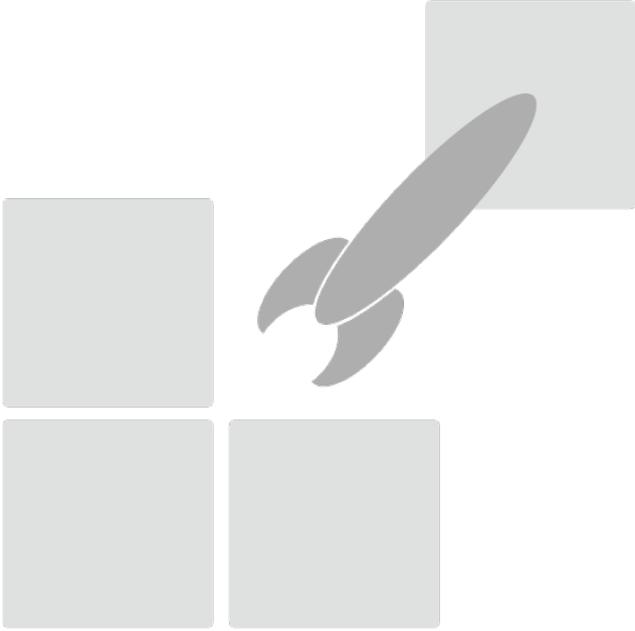


**Categories for entrepreneurial companies:
defining delimited terms.**



**Categories for entrepreneurial companies:
defining delimited terms.**

A thesis submitted in partial
fulfilment of the requirements for the degree of the
Bachelor of Science

by

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November 2015 – University of Neu-Ulm (HNU)

Diese Abschlussarbeit wurde von mir selbständig verfasst. Es wurden nur die angegebenen Quellen und Hilfsmittel verwendet. Alle wörtlichen und sinngemäßen Zitate sind in dieser Arbeit als solche kenntlich gemacht.

Ulm, den _____
City, Data, Nicolas Balss

ABSTRACT

Startups became popular over the last decade and their behaviour arose interest in the world of research. Analysing the behaviour, the manifestations, and identifying the characteristics of an entrepreneurial company is a part of this thesis. The literature review shows several ways of categorising startups, yet it reveals that the terminologies used are overlapping. The interviews have revealed that the founders make a decision to define the startups intentions in an early stage. Derived from that the hypotheses is that it is possible to define delimited category terms to cluster startups. With the condensed information of the available literature, in combination with interviews of the founders, a model of startup categories is created. The model contains five categories that derive from the founder's and startup's business intention. After identifying the key metrics of a startup this framework allows an allocation process in order to make entrepreneurial companies comparable. The proof of concept is demonstrated using the startups from the interviews and a case example. It shows that the allocation process is simple and allows the comparison of two startups to retrieve intel from other entrepreneurial firms. The interviews revealed that the model operates and allows an allocation process using the key characteristics. Yet, it occurs that the volatility of startups affect the allocation, which could force a startup to allot to a different category over time. As the entrepreneurial company is still allocated to a sole category, the delimitation of the model is not affected. Another assumption that is revealed through the interviews is that outsourcing is of great relevance to startups, but this needs further research for clarification; yet, this model could be used for classification to compare the outsourcing strategies.

ABSTRACT (GERMAN)

Die Popularität von Startups ist in den letzten Jahren stark gestiegen und ihr Verhalten hat das wissenschaftliche Interesse geweckt. Das Analysieren der Eigenschaften und Identifizieren der Charakteristiken von „entrepreneur“ Unternehmen ist Teil dieser Thesis. Die Literaturrecherche hat ergeben, dass es verschiedene Möglichkeiten der Kategorisierung gibt, jedoch die Terminologie nicht überschneidungsfrei ist. Die Interviews haben gezeigt, dass die Gründer eine frühe Entscheidung treffen, mit Auswirkung auf die Intentionen des Startups. Abgeleitet davon entsteht die Hypothese, dass es möglich ist voneinander abgegrenzte Terme zu definieren, um Startups zu gruppieren. Aus den gesammelten Informationen der Literatur, in Kombination mit den Gründerinterviews, entsteht das Kategorisierungsmodell. Das Modell besteht aus fünf Kategorien die sich aus den Intentionen des Gründers und des Startups ableiten. Durch das Identifizieren der Ausprägungen eines Startups kann dieses zu einem Term des Frameworks hinzugefügt werden und lässt sich dadurch mit anderen vergleichen. Der Machbarkeitsnachweis demonstriert die Zuteilung der interviewten „entrepreneur“ Unternehmen und einem hypothetischen Firmenbeispiel zu dem Modell – welches die Einfachheit des Zuordnungsprozesses aufzeigt. Es ermöglicht zwei Startups vergleichbarer zu machen, um Informationen über andere neu gegründeten Unternehmen zu bekommen. Die Funktion des Frameworks haben die Interviews bestätigt; es ist möglich mit Hilfe der Eigenschaften eines Startups diese zuzuordnen. Die Unbeständigkeit einer jungen Firma kann jedoch Einfluss auf das Modell nehmen, mit der Auswirkung, dass ein Startup nach einer gewissen Zeit die Kategorie wechselt. Da jedoch es nach wie vor zu einem einzigen Term zugeordnet ist, hat dies keinen Effekt auf die Abgrenzung der Kategorien. Eine weitere Vermutung, die bei der Durchführung der Interviews aufgetreten ist, ist das Outsourcing ein relevantes Thema für Startup ist. Für eine diesbezügliche klare Aussage bedarf es weiterer Forschung; jedoch kann dieses Modell für die Klassifizierung, um Outsourcing Strategien zu vergleichen, dienen.

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LIST OF ABBREVIATIONS

B2B	Business to Business
B2C	Business to Customer
SaaS	Software as a Service
BMC	Business Model Canvas
LC	Lean Canvas
VCC	Venture Capital Companies
SCC	Seed Capital Companies

1 INTRODUCTION

1.1 Overview

The last decade has produced several successful startups stories, especially in the field of technology. Companies like Airbnb, WhatsApp, Spotify, etc. disrupt whole industries. It is something that highly affects and influences the world but seems to change and reinvent itself in milliseconds. The influence of one small company can shake up a market. Changing or eliminating a normal work process, can destroy fundamental business models. Large companies with complex procedures become powerless when small businesses revolute well established markets. This creates stress not only on companies but on whole industries, as seen from the pressure on taxicab companies that arose from the existence of Uber.

It is part of human nature to seek structure, similarities, and connections, especially in the case of new experiences. Categorising something dynamic is not the easiest thing to do, though. When looking at the characteristics of startups it appears that there are some similarities between them and the numerous books that have been published about successful founding and lean startups, support the theory that startups are a relevant topic (Ries, 2011). The question is does a correlation between startup groups and success exist? If so, this would enable an allocation of a company and could allow success or failure forecasts. Additionally, it creates the opportunity to compare a startup in its early phase to a more substantial firm or a former entrepreneurial company and derive suggestions for decisions.

When describing the manifestation of a startup as the Business DNA it would be impossible to define hard borders to separate, but familiarise, and find relations in the origin of a company. Yet, if we take a look at the founding constellation it appears that in many situations a novice entrepreneur and a more experienced one gather together to combine know-how with ambition. If these two characters do not gather as co-founders it seems the young entrepreneurs are compelled to hire more mature personnel, as it occurred when Steve Jobs hired the more experienced CEO Michael Scott. (Isaacson, 2011) Considering this, it appears that startups have both similar and distinguishing characteristics that allow categorisation.

This leads to the assumption that more manifestations must exist, to cluster entrepreneurial companies. Influenced by the environment, the business adapts and reacts to situations. Assuming this occurs both ways, as governments react to the moral recklessness of business ideas; this is often just a short term business model and needs rapid reinvention. Defining delimited categories could derive from various dimensions – to introduce some ideas : time could be criterion for comparing startups, the stage of the founding process or the idea to build a solution that can be sold quickly; or from the perspective of scaling - by using the prototype to find an investor to expand rapidly. Another approach is to create a lasting and sophisticated firm with a slow but healthy increase in wealth. All this leads to a deeper idea; the aspiration of a startup. What do the entrepreneurs endeavour? (Blank, 2013) This derives directly from the entrepreneurial behaviour and intentions, and can be a reflection of their character. (Faassen, 2010) Under the assumption that all these ideas follow a pattern that can be identified, it would be possible to create a framework that allows a definite allocation process for each startup.

In the following chapters each of the previous announced ideas are described and discussed in detail and as part of the research reinforced with examples. The literature review analyses the state of the art that complies to the categorisation of entrepreneurial companies; the results leads to a model which the interviews provide clarification too. A more detailed description of the thesis approach can be found in one of the following sections.

1.2 Motivation

The topic of startup businesses fascinates me and as I have the intention to become an entrepreneur myself, I am eager to gain information and intel on success and failure stories. The process of interviewing founders or employees working in startups inspired me to keep working on my ideas for this thesis and personally too. The first idea was to analyse the outsourcing activity of specific startup types, which made me realise that no proper categorisation exists - that delimits entrepreneurial companies. In regards to this it then was my primary goal to create such a framework, that can serve this functionality for further research.

1.3 Research question and hypotheses

Comparable to the titles content the main research question is:

Q1: Do reasonable categories to cluster entrepreneurial companies exist?

This leads to the following hypotheses:

H1: Delimited startup categories can not be found in literature.

H2: Mutually exclusive categories can be defined.

H3: Multiple ways of categorising startups exist.

1.4 Practical relevance

This thesis appropriates a model that is based on research and the experience of other startups. By identifying the key characteristics of a firm it allows an entrepreneur or a startup to allocate their company to a category. Furthermore, it serves as a guideline for successful decision making by looking at their own and other allocated companies and their success or failure stories.

1.5 Relevant definitions

1.5.1 Startup

The word startup has become quite popular. Almost every recently founded company claims to be one, and the term seems to be misused on some occasions. According to Ries: *A startup is a human institution designed to create a new product or service under conditions of extreme uncertainty.* (Ries, 2011) Which describes a combination of three dimensions that eventuates into a startup. The first dimension, a human institution; the affiliation of people sharing belief in an idea. The second one, the disruptive notion which ideally revolutionises a market or creates a new one. The last dimension, with the largest influence, the precariousness of success; the world is a place full of surprises with uncertain achievements. Ries' definition is unarguably true. Yet, it spares the flexibility; the fast and keen way of reinventing a company, changing a product, or switching to a new market rapidly, is a startup's key advantage.

1.5.2 Entrepreneur

There are several definitions for an entrepreneur. Derived from the French word “entré” which translated indicates that an entrepreneur is a person who “steps in”. Whereas in more detail “An entrepreneur is defined as a major owner and manager of a business venture not employed elsewhere.” (Brockhaus, 1980) Additionally “Entrepreneurs are, by definition, founders of new business” (Mescon & Montanari, 1981). Combining the two quotations; an entrepreneur manages and leads a new founded business in respect of his idea and is in many cases a major shareholder of this company.

1.5.3 Venture Capital (VC)

It appears that numerous descriptions for VC exists. In general, it consists of an investment strategy for unconventional and innovative businesses; more granular, investing “in seed, start-up and other early stages” (Pfirrmann, Wupperfeld, & Lerner, 1997)

1.6 Structure of this thesis

After the first pages, that hold the meta information, along with the acknowledgement and the abstracts, the first chapter introduces the topic of this thesis. It provides the information on the basic idea and the research motivation of the thesis.

The second chapter starts with a review of the literature that is available on startup categories. It contains a brief overview of companies in general, and a more detailed one with regards to entrepreneurship. In respect of these results a summary of category types follows and each topic is explained and some are illustrated by examples. The intention of the structure in this part is to start with a general perspective and iterate to a more granular one. The section ends with an evaluation of the review and a derived objective assumption.

Chapter 3 describes the methodological process of the research. It starts by describing the problem approach and identification, then continues with illuminating how the objective of the solution is defined. The next part is the design and demonstration phase that leads to the evaluation section, which is the introduction and demonstration of the model. This is followed by

assessing the framework in the discussion section. Another aspect that is described in this section is the interview procedure, the structure and procedure of the interviews, and their interpretation.

The fourth chapter is the main part of the thesis. In this section the model is indicated, and described in detail. Each term is defined and described individually, and set in correlation to the others for delimitation. For illumination purposes the model is outlined by startups suiting the categories. Additionally, one is supported by a case example.

Chapter 5 contains the limitations of the research. Considering the procedure described in the methodology, and the results in the next section, this part describes the restrictions that apply to the findings.

The results are located in chapter 6. The findings that occurred in the literature review and from the model are displayed here. It only contains the outcome of the research – but no evaluation.

The next part, chapter 7 contains the discussion of the model introduced in chapter 4 in correlation to the literature review from the second chapter. Part of this section is also to assess the category model and evaluate it. The last chapter is the conclusion part; a section that condenses the thesis findings and results. This is only followed by the Bibliography and finished with the Appendix.

2 LITERATURE REVIEW

This chapter reveals the existing literature on business and startup classifications, starting with the general business perspective and how well-established companies can be categorised, to a more granular view on entrepreneurs and their firms.

2.1 Business classifications

Gartner describes three different categories for enterprises in the respect of technology. There is type A, a well-funded firm which uses technology to enable their business and gain market share. Then type B, that utilises IT to improve productivity – invest in best practices not in innovations – with rather good financial resources. Finally type C, their first goal is to reduce IT-costs – only installing commodity products - which makes them the late followers. (Gartner) Another dimension of business categories is the size of a company which is usually based on the number of employees. A small business commonly consists of less than 100 whereas the medium sized firm employs between 100 and 999 people. Additionally, the Small and Medium sized Businesses (SMB) can be clustered by their revenue; up to \$50 million annual revenue it is defined as small, and in the range of \$50 million and \$1 billion it is a medium sized business. Everything above 999 employees and/or \$1 billion revenue is determined as a large company. (Gartner, 2011)

A different approach is Gartner's Magic Quadrant, which separates companies based on their relative market position into four categories. "**Leaders** execute well against their current vision and are well positioned for tomorrow. **Visionaries** understand where the market is going or have a vision for changing market rules, but do not execute well yet. **Niche Players** focus successfully on a small segment, or are unfocused and do not out-innovate or outperform others. **Challengers** execute well today or may dominate a large segment, but do not demonstrate an understanding of market direction. " (Gartner) The procedure of this framework is to allocate multiple companies based on their market position and in regards of their competition; allowing a simple comparison between firms. Derived from Magic Quadrant a conferrable recommendation can be made whether to invest into a company. Table 1:

Gartner's Magic Quadrant displays the framework the previous described model. (Gartner)

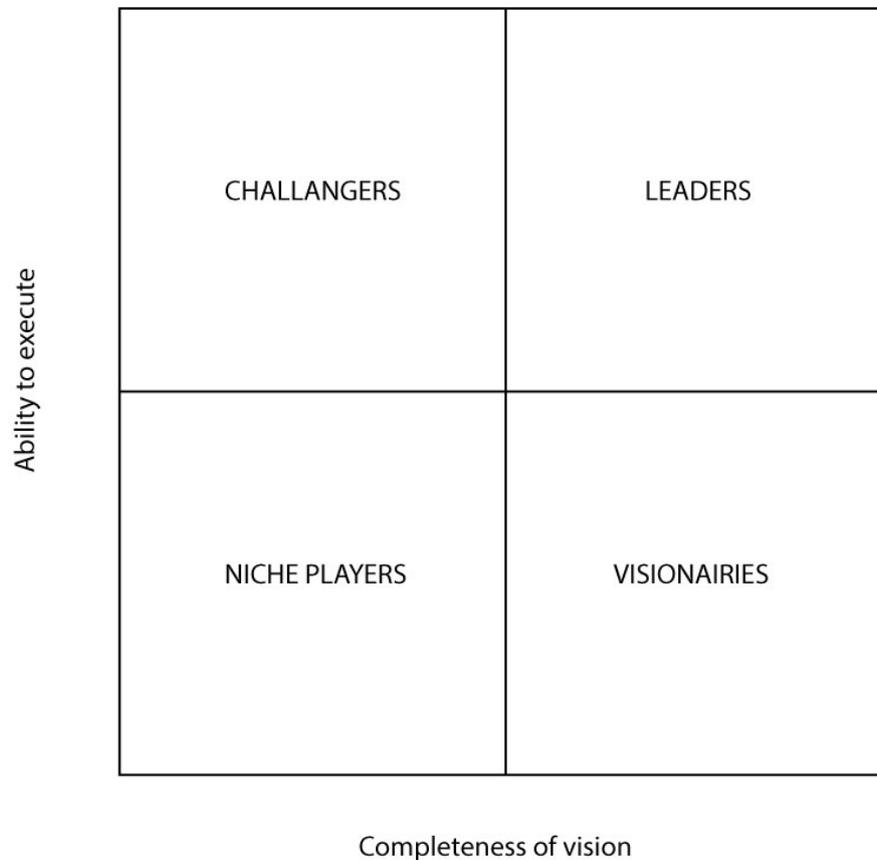


Table 1: Gartner's Magic Quadrant (Gartner)

Taking the company categories to cluster startups could lead to inaccuracy. Guy Kawasaki highlights the differences between existing and entrepreneurial firms. He puts in contrast 9 topics that separates "Big Companies" and startups. It starts with the positioning: whereas the big company tries to reach and serve all people, the startup concentrates on small niche markets to become the dominant player. When a large firm makes a pitch it involves "Sixty slides, 120 minutes..." (Kawasaki, 2004) in contrary of the entrepreneur that needs "Ten slides, twenty minutes..." (Kawasaki, 2004). The business plan is the third discussed topic; over one hundred pages complies to the one of a fundamental company, a startup works with only "Twenty pages of wishful thinking." (Kawasaki, 2004). When looking at the lean canvas section, one could argue that even one page using the lean

canvas approach is enough. (Maurya, 2012) Bootstrapping involves pressure on a company, especially for the entrepreneurial ones it is less comforting as the startup needs to be careful with the limited financial reserves. Then recruiting is a viral process, so is the branding part. The salaries are secondary it is more about helping people. (Kawasaki, 2004) The differences named by Kawasaki could be enhanced by pointing out the innovation process, which is usually an advantage of startups, but this is not mentioned. When looking at the life cycle of a product or service, startups have a great advantage in the product's introduction phase as they can react with much more agility than well established companies. Yet, sophisticated firms have the upper hand when the innovation requires a more iterative and long-term procedure. Another aspect that slows down the innovation process of large companies is the fear of destruction. New products could change fundamentally the business and market structures. That could even destroy the existing business and lead to losses. (Cammann, Robbins, & Picken, 2010)

2.2 Startup categories

This section complies to literature describing categories, clusters or procedures to identify the key characteristics of a company – in particular of an entrepreneurial business.

2.2.1 Lean Canvas Model

The Lean Canvas Model (LC) created by Ash Maurya and derives from the Business Model Canvas (BMC) by Alexander Osterwalder and Yves Pigneur. The basic idea was to create a business model, simple and fast. It does not include granular business information, but gives an overview of the company's strategy. (Osterwalder & Pigneur, 2010)(Maurya, 2012).

The "new" model differs in wording of some fields. The BMC was created to enhance the process of creating a business plan or for large companies to create an overview of their business strategy. Additionally, a BMC allows changes and adjustments in order to react to market changes quickly. Whereas BMC serves business in general, Lean Canvas is a model that is optimised for startups. It replaces the Key Partners by the term Problem, which complies the basic issue that occurs to the potential customers. The

term Key Activities is renamed to Solution, that describes the innovative reaction to the dilemma in the Problem field. The third phrase, Customer Relationships had to yield Unfair Advantage – the key advantages of a company allocates to this box. And the last change was made to Key Resources that is replaced by Key Metrics, which complies to the main goals of a firm. (Järvenpää, 2014)

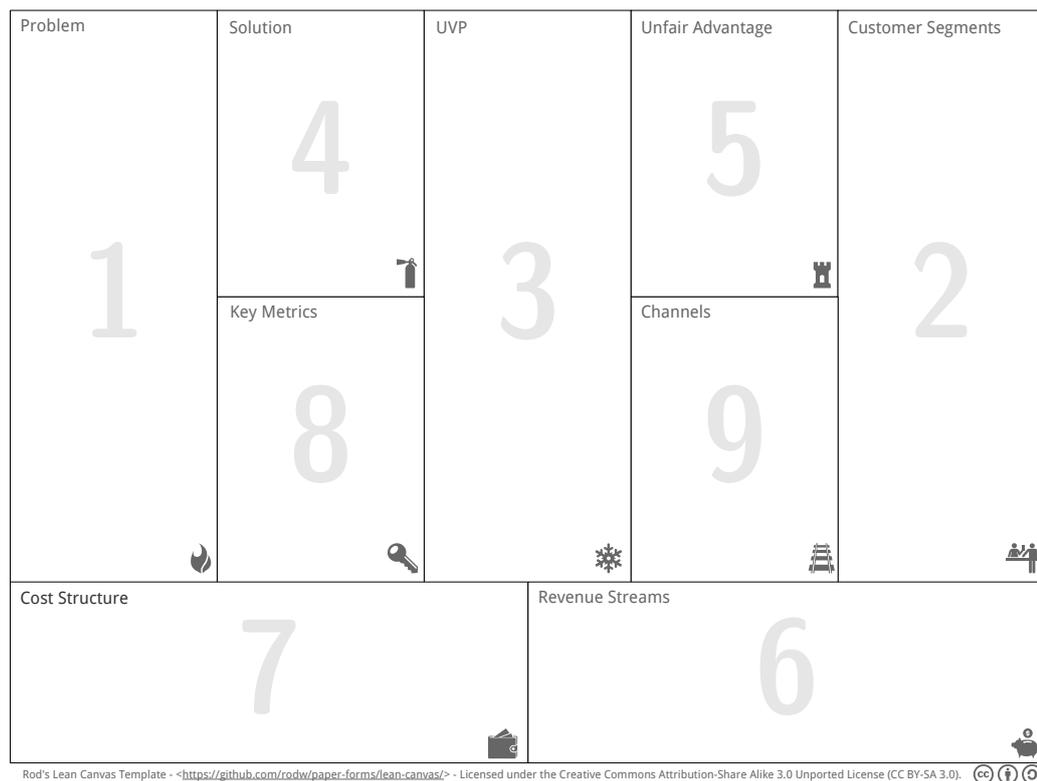


Figure 1: Lean Canvas Model (Maurya, Leanstack)

2.2.2 German Startup Monitor 2014

The German Startup Association (Bundesverband Deutsche Startup e.V. - BVDS), the Berlin School of Economics and Law (Hochschule für Wirtschaft und Recht Berlin - HWR Berlin), and the Sponsor KPMG Germany created the German Startup Monitor (Deutscher Startup Monitor DSM). The DSM is a document that shows surveys of the founding situation in Germany. Their main goal is to reflect the current state of the startup industry and to reveal research gaps. (Ripsas & Tröger, 2014)

The DSM is a quantitative study that analyses the German startup culture. The report of 2014 includes a number of relevant charts to this thesis. As basic conditions the startup is defined as a company that is: younger than 10 years; has its “focus on innovation” (Ripsas & Tröger, 2014) business- or technology wise; and “Aim for significant growth (turnover and/or number of employees).” (Ripsas & Tröger, 2014). In respect to the research question there are three relevant charts in the DSM, which cluster startups.

2.2.2.1 Line of business categories

Figure 1 allocates startups by their business model. The DSM explains that in this study 883 founders were asked to allocate their company to a suitable category. Despite the case that in the explanation the number of categories is limited to fourteen, it appears that there are 18 terms. The categories are defined as: Software as a Service(SaaS), E-Commerce, Consumer Mobile/Web Application, Media and Creative Industry*, Online-market-place*, Online-service-portal*, Consulting Agency*, Industrial technology and hardware*, Bio-, Nano and Medical technology*, Offline-service*, IT/Software Development*, Games, Finance/ Finance technology*, Green Technology*, Stationary Trade*, Education, and Others*. Unfortunately, the DSM does not define the terms. Therefore, each category name together with an individual definition is extracted into the following Table.¹ (Ripsas & Tröger, 2014) In regards to the research the definitions are based on different sources.

¹ All with * marked have been translated by the author Cf. (Ripsas & Tröger, 2014, P.19)

Abb. 10: Startup – Kategorie des Startups (2014)

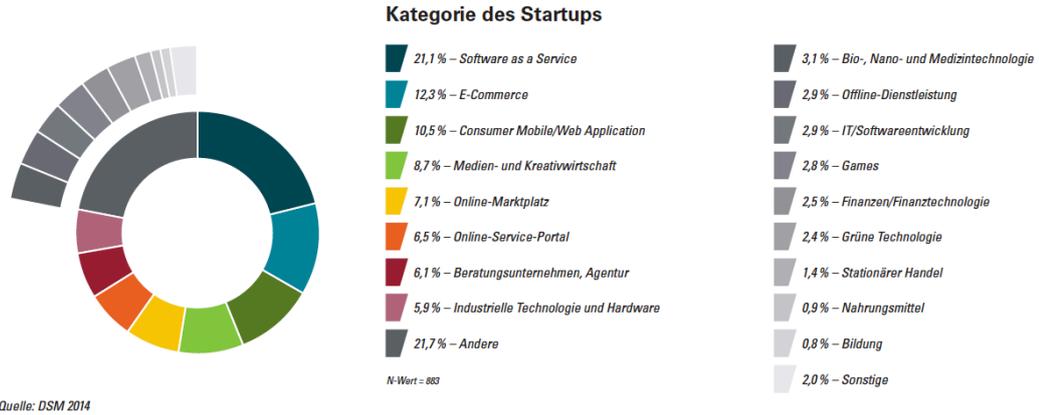


Figure 2 : "Startup - Categories (2014)" [translated by author] (Ripsas & Tröger, 2014)

Software as a Service(SaaS)	An on the network available software solution with a pre-setting configuration. (Clark L.M. et al., 2006)
E-Commerce	A business transaction process which is conducted via an electronic facility. Cf. (BusinessDictionary.com)
Consumer Mobile/Web Application	Scalable user oriented applications available and designed for mobile- or web access devices. (jeremychone, 2009) (Gartner, 2011)
Media and Creative Industry*	"The term cultural industries refers to industries which combine the creation, production and commercialization of creative contents which are intangible and cultural in nature." (Unesco)
Online-market-place*	This can be described as an electronic environment where sellers and buyers trade. I a wider perspective the internet is a market-place itself. (Wellman, 2004)
Online-service-portal*	A portal describes an entry point. cf (BusinessDictionary.com) Transferred to Online-services it would be a platform, or website that gives access and displays services in a sorted form.
Consulting Agency*	A company whose employees sell their expertise (BusinessDictionary.com)

Industrial technology and hardware*	“Industrial technology is the use of engineering and manufacturing technology to make production faster, simpler and more efficient.” (Study.com)
Bio-, Nano, and Medical technology*	Technology that supports or enables medical or medical-related processes. Additionally high tech that helps Bio-, Nano-, and medical research. (Antón, Silbergliitt, & Schneider, 2015)
Offline-service*	As there was no suitable definition found the assumption of this term would be: Business parts which operate without using any online features.
IT/Software Development*	Building a program that includes all of its depended packages and data in order to fulfil its purpose. (Humphrey, 1988)
Games	As this is not defined as a certain gaming industry, the assumption is that herby the overall industry is meant.
Finance/ Finance technology*	Managing revenues and offering software solution for monitoring and decision making.
Green Technology*	Business that focus on energy production which is less harmful to the environment as the current process. (Incestopedia)
Stationary Trade*	This term reflects the regionally based business.
Education*	Being in the business of supporting the learning process by passively or actively delivering knowledge. (Dictionary.com)
Others	All additionally and not mentioned business areas.

There are two further components to cluster startups mentioned in the DSM. The first approach is to differentiate companies by their innovation types which are: *No-, Regional-, German-, European-, Worldwide innovation* [translated by author] (Ripsas & Tröger, 2014).

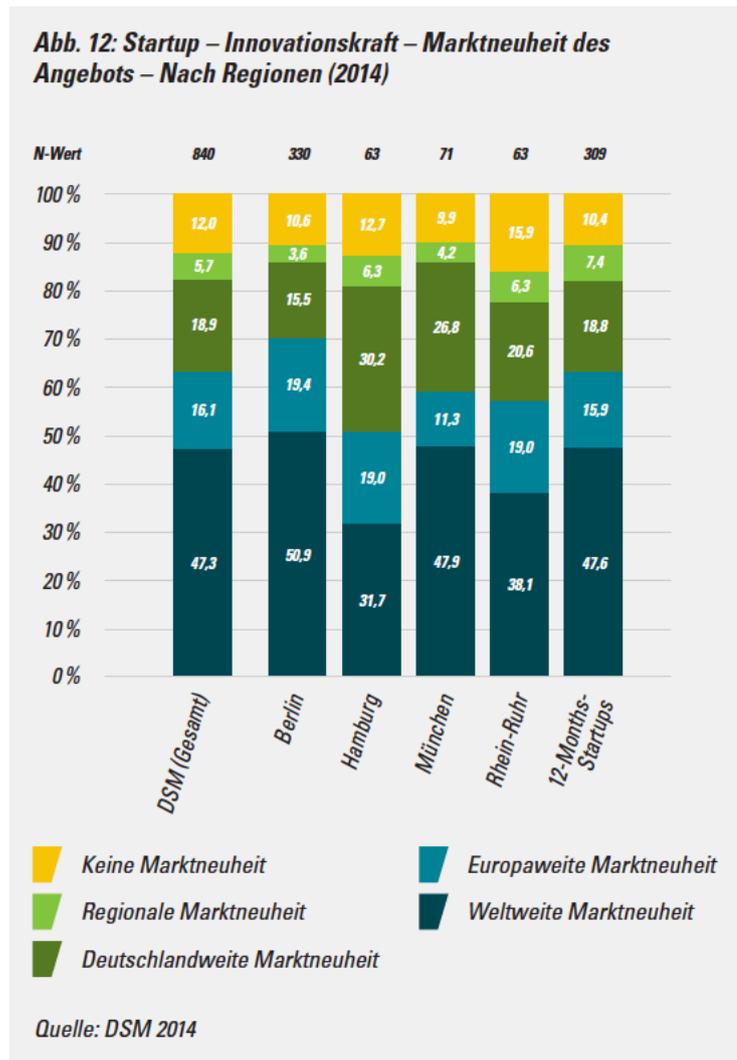


Figure 3: "Startup - market innovations - by region (2014) [translated by author] adapted from (Ripsas & Tröger, 2014)

The second one is a cluster by German market types. There are two divergent terms mentioned. A Business to Business (B2B) and a Business to Customer (B2C) relationship. The third state is a firm acting on the market with a combination of B2B and B2C.

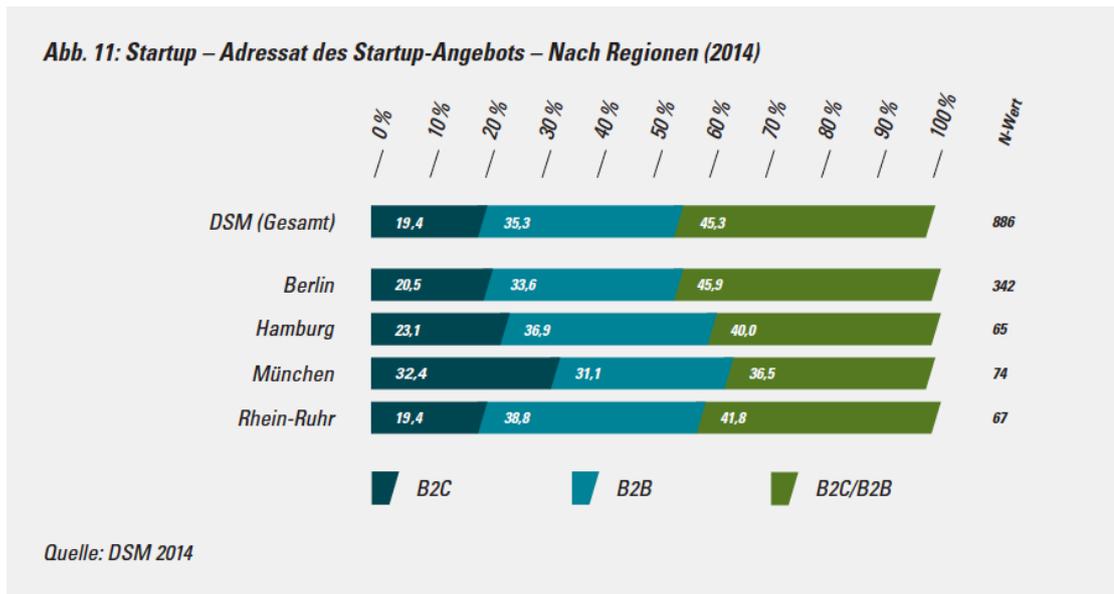


Figure 4: Startup- recipient of the startup’s offers - by regions [translated by author] adapted from (Ripsas & Tröger, 2014)

One could argue that the regional separation is of great importance, but when seeking its relevance it occurs that this is not the case. Mair et. al explain that regarding to Schumpeter the regional importance can be neglected. (Mair, Robinson, & Hockerts, 2006)

2.2.3 Characteristics of the entrepreneur

Another aspect that has arose in literature is the influence of the founder’s mind-set and his character. The diversity of an entrepreneur influences important decisions to carve the way, especially in an early phase. (Mair, Robinson, & Hockerts, 2006) This does not only apply to Startups – the leadership will affect the company’s attitude, further on the employee’s mindset. It is generally known but often underestimated that a firm is a deprived area. Therefore, it is vital to define company policies with care and be aware of the influence taken by the entrepreneur. (Gutenberg, 1962)

TABLE 4
 Founder Identity Types and Core Strategic Decisions in New Firm Creation

Decisions	Darwinians	Communitarians	Missionaries
Market segment(s) served	<ul style="list-style-type: none"> -Produce for the average consumer or for quickly growing segments (the criteria of likelihood and value drive the choice of market served) -Tend to serve additional segments over time/extend applications to new segments to achieve firm growth 	<ul style="list-style-type: none"> -“Our customers are like us” (the criterion of similarity drives the choice of market served) -Stick to initial segment addressed because it is the only place perceived as legitimate 	<ul style="list-style-type: none"> -Produce for those consumers where they expect the greatest social impact; ultimately society is their audience -May serve additional segments, if this allows the firm to leverage its socio-political mission
Customer needs addressed	<ul style="list-style-type: none"> -Tend to address known dimensions of merit (e.g., safety, ease-of-use) -Derived from market analysis 	<ul style="list-style-type: none"> -Tend to address novel kinds of customer needs -Derived from own needs 	<ul style="list-style-type: none"> -Tend to address new social practices (e.g., new modes of consumption or production) -Derived from what the founder would like the world to become
Capabilities and resources deployed	<ul style="list-style-type: none"> -Focus on cost-effective and mass-production methods (which are necessary to reach profitability) -International sourcing of production capabilities (if needed) -Value intellectual property rights protection/help in achieving business goals 	<ul style="list-style-type: none"> -Tend to use highly individualized and artisanal production methods (products often considered works of art) -Reliance on personal capabilities -Reluctance to use intellectual property rights protection within community/would run counter to sharing values 	<ul style="list-style-type: none"> -Focus on socially responsible production methods -Sourcing from suppliers that match strict criteria (according to mission) -Demonstration of firm capabilities to diffuse the exemplary model

Table 2: Founder types adapted from (Fauchart & Gruber, 2011)

In the table above Fauchart & Gruber mention three main founder types that influence the business of startups; the “*Darwinians*”, “*Communitarians*”, and “*Missionaries*”. Although the study is limited to companies related to the sport industry, taking 49 founder interviews into account, analysing the correlation between their behaviour and actions, and the effect on the entrepreneurial firm could be relevant to other industries too. Especially as the “Question such as ‘Who am I?’ and ‘What is my role in society?’ are of fundamental concern to humanity[...].” (Fauchart & Gruber, 2011) The first of the named identities is the “*Darwinian*”. A character with the urge to build beneficial organisations. This usually does not involve a solitary interest, but results out of arrogance as described in one of Fauchart’s & Gruber’s interviews - “I was thinking of a way to make money; it was a very strong motivation.” (Fauchart & Gruber, 2011) The primary goal is personal wealth. A “*Darwinian’s*” role in a company is forceful in managing and reaching their predefined targets, which is financial success especially compared to the competition.

The second character is the “*Communitarian*.” This person is much more involved in the market. Often this founder is or was attached to the product segment as he or she was a former customer too. This identity is

gained through evolutionary process - usually the founder starts building something out of need because nothing is available on the market that satisfies their requirements. Then others in the community realise the benefits and encourage or persuade the prospective founder to start producing in a greater number. Their direct connection to the community allows them to gain popularity rapidly and become well positioned. Yet the bond between company and customer is on an emotional level. This allows an easy entry to the market, however, when the product is up scaled its uniqueness is destroyed and with it the one-to-one customer bond.

The “*Missionary*” type is mentioned as the third main identity. These characters found a company to pursue certain political or social goals. Money is used as a means of revenue to increase employment and help people in need. Their idea is to create a company that functions as a role model, to show the world that selflessness is wealth aswell. Having a more universal perspective these founders declare their mission is to make the world a “better” place. (Fauchart & Gruber, 2011) The social entrepreneur that is described by Mair & Noboa, where the organisation building process aims for a collective interest, is described by the following terms: accept criticism, less fear of failure, empathy, well-developed communication, trustworthy, customer oriented, target oriented, creative, and driven cf. (Mair, Robinson, & Hockerts, 2006). There seem to be some similarities between the “Missionary” identity and the “social entrepreneur”. Apparently both desire to help society; but in comparison to the social entrepreneur who seems to react to the faults of humanity and tries to counteract with his startup, the “Missionary” type is led by his own ideology. A fourth type is mentioned in one of the tables; the “Hybrid”. It can be seen as circumstance that in some cases a founder’s identity has fit to more than one of the mentioned types. (Fauchart & Gruber, 2011)

2.2.4 Branches

This section reviews literature that names categories for startups based on the business they comply too. The study by Bürgel about the international

degree of startups divides into five main categories, which are displayed in Table 3: Categories of Startups by Industry. (Bürgel, 2000)

Industry Group	Sub Category
Service / Software	Telecommunications Software Consultancy and Supply Other Computer Related Activities
IT / Communication Hardware	Office Equipment Computers and other Information Processing Equipment Television and Radio Transmitters and Apparatus for Line Telephony and Line Telegraphy Television and Radio Receivers, Sound or Video Recording and Reproducing Apparatus
Engineering / Precision Engineering	Electronic Instruments and Appliances for Measuring, Checking (except Industrial Process Control) Electronic Industrial Process Control Equipment Optical Instruments / Photographic Equipment
Life Sciences	Pharmaceutical Products and Preparations Medical and Surgical Equipment and Orthopaedic Appliances
Other	Plastics in Primary Form Synthetic Rubber in Primary Form Electric Motors, Generators and Transformers Electricity Motors, Generators and Transformers Electricity Distribution and Control Apparatus Electric Valves, Tubes and other Components Aircraft and Speedcraft Manufacturing

Table 3: Categories of Startups by Industry (Bürgel, 2000)

Bürgel's concept of structuring the terms is a cause of a homogeneous analytical procedure. The first cluster is Service / Software which comprises all business where the main product is or is based on software; included are the firms that provide the service for the software. The next term – Communication Hardware – consists of all business that actually produce the majority of their

products themselves. Engineering and Precision Engineering covers the manufacturer of professional instruments for measurement. The part of “life sciences” contains the biotechnology firms. Finally, the group of “Other”, combined from different industry NACE codes, but all industries in this group produce components for other products which makes them somehow equal. (Bürgel, 2000) It occurs that there are some similarities when relating the term to the ones used in the DSM. (Ripsas & Tröger, 2014) An comparable approach of defining categories for the industry is shown by Pfirrmann; he is separating it into Agriculture, Chemistry, Stone/Earth, Iron/Steel, Mechanical Engineering, Electrical Engineering, Electrical Data Processing, Biotechnology, Environmental Technology, Precision Mechanics, Wood/Paper, Leather/Textiles, Food, Construction, Trade, Traffic, Comuncation Engineering, Financial Services, and Other. (Pfirrmann, Wupperfeld, & Lerner, 1997)

2.2.5 Funding

As money drives business it occurs to be substantial for a startup to be well funded. There are five main types of German Investment Companies named by Pfirrmann. The first group includes “business investment companies and insurances” that are profit oriented; these firms did not invest into startups as the risk calculation was too immature. Their main focus was to finance subsidiaries of established firms as the risk was better calculable. Additionally, providing help with business strategies was not part of their portfolio which did not make it tempting for startups to do business with this type of investment companies. The next type is a pretty similar one but originates from the saving banks. Their investments targets are regional companies with guaranteed growing rates and less risk. The third type is MGBs² who focus their investments on provincial and regional firms, usually in the form of a silent partnership. In contrary to the previous two groups their goal is not profit, it is economical aid. Venture Capital Companies (VCC) are the major player in funding startups, especially in the US. Compared to the bank based

² “Mittelständische Beteiligungsgesellschaften“, are small regional companies that are founded to provide funding to SME’s. (Pfirrmann, Wupperfeld, & Lerner, 1997)

investment firms they are independent and fund in divergent market segments. Their goal is to make profit, little by pay-offs but primarily through selling shares. The last group consists of the Seed Capital Companies which is a special type of VCC; its focus is on startups in their early founding phase. In this company managers, from a similar business as the startup is, invest together with credit institutes. (Pfirrmann, Wupperfeld, & Lerner, 1997)

2.2.6 Corporate Entrepreneurship

The role of invention is fundamental to large organisations. It appears that Large- Companies are languid when it comes to innovations. Yet, they invest a high amount of resources into invention. When looking at the process of technology change it is divided into 4 different states. It starts with the current state, then continues with the invention phase which leads to a new version of technology understanding; followed by the innovation step that raises the technology to new level and makes use of inventions. And the last state is the Diffusion process of the technology. (Korres, Lionaki, & Polichronopoulos, 2003) The innovation process needs a great number of financial resources in order to deliver a functional product; to minimise the costs and to enable a quicker innovation process, corporate startups are founded.

2.2.7 The process of technology change and diffusion

In order to assess technologies and products Gartner's Hype Cycle provides a framework that allows us to determine in which state a technology is situated. (Gartner) A further approach is the Logistic Curve for comparison of the diffusion state a product is at, as shown in Figure 5: Stages of Growth.

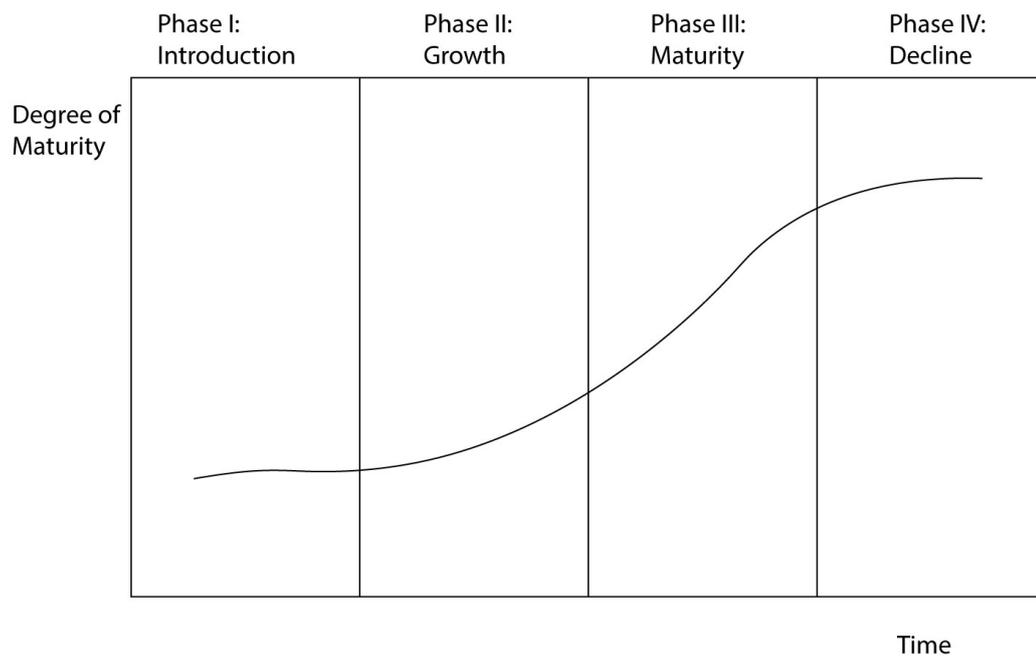


Figure 5: Stages of Growth(Korres, Lionaki, & Polichronopoulos, 2003)

The four phases Introduction, Growth, Maturity, and Decline describe the stages of the products diffusion degree. In the first step only a minority knows about the brand, with a high number of increase in the next state. In the third phase the growth levels off, that indicates that a majority of adopters became consumers, to then end in the last and final state, the Decline – where almost no new customers can be gained.

2.2.8 International vs. Domestic Startups

The approach of founding companies internationally based has a great effect on scalability and financial embattlement. When focusing on the monetary it appears that internationalisation has an increasing effect which results in higher sales. This is caused by adopters who compel non-adopters to use the new technology by lowering prices. (Korres, Lionaki, & Polichronopoulos, 2003)

2.2.9 Marketing types

Categorising from a marketing perspective leads to cluster by function and distribution market. Table 4 : Marketing Technology Landscape shows the terms and the allocated sub-categories.

Category	Sub-category
Marketing Experiences	Mobile Marketing Display & Native Ads Video Marketing & Ads Search & Social Ads Communities & Reviews Email Marketing Influencer Marketing Social Media Marketing Events & Webinars SEO Customer Experiences/VoC Loyalty/Referral/Gamification Personalization & Chat Testing & Optimization Interactive Content Content Marketing Creative & Design Sales Enablement
Marketing Operations	Audience & Market Data Channel/Local Mktg Asset &Resources Mgmt Call Analytics/Management Team &Project Mgmt Vendor Data/Analysis Performance &Attribution Dashboards/Visualization Web & Mobile Analytics BI, CI & Data Science
Middleware	Data Management Platforms/Customer Data Platforms Tag Management
Backbone Platforms	Platform/Suite CRM Marketing Automation/Campaign & Lead Mgmt Web Content/Experience Management E-commerce
Infrastructure	Database & Big Data Cloud/IaaS/PaaS Mobile App Dev & Marketing

	Web Dev
Internet	Marketing Environment

Table 4 : Marketing Technology Landscape(Brinker, 2015)

The approach of the marketing landscape is to cluster the startups by their business line. Considering the six main types the entrepreneurial company categories are defined from a marketing perspective. Furthermore the subcategories reveal that the main focus lies on tech startups and marketing related business.

2.2.10 Blank's types of startups

A company without a motive is unlikely. Even undefined it exists. Derived from the supposition above, the mindset of the founder influences the decisions. In a similar way the intentions are defined, sometimes pre- and in some situations post-founding. In theory this is an evolutionary process that can adapt to circumstances, but is attached to the founders idea of the startup. "The reality is that while we have only one word for 'startup,' there are six varieties: lifestyle, small business, scalable, buyable, social and inside a large company." (Blank, 2013) So Blank's theory is that there are six types of startups, stirred by "the people, funding and strategies involved." (Blank, 2013) The terms used by Blank seem to make sense. Unfortunately, it is only a blog publication. Therefore, the mentioned categories are individually analysed and referred to other literature for verification.

Considering this idea of the six types and transferring them as category definitions. Now analysing their aims, outlined with examples to illustrate relations, in order to obtain clusters. (Blank, 2013) (Pieper, 2013)

"Lifestyle entrepreneurs live the life they love, work for no one but themselves and pursue their personal passion." (Blank, 2013) It is arguable whether they work for nobody else, as a freelancer works for constituents with certain needs. But ignoring this fact, the number of people who start their own business and work as freelancers is relatively large, compared to the amount of other startups described below.

The second category covers the "Small Business" startups. "This category consists of grocery stores, hairdressers, consultants, travel agents,

Internet commerce storefronts, carpenters, plumbers, electricians, etc. They are anyone who runs his or her own business.” (Blank, 2013) When founding these companies the entrepreneurs have a certain intention, as Blank says “They hire local employees or family. Most are barely profitable. Most small businesses are not designed for scale — the owners want to own their business and feed the family.” (Blank, 2013)

Then there are the expansible business startups, that are created to serve a majority of the society. “From day one, the founders believe that their vision can change the world. Unlike small-business entrepreneurs, their interest is not in earning a living but rather in creating equity in a company that eventually will become publicly traded or acquired, generating a multi-million-dollar payoff”. (Blank, 2013) Whereas “Scalable startups require risk capital to fund their search for a business model, and they attract investment from equally crazy financial investors” (Blank, 2013) the Buyable Business startups concentrate on growth to be lucrative acquisition target. “Many of these startups bypass traditional VCs by using crowd or angel funding. In some cases, while they might be able to build a billion-dollar business, the lack of traditional venture-capital investors (and nosebleed valuations) takes away the pressure of the ‘swing for the fences’ liquidity goals. This class of startup is likely to be sold to a larger company...” (Blank, 2013)

2.2.11 Social Startups

The main goal of social entrepreneurs is to make the world a better place. Instead of increasing the return on investment the social entrepreneur focuses on the general benefit. Blank says “Social entrepreneurs are no less ambitious, passionate or driven to make an impact than any other type of founder. But unlike scalable startups, their goal is to make the world a better place, not to take market share or to create to wealth for the founders.” (Blank, 2013) It seems that a social entrepreneurship is an individual type of business startup as Gedeon names it as well. (Gedeon, 2010) When comparing this to the Missionary type introduced by Fauchart & Gruber and defined as an entrepreneur identity, it seem that the definition of the intention differ. In Blank’s theory a social startup acts in common interest in contrary of the Missionary who has a clear vision of what he wants the world to be like.

(Fauchart & Gruber, 2011) (Blank, 2013) Yet the basic idea of social startup follows an innovation of general wealth. The number of new organisations with the purpose of fair trade, health and human rights have increased in the last decades. (Mair, Robinson, & Hockerts, 2006) Social entrepreneurship does not solely include the non-profit organisations but includes all startups with the substantial aim of social benefits. The skills of a social entrepreneur are quite similar to others as he needs “candor, courage, values and customer focus,[...] along with strategy, flexibility, a willingness to plan and the ability to think like a business” (Mair, Robinson, & Hockerts, 2006). But further on he needs the courage to accept social criticism and convert it into a business strength. Another vital streak is the ability to cherish and share; as it has come to attention that most social entrepreneurs come from a background where charity was substantial. Yet, when it comes to realising their goals the founders sometimes precede with unsocial measures like confronting politicians and managers dramatically which can be called activism. (Hockerts, 2006)

2.2.12 Large company entrepreneurship and intrapreneurs

Founding a startup inside or outside of a large company is the topic in this part. Blank does not define the term “*large-company*” in context of founding a startup. Assume the large-company is a well established firm with a historically grown market. The “study of Polaroid, Tripsas & Gavetti (2000) argue that managers’ strong belief in a well proven business model limited their ability to act on opportunities” (Karlsson & Nordström, 2012), which makes clear that the hierarchical structures block the innovation. So Blank describes the solution: “To ensure their survival and growth, corporations need to keep inventing new business models. This challenge requires entirely new organizational structures and skills.” (Blank, 2013) Further on the question that a large-company needs to answer is: “Whether a company should pursue a project inside or outside the company depends on the degree of friction and support the project gets.” (Karlsson & Nordström, 2012)

“To ensure their survival and growth, corporations need to keep inventing new business models. This challenge requires entirely new organizational structures and skills.” (Blank, 2013)

2.2.13 Lexicon of Entrepreneurship appellation (Gedeon, 2010)

The goal of the Lexicon was to define a terminology basis for research to cluster entrepreneurship. Gedeon describes six dimensions to define entrepreneurship based on their characteristics. The dimensions are “What?”, “Who?”, “How?”, “Why?”, “When?”, and “Where?”; each hold several entrepreneurship types as Table 5: Lexicon terms of Startups reveals.

Gedeon's Terms of Entrepreneurship	Taxonomy
Business Entrepreneurship Social Entrepreneurship Academic Entrepreneurship Political Entrepreneurship Criminal Entrepreneurship	What
Independent Entrepreneurship Employee Entrepreneurship Corporate Entrepreneurship Team Entrepreneurship Family Business Entrepreneurship Immigrant Entrepreneurship Gender- based Entrepreneurship Race- based Entrepreneurship Minority Entrepreneurship Celebrity Entrepreneurship Founder Entrepreneurship Inheritor Entrepreneurship Owner- Manager Entrepreneurship Nation- specific Entrepreneurship Region- specific Entrepreneurship Sector-specific Entrepreneurship	Who
Innovative Entrepreneurship Imitative Entrepreneurship Adaptive Entrepreneurship Acquisitive Entrepreneurship Speculative Entrepreneurship Arbitrage Entrepreneurship High Tech Entrepreneurship	How
Necessity Entrepreneurship Opportunity Entrepreneurship High- expectation Entrepreneurship Investment- quality Entrepreneurship Small Business Entrepreneurship Lifestyle Entrepreneurship	Why
Emergent Entrepreneurship Nascent Entrepreneurship Startup Entrepreneurship Transformation Entrepreneurship	When
International Entrepreneurship Local Entrepreneurship Grassroots Entrepreneurship Indigenous Entrepreneurship	Where

Diaspora Entrepreneurship	
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Table 5: Lexicon terms of Startups (Gedeon, 2010)

The first dimension that complies to the ‘what’ perspective of the entrepreneurship. This can be a “business”, “social”, “academic”, “political”, or “criminal” one as defined by Gedeon. (Gedeon, 2010) Supported by the theory of Blank types it indicates that those term have an impact on the terminology. In particular the Social Entrepreneur is mentioned several times. (Blank, The Four Steps To The Epiphany, 2013) (Gedeon, 2010) (Mair, Robinson, & Hockerts, 2006) The next dimension is the ‘who’ started the company in respect of the founders characteristics. The terms “Family Entrepreneurship” and “Corporate Entrepreneurship” arise some interest as these categories are in previously discussed sections too. (Blank, The Accelerators, 2013) (Karlsson & Nordström, 2012) ‘How’ is a further dimension, that looks at the product or service the startup offers; for example is it an innovative or imitative product. A classification based on the products innovation degree or business branch. (Gedeon, 2010) (Ripsas & Tröger, 2014) The ‘why’ perspective reveals two further terms that seem interesting. The Small Business- and the Lifestyle Entrepreneurship. (Gedeon, 2010) (Blank, The Accelerators, 2013) The forelast dimension, described as the ‘when’, points to a certain time a startup is founded. The term Nascent Entrepreneurship appears to be interesting in regards to the renascent and the corporate startup situation. (Gedeon, 2010) (Stam, Audretsch, & Meijaard, 2009) And the last perspective is described as ‘where’ the founding takes place. It seems to be relevant to the startup’s diffusion process in which regions and if the distribution is international. (Gedeon, 2010) (Bürgel, 2000) (Korres, Lionaki, & Polichronopoulos, 2003) Yet, other literature describes this as a secondary factor that can be neglected (Mair, Robinson, & Hockerts, 2006).

2.3 Literature evaluation

Considering the models, frameworks, and technology - this section evaluates their relevance to research and their value in regards of delimited category types. Additionally, it reveals some similarities and differences between the frameworks that are introduced.

2.3.1 *Blank's categories of startups*

The six types that Blank announces, “Lifestyle”, “Small-Business”, “Scalable Startup”, “Buyable Startup”, “Social Startup”, “Large Company Startup”, appear to cover a majority of entrepreneurial business. Yet, when analysing and allocating companies to the terms are not mutually exclusive, and the chosen terminologies leave room for speculations. Regarding the three interviews with Artificial Intelligence, HiKey Resources, and Made Comfy; all allocated their companies to the two categories Scalable- and Buyable Startup. Another aspect is that the terms come from different dimensions. Whereas the Lifestyle and Social Startup category is a question of the entrepreneur’s attitude; Small-, Scalable-, and Buyable Startups reflect the size of a company; and Large Company Startups regard to the origin. The terms can be used when defining the right dimensions though. Allocating and comparing the category names to Gedeons Lexicon terms and taxonomy which results in the following. The phrase Social Startups is comparable to the Social Entrepreneurship that is in the Taxonomy of “What?”, which asks the type of value created by the company. Large Company Startups is similar to Corporate Entrepreneurship that can be found in the “Who?” section; a question of ownership and origination of founding. Lifestyle Startups or described in the lexicon as Lifestyle Entrepreneurship allocates to “Why?” which asks for the founder’s goal for the company. The Small- Business Startup is once located in the “Why?” section, as Small Business Startup, but can also be found in the “Who?” part where it could join with Family Business Entrepreneurship. The remaining two terms, Scalable – and Buyable Business allocate not easily to Gedeons Lexicon, yet could join the category section of “Why?” as Blank says the intention for these two types is to grow big without following traditional business paths. (Blank, *The Accelerators*, 2013) (Gedeon, 2010)

2.3.2 *Entrepreneur identities*

The role of the founder influences the startup’s business decisions. Research has shown that based on the motivation and the attitude of an entrepreneur the company’s future is developed. (Fauchart & Gruber, 2011) The three types of characters, Darwinians, Communitarians, Missionary

transferred from the sport-related industry to the general startup scene become relevant as in the fact that it can be allocated to different startup types.

Further on, as a majority of startups are founded by at least 2 people it occurs that a productive relationship between the two entrepreneurs is vital. (Bürgel, 2000)

Allot Fauchart & Gruber's identities to Blanks terminology for the startups. **Error! Reference source not found.** displays the correlation between the two categorising strategies. (Fauchart & Gruber, 2011)

	Lifestyle	Small Business	Scalable Business	Buyable Business	Large-Company Startup	Social Startup
Darwinians		x	x	x	x	
Missionaries			x		x	x
Communitarians	x	x	x			

Table 6: Allocation of Entrepreneurs to Blank's Startup Categories

The Darwinian is likely to start a Small-, Scalable-, Buyable Business or originates from a Large Company, as all of these are intestinally founded to gain profit. The Missionary type allots to Scalable-, Large- and Social Startup, as his main goal is to change the world to his perception; the business needs to have an effect on the society which indicates that the reach and scale of the startup needs to be of great size. The last type is the Communitarian who allocates to the terms Lifestyle, and Small Business; his business originates from being a hobby and his intentions are to do what you like. In some situation this can lead to a bigger business which would allocate the Communitarian to Scalable Business Startups too. (Fauchart & Gruber, 2011) As **Error! eference source not found.** shows there are multiple allocations, this indicates that there are obsolete terms or that some should be combined to delimit properly. When adding the categories of the DSM as another dimension this becomes even more clear. (Ripsas & Tröger, 2014) Confer **Error! eference source not found.** shows that there occurred some overlaps or multiple allots as the terminology is blurry or redundant. The process of allotting is based on the intel given by (Ripsas & Tröger, 2014) (Blank, The

Accelerators, 2013) (Fauchart & Gruber, 2011) and their categories or identities.

	Lifestyle	Small Business	Scalable Business	Buyable Business	Large-Company Startup	Social Startup
SaaS	C		M D	D	D	M
E-Commerce			M D	D	D	M
Mobile Applications	C		M D	D	D	M
Creative industries	C	C	D	D	M D	M
Online-marketplace			D	D	M D	M
Consulting agency	C		D	D	D	M
Industrial technology and hardware		C	D	D	M D	M
Other	C	C	D	D	M D C	M

C = Communitarians, D = Darwinians, M = Missionaries

Table 7: Allocating Entrepreneur Identities to DSM- and Blanks Categories

Starting with the communitarian; as a person who founded his company more or less by accident, he allocates to the Lifestyle and Small Business column and to the row of SaaS, Mobile Applications, Creative Industries, Consulting agency and Other. Regarding the example given (Fauchart & Gruber, 2011); a board maker starts a company because his friends animate him as his products are from exclusive quality, to start a company. In regards

of this Industrial technology and hardware and Online- marketplace seem less likely as a branch of a communitarian founder. (Fauchart & Gruber, 2011) Yet, an exception would be the Large Company category, as the hurdle of renascent Entrepreneurs is lower to found a new company. (Stam, Audretsch, & Meijaard, 2009)

The Darwinians exist only in the columns of Buyable-, Scalable-, and Large Company Startups and it aligns to each of the DSM categories as his main goal is to make profit. It occurs that in the Buyable- and Scalable column is completed identical in regards to the Darwinian which is a further indication for a redundancy. The left identity is the Missionary, an entrepreneur with the vision to shape the world according to his perception, who allots to Scalable-, Large Company-, and Social Startups. In the y - dimension the term allocates to all categories in the Social Startups column, but to only Creative Industries, Online-marketplace, Consulting agency, Industrial technology and hardware in the part of Large- Company Startups; and in the means of Scalable Startups it aligns to SaaS, E-commerce, and Mobile Applications. In regards of the Missionaries goal he needs to reach a majority of the society to have an effect on it, therefore all business with that value can be aligned to him. The allocations do not indicate that there exists no other possibility, yet they can be seen as a thin layer of delimitation as they are a most likely possibility for the given identities. (Fauchart & Gruber, 2011) (Blank, The Four Steps To The Epiphany, 2013) (Ripsas & Tröger, 2014)

The multiple assignments mainly occurred in the column of scalable and large companies. This indicates that more than one identity can have the intention to found a firm in this category. In the matter of delimitation, the terminology needs revision which is discussed in a later section in more detail.

A different approach to range in the entrepreneurial identities is taken in **Error! Reference source not found.** where it shows the positioning of each erm. Beginning with the Communitarian who is allocated inside the Niche Player box, this is the suiting market position, as he starts the company in a small environment delivering to negligible market. (Fauchart & Gruber, 2011) Then the Darwinian, whose focus lays on financials, is managing well but requires more understanding of the markets direction. Therefore, he will gain the ability of visionary understanding to move into the Leaders field. The

residual identity is the Missionary; his visionary approach puts him into the equally named field. His well-developed perception can be equated to the completeness of vision in contrary to the ability to fully execute the business. Aspiring for the Leader's field he needs to execute better regarding to his vision. All three identities strive to the leading market position, a correlation between the completeness of their vision and ability to execute. Yet, this does not suit for every entrepreneur, as in seldom cases they might not want to leave their comfort zone. (Fauchart & Gruber, 2011)

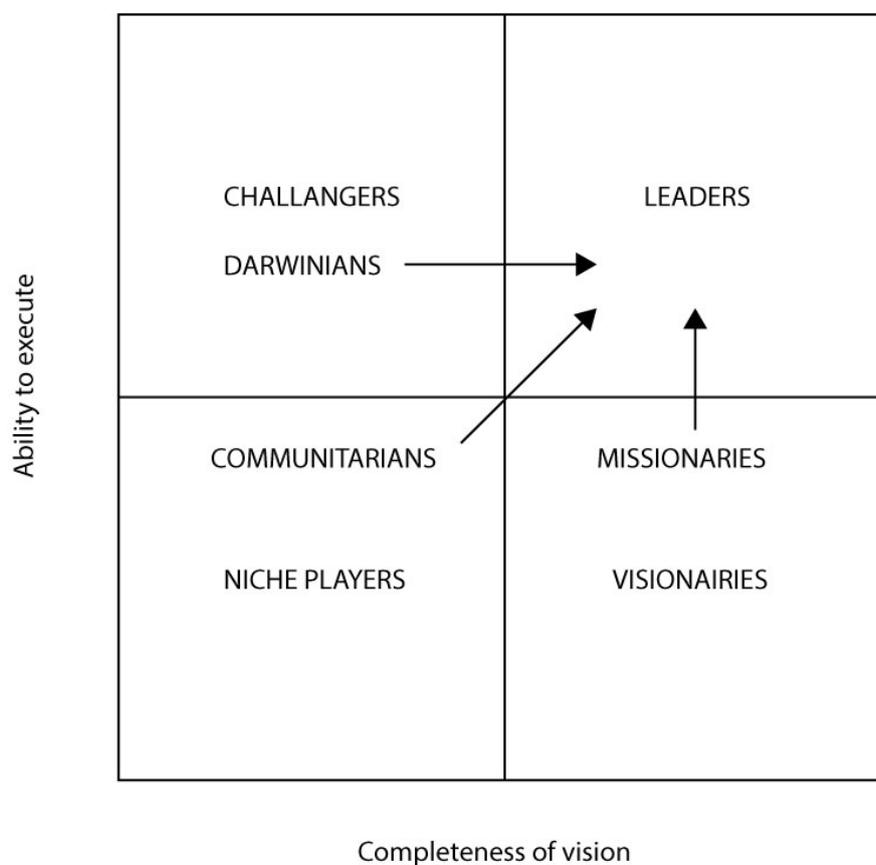


Figure 6: Entrepreneurial identities in Gartner's Magic Quadrant

As a critical point of view the identities are tacked to a field yet they could move into the leaders field. This indicates that the fields are not defined mutually exclusive which results in an inconclusive framework. When allocating the three founders identities, confer to their key characteristics, they originate from the boxes shown in **Error! Reference source not found.** they ould migrate to become leaders. (Fauchart & Gruber, 2011) (Gartner)

2.3.3 Market orientation and diffusion

An international approach correlates to the experience broad of an entrepreneur. If the founder has no foreign affinity it is unlikely that the startup will internationalise their business, but if he does the possibility is much higher. (Bürgel, 2000) It is important to illuminate the problems that occur by an international approach. Three typical variables are mentioned that affect the inter-country diffusion process. First, the representation of the return on innovation in the distinct countries; secondly, the environmental differences, from the tech and governmental side; and finally, the divergence of the market situation. An additional factor of the speed of diffusion is the size of the region or a country. (Korres, Lionaki, & Polichronopoulos, 2003) Considering the diffusion process as an important dimension for startups leads to **Error! eference source not found..** It divides the distribution market into four magnitudes; the Regional which is the local or provincial area, the Trans Regional that combines multiple local regions, National which is within the borders of the Startup's origin country, and the international that complies to the country of provenance and the foreign nations.

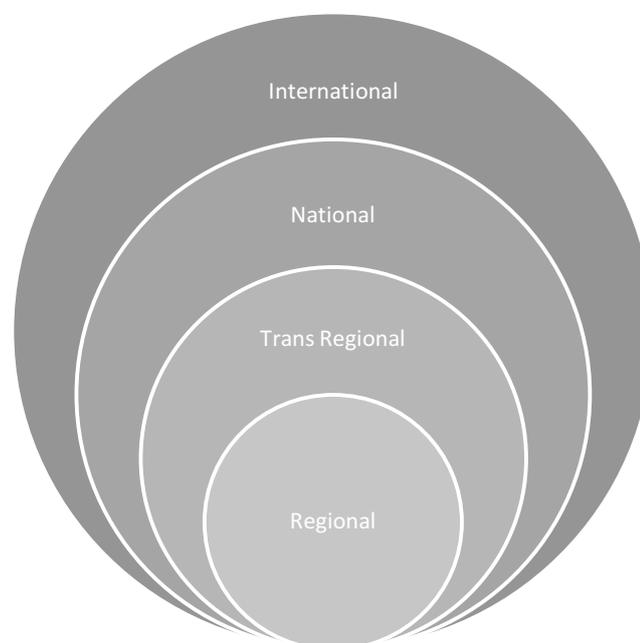


Figure 7: Diffusion regions

Whereas the country of origin is not an important factor for entrepreneurship (Mair, Robinson, & Hockerts, 2006) it is vital in what region

the market exists. (Korres, Lionaki, & Polichronopoulos, 2003) It determines not only the time for the diffusion process, but also the gap of imitation and adaption in the distributional area. The speed of the diffusion process depends on the size of the market, and the similarity between the country of origin and country of the target. The smaller and the more alike the countries are the quicker a market majority is reached. (Korres, Lionaki, & Polichronopoulos, 2003) (Mair, Robinson, & Hockerts, 2006)

It would be an approach to define categories from the dimension of market size, combine Trans Regional and Regional to Regional, which leaves three types differentiated by their size: Regional, National, International. When comparing these to the three entrepreneurial identities it leads to; Communitarians would start as Niche Player in a Regional area, Darwinians as part of their financial focus on a National territory, and Missionaries in an international matter to reach a majority of the society. (Fauchart & Gruber, 2011)

2.4 Problem Identification and Motivation

Regarding the multiple publications about startups and their strategies it appeared necessary to define a model of categories to successfully allocate, and cluster startups, as the literature review showed no model exists that fulfils this requirement. In order to compare decisions of “successful” startups to other entrepreneurial company a framework with delimited categories seemed mandatory.

The lack of mutually exclusive defined categories for entrepreneurial companies lead to inconclusive data when comparing startup strategies and decisions from the past. The need to successfully compare and assess startups can be seen as a vital process for newly founded companies, as it is part of their revolutionary process to learn from the faults of previous entrepreneurs.

2.5 Objective of the Solution

The objective is to develop a framework, and to simplify the clustering process for startups. The main challenge is to find and homogenise sources that comply with this idea and find similarities between the divergent and

dynamic company form of startups. The goal of the framework is to provide novice entrepreneurs with a toolkit to compare their idea or startup to others and derive decisions from it.

2.6 Section conclusion

As mentioned before startups are very dynamic organisations and not delimited easily. There are multiple dimension and category terms defined to somehow cluster and make entrepreneurial firms better comparable. The canvas model is a good structural framework that allows us to define an inside business structure. The types mentioned by the DSM are very detailed and quantitative outlined for Germany. Then there are the clusters from the capital and marketing perspective. And finally the intentional dimension that defines vague limits. For a very granular classification the lexicon provides a set of the terms. Yet, the issue that occurs with all frameworks is that the categories are not delimited. It is possible to allocate to multiple types from the same dimension, this leads to inconclusive data. The theories are discussed in more detail in the Discussion chapter.

3 METHODOLOGY

3.1 Overview

The approach to answer the research question requires a strategy. There are multiple research methods to gather and evaluate information. This thesis makes use of quantitative, qualitative and observational research material. With the limited available fundamental research material on the topic, some less mature sources needed to be included. Therefore, the intel relies on theses, articles, papers, blogs and interviews. A methodology is a scheme to solve a problem. The utilised methodology process is visually expressed in **Error! Reference source not found.** It is derived from the Design Science Research model (Henver & Chatterjee, 2010) As of the existence of different approaches to start the research; Objective-centered Solution, Design and Development-centred Approach, Client-initiated Project, this research makes use of the Problem-centred Approach. (Pfeffers, Tuunanen, Rothenberger, & Chatterjee, 2007-8) Each methodological step is described individually in the following sections.

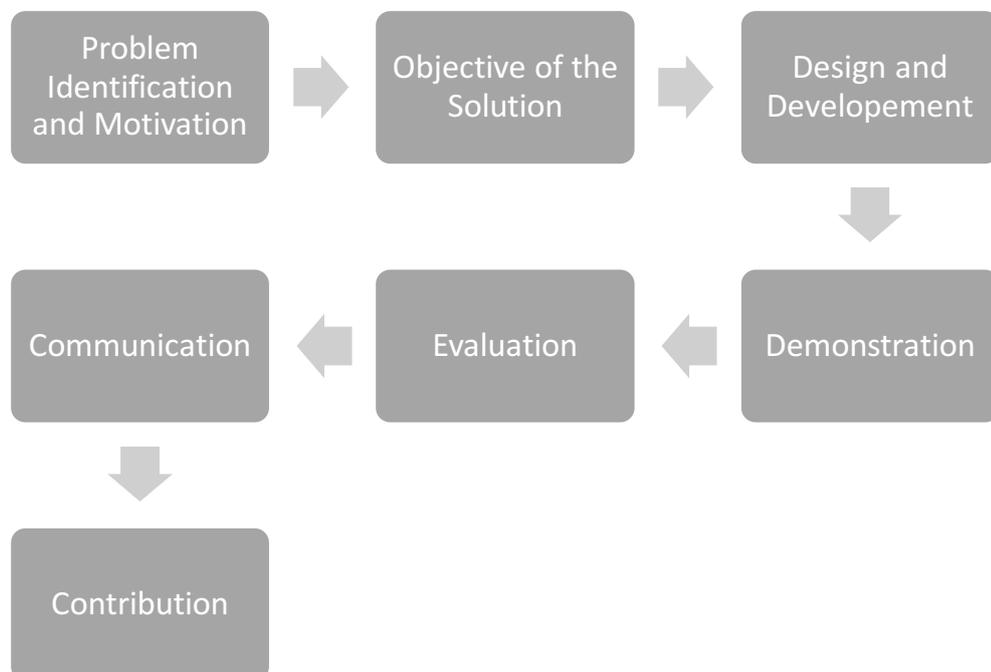


Figure 8: Methodology process

3.2 Problem Identification and Motivation

This part describes the issue that occurred, and why it is worth solving. This section illuminates the problem from different point of view and investigates the complexity it complies too. Then the motivation follows, that outlines the research justification; a description of how a possible solution can help or what it enables, or values it delivers. (Pfeffers, Tuunanen, Rothenberger, & Chatterjee, 2007-8)

3.3 Objective of the Solution

This step complies to a possible solution for the problem. The objectives should logically derive from the problems addressed. To properly construct hypotheses for the objectives it is vital to be aware of the problems complexity and of existing possible solutions. The objectives can be quantitative or qualitative; the latter is primarily used in this thesis. (Pfeffers, Tuunanen, Rothenberger, & Chatterjee, 2007-8)

3.4 Design and Development

Constructing, displaying, and analysing the artifact complies to this section. An artifact can be a potential construct, model, method, or an instantiations (Henver & Chatterjee, 2010) which is then defined, described, analysed and examined either iterative or inductive. The iterative concept analyses theories in small steps, in contrary the inductive concept that presents the solution and then start to prove it. (Pfeffers, Tuunanen, Rothenberger, & Chatterjee, 2007-8) The design and development section of this thesis is primarily built using the inductive concept.

3.4.1 Interviews

One way to gain intel on a subject is to ask more experienced people. Scheduling appointments with entrepreneurs can be difficult as they seem to be busy at all times. In this respect, only a few questions can be utilised to gather all required information. Therefore, a semi-structured interview is convenient. This means that the questions follow a procedure, but leave space for individual answers. To meet the tight schedule of entrepreneurs the interview frame is set up for 20 minutes. This requires a compact structure

which divides into three different parts. In order to start off a smooth conversation a bit of small-talk is inevitable. In respect to that the first questions deal with the company and the founders' career, and some background information. Then stirring to the centre of the interview, questions about the definition of success and allocation of their startup to a category follows. The next queries deal with the sourcing strategies of products or services. Then to end, a question about regrets of past decisions that have been made. Table 9: Interview Template shows an example of the template used in most interviews. In some cases it was not possible to use it as the interview partners only allowed one question.

3.4.1.1 Approach of Interview Partners

As mentioned before, entrepreneurs have a tight schedule which makes the approach of a meeting difficult. The best way to get a founder's interview is through a mutual connection, this opens doors and dissolves the first suspicions. When there is no previous connection, which is much harder, it has shown that there are two effective ways of approaching an entrepreneur; first of all is the canvass from door to door as the direct confrontation surprises and leads to conversation very quickly, secondly confrontation on a convention. Both procedures require a presuming a shameless advance to get the entrepreneurs attention. Often it leads to an email contact only, but when continuing to contact it can conduce to answers. Additionally, this differs by location; in Germany and Australia getting an interview partner required less effort than in Israel, which could be caused by the cultural differences.

3.4.1.2 Defining the questions

While the first interviews were less structured with continuous progression the framework followed. In the beginning the two-way conversation emerged as a good practice, but it was the opposite, as it would result in a long off-topic discussion. This led to the standard template above. The idea was to record all interviews, but some founders did not like the idea of having their voice recorded. Especially, the interview partners from Israel

did not approve. Therefore, most conversations are noted by hand and then rewritten on the computer. All interviews are attached.

3.4.1.3 Conducting the interviews

This paragraph describes the dialogue procedure. In most cases the interviews had to be adapted to the situations; in some cases, the interview partners were in a car, at the airport, or on a boat. But in all cases the intentions were to take the interview face to face, or at least via skype which guaranteed gathering intel on their facial expressions. This avoided any misunderstanding that ironic phrases could cause. If the interview took place in person it was on their site, as a venue reveals information too.

3.4.1.4 Observations

Underestimating the non-verbal communication can be problematic. In many cases the information that is available on the internet and on company webpages is very detailed. Yet, it does not always reflect the reality. Especially, successful startups hold multiple versions of their founding story, as small modifications were made when retelling it. In order to avoid misreports the direct contact is inevitable. (Marschan-Piekkari, 2005)

3.5 Demonstration

This part is to prove the model or concept developed in the section before. It consists of an “experiment, simulation, case study, proof, or other appropriate activity” (Pfeffers, Tuunanen, Rothenberger, & Chatterjee, 2007-8). Then the artifact’s functionality is proved using one of the previous mentioned methods. Additionally, interviews were taken to prove the functionality of the model. The procedure the interviews followed is described in section 3.4.1.

3.6 Evaluation

Detecting and monitoring how well the model answers the questions, complies to this part. Comparing the objectives description to the model of solution and assessing it. The measurements can comply quantitative, like results or figures, or qualitative like the conclusion from a client survey.

Conceptually, the evaluation can consist of any kind of feedback or result that is created the use of the artifact. (Pfeffers, Tuunanen, Rothenberger, & Chatterjee, 2007-8) In this thesis it is an assessment of the delimitation and allocation of the model.

3.7 Communication

This part describes the subsumption to the research field in comparison to similar or related work. It also assesses the novelty, and usability for further research. (Pfeffers, Tuunanen, Rothenberger, & Chatterjee, 2007-8)

3.8 Contribution

This section expresses the contribution taken by the research. It displays the effect that the result and the founding can have on detrimental areas. (Pfeffers, Tuunanen, Rothenberger, & Chatterjee, 2007-8)

4 CATEGORY MODEL OF STARTUPS

4.1 Overview

The main problem is that there is no model to cluster startups properly; this section shall create an artifact which solves this issue. The approach follows the steps of Design Science Research described in the Methodology Section (Henver & Chatterjee, 2010)

4.2 Design and Development

The artifact is the framework of categories that allows an allocation process. The concept is built on literature of entrepreneurial identities, a lexicon of entrepreneurship and metrics on startup branches, all influenced by real startup constellations through the interviews.

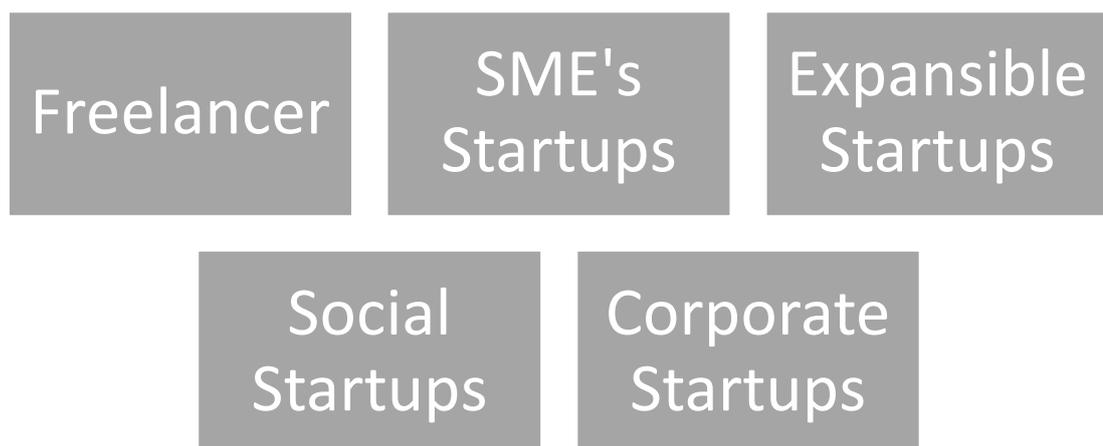


Figure 9: Categories of Startups

The delimitation process of the terms is structured into definition, description, and illustration using an example.

4.2.1 Freelancer

Starting with the Term Freelancer, it describes an individual person who works for themselves on the basis of acquired tasks. This category is similar to the “Lifestyle” (Blank, The Accelerators, 2013) mentioned by Blank. It

describes a singular person that works on an hourly paid basis. These types of startups have the intent to stay a one person company and sell their product or service, or can be hired on a short-term basis. To allot to this category the startups need to consist of one person only and the product he creates can be purchased or he can be hired for a job but officially represents his own company; this allows him to work for more than one company at a time. The freelancer complies to many founders, that initially started a business by themselves and don't have the intention to expand their business in the way of hiring employees. Additionally, it seems as freelancers emerge from being poached by multiple companies and then decide to serve all of them parallel. (Wenzlawiak, 2015)

4.2.2 SME's Startups

The Small and Medium Enterprise Startup (SME's Startup) is a category that covers the entrepreneurial companies with an intention to stay a certain size. From a financial perspective these companies are either funded by the founders savings or, at least in Germany, by MBG's. (Pfirmsmann, Wupperfeld, & Lerner, 1997) Further on these companies employ locals, or family members and intend to support the regional area.

Allocating to this category has the following limitations: the startup is founded with the goal to hire local employers, it is funded by small capital companies or privately, the business grows linear which delimits it from the expansible startup, the company size is restricted by the definition of SME's. Additionally, it is the founder's intention to create a product or service that can be handled by a small group, and is placed and shall stay in a niche market. (Scholpp, 2015)

4.2.3 Expansible Startups

This category type describes startups that are designed for vast extent. From the moment of founding the idea is to serve a large market, and starting off in a small and defined customer segment seems to be a key procedure. (Ries, 2011) After being established in this area, scaling up to gain more customers is the next step. It appears that some startups are aiming for a

market share majority to become the dominant player and grow to a large company, whereas others scale up to be acquisitioned quickly.

To allocate a company to this category it needs to fulfil the following requirements; a small group of people founds a company and provide a product or service, with the intention to serve a majority of the community; the product needs to be designed in respect to reach many customers. A lot of technological startups allocate to this category as their products are highly scalable, and a few people can create and maintain them where as the users and/or customer numbers are much greater. In a more granular approach, software is probably the best scalable product, as it can be created by few and distributed using the modern channel, like app stores etc. Compared to the Social Startups this type is seeking for profit and revenue. It could be canvassed by the strategy to become the major player on the market to gain control of the market and the price as well. (Mc Quivey, 2013)

4.2.4 Social Startups

This startup type complies to all entrepreneurial companies - not with the intent of a mandatory- rather than a social and communitarian benefit. For further delimitation, a company that donates part of their profits does not apply to this group. (Lübbermann, 2015) A social startup's focus lies on social value creation and this makes it different from all other companies. (Mair, Robinson, & Hockerts, 2006) Compared to all other startup categories, this type does not seek for large profits using crucial methods. The goal is to create a product, something that creates value, not only as a product, but as a company too. The people who work for and with a social startup are part of it, are treated like individuals and get a salary that is appropriate to the work they do and reasonable to the products price and manufacturing costs. This startup generates a mutual wealth to all stakeholders.

In order to allocate a company to this category the following criteria needs to be respected. The first one is that the social startup's focus is on generating common wealth, which determines that all participants must comply to this. Additionally all stakeholders should have the same social intent so the company retrieves the best support, but this is not possible to pursue as in some business you cannot choose your customers and they are stakeholders

too. Secondly, a social entrepreneurial business should be funded either by the founders, or if that is not possible then by a social oriented third party, to stay independent. Thirdly, to delimit it from the expansible startup, it can only grow in healthy and justifiable speed other than profit seeking companies, which also indicates that a social startup has a certain maximum size that is socially acceptable. (Lübbermann, 2015)

4.2.5 Corporate Startups

The term intrapreneur derives from the entrepreneur and could be seen as an inside founder, an entrepreneur that originates from a company. There appears to be different strategies for substituting startups. When looking at Ford it occurs that they try to find innovative entrepreneurial companies and try to partner up with them and substitute them. This is outlined by the new platform that Ford makes available to the community where it is possible to connect to the car's API easily. As Butler emphasises, Ford's focus lies on finding existing startups that are working the desired research field and then supporting them rather than founding from inside of the company. (Butler, 2015)

4.3 Demonstration

Assessing the model and the use of each category requires a demonstration using startup stories. The startups from the interviews are used to illustrate the framework; additionally, for the proof-of-concept process a case example shows the allocation process.

4.3.1 Interviewed startups

When looking at the freelancer Martin Wenzlawiak (MW) who works as a designer it occurs that he left his employee state to work on a short-time project. As he was pleased with his new working experience he continued working as a freelancer and got orders by different clients. Working in his own terms, makes him allot to the Freelancer category of the framework. (Wenzlawiak, 2015)

For the SME's Startup category, PowerAttack seems to be the best fit. Considering the size of the company and the growing intentions of the founder,

it fulfils the criteria of a SME Startup. The founding situation suits to the given characteristics, as he did it mostly himself and hired local engineers to help him create the product, who now work for the company on an employee basis. Staying small is one of PowerAttacks metrics, as the founder does not want to manage too many employees. (Scholpp, 2015)

When analysing the interviews with Artificial Technologies, HiKey-Resources, Made Comfy, and Glide it occurs that all four fit to the expansible startup term. The characteristics of being a little team that can serve a community or at least a large amount of people complies to all four. Additionally, derived from the answers of the founders all of them follow a financial goal. (Gwosdz, 2015) (Petrich, 2015) (Schwaighofer, 2015) (Kamioner, 2015)

Premium Cola allocates to the social startup category. The key characteristic that relates to the social terminology is that the intention of this startup was, as it is older than 10 years now, to create a company which generates a mutual benefit. Not only from a financial perspective but also in the way of allowing the society to become part of the company and influence decisions directly – through consensus democracy. (Lübbermann, 2015)

When looking at corporate startups companies like Ford provide a platform for founding such as “applink”. Founders that primarily use corporate platforms to accelerate their startup or even encourage their employees to found with the help of the company, such as the Bosch’s Startup program BOSP. (Bosch Startup GmbH)

4.3.2 Case example

As describes in the sections above the framework can be used to make startups comparable. For demonstration purposes the company DataBOX is created. The basic idea of this is to sell one product; a little box that has the capability to connect to mobile devices via Wi-Fi, collects data and displays it convenient. The technical solution is based on the raspberry PI and enhanced by a case, a SD card, and a Wi-Fi antenna. The software for the server is written in java and the front-end is designed for Android devices. To access the data; plugging in an USB drive will save the created data set on to it. Additionally, a web front-end exists where it is possible to monitor live data and

download reports in the form of pdfs. The product is a plug & play solution, where no additional configuration is required. The data flow is visually illustrated in Figure 10: DataBox Product Value Process. The process starts on the mobile device where the data is entered by using an intuitive UI, where as the data that can be generated, like dates and time, will be included automatically. All captured information is send to the DataBox using the Wi-Fi connection. Then it is visually interpreted or can be exported as a csv to a flash drive. Then it is visually interpreted or can be exported as a csv to a flash drive.



Figure 10: DataBox Product Value Process

Instead of a complicated and elaborate business plan the lean canvas model fulfils this service. Following the process and using the tool recommended by Maurya Ash Figure 11: DataBox Lean Canvas example is created. (Maurya, Leanstack)

B2B - Data Collection - Business Automobile Suppliers

PROBLEM Collecting data on machines is time consuming Inconsistent and inaccurate data leads to misdecisions Analysis of the data is staggered EXISTING ALTERNATIVES The use of pen and paper Expensive and complicated individual solutions	SOLUTION Mobile data collection Plug&play architecture set up Instant data monitoring	UNIQUE VALUE PROPOSITION Concentrate on the work, not on taking notes Trust your data HIGH-LEVEL CONCEPT DB is like whatsapp for machines	UNFAIR ADVANTAGE A dream team Existing customers To be continued	CUSTOMER SEGMENTS Automobile suppliers Consulting agencies EARLY ADOPTERS Young consultants
	KEY METRICS Key action: capture machine data automatically Success metric: Building a \$2M/yr business		CHANNELS Consultants Word of Mouth Industrial conferences Business journals	
COST STRUCTURE Production costs: 150 + 50/user People costs: 40 hrs initial + 20 /month		REVENUE STREAMS 2-weeks free trial then \$50/month + \$50/user		

Lean Canvas is adapted from The Business Model Canvas (BusinessModelGeneration.com) and is licensed under the Creative Commons Attribution-Share Alike 3.0 Un-ported License.

Figure 11: DataBox Lean Canvas example

Further assumption is that the founder identities suit most likely the one of the Communitarian as he created this solution more or less at home and found a consulting firm who was in need for such a product. In regards to this it was tempting for the founders to develop an actual product which could be useful to more firms. It does not fit completely to the Communitarian as the founders not originate from the same business as the targets companies. Yet, as this is a more general technology product it is not delimited to that one business type rather than delivering a solution to multiple business process problems. However, as part of the product strategy it delivers in that niche market for the introduction phase.

For the allocation process to the category framework - this company allots to the expansible business startup. First of all it is a technological company, which is a first hint to a scalable business; secondly, founded and realised by a few but created for many is a major characteristic that allocates to expansible startups. Thirdly, as the canvas display's in the Key Metrics, the company has a monetary motive. – All these mentioned manifestations indicate that the DataBox startup is an expansible business.

5 RESEARCH LIMITATIONS

This research is based on the mentioned literature and the conducted interviews. A structure for the conversations, and the research methods defined above, ensure a maximum of heterogeneity for the results. The expressions by the interview partners in comparison to the significance for the startup industry is not guaranteed. As mentioned in the introduction of categories, defining delimited border between startup organisations is intricate. But when looking at similarities, it allows one to draw boundaries and for categorisation. The research limited by the number of conducted interviews and the fact that no real corporate startup was questioned. For more intel on this type, further surveys are required. Another aspect is the fact that all interview partners were male, this could cause a distorted picture and could lead to false assumptions. The limited time schedule of an entrepreneur or a founder shrinks their availability for interview that can lead to incompleteness of their declarations. Additionally, some of the interviews were taken on the telephone, with a lack on observation, which could blur the validity of the expressions. As in many cases the interviewee and interviewer had no previous relations the conversation was built on trust; especially, in Israel this led to the reserved answers which could indicate they weren't answering the questions in detail.

Another aspect is that the point of view is limited to the startup phase, which was defined as the first 10 years – yet, it was not always possible to find an interviewee that complies to this criterion, and the founder would talk in retrospect.

It might occur that future or currently not respected variables of entrepreneurial companies blur the created delimitations, or even add another category type to the framework.

6 RESULTS

The findings of the research and the results to the hypotheses are located in this section. The model of the categories is divided in five parts each defined by certain manifestations which can be found in Table 8: Characteristics of the categories.

Freelancer	SME's Startup	Expensibile Startup	Social Startup	Corporate Startup
<ul style="list-style-type: none"> •Singular person •Hired short-term or on a project basis •Darwinian or Communitarian 	<ul style="list-style-type: none"> •Small Medium sized business •slower growing approach •Darwinian or Communitarian 	<ul style="list-style-type: none"> •Large target market •Scalable product •Darwinian or Communitarian 	<ul style="list-style-type: none"> •Focus is on social benefits •maximum company size •Missionary 	<ul style="list-style-type: none"> •Originates from an established company • Company funded •Darwinian

Table 8: Characteristics of the categories

When looking at the hypotheses the following answers were found in the outcome of this thesis:

H1: Delimited startup categories can not be found in literature.

H1: was supported by the literature evaluation part. It has shown that multiple ways of allocation and clustering startups exists, these terms are combined from different dimensions. The categorisations by Fauchart & Gruber, Darwinians, Communitarians, and Missionary deliver a framework to categorise by the founder's type. (Fauchart & Gruber, 2011)

H2: Mutually exclusive categories can be defined.

When looking at H2 the research has shown that there are five main categories that delimit startups. The first one is Freelancer, a one person startup that works on a hired basis; the second one is SME's Startup, a startup with the intention to stay a small or medium sized business; the third one is an Expansibile Startup, that describes a company that is designed to scale – to serve a large community; fourthly the Social Startup, an entrepreneurial company that is founded for a mutual benefit; and the last one is a Corporate Startup, founded by an intrapreneur or majorly funded by an existing company. These types are derived from the startup's characteristics to build a framework.

H3: Multiple ways of categorising startups exists.

As the literature review and the research has shown this hypothesis is successfully supported. The diversity of entrepreneurial companies have led to different approaches of clustering; categorising by Line of business, type of entrepreneurship, character of the entrepreneur, branches, innovation- , and marketing type. Additionally, a framework that clusters startups by six different dimension and numerous subcategories is introduced. (Gedeon, 2010)

7 DISCUSSION

As the case example has shown the process of allocating allows a delimited clustering of entrepreneurial companies based on their characteristics. This section compares the existing frameworks to the model introduced in this thesis and evaluates it.

The first artifact is derived from the entrepreneurial identities introduced by (Fauchart & Gruber, 2011) and builds on the approach that startups can be clustered into three main types and a hybrid one: the Communitarian, Darwinian, Missionary, and Hybrid. This leads to the visual model in Figure 12: Matrix of Entrepreneurial Identities.

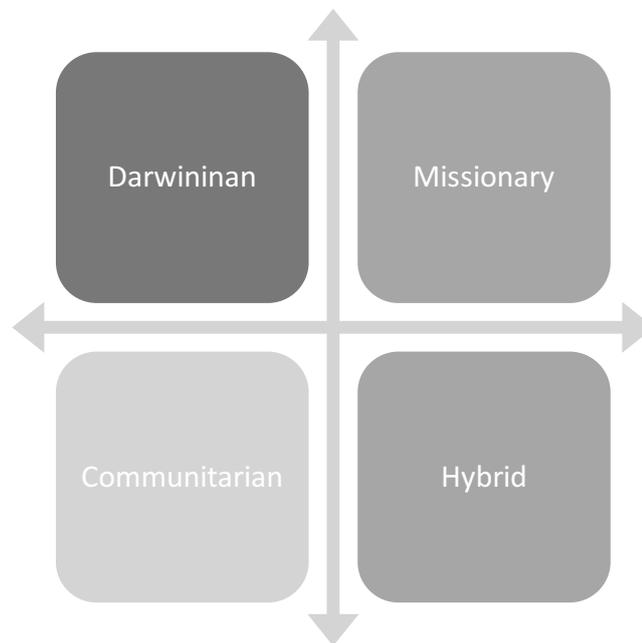


Figure 12: Matrix of Entrepreneurial Identities

While the Darwinian, Missionary, and Communitarian fields indicate delimitation; the Hybrid term destroys it as any characteristic of the other could fit in here as well and create blurriness on the model. This claims a deeper and more structural approach. The idea of a founder identity seems relevant to the perspective of a startup. Considering the importance of founder identity, it has been incorporated as a metric in the allocation process of the Category Model of Startups.

A very detailed framework is the Lexicon provided by Gedeon. (Gedeon, 2010) A framework which considers these terms results with a separation in to the following segments:

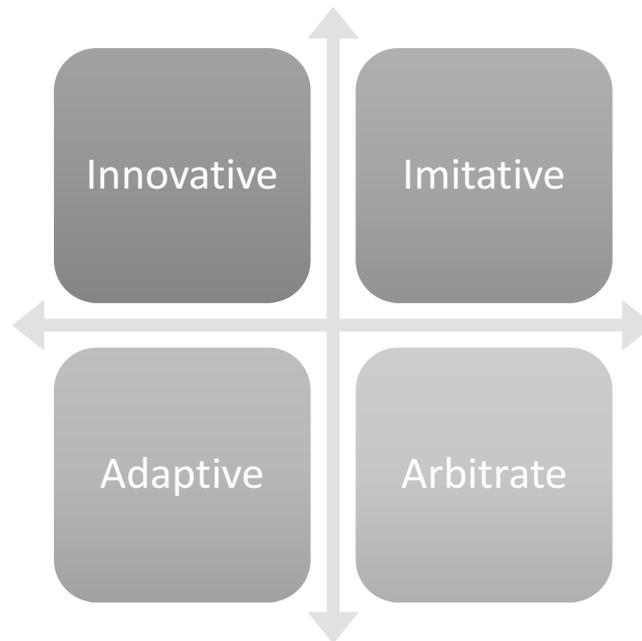


Figure 13: Categories of Invention (Gedeon, 2010)

Gedeon’s lexicon delivers categories of entrepreneurial companies in a more granular way. When analysing the different dimensions the subcategories describe entrepreneurship in detail. Yet, considering the fact that these terms are from different dimensions it needs to be evaluated with care. Another issue that occurs is that in some cases the categories from one dimension are not mutually exclusive.

Another idea to create cluster is to consider the six types announced by Blank, “Lifestyle”, “Small-Business”, “Scalable Startup”, “Buyable Startup”, “Social Startup”, “Large Company Startup”, that appears to cover a majority of entrepreneurial business. Yet, when analysing and allocating companies to the terms, they are not mutually exclusive and the chosen terminologies leave room for speculation. Regarding the three interviews with Artificial Intelligence, HiKey Resources, and Made Comfy; all allocated their companies to the two categories Scalable- and Buyable Startup. Another aspect is that the terms come from different dimensions. Whereas the Lifestyle and Social Startup category is a question of the entrepreneur’s attitude; Small-, Scalable-, and

Buyable Startups reflect the size of a company; and Large Company Startups relate to the origin. The terms can be used when defining the right dimensions though. Allocating and comparing the category names to Gedeons Lexicon terms and taxonomy results in the following: The phrase Social Startups is comparable to the Social Entrepreneurship that is in the Taxonomy of “What?”, which asks the type of value created by the company. Large Company Startups is similar to Corporate Entrepreneurship that can be found in the “Who?” section; a question of ownership and origination of founding. Lifestyle Startups or described in the lexicon as Lifestyle Entrepreneurship allocates to “Why?” which asks for the founder’s goal for the company. The Small-Business Startup is once located in the “Why?” section, as Small Business Startup, but can also be found in the “Who?” part where it could join with Family Business Entrepreneurship. The remaining two terms, Scalable – and Buyable Business allocate not easily to Gedeons Lexicon, yet could join the category section of “Why?” as Blank says the intention for these two types is to grow big without following traditional business paths. (Blank, The Accelerators, 2013) (Gedeon, 2010)

Considering a Quadrant as an established method to assess companies in correlation to each other a similar process can be created in the context of startups; this should allow that four terms, transferred and seen as a description derive to model. The model is created under the assumption that a startup is defined as a company that exists for less than ten years.

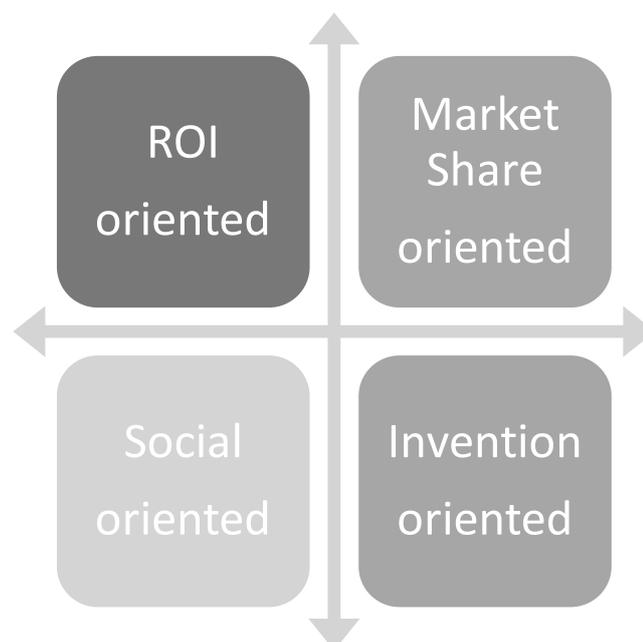


Figure 14: Quadrant of Startup Categories

As Figure 14: Quadrant of Startup Categories shows there are 4 differentiated categories. It starts at the top left side with the term ROI (Return On investment), which indicates an intention of profit seeking – to this term the Darwinian allocates best. The definition of ROI given by Gartner is “Financial gain expressed as a percentage of funds invested to generate that gain.” (Gartner). So it describes a number as a percentage which will indicate the payback amount, or it is used as a method to assess investments. Regarding Blanks types, the Lifestyle-, Small Business-, and Buyable Startup fall within this category as all their focus is partially or fully on a return on investment. The Lifestyle Entrepreneur’s interest might only be in working in their field of passion but in order to do that they need an income too; getting a greater ROI helps them to pursue their dreams. The Small Business Startup’s goal is, as Blank defined it, to “feed the family” (Blank, *The Four Steps To The Epiphany*, 2013) which puts their focus on financials too. The Buyable Startup already reveals its intentions with the name, being acquisitioned to the highest bidder and as soon as possible is their main purpose.

The Market Share category includes all businesses with the motivation to dominate a market. Blanks type Scalable Startup can be allocated to this term as its goal is to gain a good market position in order to acquire many customers, get more venture capital to scale up. (Blank, *The Accelerators*, 2013) The apposite entrepreneurial identity would be the Missionary. It is arguable whether a startup focused on scale is not counting on ROI, but when looking at recent examples like Amazon their main goal is to grow and it does not create shareholder value in the sense of ROI. (Stone, 2013)

The Social Oriented category covers entrepreneurial organisations that “yield and sustain social benefits” (Mair, Robinson, & Hockerts, 2006) rather than focusing on monetary values. Capital, especially social capital, will increase motivation to succeed for a communitarian win. (Stam, Audretsch, & Meijaard, 2009) When allocating the Communitarian identity (Fauchart & Gruber, 2011) it occurs that social oriented startups do not delimit to the non-profit organisations (Mair, Robinson, & Hockerts, 2006), but reach for a mutual benefit. However, a Missionary could eventually allocate to this category

aswell, yet this is rather unlikely as he concentrates on the effect of many rather than to serve few, like the Communitarian does. (Fauchart & Gruber, 2011) The term Social Entrepreneurship indicates that this organisation does not focus on profit seeking but on the ability to share. The term “political entrepreneurship” can be allocated to the term Social Startup as well as of its social intention. (Gedeon, 2010) (Fauchart & Gruber, 2011)

The Invention Oriented startup category complies to a hybrid identity of founder type and the Large- Company Startup introduced by Blank. It does not only delimit to those but covers all Startups that are involved in invention. To clarify the term invention in this context is not the same as innovation as it describes the creation of something new not yet in existence, whereas innovation is recreating and improving something that already exists. This is an exclusive process which requires much financial support and lengthiness which can often be only delivered by corporate or governmental funding. Considering the lean startup methods like the lean canvas model have become attractive for Large- Companies, which qualifies them to become part of this category. (Blank, *The Accelerators*, 2013) Additionally, the renascent entrepreneur is part of this category too as his previous experience qualifies him for invention. (Korres, Lionaki, & Polichronopoulos, 2003) (Stam, Audretsch, & Meijaard, 2009) The problem that occurs with this model, similar to the ones introduced in the literature, is that they appear to be not mutually exclusive.

Reviewing the Marketing types, these are solely regarding the marketing perspective with a great emphasis on technological companies. Yet, startups rise in many branches and market segments; in contrary Figure 9: Categories of Startups introduces a framework with a more general perspective.

Considering the diffusion process as a differentiation for startups it appears to be disproportionally relevant. Certain startups sizes that rely on a market size, if that is too large it can be counter-productive from a financial perspective.(Bürgel, 2000) The different sizes of the market can not be transferred to categories as their characteristics are difficult to delimit. A similar situation occurs regarding to a delimitation process from a financial

perspective. Startups could acquire capital from different finance companies which leads to an inconsistent delimitation.

The category types indicate a startup's focus and motivation; the derived characteristics of the entrepreneur. It seems likely that a startup will keep concentrating on one particular primary goal, influenced by the founder's mindset. However, it is not guaranteed that when a strategic change or fundamental personal altering occurs that the startup still allocates to the same category or even swaps it, as the category reflects the intention of the entrepreneurial firm.

In respect to the dilemmas announced above; the category model (Figure 9: Categories of Startups) solves it to a great extent. Reviewing the term Corporate Startup; it is a delimited category. If the entrepreneurial company becomes a scalable business, it will still be a corporate startup as a large company is still a major shareholder of it. (Bulut, 2008) (Butler, 2015)

Expansible Startup characteristics create a good delimitation for this category. Considering the sole intention of scaling, using a few people to serve a large community, this creates a uniqueness for startups. It could occur that a startup has a scalable intention, but is not profit oriented, in which case it wouldn't be allocated to this category and instead would be allocated to the Social Startup category. Entrepreneurial firms with mandatory intentions using expansible business models are allocated to this term, which delimits it from any other category type of the model.

Considering the Social Startup term with the main characteristic to create a mutual benefit. This business can have a business model that complies to SME's, or an Expansible Startup, yet the intention of non-profit or generating a common wealth is its primary goal which distinguishes this category from the other.

The SME's Startups are delimited by the means of the maximum company size. Switching from this term to any other is unlikely, as of the clear key characteristics; it would involve a dramatic change to the startup's intention, to the market of the startup's product, or to the environment.

When assessing the model's term Freelancer it occurs that it is the weak spot of the model. In an allocation process it can happen that a startup that allots to this type will switch to either a small business startup or to an

Expansible Startup category. Yet, this has to do with a change of the startups intention that is caused by a founder's change of mind. When starting as a freelancer it can occur that working in a certain business will force the founder to increase the workforce to keep up with the competition or to realise a product. Yet, as the interview showed, the intention of a freelancer is to stay 'free' in regards to working on their own terms. (Wenzlawiak, 2015)

8 CONCLUSION

8.1 Summary

The beginning of this research points out the dearth of delimited categories in existing literature; yet, the topic of defining terms to cluster startups seems relevant to research as it is mentioned often. Unlike other research, and models that try to define term by the business types or the founder's types, or from a singular perspective, this thesis is more about clustering by the intention of founding a startup. This then leads to a model that displays category terms for entrepreneurial companies.

8.2 Implications for existing literature

The review of the literature has shown that a few models or procedures exist, which categorises startups. Chapter 2 reveals those findings and displays the frameworks. Yet, the Literature evaluation-, and the Discussion section show that the startup category terms appear to be either from different dimensions, or they are not delimited. Therefore in some models it would be possible to allocate a startup to multiple categories, which creates an inconsistency when comparing entrepreneurial companies.

8.3 Model implications

The categories developed in this thesis introduce a model with a distinguished terminology. The category types are derived from the terms, and the characteristics used in literature. Additionally, the types are compared to the ones from literature and evaluated by the interviews. This led to the assumption that the terms are defined delimited. It could occur that a startup switches from one term to another if its fundamental intention is altered. Yet, the delimitation is still guaranteed as the entrepreneurial company only changes to another type and is not allocated to multiple categories in parallel.

8.4 Areas for further Research

While this thesis provides the basic framework for categorising startups more work is needed in several areas. Analysing the interviews has shown that for all startup types outsourcing is relevant. It appears that all founders outsourced services; in one case it appeared to be a core competency that

was outsourced for performance reasons. This indicates that outsourcing influences the business of a startup, but needs further research to find correlations between the outsourcing types and the startup category. The model introduced in this thesis can be used for clustering the entrepreneurial companies and then searching for those similarities. Furthermore, the path of success seems interesting. It requires more research on the definition of success, in particular for a startup, that can be allocated to a certain category of this thesis model. This could then allow a search for correlation between the category, an outsourcing strategy, and the success.

8.5 Recommendation

The research of the topic startups revealed two challenges. The first one was to find scientifically sound literature. It appears that a majority of the available work on startups are books about a founder or startup's story but aren't supported by research. Regarding this, a scientific survey might deliver more accurate results than current literature does on that topic.

Another challenge that occurred was getting interviews. It seems easy to find an entrepreneur in comparison to securing him as an interview partner. As their time is very valuable to them, it takes patience to acquire them for an interview. The most promising action seemed to be the direct approach. Walking in their office, or approaching them during lunch, a conference, or any other 'harmless' situation led to an interview in most cases. Additionally, knowing someone who knows a founder can be a literal 'door opener', which should be used to get in contact with entrepreneurs.

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10 APPENDIX

Interview template	
Please give a brief overview of the main purpose of <startup name>?	
Can you please tell me the milestones in your career that influenced the way you work as an entrepreneur today?	
How would you describe success?	
How many people are acting as co-founders?	
And how many employees do you have?	
Based on the following categories please allocate <Startup>. Small Business, Scalable Startup, Buyable Startup, or Social Startup.	
What are the resources and services you bought in the beginning?	
Are there any particular platforms you used to launch your product?	
Were there any regrets so far?	

Table 9: Interview Template