
3. Salgs team, distribusjon.
4. I starten var det vanskelig å få tjenesten til å vokse. Vi ville teste tjenesten før det skulle spre seg. Var ingen spredning. Vi ville kontrollere veksten ved ikke å gjøre for mye på en og samme tid. Det var ikke sånn at vi ikke ville at det skulle vokse, men vi hadde vokus på andre ting enn at det skulle spre seg. Nå er det spredningsmetoder implementert. Strategien er ganske klar.
5. Kjenner kundene. De kommer til oss. Internasjonalt marked.

## Blue Ocean Strategy

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Fjernet, minsket, fremhevet eller lagde dere nye funksjoner: **Sprikende svar. Alle er veldig gjennomtenkte når det kommer til funksjonalitet ved produktene sine. Det som skinner gjennom er at de slår sammen og forenkler. Fokuserer. Alle hører på kunden, og til en viss grad skriver ned "ønsker". 4/5 er tydlige på at de er selektive med å implementere alt kunden vil ha.**

1. I liten grad, mest sammenslåing. Skriver ned alle tilbakemeldinger fra brukere og lager en prioritert liste.



2. "Vi lagde et veldig avansert produkt fra dag 1 med veldig mye funksjonalitet, men så har vi gjort det enklere etter hvert. Fjerna noe funksjonalitet etter hvert."
3. Vi har gjort alt det (minsket, fjernet...), men først og fremst har vi lagd nye funksjoner. Så nå har vi en portefølje.
4. "Det er når du kombinerer eksisterende funksjoner at det plutselig kan bli innovasjon".
5. "Nei, godt spørsmål. Når det kommer til sw så er det viktig at det er en fleksibel struktur. Vi prioriterte sanntid. Vi forsøker å forenkle verikjeden. Vi har mange småkonkurrenter, men ingen gjør alt det samme som oss. Det som er fint er at konkurrenten vår er en strategisk konkurrent til kundene våre."

Har strategien en tydelig målsetning, slagord, tagline: **3/5 har dette. 1/5 har det internt og kommuniserer dette også ut. 1/5 ikke har tenkt på det, men har noe som ligner på hjemmesiden sin.**

1. "Nja, usikker. Nei, egentlig ikke. Kunne vært greit å gjort."
2. Ja. "Vi kommer på flere ideer fordi vi har det slagordet. Vi kan lage mange spennende tjenester når vi har det slagordet."
3. Fokus på energisparing. Ja, vi har et slagord.
4. Vår enhetlige strategi er å være: "den mest sosiale markedsplassen". I starten var det den mest generøse markedsplassen, men nå er det den mest sosiale markedsplassen som er viktig. Og den skal være visuell og kul å bruke.
5. "Det har vi faktisk. Vi jobber mye med kultur i selskapet, hva vi skal stå for. Det er pi<sup>2</sup>. Dette kommuniserer vi også ut til kundene våre."

Lik eller forskjellig strategi enn konkurrentene: **3/5 er tydelige på at de er annerledes. 1/5 er ikke det og prøver å vinne kampen i sitt marked.**

1. Så mye på konkurrenter og kopierer.
2. "Jeg føler vi har litt annerledes strategi enn konkurrenter. Vi jobber med partnere, uten å ha en egen portal. Målet var ikke å gjøre noe annerledes, men å ha minst risiko. Ikke vært opptatt av å se på hva andre i industrier har gjort. Vi må finne svaret selv."
3. En klar posisjonering. "Vi har veldig mange positive ting med produktet, jeg kunne nevnt 10-15 elementer, men vi har veldig bevist kommunisert bare den ene for å ha en tydelig profil. Og det har vi lykkes veldig bra med. Folk anerkjenner oss som ledende på energiforbruk. Vi prøver å gjøre det enda viktigere enn det det er."
4. "Vi har mye av det de andre mangler. Strategien er lik på en del punkter og forskjellig på andre punkter. Vi ønsker å differensiere oss fra konkurrenter. Vi ønsker å skille oss mest mulig, men samtidig løse mange av de samme problemene."
5. Ja. White label. Real time.

Forsøker dere å endre trender over tid: **3 av 5 er veldig tydelig på dette. 2 av 5 trekker litt på det og tenker litt annerledes.**

1. Ja, nabolag og forbruk.
2. "Ja, litt, vi slipper jo dette papirhelvete, og det blir mer miljøvenlig."
3. "Ja, vi forsøker å endre trender over tid. «The best way to break the future is to create it». Det er faktisk ganske sant det."
4. "Nja, vi har jo snakket mye om grønn profil, så i så måte forsøker vi å få til en bruker og adferdsendring. Det er slik ny innovasjon som får til endringer i samfunnet. Ny teknologi rettogslett fører til at folk lever livene sine annerledes."
5. "Nja, det er jo bare både og. Man kan lansere en iPad og skape noe nytt, men det er veldig tungt og vanskelig. Så vi skaper ønsker ikke å skape noe nytt, sånn som det google og facebook som gjør, og vi hadde ikke hatt sjans til det heller. Men det vi er med på å gjøre er at vi er med på å gjøre ting mer relevant."

Så dere på det store bildet: **3/5 er tydlige på at de har kontroll på industrien og hvor de vil henn og at de må holde fast på visjoner og de lange linjene i utviklingen av produktet.**

1. Ja, så på bærekraftig utvikling og sunne trender, men er litt oppslukt i egne funksjoner og teknologi.
2. Har en visjon ja
3. Ja, kontroll på utviklingen.
4. Vingler litt for å finne sin plass.
5. Har en 10-15 års Visjon som grunnlag for alt.

Hvordan er skalerbarheten: **Veldig god for alle firmaene.**

1. "Veldig god."
2. "Skalerbart i verden er vanskelig. Teknologisk. Må ta region for region pga tekniske utfordringer og andre ting."
3. "Skalerbarheten er veldig stor. Uendelig stor. Vi har produsenter som kan produsere 1000 ganger mer enn det vi gjør i dag. I praksis uendelig skalerbarhet".
4. "Vi er veldig skalerbar". Alt er gjort slik at det skal kunne vokse. Prinsippene i communityen regulerer så det er personlig for bruker, selv om det er vanvittig svært. For deg blir det ikke større enn det antallet du har i nettverket."
5. "Vår visjon, vår approach er å være ute hos kunder. Det er helt avgjørende. Det kan ende opp i 2 ting. Faren er jo at det blir ekstremt kundedrevet. I værste fall blir man jo en konsulent, og det skalerer jo ikke. Men det som er viktig, og spesielt når man leverer software som en tjeneste, så må man se på hvilke ting er det du og du og du trenger og så se fellesmønstrene til en tjeneste som klarer å levere en god løsning for alle. Vi snakker veldig mye om customer driven innovation, og det er jo litt samme greia. Det å jobbe med kunden. Det er der vi lærer. Vi kommer på noen ideer vi også, men det aller fleste ideene får vi når vi snakker med kunder. Det er ubetalelig det man får fra prat med kunder. Så er kluet å sette opp relasjon med kunden så man er alignet om du vil så det blir effektiv utvikling og er skalerbart."

Hvordan ble strategien mottatt i organisasjonen: **Alle er inkludert og forsår hvor selskapet vil.**

1. Enkeltmannsforetag. Mentor fornøyd.
2. "De hører på og er med på store valg". Ja, tror alle forstår hva som kreves.
3. Hele administrasjonen er involvert i kommunikasjonen. Den skal være klar og tydelig.
4. "Alle er blitt inkludert. Absolutt". Demokratisk" Alle forstår hvor vi vil. Vi har jo diskusjoner, men ikke noen krangel. Vi er ganske samstemt. Vandt til å finne kompromiser.
5. Alle ble inkludert i arbeidet med strategi. Vi jobber med foretningsstrategien i et lite team. Det er approachen vi har på det meste vi gjør. Vi forsøker å være litt sosialdemokratiske. Vi har en høy takhøyde. Vi diskuterer mye og lar folk komme med innspill før vi tar en avgjørelse. Litt forskjellig fra en amerikansk struktur for eksempel . Jeg tror ikke Steve Jobs diskuterte så mye. Hans lederstil fungerte der han var, men ville for eksempel kanskje ikke fungert så bra i kommune-norge. Vi kan lage vår egen kultur. Ingen sabotører. Jobber mye med kultur i selskapet. Så alle må buy in. Det er viktig fra ansettelse. Folk med riktig attitud er viktig, spesielt i tidlig fase. Få folk til å kjønne og få eierskap til visjon. Det er åpenbart at man må ansette folk som er smartere enn deg selv. Også er det mye kulere for da lærer man jo. Innimellom kan smarte folk være litt ego, men da tar man bare tak i det. Og innimellom så må de ut, for da passer de ikke inn."

Har noen gjort narr av produktet: **både ja og nei.**

1. "Nja, både og."
2. "Nja, litt, kanskje."
3. "Ja, føler noen har gjort narr av oss. Våre konkurrenter lo av oss i starten. Vi lo nesten av oss selv. Det var nesten et dødfødt prosjekt fordi det er så vanskelig, men det er det som gjør at jeg synes det er så gøy også."
4. Nei
5. Nei

Har dere skapt litt «buzz»: **både ja og nei**

1. "Nja, ikke så mye."
2. –
3. "Det ble litt prat om det da vi lanserte"
4. –
5. Jo, det vi forsøker å gjøre er å skape buzz gjennom det vi gjør, ikke det vi har gjort. Og buzz gjennom kundene. Så vi forsøker å lage forum der vi kan skryte av kundene. Konferanser eller lignende da blir kunder kjempefornøyde.

Fått lojalitet fra kundene: **både ja og nei. Alle sier de er nye selskaper, så ingen gode svar.**

1. Nei, ikke enda.

2. –
3. “Lojalitet måles over tid, og lojalitet er viktig. Men man trenger ikke en egen strategi på det. Måten å få lojalitet på er å ha gode produkter, fortsette å ha gode produkter og yte god service til dem. Da får man lojale kunder.”
- 4.
5. “Bare jobbet ett år. Så vi forsøker å lage forum der vi kan skryte av kundene. Konferanser eller lignende da blir kunder kjempefornøyde.”

## Lean Startup

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Brukte dere kort utviklingstid/sykluser: **3/5 implementerer relativt raskt. Bare 2/5 uttrykker at dette er et mål.**

1. Nei. “Egentlig ikke.”
2. “3 års utvikling. Ideen kom på skolen. Det har tatt altfor lang tid.”
3. Lang utviklingstid i hardwarebransjen.
4. Kort som mulig produksjonstid. Kan implementere raskt. Vi utvikler mer eller mindre kontinuerlig, men det er noen større versjonsendringer.
5. “Ja, vi ruller ut ny software 1 gang/uka. I motsetning til microsoft. Vi bruker såkalt SCRUM. Vi planlegger månedslig, sprinter, også implementerer vi løpet av den måneden og da ruller vi ut nye features/uke.”

Hvor mange iterasjoner med kunder: **2/5 har mange iterasjoner med kunden.**

1. 2 store, mange små forbedringer.
2. 2 store versjoner hittil. “Vi har en roadmap på hva som skal inn og når”. “oppdatering av produktet skjer ganske ofte, hver gang vi får en ny partner”.
3. Vi har vært kritiske. Vi lytter til kunden, men implementerer ikke alt.
4. Mer eller mindre kontinuerlig.
5. Kointinuerlig kontakt med kunden. Vi har ikke hatt noen produktsjef, og det har vært et bevist valg fra dag 1. Produkt sjefen var en virtuell rolle mellom salgssjef og CEO. Vi har et felles system for ticketing/krav som kommer inn, men nå blir vi så store at vi skal ansette en produktsjef. En som samler inn alle kravene. Men i begynnelsen ville vi ikke ha den mellommannen.

Hvordan brukte dere tilbakemeldingene i produkt/strategi utvikling: **2 av 5 hører på kunden for å lære, men velger selv hva de skal implementere. 2 av 5 sier de “implementerer alt”.**

1. Lagde en lang liste og begynte med prioriterte funksjoner. «Det er ingen feil i feedbacken».
2. “Før vi lager noe, så spør vi kunden”
3. “Vi får ikke noe hjelp fra kunden i de langsiktige strategiske vyene, hvor vi skal om noen år. Det må vi finne tu av selv”. Våre konkurrenter implementerer mye fra kundetilbakemeldinger

og de driver utifra hva kunden vil ha. Det høres jo fornuftig ut, men det bærer ikke i lengden”.

4. –
5. ”Produktfolka har mye makt. Vi må tørre å si nei. Jeg sier til produktutviklerne: ”Vår oppgave er ikke så si ja til kunden.” Vår oppgave er å forstå kunden og det kundesegmentets behov og få dem til å forstå at vår løsning er best for å løse det problemet.”

Hvordan målte dere effekten av utviklingen: **Vage, bortforklarende svar. Ingen som måler noe.**

1. Ingen måling. Litt vagt svar. Måler antall brukere
2. Litt vagt svar. Måler antall brukere
3. –
4. –
5. –

## Demand Creation Framework

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Lager dere noe med ”wow-faktor”: **Ja, alle føler de får slike tilbakemeldinger.**

1. Ja, teknologisk. ”Vår produkt er så lett at det er gøy”.
2. Har det litt som mål å lage noe med wow-faktor. ”Det skal være så enkelt at brukerne sier, Shit, åssen går det ann”.
3. ”Ja, det imponerer. I den grad en vårt produkt (B2B) har en wow factor.”
4. ”Ja, absolutt, vi har en wow-factor. Det er tilbakemeldingen fra andre startup og miljøer. Det er dristig det vi gjør. Dette markedet er så gigantisk stort og må være gigantisk for å lykkes.”
5. Ja, folk sier, ”yes dette er fantastisk – hvis dere klarer å levere det her så”. Og, ”dette høres jo utrolig bra ut, men dere kan jo ikka ha et slikt produkt enda”, men det har vi.”

Har dere laget et hassle-map av kundens situasjon eller bruken av produktet: **Nei, ingen som virkelig gjør dette. Et firma gjør en variant av det, men ikke på den måten at man vil oppdage og lære.**

1. På en måte. Antall tastetrykk og «er i en by, trenger ting»-scenario.
2. ”Nei, ikke kommet så langt” (ifht hassle maps). Kjedene er veldig fornøyd fordi det er så lite hassle fra dem. Også partnerne som skal integrere sier det er det beste de har sett.
3. Nei. Vi har veldig god domenekjennskap.
4. Både ja og nei. ”Vi har gjort det jeg kaller portretter”. Foretningsplan på 50 sider.
5. –

Så dere på eller bygger dere noe dere vil omtale som "hele produktet": 3 av 5 sier ja. Alle virker som har god kjennskap til teknologien og hvilke muligheter de har. Jeg vil si de leverer komplette produkter!

1. Ja, backend er viktig. Overflaten etter hvert.
2. Ja.
3. Før vi lanserte oss jobbet vi mot potensielle distributører, så når vi lanserte hadde vi distribusjonskanaler satt opp. Det var veldig bevist. Tidligere ventures ventet vi med distribusjon til vi hadde produktet klart. Nå kjørte vi alt parallelt.
4. –
5. –

Har dere en plan for oppdateringsfrekvens av produktet: 4/5 har en konkret plan.

1. Nja, viktigste nå er å få det ferdig.
2. Ja, måneder frem i tid.
3. Ja.
4. Ja, en plan for oppdatering som er ca. 3mnd frem i tid. "Det dukker opp nye muligheter og ideer hele tiden. Det gjelder og se disse mulighetene og ikke låse seg fast i noe. Man må ta ideen når den kommer. Og siden vi er kjappe og handlekraftige klarer vi å ta vare på disse mulighetene."
5. Ja. "Nå har vi mye 3-6 måneders perspektiv, men skal ha 12 måneder. Men det er viktig for oss å hele tiden verifisere at planen er riktig. Det kommer jo inn nye krav også. Men vi må passe på og ha en visjon."

Kan produktet tilpasses kundens egne ønsker: litt forskjellige svar. Litt avhengig av hvordan type produkt det er. Ikke alle produkter bør eller kan tilpasses individuelt.

1. Ja.
2. Tilpasser tjenesten sammen med hver kunde.
3. Har veldig mange produktvarianter til alle mulige behov.
4. Ja. Ting er ganske standardisert, så alle har like muligheter til å sees.
5. "Vi konfigurerer. Hver kunde fikser sin egen side, utseende. Det eneste du må gjøre er å legge inn en liten javatag der du vil ha produktet. Kunden konfigurerer utseende selv."

Hvordan var lanseringstaktikken: 3/5 hadde en dato. 1/5 har kunde som lanserer for dem. 1/5 hadde en "stille lansering" ved første salg. Alle har egentlig forskjellig lanseringstanker.

1. En lanseringstidspunkt.
2. Kunden lanserer det for oss.
3. Lanseringen/offentliggjøring av selskapet hadde som mål å skaffe presseomtale for å øke rekruttering. Deretter lansering av produktet ble gjort i California i oktober 2009, som en

event på en messe for å komme ut av "stealth-mode". "Nå kjenner halvparten av alle potensielle kunder oss."

4. "Ble lansert ved at vi samme dag som vi publiserte appen i appStore fikk vi en dobbeltside i Finansavisen. Da spredte det seg som en virvelvind. Det har vært ubetalte kanaler og egne kanaler hele tiden."
5. Informerer i stort eksisterende nettverk. Ingen lansering. "Vi har ikke noe "bigbang". Vi bare lagde det og gikk ut til kunden. Produktet er ikke nødvendigvis ferdig bare fordi man går til kundene heller. Produktet blir aldri ferdig. Det er typisk for software. Om det heter microsoft eller oracle så blir det aldri ferdig."

Kunne dere fått en ny mulighet til å lansere, eller planla for å feile: **5/5 planla aldri for å feile. Kun en sjanse.**

1. Planlegger for "one chance to succeed".
2. Nei.
3. Nei. "Vi hadde ikke kunne gjøre det på nytt. Ikke noe plan B. Ikke noe second chance. Vi hr mer enn nok å holde i stroppen for å klare plan A."
4. Nei. "Lagde ikke en plan for om vi ikke skulle lykkes."
5. "Nei, vi har aldri tenkt på det å feile som et alternativ. Vi satte opp en tanke om at dette er en god struktur for å lykkes stort. Alle ansatte er aksjonærer, jeg ønsker ikke å sitte der å beholde alle aksjer selv. De ansatte må være motiverte."

Stjal/lånte dere ideer fra andre: **alle så på andre og lånte/stjal ideer.**

1. Ja. Andre lignende tjenester.
2. Ja.
3. Ja. "Selvfølgelig, vi kopierte ting fra andre. Alle kopierer. Hvor mange unike tanker finnes det der ute i verden? Hvor mange unike tanker har du tenkt i ditt liv. Vi har sikkert ikke tenkt en eneste unik tanke."
4. Ja.
5. "Man må jo prøve å kopiere. En del åpenbart fra konkurrenter. Også vet vi at det er mye som går mot at ingen betaler for å vise annonsen, men betaler for at folk klikker eller kjøper pga annonsen. Så vi prøver å lære. Jeg leser veldig mye hver dag hva ulike aktører innenfor vårt space gjør."

Var dere usikre i arbeidet: **4 av 5 er selvsikre og har stor tro. 1 av 5 virker litt mer usikker, og moderat til egen suksess.**

1. "Både og. De varierte. Trenden er rett, men usikker på om vårt produkt er svaret."
2. "Vi har vært ganske selvsikre. Vi har sett at løsninga vår er mye bedre. Det er ikke bare-bare å løse dette."
3. –
4. "Vi er ambisiøse, selvsikre og motiverte for å lykkes. Humble og selvsikker, om det går ann."

5. "Hadde vi vært usikre hadde vi fortsatt med 2-3 ansatte, men vi gira fort opp til 20 ansatte. Det gjør du ikke hvis du er redd for å misslykkes. Vi er confident på at vi har en god valueproposition og et godt team, det vi ikke visste var hvor lang tid det tok og når vi får en kunde. Det tok lenger tid enn vi hadde trodd. Litt naivitet er lurt."

Skaper dere eller fyller dere et behov: 4 av 5 oppgir de skaper behov, og til dels fyller behov. De mener de gjør begge. 1 av 5 skaper et behov ikke ikke vet om noen trenger og som mange selv ikke vet at de trenger. Det er også den som er mest usikker i sitt arbeid.

1. Skaper et behov.
2. Skaper og fyller et behov.
3. Skaper og fyller et behov.
4. "Ja, svaret er at vi gjør begge deler. Vi lager noe nytt som ikke finnes der ute og vi fyller et behov som åpenbart er der ute."
5. "Vi fyller et behov."



# Interesting comments, not labeled:

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Synes du ikke det er risky å satse så stort?

”Jo, det er klart, men når man starter noe så har du ingenting å tape og alt å vinne. Vi brente jo mye mer penger initielt på den måten, men det er det som gjør at vi nå vinner mellom 1-2 nye kunder per dag. Det er ikke sånn at man bør gjøre det kun om man har muligheten til det. Jeg mener man absolutt bør gjøre det. Det er helt feil å gjøre det serielt. For når du har lyktes med å få på plass et produkt, og det tar gjerne mer tid enn du tror på forhånd, så er det kanskje unikt. Men det er bare kanskje unikt 1-2 år før konkurrentene tar deg igjen, og om du skal bruke 1-2 år på å etablere salg og markedskanaler så kommer du aldri ut av startgrova. Så jeg mener det er helt feil å vente”

About entrepreneurship and strategy:

*”Bli venn med at dette er faktisk mulig. Neste er å overbevise alle om målet, at det kan gå. Kundene, investorene, samfunnet. Hvis du får mange nok til å tro at det er realistisk å nå målet. Hvis alle tror på det, på målet. Dine ansatte tror det, du tror det, kunden og investorene tror det. Distributørene tror det, da skjer det jo bare. Det er magi. Du må skape den troen og da må man begynne med målet, der skal vi. Og så finne ut hvordan man skal gjøre det. Og så finne ut hvordan hele tiden justere kursen.”*

*”I Norge må vi bli bedre på å lage konsumenttjenester. Det mangler vi. Vi tenker butikk, men ikke konsumentbutikk. Det er ikke kultur for det i Norge. Det er ikke det at det er så vanskelig, vi tenkte bare aldri på det. Det er ikke så vanskelig det vi driver med, så lenge vi kan det.”*

*”Veldig viktig å ha en visjon, men viktig å ha en steppingstone, et produkt å snakke med kunden om, og da får man moment. Om man ser på sjakk: Man klarer kanskje ikke å se 6 trekk frem i tid, men det holder kanskje å se 3 trekk. Så får man de neste 2 trekkene i dialog med kunden.”*

### 3. Blue ocean strategy articles<sup>97</sup>

- 1997. "Value Innovation – The Strategic Logic of High Growth". Harvard Business Review 75, January–February, 103–112.
- 1998. "Procedural Justice, Strategic Decision Making and the Knowledge Economy." Strategic Management Journal, April.
- 1999. "Creating New Market Space." Harvard Business Review 77, January–February, 83–93.
- 1999. "Strategy, Value Innovation, and the Knowledge Economy." Sloan Management Review 40, no.3, Spring.
- 2000. "Knowing a Winning Business Idea When You See One." Harvard Business Review 78, September–October, 129–141.
- 2002. "Charting Your Company's Future." Harvard Business Review 80, June, 76–85.
- 2003. "Tipping Point Leadership." Harvard Business Review 81, April, 60–69.
- 2004. "Blue Ocean Strategy." Harvard Business Review, October, 76–85.

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<sup>97</sup> [en.wikipedia.org/wiki/Blue\\_Ocean\\_Strategy](https://en.wikipedia.org/wiki/Blue_Ocean_Strategy)

## 4. Henry Mintzberg's Ten Schools of Thought about Strategic Formation

Model	Approach	Basis	Contributions	Limitations	Typical
<b>The Design School</b> A process of conception	Clear and unique strategies are formulated. The internal situation of the organisation is used to match the external environment.	Architecture as a metaphor.	Order. Reduced ambiguity. Useful in relatively stable environment Support strong and visionary leadership.	Simplification may distort reality. Strategy has many variables and is inherently complex. Bypassing learning, inflexible in fast-changing environment. High risk of resistance	SWOT Analysis Ashridge Mission Model
<b>The Planning School</b> A formal process	A rigorous set of steps are taken, from the analysis situation to the execution of the strategy	Urban planning, system theory, cybernetics	Gives clear direction. Enables resource allocation. Control	Can become too static Risk of groupthink Predicting is difficult Top Management must create strategy from an ivory tower	Theory of Mechanistic and Organic Systems Parenting styles Levers of Control Scenario Planning
<b>The Positioning School</b> An analytical process	It places the business within the context of its industry and looks at how the organisation can improve its strategic positioning within that industry	Industrial organisation and military strategy	Strategic Management is a science. Provides content in a systematic way to the existing way of looking at strategy Focus on hard facts. Particularly useful in early stage of strategy development, when data is analysed.	SAME AS PLANNING SCHOOL. Neglects power, politics, culture, social elements. Is biased towards large firms. Number-oriented.	Competitive Advantage. Five Forces. Value Chain BCG Matrix. Game Theory. The Art of War (Sun Tzu)
<b>The Entrepreneurial School</b> A visionary process	The visionary process takes place within the mind of the charismatic founder or leader of an organisation. Rely heavily on intuition, judgement, wisdom, experience and insight	Economics	A sound vision and a visionary CEO can help organisation to sail cohesively through muddy waters especially in early or very difficult years for the organisation. Deliberate in broad line but flexible and emergent in the details.	Sailing a predefined course can blind someone for potential developments or unexpected dangers. How to find the right leader? Entrepreneurial, visionary leaders have a tendency to go too far. Being a CEO would be very demanding in this perspective	Entrepreneurial Government Seven surprises for new CEO's Leadership styles
<b>The Cognitive School</b> A mental process	Analyses how people perceive patterns and process information. Concentrates on what is happening in the mind of the strategist and how it processes the information	Psychology	Sees strategy as a cognitive process in the mind of the strategist. Strategies emerge as concepts, maps, schemas and frames of reality. Stresses the creative side of the strategy process. Strong at the level of an individual strategist. Very useful to explain why our minds are imperfect.	Not very practical beyond the conceptual stage. Not very practical to conceive great ideas or strategies. Currently not useful to guide collective strategy processes.	Whole Brain Model Johari Window Groupthink Cognitive Bias Myers-Briggs Type Indicator
<b>The Learning School</b> An emergent process	Management pays close attention over time to what does work and what does not work. They incorporate 'lessons learned' into their overall plan of action. The world is too complex to allow strategies to be developed all at once. As clear plans or visions. Strategies must emerge in small steps as organisation adapts or 'learns'.	Education. Learning Theory	Offers a solution to deal with complexity and unpredictability in strategy formation. More people can learn than just the leader. No need for omnipotent leader. Can be combined with emergent views. Strong in complex conditions with continuous change. Strong professional organisations.	Could lead to having no strategy or just doing some tactical manoeuvring. Not useful at all during crises. Not very useful in stable conditions. Taking many sensible steps does not add up to a sound overall strategy. There are costs associated with learning.	Organisational Learning Forget Borrow Learn Framework Knowledge Management SECI Model
<b>The Power School</b> A process of negotiation	The strategy is developed as a process of negotiation between power holders within the company, and/or between the company and its external stakeholders.	Political Science	Can help to let the strongest people survive in the corporate jungle. Can help to ensure that all sides of an issue is fully debated. Can help to break through obstacles to necessary change. Democratic. Can help to decrease resistance after a decision is made. Realistic. Particularly useful to understand Strategic Alliances, Joint-Ventures and to do Stakeholder Analysis.	Politics can be divisive, uses a lot of energy, causes wastage and distortion and is costly. Can lead to aberrations. Can lead to having no strategy or just doing some tactical manoeuvring. Overstates the role of power in strategy formation.	Bases of Social Power Power Distance Stakeholder Value Perspective Core Group Theory Force Field Analysis Stakeholder Mapping
<b>The Cultural School</b> A collective process	Tries to involve various groups and departments within the company. Strategy formation is viewed as a fundamentally collective and cooperative process. The strategy that is developed is a reflection of the corporate culture of the organisation.	Anthropology	Emphasises the crucial role that social processes, beliefs and values are playing in decision-making and in strategy formation. Explains resistance to strategic change and helps to deal with mergers and acquisitions.	Vague, can feed resistance to change and can be misused to justify status-quo. Give few clues on how things should become.	Appreciative Inquiry Cultural Dimensions Cultural Intelligence Ashridge Mission Model
<b>The Environmental School</b> A reactive process	The strategy is a response to the challenges imposed by the external environment. Where the other schools sees the environment as a factor, the Environmental School sees it as an actor.	Biology	Give a central role to the environment in strategy formation	The dimension of the environment is often vague and aggregated. This renders it less useful for strategy formation. Denies real strategic choice for organisations. Unrealistic	Contingency Theory Situational Leadership
<b>The Configuration School</b> A process of transformation	Strategy formation is a process of transforming the organisation from one type of decision-making structure to another.	Context	Strategy and organisational shape (Organisational development) are closely integrated and should be reconciled. An organisation can be described in terms of some stable configuration of its characteristics, which it adopts for a period of time in a particular type of context. This causes it to behave in particular ways, that give rise to a particular set of strategies. The period of stability are interrupted occasionally by some process of transformation.	In reality there are many shades of grey, not just a limited number of valid configurations. The pattern is in the eye of the beholder, if you describe reality by using configurations, then you are distorting reality to be able to explain it.	Organisational Configurations Chaos Theory Catastrophe Theory Disruptive Innovations

Table 5: Henry Mintzberg's Ten Schools of Thought about Strategic Formation (source: [www.opentuition.com](http://www.opentuition.com))