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# **The entrepreneur as a relationship builder**

An exploratory study of the influence of the affective domain during the initiation of early customer relationships in an entrepreneurial B2B setting

*Master of Science Thesis  
in the Management and Economics of Innovation Programme*

HENRIK DALMAN  
JOHAN FORSLUND



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HENRIK DALMAN  
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Tutor, Chalmers: INGO RAUTH

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HENRIK DALMAN & JOHAN FORSLUND

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Department of Technology Management and Economics  
Division of Innovation Engineering and Management  
Chalmers University of Technology  
SE-412 96 Göteborg, Sweden  
Telephone: + 46 (0)31-772 1000

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## Abstract

Entrepreneurship as method literature aspires to guide the entrepreneur towards successful venture development. While providing the entrepreneur with useful guidelines for venture development, little emphasis has been put on how the entrepreneur get in contact with their early customers. Furthermore, in contrast to other streams of literature, entrepreneurship as method literature makes no distinction between business to business and business to consumer markets. To study how relationships are created becomes especially crucial in a business to business setting where customer contacts are limited and highly valuable. Moreover, the entrepreneurship as method literature has depicted the entrepreneur as an actor making rational choices. Hence, this thesis focus on business to business entrepreneurs and assumes that a potential customer's decision to enter a business relationship with an aspiring entrepreneur is based in the rational domain, *as well as* the affective domain. It is specifically the influence of the affective domain that this thesis has examined and explored.

This thesis has used an abductive research logic in order to develop an understanding of customer engagement in the entrepreneurship as method discourse. A concurrent development of the theoretical and the empirical led to the development of four propositions in relation to initial customer engagement. These are compared to the collected empirical material, which consists of seven interviews with entrepreneurs operating in a business to business environment.

The findings highlight the interpersonal relationship between the business to business entrepreneur and its early customers as an important facilitator for the initiation of a relationship. Specifically, the findings showcase that entrepreneurial decision making is also based in the affective domain during initial customer engagement. This is noteworthy as entrepreneurship as method literature have focused on the rational as a basis for decision making.

The conclusions of this thesis highlight the interpersonal relationship between an entrepreneur and early customers as important. Hence, the entrepreneur cannot only be viewed as a product or service developer, but must also be viewed as a relationship developer.

**Keywords:** *Affective, Business relationship initiation, Business to business, Entrepreneurship, Entrepreneur, Interpersonal, Social exchange*

## List of abbreviations

*B2B - Business to business*

*B2C - Business to consumer*

*EAM - Entrepreneurship as method*

*SET - Social exchange theory*

## List of expressions

*AFFECTIVE ATTACHMENT – attribution of an emotional experience towards e.g. a relationship.*

*AFFECTIVE DOMAIN – includes factors of how individuals deal with things emotionally, such as feelings, values, appreciation, enthusiasms, motivations, and attitudes.*

*AFFECTIVE STATE – the individual experience of a feeling or emotion.*

*BUSINESS MODEL - abstract representation of an organization of all core interrelated architectural, co-operational, and financial arrangements designed and developed by an organization presently and in the future, as well as all core products and/or services the organization offers, or will offer, based on these arrangements that are needed to achieve its strategic goals and objectives*

*COGNITIVE DOMAIN – includes factors of an individual's mental abilities and processes related to knowledge, attention, memory and working memory, judgment and evaluation, reasoning and computation, problem solving and decision making, comprehension and production of language.*

*INITIATION - the process of forming a new business relationship.*

*STARTUP – A newly created entrepreneurial venture with the goal of finding a repeatable and scalable business model.*

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# 1 Introduction

Starting a new entrepreneurial venture, a '*startup*', has become increasingly popular in recent years (Butler & Tischler, 2015), and the startup movement which currently undergo a 'Cambrian explosion' (Mansoori et. al, 2015; The Economist, 2014). The protagonists of these startups are the entrepreneurs, the men and women willing to devote their time to developing and nurturing their new venture. There are undoubtedly as many definitions of what a startup is as there are entrepreneurs, however Blank (2012, pp. 5) provided an often cited definition of a startup as a "*temporary organization designed to search for a repeatable and scalable business model*", which will be used in this thesis.

Entrepreneurs and their startups, which are most often small companies, operate in an uncertain environment, have resource constraints, and face overwhelming odds and considerable threats (Aldrich, 1999; Fiet, 2007). An example of a common threat is that another company develops a similar solution. Furthermore the financial constraints in a startup are often substantial, since no scalable business model to build revenue upon is finalized yet and revenue is likely to be scarce, if it even exists (Ries, 2011). In recent years however, surges in academia and practice have provided methods and guidelines for the entrepreneurs to navigate these challenges in the search for a repeatable and scalable business model (e.g. Ries, 2011; Sarasvathy, 2001; Blank & Dorf, 2012).

A big part of the entrepreneur's everyday life is focused on developing the specific product or service proposition to build the business model upon. Naturally these value propositions can take many shapes and forms. The literature about how entrepreneurs ought to develop new ventures is most commonly referred to as "*entrepreneurship as method*" (henceforth denoted EAM) (Mansoori et. al, 2015). EAM can be defined as "*a coherent set of principles of thought and action that guide entrepreneurial action and interaction in the process of venture development*" (Mansoori et. al, 2015, p.3). This stream of literature provide an aspiring entrepreneur with guidelines on how to deal with the uncertain environment they face when searching for a scalable business model. As an example, Ries (2011) popular '*Lean Startup Methodology*' presents the entrepreneur with a set of methods for testing the assumptions of their business model against potential customers, to ensure that the venture is developed towards an actual demand.

The EAM literature mainly provides guidelines and methods for product or service development. Although the EAM literature has provided the aspiring entrepreneurs with tools to develop their new venture, 75% of all startups fail (Blank, 2013). According to CB Insight

(2015), lack of market demand is the most common reason for a startup's failure. Since EAM literature is well developed with regards to product or service development, studies that highlight factors beyond technological and economic factors during venture development should be of interest.

Therefore, while existing methods are focused on an important aspect of reducing the risk of failure there are other factors influencing whether a startup will find its' scalable business model or not. One such factor of developing a new venture is building and maintaining relationships with customers. Furthermore these potential customers could be both consumers and/or large companies, however no clear distinction between the two exists in the literature.

The entrepreneur's search for a scalable business model must at some point identify and engage customers in order for the business to survive. If a situation where no customers can be found, be they organizations or individuals, the new venture will most likely fail due to lack of market demand. The phenomenon however has not gone unnoticed in EAM literature. For example Sarasvathy & Venkataraman (2011) describes that research on the interpersonal relationships between the entrepreneur and its early stakeholders is missing. While the early customers are stakeholders of great importance for the entrepreneur to find a repeatable and scalable business model, much of the literature focused on the entrepreneur's early stakeholder has been geared towards investors.

### 1.1 Problem formulation

How an entrepreneur ought to build and develop relationships with customers differ greatly depending on who the value proposition is developed for. EAM literature, unlike other streams of literature, have no clear distinction between business to consumer markets (B2C) and business to business markets (B2B).

Traditionally, marketing literature has described and analyzed the characteristics of B2C and B2B markets and both markets are described to differ in multiple aspects. First, the market structure differs, where a B2B market usually consist of fewer and larger buyers (Kotler & Armstrong, 2012). Second, purchase decisions on a B2B market usually involve multiple participants in decision-making and are far more complex when compared to consumer markets, which are argued to result in a longer and more formalized buying process (Kotler & Armstrong, 2012). Thirdly, in contrast to a B2C market, a B2B market is characterized by long-term relationships between actors, since the relationship influence both businesses (Kotler & Armstrong, 2012).

This thesis specifically focus on entrepreneurs operating in a B2B setting. As Sarasvathy & Venkataraman (2011) has noted the lack of studies of interpersonal relationships between the entrepreneur and early stakeholders, and this thesis specifically focus on one of these early stakeholders; the customer. The inherent differences between a B2B and B2C market, as described by Kotler & Armstrong (2012), arguably makes a B2B setting more interesting to study the interpersonal relationships in. Furthermore, Aarikka-Steenroos (2008) similarly argues that a better understanding of how to create new business relationships would help startups to build their initial customer-base.

The process of engaging in a new business relationship has been denoted *initiation* in marketing literature (Edvardsson, 2007). As noted by several marketing scholars however, research on the initiation process is scarce (Edvardsson et. al., 2007; Valtakoski, 2014). Some scholars, such as Wilson (1998) and Buvik (2001), proposes that the B2B marketing area ought to be more focused on sociological factors, with the rationale that it is social encounters between individuals within organizations that comes together and make deals happen. Wilson (1998, p.786) for example states that B2B marketing “*becomes much more of a matter of developing and managing the appropriate relationship with the appropriate people in the organization*”.

Entering a business relationship with a startup is arguably risky. This thesis views the concept of risk as closely related to the concept of trust, since trust between partners would not be needed if the results of the relationship were known in advance (Valtakoski, 2015). Thus, trust could be argued as being of importance for the initiation for a business relationship between an entrepreneur and a customer, especially during the early stages of the venture.

The entrepreneurship literature is an interdisciplinary field which has incorporated views from a range of disciplines to understand issues related to entrepreneurship (Braunerhjelm et.al, 2008). The EAM literature however, has yet not incorporated the sociological perspective described above as a factor in entrepreneurial research. Whilst the lack of studies of the interpersonal relationships an entrepreneur develops with early customers has been noted (Sarasvathy & Venkataraman, 2011), little prior research addressing the interpersonal relationship can be found. Thus this thesis will explore the interpersonal relationships in an entrepreneurial setting.

## 1.2 Purpose

This study explores the interpersonal relationships with early customers from the perspective of the entrepreneur. Instead of focusing on the product or service specific factors, the focal point of the study is the interaction between the entrepreneur and their early customers. Hence, the purpose is to explore the sociological domain in an entrepreneurial setting, in order to examine if the use of a sociological perspective is a healthy addition to the entrepreneurship as method literature.

## 1.3 Research questions

To address purpose of the thesis, the thesis will first review existing theories on EAM. As a starting point, the gaps in regards to early customer engagement in the EAM literature will be identified. Therefore influential contributions to the field of entrepreneurship as method will be examined.

### **RQ-1: “How does entrepreneurship as method literature address the interaction with early customers?”**

Answering the first research question provides an overview of the existing knowledge and theories regarding early customer engagement in the EAM literature. To expand the discourse around EAM literature, the affective domain of the interaction with early customers and how they might affect the entrepreneurs’ actions will be explored, investigating marketing and social exchange theory.

### **RQ-2: "How is the affective domain influencing the entrepreneur during the initiation of relationships with early customers?"**

Answering research question 2 will result in the development of a series of theoretical propositions. These will then, in the discussion chapter, be compared to the empirical accounts regarding how entrepreneurs describe their early customer interactions. The intention is to gain a deeper understanding to which extent the affective domain influence the entrepreneur during the initiation of these relationships.

### **RQ-3: “How do entrepreneurs perceive the influence of the affective domain during the initiation of relationships with early customers?”**

Through these three research questions the relevance of an addition of a sociological perspective to the EAM literature will be assessed, in relation to early customer interaction.

## 1.4 Disposition

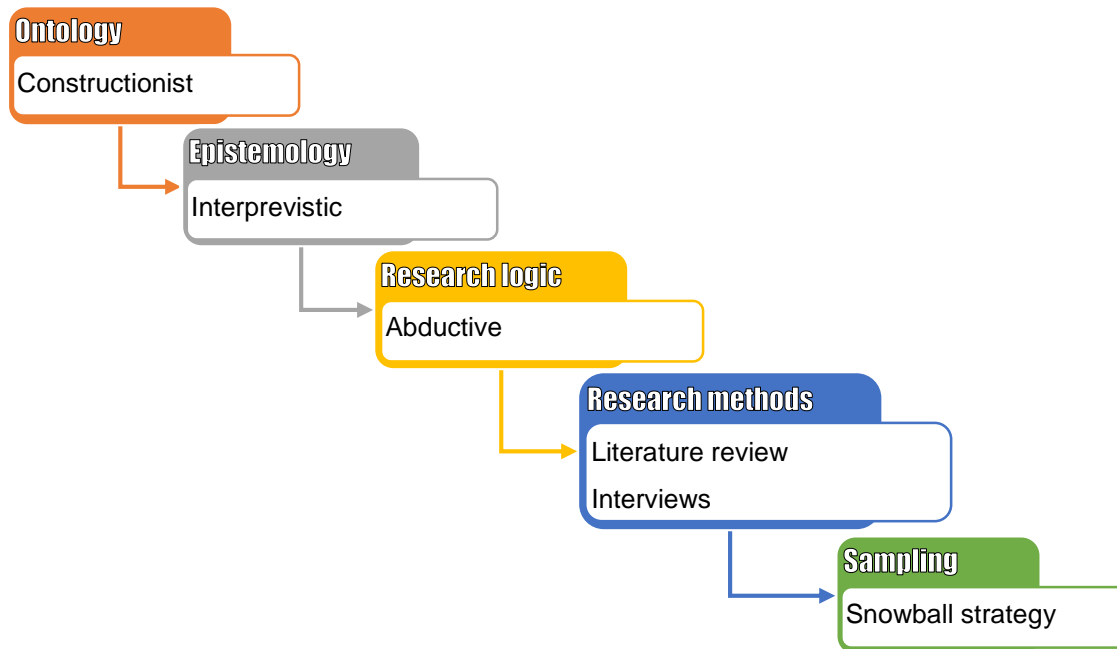
This thesis will be divided into seven chapters. The first chapter introduce the subject and present the purpose of the thesis. Given the abductive logic employed during this research,

the second chapter describes the method employed in the study underlying this thesis. After the method is elaborated upon, the third chapter presents a literature background. The chapter consists of three sections: a review of entrepreneurship as method, a review of how marketing literature perceive a business relationship's initial phases and the sociological theory that will be applied, namely the affect theory of social exchange.

The fourth chapter presents the propositions of this thesis identified in theory. The empirical findings are then analyzed in regards to the propositions, which are presented in the fifth chapter. The findings in relation to the propositions are discussed in the sixth chapter. The seventh chapter will conclude the thesis and outline areas for future research.

## 2 Method

In this chapter, the research process employed in the research underlying this thesis is presented. Explanations for how the research has been conducted, and the reasons why, will follow a model used in social research, presented in figure 2-1.



*Figure 2-1: The interrelationship between building blocks of the research conducted (Grix, 2002, adopted from Hay, 2002, p. 64)*

The study underlying this research is based upon both empirical and theoretical investigations. A review of the epistemological and ontological position of the thesis is presented in the following chapter. This was deemed necessary since different epistemological and ontological positions can yield different explanations of the same social phenomenon (Grix, 2002). Thereafter this chapter will examine the research logic of this thesis, the methods that have been employed to collect relevant data, how the data has been sampled and characteristics of the sample. Sequentially this chapter will discuss the ethical considerations of the study, delimitations of the study and finally methodological limitations.

### 2.1 Ontological and epistemological considerations

This thesis aims to understand the interpersonal relationship between an entrepreneur and an early customer. Since the social interaction between the entrepreneur and early customer is the focal point of the study, and in order to understand the subjectively unique interpersonal relationships, this research adopts a constructionist viewpoint towards the social phenomenon that is studied. A constructionist viewpoint asserts social phenomenon as continually being accomplished by social actors and their interactions, and therefore also is highly dynamic and under constant changes (Bryman & Bell, 2011). A philosophical



explanation of the constructionist approach is that there is no objective truth or reality, but truth and reality is a product of people's interaction with the world (Sarantakos, 2013).

In order to understand the interpersonal relationship between an entrepreneur and its early customers from the point of the entrepreneur, the interaction between the two actors and the interpretation of those interactions must be studied. To understand the phenomenon, this thesis adopts an epistemologically interpretivist stance. An interpretivist stance is described by Bryman & Bell (2011) as a view focused on the understanding of the social world and examination of the interpretation of its participants. Sarantakos (2013) describes it as assigning value to people's subjective meaning, which shortly can be explained as the way one views the world and assign value to the things in it. Prominent sociologist Max Weber also provide a useful explanation when describing it as taking an understanding, *verstehen*, stance, rather than an explaining, *erklären*, stance, towards social phenomenon.

## 2.2 Research logic

To clarify the reasoning in this thesis it is of importance to differentiate between the *research logic* and the *research process* (research methods) (Collies & Hussey, 2014). A further examination of the *research methods* is presented in the next section.

The *logic* of this research does not conform to the archetypes of either having an inductive or deductive approach as described by authors such as Bryman & Bell (2011) or Collies & Hussey (2014). Instead this thesis employs an abductive approach, which fits the purpose of this thesis. Dubois & Gadde (2002) describe the abductive approach as appropriate in research situations where the objective is to discover new things or new relationships between theory and observations. A salient theme of the logic for an abductive approach is the concurrent development of the theoretical and the observational, as described by Dubois & Gadde (2002, p. 555):

*"...we have found that the researcher, by constantly going 'back and forth' from one type of research activity to another and between empirical observations and theory, is able to expand his understanding of both theory and empirical phenomena."*

The described 'back and forth' procedure has characterized how this research developed. To achieve a higher level of matching between theory and observations, a continuous refinement of the two elements had taken place throughout the study. Several theoretical fields have been explored in relation to the research topic to achieve a better match with the empirical observations. Dubois & Gadde (2002, p.557) defines this process as systemic combining, which is described as a redirection of the study which entails *"insights that*

*resulted from unanticipated data contributed to further development of the framework and triggered the search for complementary theoretical concepts.”*

## 2.3 Sampling

Since mapping out the population of B2B entrepreneurs in Sweden seemed impossible, this study relied on a snowball sampling strategy (Bryman & Bell, 2011). The main assumption was that most of the relevant interviewees are connected to each other in closer loops than the researchers ever could map out as outsiders (Bryman & Bell, 2011). Another advantage of the snowball sampling was the ability to quickly seize opportunities of interviews with newly introduced entrepreneurs the researcher encountered during their investigation. Thus this thesis followed a snowball sampling approach where contact was made with a small group of entrepreneurs which led to contacts with a bigger group of individuals (Bryman & Bell, 2011). This approach yielded a sample of seven interviews, after which the researchers deemed the collected data to be extensive enough.

### 2.3.1 Sample characteristics

The sample consists of individuals operating in firms belonging to a range of business areas. Two main reasons for not limiting the sample frame to exclude entrepreneurs operating within any certain field of business can be given. First (1), to allow for a variance reflecting the diversity of the population, given the already delimited field of business the entrepreneur had to operate in (B2B). Second (2), the focal point of the study is the interpersonal relationships, rather than technical, business or industry specific factors.

For the respondents to have any insight about how the interpersonal relationship took shape during the initial phase of the venture development, only entrepreneurs that are still active are included. Furthermore, it was deemed important that the venture with which the entrepreneur was involved was not too young, nor too old. The respondent in a too young venture would not have had the time to reflect on the issue, however a respondent in a venture that was too old would have trouble remembering how these relationships played out. The age of the ventures in the final sample was between 2 - 10 years, with a mean of 5 years.

An important factor was whether the interviewee was a founder of the startup. This was deemed important since the interviewee had to be active within the firm when the initial customer relationships were developed. In most cases the interviewee was indeed a founder, however where not possible a judgement call had to be made whether the interviewee was suitable for the sample or not. In the final sample, all except one of the interviewees were founders, however this interviewee was present during the period of time when relationships evolved, and is therefore included in the final sample.

The preferred method for conducting the interviews was in-person, but in most cases this was not possible due to geographical reasons. When not possible, interviews were conducted through the video streaming service Skype, which was the medium most interviews were conducted over. One interview however, was conducted over telephone due to technical issues. The interviews lasted between approximately 40 minutes and 1 hours and ten minutes, and were recorded and verbatim transcribed.

Case #	Company activity	Company age (years)	Interviewee founder	Interview with	Method
1	Additive manufacturing	2	Yes	CEO	Phone
2	Digital publishing platform	7	Yes	CTO	Video streaming
3	Measuring systems in energy industry	10	No	CEO	In-person
4	Digital reader of physical information	5	Yes	CEO	Video streaming
5	Measuring tools in extraction industry	5	Yes	CTO	In-person
6	Multi-touch screen software	7	Yes	CEO	Video streaming
7	Digital platform for idea evaluation	3	Yes	Marketing & sales manager	Video streaming

*Table 21: Summary of interviewee sample*

## 2.4 Research methods

To investigate the interpersonal relationship between an entrepreneur and its early customer, a comparative multiple case study design was deemed as appropriate. The research methods utilized by the researchers of this thesis is qualitative in nature, relying on phenomenological experiences of social actors collected through interviews. The strength of the research method is that it improves theory building in the sense that it is easier for researchers to establish the circumstances where the theory will, or will not, hold (Bryman & Bell, 2011). Furthermore multiple cases allows for the researcher to arrive at more convincing patterns if the findings stem from several different sources (Yin, 1994).

As the purpose of this thesis is to explore why and how a certain social phenomenon comes about, the multiple case study provide an important element of comparison between cases. The essence of the multiple case study is the strength to be able to use the contrasting characteristics of two or more cases as a springboard for theoretical reflection (Dubois &

Gadde, 2002; Bryman & Bell, 2011). Yin (1994) describes the method as useful when a study entails questions of how and why as well as require an extensive description of a social phenomenon. Moreover the study should not require behavioral control of events (Yin, 1994).

#### 2.4.1 Literature review

The EAM literature is the basis for this thesis and this stream of literature has therefore been reviewed in a systematic way. Given the abductive approach used during the development of this thesis, the scope of the literature review has evolved during the development of the thesis. A wide range of literature from sociology, psychology and economics has been reviewed in order to gain an understanding of the phenomenon studied, most of which has been excluded from this thesis since the researchers deemed that they did not match the empirical data of the underlying study.

#### 2.4.2 Interviews

To be able to compare between different cases, interviews were conducted. In order to sustain a structured approach while still retaining some flexibility an interview guide was developed and used. The rationale behind this was that the interviewees would choose to focus on what they themselves deemed as important with regards to the topic. Bryman & Bell (2011) describes this approach as conducting semi-structured interviews, which is a fruitful way to collect data when wanting to achieve a flexible approach to interviewing while still retaining the ability to compare answers between interviews. Given the abductive approach of this research, small alterations to the interview questions was made during the research. The concurrent development of the empirical and the theoretical led to smaller redirections of the study, which alters what is deemed most important during the interviews.

The most important aspect of using interview guides was that they allowed an iterative development of the study. The creation of the interview guide was not a one-off creation, but was rather under constant revision during the thesis work. A pilot test of the interview guide with two novice entrepreneurs was conducted before the actual interviewing began. It allowed the researchers to practice before interviewing, detect flaws of question framing or delivery as well as allowed for changes in the overall structure of an interview.

Furthermore extensive usage of field notes and reflection between the authors after each interview was a present theme during the data collection. Eisenhardt (1989) describes the advantages of using field notes as the frequent overlap of data analysis with data collection. Moreover the different cases were compared after each interview which led to the formation of new ideas and the identification of relationships between the observational and theoretical (Eisenhardt, 1989). This approach resonates Dubois & Gadde (2002) and is thus regarded as in line with the reasoning on systemic combining.

## 2.5 Ethical considerations

Ethical considerations and mitigating efforts must be taken to ensure the researchers does not harm respondents in any way. The researchers have avoided the ethical pitfalls proposed by Bryman & Bell (2011, p.128); invasion of privacy, lack of informed consent, harm to participants and deception. Sarantakos (2013) describes ethical violation as a drawback when using qualitative methods due to the close contact with respondents. The interviews conducted raise questions about ethics problems due to the fact that interviews allow the researchers to report upon the lives and thoughts of respondents on a public arena (Kvale & Brinkmann, 2005).

Related to this research the aforementioned guidelines relate to a number of activities the researchers avoided. To avoid any invasion of privacy and lack of informed consent the researchers always informed possible interview subjects about the aim of the study, and how the responses was intended to be used. Since some of the answers given during interviews could potentially be sensitive information to the continued business and/or any relationships to the entrepreneur and/or his/her organization, the researchers have decided to not disclose names of interviewees and the firms they operate in. Whilst this has some impact on the validity of the study (discussed further in the next section), this was necessary to ensure that no invasion of privacy in regards to the respondents were violated. Naturally, the respondents have been informed of this procedure, therefore mitigating any risk of an ethical violation due to lack of informed consent.

Harm to participants can be hard to detect, especially psychological stress put on by interview questions (Bryman & Bell, 2011). The key factor in avoidance of any harm to participants has been to conduct the interviews carefully and respectfully, and realizing that any display of discomfort is overstepping some boundary of psychological harm. This did not occur during the interview process. Furthermore, when conducting the interviews, honesty about what the study entails and inviting questions about the study has been deemed crucial, as to avoid any deception. This procedure can also be regarded as an extension to explaining the purpose of the study, and how responses may be utilized.

## 2.6 Delimitations of the study

The study exclusively focuses on entrepreneurs operating in a B2B environment, and therefore omit the B2C environment perspective. As described in the introductory chapter, there are inherently different buying behaviors on these types of markets. A study including entrepreneurs operating in a B2C environment would have been done in a different manner. This does not necessarily mean that the B2C setting would not benefit from applying a

sociological lens, however the inclusion of such an investigation is outside of the scope of the thesis, since the sampling of startups would be had to be extended beyond what is feasible.

This thesis embarks from the perspective of the entrepreneur, as opposed to incorporating the perspective of the customer. The main rationale for this decision is that the thesis aims to describe and analyze the early market engagement from the entrepreneurs' stance. In other words, the aim is to understand the activities undertaken by the entrepreneur, how they perceive the initial customer engagements and collecting empirical data on how they go about building those relationships.

A critique to this approach could very well be the fact the unit of analysis is the dyadic interpersonal relationship between buyer and seller, and that these two influence each other. While this holds true, it does not necessarily make this study less relevant. The aim is to understand the entrepreneur's stance, whereas the incorporation of the buyer's perspective, in anecdotal form, would add another dimension and result in a more complete picture. Furthermore, questions about the sincerity and validity of responses from the buyer's perspective could be raised.

The thesis focuses on entrepreneurs offering some high-tech or novel ideas to their customers. The idea is to study a phenomenon where the interpersonal relationship between an entrepreneur and its early customer is of importance, and therefore the sample includes firms that offer products or services beyond commodities. Such a setting arguably is more focused on relational aspects rather than economical ones, especially in initial phases of a relationship. Hence it is of importance to notice that the product or service offered by the entrepreneurs have some sort of high tech aspect, however the impact will not be studied.

Another factor that will be omitted is the success rate of the startups in the sample. The purpose is not to analyze what factors are most critical for success, but rather to qualitatively identify how and why the phenomenon unfold the way it does. The main logic behind this decision is that such a discussion would be too product or service dependent, and is rather a subject for another type of study. Moreover the entrepreneurs in the sample were all successful in establishing a relationship prior to the study. Therefore, technological and/or economic aspects of the value proposition is not included as a building block in the entrepreneur's relationship initiation. Certainly the value proposition of an entrepreneur's startup influence the discussion with potential customers, but these aspects do not fall within the sociological domain. This is an important delimitation of the study, it solely applies a sociological perspective on the early customer relationships.

## 2.7 Methodological limitations of the study

Any method naturally bring forth some limitations. In this section the limitations inferred from the research process will be presented, and mitigating efforts will also be presented. Critique towards qualitative research is that it is too subjective and non-transparent (Bryman & Bell, 2011). Steps to mitigate these limitations has been employed during this research. To reduce the subjectivity of the study, the literature review is extensive to allow for scrutiny. Anchoring ideas in literature ensures an as objective as possible view of the phenomenon studied. To some extent though, it is the minds of the researchers that lead into the findings of this research.

The concealment of interviewees' names and the firms they operate in naturally creates transparency issues. Whilst this is problematic, especially in regards to external reliability and external validity, it is an issue that could not be circumvented. Due to the ethical considerations it was deemed as the best course of action. The industry the firms operate in is disclosed however, to allow for highest possible transparency without any ethical violations.

In qualitative research it is always difficult to ensure high external reliability, which means the degree to which a study can be replicated (Bryman & Bell, 2011). It is impossible to freeze a social setting, and when replicating a study that same social setting is impossible to replicate. Bryman & Bell (2011) however depicts the internal reliability of a qualitative research, which means to what degree several researchers agree on what they observed, as high. Steps to ensure this has been to conduct interviews in pair, summarize the interviews directly and to keep an open dialogue when conducting the research.

The external validity, which refers to what degree a study can be generalized across social settings, is considered to be low in a qualitative study (Bryman & Bell, 2011). The realization that such a small sample size utilized in this study can never be generalized to any greater extent is of importance. The sampling strategy further amplifies problems with the external validity. The exploratory nature of this study however does not aim to produce normative advice generalizable over social settings with large discrepancies, but rather highlight the importance of the interpersonal relationship between an entrepreneur and its early customers. Furthermore the researchers believe that the social setting studied here share many similarities in any case. Nevertheless, the realization that a sample of this size is not generalizable across greater populations is important, nor that the study was intended to.

The research design of this study has brought on some limitations. Firstly, this study has only incorporated the view of the entrepreneur, while the dimension of analysis for the initial customer relationships is dyadic. Therefore the logical step in order to gain a better understanding of the process, would be to incorporate the views of the customers as well. Furthermore future research in the domain of business relationship initiation between entrepreneurs and their customers would benefit from incorporating both viewpoints.

Secondly, the entrepreneur in this study is referred to as a single actor. Often times however the entrepreneur is not acting alone, but rather with one or several partners. The interactions and differing views between entrepreneurs within one business entity could potentially produce different findings.

Thirdly, the customer is similarly seen as a single actor. The dyadic approach to the relationships has brought on the assumption of an interpersonal dyadic nature. Relationships in this setting is however hardly dyadic, but rather between several individuals. For simplicity this thesis has viewed the entrepreneur and the buyer as two single entities, while in reality rather consisting of complex networks of people. Therefore the relationship between entrepreneurs and customers is perhaps best studied with a group or network approach, rather than a purely dyadic one.

Fourthly, the dyadic approach results in an omission of the network that the entrepreneur operate in. This thesis explores an entrepreneurs' early customer interactions, however other stakeholders in an entrepreneur's network might impact these interactions. Although such clashes too could fall into the analysis domain of sociology, it is not included in this thesis. Furthermore the network of customers and their interactions is similarly not considered.

Fifthly, as the design of this study impose a retrospectively reflecting mode on the entrepreneurs, the presence of ex ante rationalizations is a possibility. Some of the empirical material might therefore be subject to ex-ante sense making from the entrepreneurs. A possibility to overcome this problem could be longitudinal studies that observe the entrepreneurs during the venture development process. The assumption that this type of research would be complex and time consuming to conduct has been made, and was therefore not plausible for this study given time and resource constraints.



### 3 Theoretical background

This chapter presents the theoretical foundation for the propositions presented in the next chapter. First a review of the EAM literature will be presented, and how this stream of literature describes the relationship with customers. Based on the review, starting points for this study with regards to early customer engagement will be presented. To develop these further the second section will present a review on how marketing literature describes the initiation of relationships between two business entities. Moreover the second section also establishes the construct of trust as being influential during the relationship initiation process. Lastly a review of social exchange theory, mainly focused on an affect theory of social exchange is presented. This is done to add a sociological and interpersonal perspective to the phenomenon studied.

#### 3.1 Entrepreneurship as method

In order to map the literature about EAM, a formal definition of the expression is needed to guide which works to include in the review. This thesis will adopt Mansoori et. al's (2015, p.3) definition of EAM as *“a coherent set of principles of thought and action that guide entrepreneurial action and interaction in the process of venture development”*. Mansoori et. al's (2015) review on the literature provides a useful distinction of EAM into two distinct approaches, which has been used as the basis for this analysis. These two approaches are termed the transformative approach and the experimental approach. This distinction between the works will be followed throughout this thesis. Together these two strains create the field of study that is denoted entrepreneurship as method, and this review will contain works from both.

In this review individual contributions to the field of EAM will be presented. First a review of three contributions conforming to the transformational approach will be presented and summarized. Sequentially three contributions conforming to the experimental approach will be presented and summarized. These summaries will focus on four dimensions related to the relationship between the entrepreneur and the customer. Given the purpose of this thesis, to explore the interpersonal relationships with early customers from the perspective of the entrepreneur, the dimensions of interest are the view of the entrepreneur, the view of the customer, the interpersonal relationship and practical advice on how to approach the customer. The last section presents the differences between the two approaches and compile them to present starting points for the study.

### 3.1.1 The transformative approach

Mansoori et. al (2015, p. 1) describes the transformative approach to entrepreneurship as *“grounded in viewing the future as socially created, [the transformative approach] prescribes heuristics to guide emergent processes of collective co-creation of products, organizations and markets”*. In this review three influential contributions to the transformative approach will be examined further; Effectuation (Sarasvathy, 2001; Sarasvathy & Dew, 2005; Sarasvathy, 2008), Entrepreneurial bricolage (Baker & Nelson, 2005) and Dynamic creation (Chiles et. al., 2010).

#### *Effectuation*

Sarasvathy (2001) introduced a new way of thinking about novelty creation in markets, organizations or products. The difference compared to the commonly used causation process can be explained with the opening citation: *“In economics and management theories, scholars have traditionally assumed the existence of artifacts such as firms/organizations and markets. I argue that an explanation for the creation of such artifacts requires the notion of effectuation. Causation rests on a logic of prediction, effectuation on the logic of control.”* (Sarasvathy, 2001, p.243)

The difference between the two ways of thinking can be exemplified in a simple thought experiment, borrowed from Sarasvathy (2001). Imagine a chef either cooking a meal from a menu and recipe, all she needs to do is to shop for the items, then cook. The other way is if a chef is told to look around the cupboards and see what is available and then cook a meal. While highly simplified, this describes the difference between causation and effectuation. In both situations the end goal, or aspiration, is the same (to cook a meal), but the ways to get there differ. It is either choosing between means to create a particular effect; or choosing between many possible effects using a particular set of means. This is the essence of the

difference between causation and effectuation. The effectuation model can also be figuratively described, as presented in the figure 3-1.

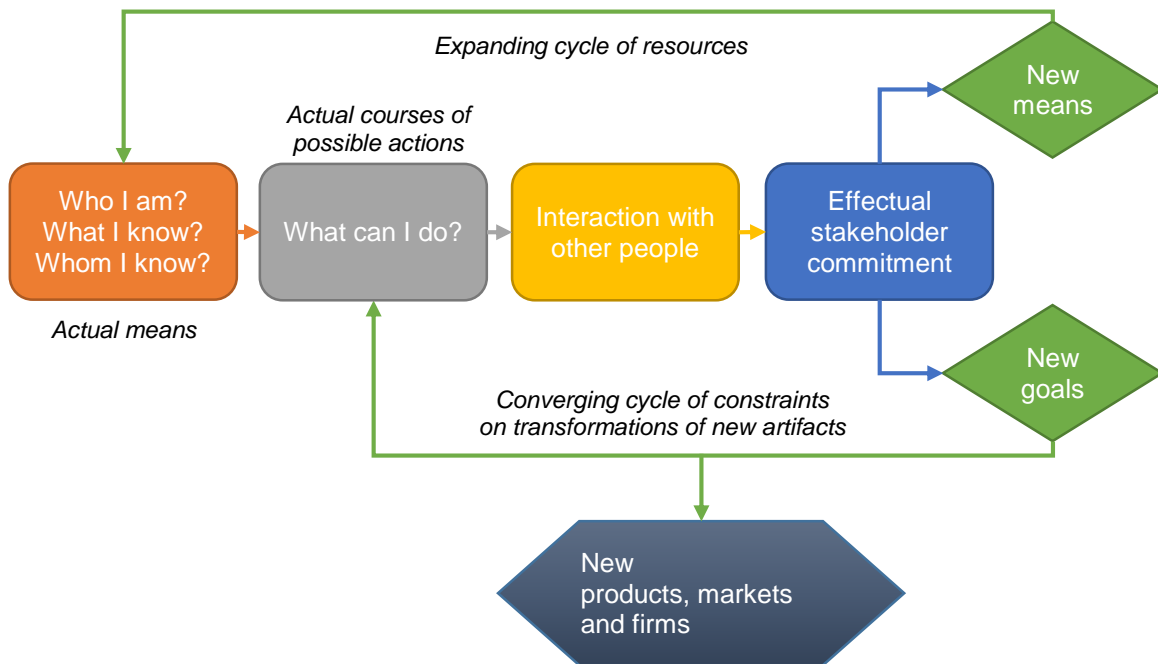


Figure 3-1: The process of effectuation (adopted from Sarasvathy & Dew, 2005)

Sarasvathy (2001, 2009) and Sarasvathy & Dew (2005) sum up five principles of effectuation as:

- The *bird-in-hand* principle relates to the effectual entrepreneur having a means-driven approach to create something new, which is taken the point of departure from what is available at the moment.
- The *affordable loss* principle postulates that the effectual entrepreneur focuses on how much loss is affordable and then try to experiment with different strategies as much as possible given the limited means. The effectuator prefers options that create more options in the future over those that maximize returns in the present.
- The *crazy-quilt* principle emphasizes the importance of strategic alliances and pre-commitments from stakeholders as a way to reduce risk or erect barriers. Sarasvathy (2009) describes it as involving all potential and interested stakeholders who are willing to commit to the new venture, and that this is the way that the goals of the venture are determined.
- The *lemonade* principle favors the exploitation of contingencies that unexpectedly arise over time and rather than trying to calculate or avoid the contingencies, the effectual entrepreneur ought to adapt to them.

- The *pilot-in-the-plane* principle states the importance of focusing on controlling an unpredictable future, and working with human agency as the prime driver of opportunity.

A central theme in the effectuation model is the usage of commitments of stakeholders to gain new means upon which the business can develop further. This expansion of means is a result of interaction with the stakeholders, or in other words building and maintaining interpersonal relationships in an expanding network around the entrepreneur's new business venture. In this sense the effectual model is human centric, where social co-construction is the cornerstone of the model. The importance of expanding the entrepreneurial commitment network is to exploit or leverage actors in a fruitful way for the entrepreneur.

#### *Entrepreneurial bricolage*

Baker & Nelson (2005) summarize bricolage into three principles of thought: a) "*making do*" which implies a tendency to act quickly on the problem and try out different alternatives, b) using the "*resources at hand*" which entails the need for being resourceful in using the readily available inputs, and c) "*combination of resources for new opportunities*" which suggests the ability to put recombined elements to unexpected uses (Baker and Nelson, 2005, p. 334-336). Baker and Nelson (2005) studied a set of companies and found that some companies had strong bricolage tendencies. However only those companies choosing to selectively undertake bricolage seemed to grow.

The core idea in entrepreneurial bricolage is how an entrepreneur using bricolage view the environment constraints, and its willingness to test these constraints. Baker & Nelson (2005, p. 365) poses the question "*How do you create something from nothing?*" and sequentially answers the question by stating that it "*...is by refusing to treat (and therefore see) the resources at hand as nothing. This refusal calls upon and provides a context in which firms actively exercise their creative and combinatorial capabilities, their tolerance for ambiguity and messiness and setbacks, and their ability to improvise and take advantage of emerging resources and opportunities.*"

In relation to customer interaction, the bricolage model treats customers as readily available. Thus the customer is described as a springboard for venture development, especially in the early stages. The selectively fruitful bricolage described in the article is principally formulated as "*exploiting*" customers (and other resources) rather than creating a permissive community of practice and bricolage identity. However it can also be formulated as strategic alliances and creating incentives for co-creation, rather than exploitation. The principal thought of using customer as springboards for venture development however remains.

### *Dynamic creation*

Chiles et. al (2010) formulated a new way of thinking about entrepreneurship, especially extending the Austrian economics concept of “radical subjectivism”. The "radical subjectivism" paradigm highlights the subjective preferences as well as expectations as an important building block for developing economic theories. In the article the new way of thinking about the entrepreneur is labeled ‘Dynamic creation’, and it revolves around three building blocks - the entrepreneur, the firm and the environment.

The entrepreneurs are seen as originators of a continual stream of novel, forward-looking, subjectively imagined thoughts. Chiles et. al (2010) incorporates ideas from psychology, introducing the construct empathy as important for an entrepreneur. An emphatic entrepreneur is one who easily can understand and take the viewpoint of customer and their needs, and from that subjectively imagine novel business opportunities.

The second building block is the firm. Chiles et. al (2010) borrows themes of modularity to describe the role of the firm. The firm act as vehicles for entrepreneurs to combine and continually recombine heterogeneous resources necessary to turn their imaginative thoughts into creative actions.

Lastly, when describing the environment Chiles et. al (2010) adopts views from complexity theory. The environment, referring to the market that the entrepreneur acts in, is described by Chiles et. al (2010, p.8) as *“disequilibrium processes that continually marshal myriad entrepreneurs’ imaginative thoughts, creative actions, and unstable interactions to generate increasing variety and new order.”*

The empathy construct borrowed from psychology is of interest for this study. Chiles et. al (2010) describes it as the imaginative ability to transpose into another person's thinking, feeling and acting. Another way to describe it is as placing oneself in another's position, and perceiving the situation from the other's perspective. This construct suggest that either the ability to envision potential customers' situations, or a precursory familiarity with the customer, ought to help aspiring entrepreneurs in the quest for a scalable business model.

### *Summary of the transformational approach*

All three works have the central theme of co-creation in common, where the entrepreneur and its environment interact in a way that support venture development. In all these contributions to the transformational approach the entrepreneur plays the central part during interactions with external actors and/or opportunities. In the effectuation model the entrepreneur interacts with its environment, where early customers are available to tie up to

the venture through pre-commitments. In the entrepreneurial bricolage model the entrepreneur is an actor that "make do" with the customers available in the environment, and the entrepreneur needs to find ways to leverage these for venture development. The dynamic creation model instead depicts the entrepreneur as an actor that emphatically imagine needs or wants of its potential customers, a feat that is crucial for successful venture development.

Customers also plays an important role in the transformative approach, where they are one of the principal set of means or resource available to the entrepreneur. The interpersonal relationship between entrepreneurs and customers is a central feature in the transformational approach, since these three parts constitute the opportunity for co-creation. The difference between what the customer can provide and what constitutes the interpersonal relationship differs, however. The importance of customer relationships and the socially co-constructed opportunities for venture development are stated, however what shapes these relations is not addressed. Hence although these theories acknowledge that the customer is a crucial part of venture creation they do not address how the customer could be involved in practice.

	<b>Effectuation</b>	<b>Entrepreneurial bricolage</b>	<b>Dynamic creation</b>
<b>The view of the entrepreneur</b>	Interactor with environment to develop venture	Finds ways to leverage customer for venture development	Emphatically imagine needs in the environment.
<b>The view of the customer</b>	Mean or resource to leverage for venture development	Mean or resource to leverage for venture development	Subject of entrepreneurs emphatically imagination
<b>The view of the interpersonal relationship</b>	Important feature to enable leverage opportunity	Important feature to enable leverage opportunity	Important feature to enable opportunity
<b>How to approach the initial customer</b>	No practical implications	No practical implications	No practical implications

*Table 3-1 Summary of the transformational approach*

The customer and the relationship with them are described as the cornerstone for the transformational entrepreneur, as they provide the basis of opportunities which can be leveraged towards successful venture development. To conclude, customer involvement and

the potentially important role the customers have are treated on a conceptual, but not practical level.

### 3.1.2 The experimental approach

Mansoori et. al describes the experimental approach to entrepreneurship as “[*The experimental approach*] instead sees the future as in principle knowable but poorly understood, and consequentially prescribes systematic methods for designing, running and evaluating experiments that test critical venture assumptions” (2015, p.1). In this review three main contributions to the experimental approach will be examined further; the Lean startup methodology (Ries, 2011; Blank & Dorf, 2012), Prescriptive entrepreneurship (Fiet, 2007) and Disciplined entrepreneurship (Sull, 2004)

#### *The lean startup methodology*

One of the explicit ambitions of this method is to discover a successful path towards a working business model through designing, running and evaluating neatly constructed experiments as a mean to reduce uncertainty. Other salient themes and concepts are ‘*validated learning*’, the true hard currency upon which entrepreneurial success is built, usage of agile development methods and the ‘*Build-measure-learn*’-loop designed to help ‘*pivot*’ the new venture idea, which are further described in the following section.

Ries (2011) describes learning as the cornerstone for an entrepreneur, and his concept of validated learning through experimentation is a central theme. The idea behind validated learning is to not use data for “story-building” purposes or ex ante rationalizations, but rather find the truth behind what customers really want. The job is to find a concurrency between the entrepreneur’s vision and what customers want, it is not to capitulate to what customers thought they wanted or to tell customers what they ought to want. Ries (2011) however treats the customer as a mean to gain validated learning, not as a partners with which the entrepreneur co-constructs the business venture. Given this approach the importance of the customer is evident, especially initially when assumptions are not yet tested. The customers and their tacit or expressed needs are the cornerstone of the lean startup methodology.

The incorporation of agile development methods is another salient theme in the book, and Ries (2011) describes it as ways to test the assumptions that the business is built upon. These agile development methods are a step in the direction of gaining useful customer insights and developing only what customers wants in an efficient way. It is also a way to gain input for what Ries (2011) denotes the ‘*Build-measure-learn*’-loop that is designed to help clarify when the business model needs a ‘*pivot*’. In short a pivot is a realization that a substantial redirection of the business model is necessary, after finding that an initial

assumption is wrong. A pivot should not be seen as a failure however, but rather a success towards finding a scalable and repeatable business model.

Similar to Ries (2011) build-measure-learn loop, Blank & Dorf's (2012) present a similar model which they label customer development. Blank & Dorf (2012) criticizes the traditional product development model, arguing that it is not a good fit for newly started companies, since few entrepreneurs know what their market is. Furthermore they argue that the development of the new venture's product is not the greatest risk, it is rather the customer and market development that are critical. According to Blank & Dorf (2012) the focus on only the product can lead to premature scaling of the company and leads to a spiral that will eventually kill the company, since a market has not been found. It is important to note that while the model emphasizes customer and market development, it does not replace the product development model but rather complements it.

The central premise of the customer development model is to learn and discover who the company's initial customers will be and what markets they are in (Blank & Dorf, 2012). Thus instead of focusing on the first customer shipment, as is the case in the product development model, the customer development model moves the learning about customers and their problems as early in the development process as possible. The iterative nature of Blank & Dorf's (2012) customer development model is of significance, and similar to the Ries (2011) formulation. Both Ries (2011) and Blank & Dorf (2012) depict the customer as the means to reach a goal, and the ultimate goal for the entrepreneur is to shift from a learning organization that searches for a scalable business model - a startup - into an organization that execute a validated business model.

#### *Prescriptive entrepreneurship*

Fiet (2007) set out to create a model for discovery not based on alertness. A discovery in this case is defined as *"the action or act of revealing something generally unknown about how to create new wealth"* (Fiet, 2007, pp. 592). While some entrepreneurs make their discoveries by searching, most are identified through being alert to their possible existence. Thus the alertness perspective argues that true discoveries for wealth creation cannot be anticipated and thus must occur accidentally. Fiet (2007) acknowledge this but argues that this gives little explanation to the success of serial entrepreneurs. Furthermore it is argued that discoveries through being alert gives little guidance for aspiring entrepreneurs on how to act. Fiet (2007) therefore propose what he calls a *"systematic constrained approach"* that emulates the way in which serial entrepreneurs actually search for discoveries. The search for unknown venture ideas, as advocated by the alertness perspective is replaced by the search of known information sources (Fiet, 2007).



The method is based around the entrepreneurs' prior experiences, which consists of a person's understandings, derived from e.g. occupation and education (Fiet, 2007). Prior experiences then acts as delimitation to the possible discoveries that can be made. Hence the chance for finding a discovery is increased as the results of the search can be maximized, since efforts can be put towards known domains where the chance for the individual to make a discovery is the highest. This is done through consideration sets that are groups of promising information channels providing the individual with signals, which are described as *"new information that changes our understanding about the future, particularly as it relates to the creation of new wealth"* (Fiet, 2007, p. 601).

Little is mentioned specifically about customers in Prescriptive entrepreneurship. Thus there is little in terms of practical advice regarding how to approach customers. Instead the method focuses on how to search for discoveries that hold the potential for wealth creation. However the consideration sets described in the method could be seen as a way of leveraging customers to gain access to information that attribute to wealth creation.

#### *Disciplined entrepreneurship*

According to Sull (2004) the critical task of the entrepreneur is dealing with the inherent uncertainties that come with starting a new venture. Since entrepreneurs have limited resources and time they cannot rely on commonly used tactics for dealing with uncertainty, such as diversification and insurances. Similarly it is argued that the uncertainty cannot be avoided or ignored, as the rewards of entrepreneurship are unattainable without risk (Sull, 2004). Instead it is argued that the entrepreneur take a disciplined approach to manage uncertainty. While the method is presented in a sequential order, Sull (2004) acknowledges that the actual progression of entrepreneurs are less ordered and notes that the approach does not remove the need for creativity and passion, but rather help the entrepreneur manage uncertainty.

The Disciplined entrepreneurship approach is divided into three steps. According to Sull (2004) the disciplined entrepreneur begins the process by formulating a hypothesis, which is defined as a *"mental model that generally includes a definition of the opportunity, the resources required to pursue it, the value that would be created if it were to be successful and a plan to pursue it"* (Sull, 2004, p. 72). Secondly one should assemble the resources needed to conduct the experiments for testing the hypothesis.

The last step is to run the experiments in an iterative manner. Sull (2004) argues to start with low-cost tests of the critical assumptions before proceeding with more expensive tests.

These are divided into holistic and partial experiments. Holistic experiments test multiple variables simultaneously, and is exemplified as using test markets or building prototypes. Holistic experiments are argued to work very well for revealing '*unknown unknowns*' and to test whether a business model is scalable. Partial experiments are focused on a single critical source of uncertainty, such as for example doing a patent search before moving forward.

The article specifically sets out to help entrepreneurs manage uncertainty, but focuses on uncertainties related to the business idea. Thus little is mentioned about customer contact, except in regards to the different tools for testing the assumptions of the entrepreneur; such as creation of a prototype, using test markets and including customers in the product development.

#### *Summary of the experimental approach*

The contributions to the experimental approach attempts to break down entrepreneurship into understandable and executable methods. While all three methods share similarities they were found to be formulated based on different problem formulations. Both the lean startup methodology and disciplined entrepreneurship focuses on how the entrepreneur can reduce uncertainty about their business idea. While disciplined entrepreneurship is solely focused on experiments, the lean startup methodology tries to formulate a more holistic guide to entrepreneurship. Although prescriptive entrepreneurship shares some similarity to the two other methods it diverts as it focuses on discovery; more specifically how the entrepreneur in a systematic way can find opportunities for wealth creation.

Overall, it is argued that there are small differences in the view of the entrepreneur. Both the lean startup methodology and the disciplined entrepreneurship describes the entrepreneur as an experimenter that test hypotheses regarding their business idea in order to find a scalable and repeatable business model. Prescriptive entrepreneurship on the other hand describes the entrepreneur as someone akin to an information filter, where past experiences influence which information acts as signals and thus holds the potential for wealth creation.

Similarly the view of customers differs in much the same way. Both the lean startup methodology and disciplined entrepreneurship could be argued to describe customers as a way to test assumptions regarding the entrepreneur's business idea. Customers are not included at all in prescriptive entrepreneurship. Instead the model focuses on channels, which are sources of information for the entrepreneur. Customers could however be argued to be one form of information channels.

In regards to the interpersonal relationship between the entrepreneur and its potential customers none of the methods include this as a central theme. Furthermore little is

mentioned about how to approach the initial customers. While most of the methods include practical advices on how to use the customers to gain knowledge, no advice was found regarding how to create the contact needed to utilize these methods. Thus the experimental approach to EAM regards customers to be readily available.

	<b>The lean startup methodology</b>	<b>Prescriptive entrepreneurship</b>	<b>Disciplined entrepreneurship</b>
<b>The view of the entrepreneur</b>	An experimenter of business opportunities	The entrepreneur acts as a filter of information, which holds potential for wealth creation	An experimenter of business opportunities
<b>The view of the customer</b>	Chance to test assumption, validated learning and develop business model	Information channel	Chance to test assumption with regards to the business idea
<b>The interpersonal relationship</b>	Not an important or highlighted feature	Not an important or highlighted feature	Not an important or highlighted feature
<b>How to approach initial customers</b>	Practical advices on how customers can be used for learning.	No practical advice	Some practical advices on how customers can be used for learning.

*Table 3-2 Summary of the experimental approach*

### 3.2 How EAM literature addresses early customer interaction

Given the review presented above, a distinct set of differences can be found in the EAM literature. Generally, it is argued that the transformative approach has a social constructionist nature, and the experimental approach has a positivistic nature. As stated in the beginning of the chapter the following dimensions will be presented here: (1) the role of the entrepreneur, (2) the role of the customer, (3) the interpersonal relationship and (4) how to approach initial customers.

In the transformational approach the entrepreneur function as the pivotal cog in a co-construction cogwheel. Although the different authors use different explanations for how the entrepreneur ought to act, they all describe the entrepreneur as the center of a co-constructed universe. On the other hand, the experimental approach describe the entrepreneur as a learning vessel, were methods for gaining access to information is a

central theme. Central to experimental approaches is also the business model, which directs and leads which activities are conducted during venture development.

For the transformational entrepreneur customer relationships are one of the principal set of means, inputs or resources available to be leveraged for venture development. These customer relationships can take many forms, but most commonly the literature describes them as socially co-created opportunities, which are exploitable by an ingenious entrepreneur. The experimental entrepreneur on the other hand mainly sees customers as means for learning and thus reducing uncertainty about the business opportunity. Through different tools and techniques the entrepreneur collects information from the different stakeholders transforming assumptions into knowledge, which then affects the development of the venture.

The interpersonal relationships play an important role in the transformative approach. The network of interpersonal relationships the entrepreneur build during venture development are described as the cornerstone for success. It is through interpersonal relationships the entrepreneurs socially co-construct the reality around them through which the new venture is developed. In contrast the interpersonal relationship is not a central theme in the experimental approach. Instead the relationship with customers are simply described as means for fulfilling the goals of the entrepreneur.

Little is mentioned in both stems of literature on how to approach initial customers. The transformational approaches merely highlight the importance of the customer, but no practical advice are explicitly described. The experimental approaches on the other hand is mainly concerned with different tools and techniques for utilizing customers as vessels for learning, but lacks practical advice on how to actually handle the initial customer contact.

Below the different dimensions of analysis are summarized in table 3-3.

	<b>Transformative approach</b>	<b>Experimental approach</b>
<b>The view of the entrepreneur</b>	The center of a co-construction cogwheel	An experimental explorer of business opportunities
<b>The view of the customer</b>	Opportunities for strategic alliances and springboard for venture development	Chance to test assumption, validated learning and develop business model
<b>The interpersonal relationships</b>	The cornerstone; socially constructed reality	Not an important or highlighted feature
<b>How to approach initial customers</b>	No practical advice. In general to use as springboards for venture development or form strategic alliance	Provides practical advices on how customers can be used for learning.

*Table 3-3 Summary of dimensions of analysis regarding entrepreneurship as a method*

To understand the entrepreneurs' early customer engagements, the review above provides a few interesting starting points. The EAM literature clearly has a depiction of the entrepreneur, and the role she plays in venture development as well as how customers can be used to develop the venture successfully. Practical advice on how to approach initial customers, and what the relationship constitutes exactly however is arguably lacking in the EAM literature.

Whilst the transformational approach portray the interpersonal relationship with stakeholders as a cornerstone of venture development, little attention has been put into describing the relationship with early customers. To try and deepen our understanding regarding the identified starting points, the next section will review marketing literature regarding business relationships as a starting point to extend the EAM literature.

### 3.3 Marketing literature's view of business relationships

Given the purpose of the thesis, to explore the domain of the entrepreneur's early customer engagement from the perspective of the entrepreneur, this section will review existing literature on marketing literatures view of B2B relationships. This is necessary since EAM literature does not describe how relationships are formed. In contrast B2B marketing deals with the subject of creating new business relationships. First a review of existing models that explains the initiation of a business relationship is presented in order to establish the construct trust as an important aspect for the creation of new business relationships. Second, the importance of the interpersonal relationship is established, more specifically the role of the interpersonal relationship as a carrier of trust between organizations is reviewed.

### 3.3.1 Initiation of business relationships

Edvardsson et. al (2007) defines initiation as the “forming of relationships”. If the initiation process is successful, an agreement is reached and therefore a relationship between the two business entities is formed (Edvardsson et. al. 2007). While relationship development as well as dissolution have received ample academic attention, the initiation of business relationships has not been as well investigated (Holmén et. al. 2005; Edvardsson et. al. 2007; Valtakoski 2015). Two explanations as to why such minor attention has been given to initiation have been identified in the literature. First, the process of initiation is complex and can span over different lengths of time and involve a number of different episodes and actors (Aarikka-Steenroos, 2008). Second, it is difficult to define when a relationship actually starts (Edvardsson et. al. 2007; Aarikka-Steenroos, 2008). The research process is thus considered difficult and might demand a lengthy investigation, making research challenging and possibly less attractive.

Several authors have tried to describe the initiation of business relations. Traditionally this has been done utilizing a stage model where the development of the relationship is thought of similarly to a life cycle and divided into different stages which are progressed irreversibly and in order (Ford 1980; Dwyer et. al. 1987; Wilson 1995). More recently Edvardsson et. al (2007) have presented an alternative model for the initiation of business relationships based on a state model, describing the initiation process as being more complex and dynamic when compared to the state model. This model describes the sellers’ ability to adapt their actions to the buyer to positively progress the initiation process (Edvardsson et. al. 2007). On the opposite side is the customer’s perception of the buyer, which is argued to hinder the initiation process.

Network theory provides another way to view the initiation of business relationships, as parts of larger networks (Håkansson and Snehota, 1995). It is argued that no interaction can truly be understood without first understanding its context (Håkansson & Ford, 2002). While marketing literature often approach the topic of initiation from a dyadic exchange level, the network literature argues that because of connectedness initiation is not always a dyadic process (Aarikka-Steenroos, 2008). It is described that relations can act as bridges that connect previously non-connected actors and also assist in reaching new actors through their own connections (Håkansson & Snehota, 1995). Network theory also suggest that not only the firms are connected to each other, but social contact amongst people involved also facilitate the initiation of the business relationship (Aarikka-Steenroos, 2008).

While the authors use different models to define the initiation of business relationships most authors describe the importance of trust for the initiation of a new business relationship

(Edvardsson et. al, 2007; Ford, 1980; Dwyer et. al, 1987; Wilson, 1995). Considering the uncertainty that characterizes new ventures such as startups (Aldrich, 1999; Fiet, 2007), entering a business relationship with a startup is arguably risky. Here, the concept of risk is seen as closely related to the concept of trust since there would be no need for trust to exist between partners if the outcomes of entering a relationship were known in advance (Valtakoski, 2015). Thus, trust is seen as essential for the initiation of a business relationship and the construct will therefore be further explored in the next section as an explanation to what the interpersonal relationship constitutes. This is done in order to address the gap presented in the review of the EAM literature in the previous section.

### 3.3.2 The importance of trust during initiation

Trust, an actors' willingness to rely on the actions of another actor, is often seen as having two components; affective and cognitive trust (Johnson & Greyson, 2003). In other words trust can be seen as having both a knowledge (or rational) component as well as one based in emotions. Historically, cognitive forms of trust have been the focus of the marketing literature (Dowell et. al, 2014). Cognitive trust can be viewed as knowledge-driven trust as the need to trust in an actor presumes incomplete knowledge (Valtakoski, 2015). Knowledge about the seller therefore allows the buyer to better predict that the seller will deliver on its obligations (Johnson & Grayson, 2003).

Affective trust on the other hand is based on the emotions generated through interaction with the potential partner (Johnson & Grayson, 2003). Thus affective trust can be seen as being built from the emotional bonds created between the individuals (Valtakoski, 2015). Johnston and Grayson (2003, p. 500) simplifies this through the following citation; *"A patient may, for example, regard the personal courtesies of his/her surgeon as a predictor of the surgeon's commitment or even ability to conduct an operation successfully"*. This highlights an important aspect of affective trust; with an increased emotional connection trust in an actor may increase beyond what would be rational based on the available knowledge. Thus the emotion-driven elements of trust could make the relationship less transparent to the objective risk assessments prescribed by economists (Johnson & Grayson, 2003).

While research on trust between firms often focuses on the long-term effects, some authors have described the importance of trust during the initiation as well. Wilson's (1995) argues that trust seem to be in effect even in the early stages of relationship building. Similarly Valtakoski (2015) argues that because of the change from product- to service-based markets the buyer is often forced to rely on the trust in the seller to deliver the promised outcomes. Trust can be seen as being built both from knowledge (cognitive trust) and through emotions

(affective trust). While both are part of the same construct and interact with each other, the importance of the two components differ during different phases of the relationship. Dowell et. al (2014) describes affective trust as being dominant during initiation. Similarly, Valtakoski (2015) argues that affecting the buyer's cognitive trust during initiation is not always feasible, since no past references are yet available.

The construct trust can be analyzed on different levels, including inter-organizational and interpersonal. The models reviewed are mostly focused on interorganizational aspects of trust. This thesis however takes the standpoint of an entrepreneur and the relationships created during the early customer interactions. Thus a review of how the interpersonal relationships within an interorganizational relationship are described to influence the initiation process is examined in the next section.

### 3.3.3 The interpersonal relationship as a carrier of trust

While much academic attention has been put on the interorganizational aspects of trust, little can found with regards to the importance of interpersonal trust during the initiation process. However a few references to its importance have been identified, albeit from an interorganizational perspective.

Edvardsson et. al (2007) argue that services generally lack search properties i.e. attributes that a client can verify and surrogate indicators therefore have to be used. It is argued that past performance usually is used as a predictor of future performance (Edvardsson et. al. 2007). However when no prior knowledge or past performance exist about the firm, which arguably would be the case for most startups, the trust is carried by the individual that have interacted with the buyer (Edvardsson et. al., 2007). This can be argued to echo the view of trust presented in the previous section, where if positive prior information exists the cognitive trust in the actor is strengthened. However, in the case where no prior knowledge about the startup exists, trust is instead carried by the entrepreneur.

Valtakoski (2015) highlights the importance of the interpersonal relationship especially when the solution offered is for example based on novel technology and no past references exist. The lack of references and solutions based on novel technology arguably fits well with the description of the B2B entrepreneurs in this thesis sample. To bridge the described gap Valtakoski (2015) describes the importance of acting benevolent, which is described as the willingness of the seller to engage in actions that show special affective considerations towards the buyer (Valtakoski, 2015).

Given the literature review presented in this section, the interpersonal relationship might be of importance for entrepreneurs during the initiation of the relationship with their early customers, especially considering that an entrepreneur would likely lack any reputation or



references (Edvardsson et. al., 2007). Valtakoski (2014) argues that leveraging previous relationships and acting benevolent towards the relationship could help bridge the presented gap. As noted it is through the interaction between people that interpersonal relationships are created. Therefore social exchange theory, which addresses why people chose to initiate and maintain these relationships, will be reviewed in the next section.

### 3.4 Social exchange theory review

Social exchange theory (SET) is an explanation of exchange between parties from a sociological perspective (Lambe et. al. 2001). The basic assumption of SET is that actors initiate and maintain relationships with other actors because they expect these relationships to yield rewards. These relationships are built upon the exchange of resources, which are a both tangible (e.g. money) and intangible (e.g. friendship) (Blau, 1968; Homans, 1958).

#### 3.4.1 Exchange interaction

Although having a basis in economics, SET expands the domain of relevant aspects involved in exchange to involve social outcomes and individuals enter into and maintain exchange relations because they are deemed rewarding (Homans, 1958; Blau, 1964; Thibaut & Kelley, 1959). Although economic gains are an important part of the equation, social gains such as emotional satisfaction, spiritual values and pursuit of personal advantages are often considered more valuable (Lambe et. al., 2001). Furthermore an exchange relationship can be seen as a set of interactions overtime that result in both economic and social exchange (Lambe et. al., 2001), which is similar to what is described in the previous chapter. Kelley & Thibaut (1978) also incorporates the history aspect of an exchange relationship, and describes its' function as a basis upon which anticipation of future rewards are calculated.

Being in an exchange relationship however does not come without a cost. Homans (1958) and Blau (1968) suggest that actors will stay in the exchange relationship as long as rewards are deemed satisfactory enough compared to the costs. The costs in this case are the expenditure of economic and social resources to stay in the relationship, and these two are compared jointly and in a subjective manner (Lambe et. al, 2001). One individual might put more emphasis on economic gains compared to another individual who puts greater emphasis on social gains.

#### 3.4.2 The importance of trust

Blau (1968) describes trust as an important aspect of an exchange relationship, since it to a large degree is governed by social obligations rather than under contractual forms. Both Blau (1968) and Homans (1958) introduce the importance of reciprocity in relation to trust when assessing exchange relationships over time. In short it can be explained as one actor must

trust the other to return an exchange benefit in time, or reciprocate. It is this exchange of mutual benefits that over time creates trust between two actors (Homans, 1958).

Trust is an important antecedent to build commitment in an exchange relationship. Commitment ensures that actors will make necessary investments in order to achieve mutually desirable outcomes (Dwyer et. al, 1987). Mutually desirable outcomes are an important factor for the actors' inclination to continue the relationship, or increase their commitment to the relationship (Thibaut and Kelley, 1959). This can also be seen as a spiral of positive actions, where initially small investments of reciprocal behavior acts as trust building, leading to larger transactions between parties which further increases trust and in turn creates an exchange relation characterized by committed actors seeking mutual benefits (Lambe et al, 2001).

#### 3.4.3 Limitations of SET

SET assumes rationality in human social interaction (Emerson, 1976). According to Blau (1964) exchange behavior is described to be voluntary actions by individuals motivated by the expected returns of said actions. Emerson (1976) however argues that, while firms and people sometimes act with such deliberate rationality, such consideration seldom happen in human interaction. Furthermore the theory assumes that individuals “*act so as to maximize reward and minimize cost over time or in the long run*” (Emerson, 1976, pp 341).

Connecting back to the previous section, it is argued that the affective trust of the relationship could make it less transparent to the objective risk assessments that are prescribed by economists (Johnson & Grayson, 2003). Valtakoski (2015) also highlighted the importance of affective trust and interpersonal relationships in situations where the buyer tries to sell novel technology. Therefore a decision must be based in more than the cognitively processed economic and social rewards described above, which are both based in rationality.

The main cognitive components of an exchange relationship, economic and social rewards, needs to be complemented, and the incorporation of the affective domain is necessary to understand the phenomenon studied in this thesis. Lawler (2001) has provided one such extension of the theory, which introduces actors engaged in exchange as both *emoting (feeling)* and *cognizing (thinking)*.

#### 3.4.4 An affect theory of social exchange

Lawler's (2001) contribution to the development of SET was the introduction of an “emoting actor”. In marketing literature and SET, the main focus has been put into the cognitive aspect of trust building over time, whilst the affective trust building is often neglected. The affect theory of social exchange facilitates an evaluation of what the affective trust constitutes. Whilst SET assumes an actor that evaluate an exchange based on both economic and social

outcomes (e.g. Dwyer et. al., 1987), Lawler (2001) introduces the concept of emotions as another basis for explaining how and why different structures of exchange generate varying degrees of order and solidarity. In the following paragraphs, a review of Lawler's (2001) propositions and extensions of SET is presented.

The first and foremost contribution Lawler (2001) made was the extension of individuals as emoting, in addition to being cognizing (feeling as well as thinking). Secondly Lawler (2001) treats emotions generated between individuals through social exchange as internally reinforcing or punishing. Thirdly by analyzing individual's emotional experience in combination with their relational, and group, attachments. To understand the interpersonal relationship between the entrepreneur and early customers Lawler's (2001) introduction of an actor as both cognizing and emoting may help expand the definition of an entrepreneur.

#### *Assumptions of the theory*

One of the main assumptions of Lawler's (2001) theory is that individuals desire to explain emotions in everyday life, and that humans actively seek to interpret positive or negative affective states. Furthermore the theory assumes a network context, in the sense that opportunities to switch exchange partner exists, hence there are assumed to be three or more actors involved. At first glance this sounds counterintuitive to explain interpersonal relationships, however Lawler (2001) is theorizing about dyadic relationships within networks. It is of importance to highlight that the analysis is dyadic in nature, however still bear in mind the context of opportunity to switch exchange relationship.

The assumptions of Lawler's theory can shortly be explained as follows: Social exchange results in positive or negative affective states, or emotions. These are for an individual internally rewarding or punishing, and individuals strive towards positive ones. Emotions trigger a cognitive explanatory effort for individuals, as we want to explain and interpret our emotions. Individuals then tie these emotions to social objects. Joint tasks, such as an exchange relationship, are one way to explain these feelings, especially in reference to social units.



Figure 3-2: Model of the assumptions of the affect theory (Adopted from Lawler, 2001)

For these assumptions to make sense, a definition of Lawler's (2001) term social unit is needed. The definition is built upon Berger & Luckmann (1966) explanation of a social unit as a social object that is real to actors, which here are individuals. The social objects assumed in the theory are the following: (1) exchange task, (2) self, (3) other and (4) social unit. The (1) *exchange task* is for now defined as the structure of exchange or how it is exchanged, and a more thorough declaration will soon be presented. (2) *Self* corresponds to inferences from exchange about oneself, therefore in effect self-evaluations based on the situation. Similarly, (3) *other* is an inference about the individual with which social exchange is intended. Lastly, the (4) *social unit* is the perceived context of exchange amongst the individuals involved, and the social unit can take the form of exchange relation, network or group. Hence the social unit is in itself a social object, which is made up of several social objects

In a sense the social objects exchange task, self and other is what builds up the structure of a social unit, and the emotions about the social objects is what creates an attachment or detachment to the social unit. An important note here is that Lawler (2001) explain individuals' emotions about social units through the lens of social objects. In table 3-4 an overview of emotions and social objects is presented.

	Positive emotion	Negative emotion
<b>Exchange task</b>	Pleasantness	Unpleasantness
<b>Self</b>	Pride	Shame
<b>Other</b>	Gratitude	Anger
<b>Social unit</b>	Affective attachment	Affective detachment

Table 3-4: Positive and negative emotion directed at social objects. (Lawler, 2001)

#### Propositions of the theory

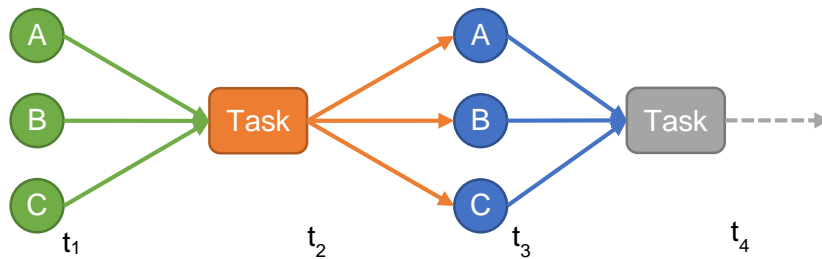
The valence of emotions towards the social objects involved in social exchanged is by Lawler (2001) explained by a set of propositions, and these will be divided into four groups which

each will be explicated in turns; (1) jointness of exchange task, (2) exchange structures and emotions, (3) relational and group attributions of emotion, (4) affective attachments.

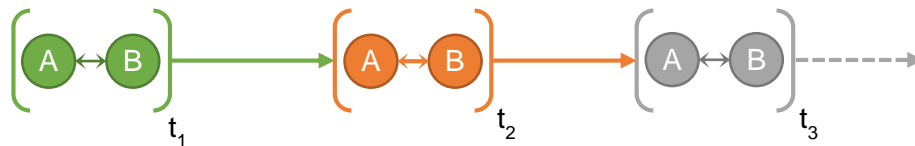
An exchange task is by definition a task which the actors cannot complete themselves; therefore some interdependence between the actors involved is inferred. Lawler (2001) highlights two characteristics of jointness as important for the emotions created; non-separability and shared responsibility. Actors involved in exchange tasks with these characteristics are bound to have a hard time to distinguish between their own and others contribution to the task, as well as take sole blame or credit for the exchange outcome. These properties lead to a sense of group-efficacy rather than self-efficacy, and Lawler (2001, p.333) exemplifies this with quotes like *"We can do things that I cannot do alone or with others,"* or *"When we get together, things happen"*. The interwovenness between these characteristics leads to that an individual involved in an exchange relationship is likely to feel a shared and joint responsibility for failure or success, and in turn create stronger emotions about the social unit.

The *second proposition* involves the structure of the exchange relationship, and its' impact on the emotions created from the relationship. In Lawler's (2001) theory four types of exchange structures are presented; (1) productive exchange, (2) negotiated exchange, (3) reciprocal exchange and (4) indirect exchange. Productive exchange is a joint task with a single socially produced object, such as an event or a good. An exemplification is where two or more individuals collectively create something that is greater than the sum of its parts. Negotiated exchange refers to an explicit contractual agreement of what is to be exchanged, and the individuals are in agreement over these terms. Reciprocal exchange entails the sequential, non-negotiated and one-sided reward without any explicit intention of reciprocity. Lastly, a generalized exchange is an indirect one that is characterized similarly like the reciprocal one, however the rewards are not dyadic and it is rather conceptualized as benefits being received and given between different actors. In figure 3-3 a schematic view over the different modes of exchange is presented.

#### PRODUCTIVE EXCHANGE



#### NEGOTIATED EXCHANGE



#### REIPIROCAL EXCHANGE



#### INDIRECT EXCHANGE

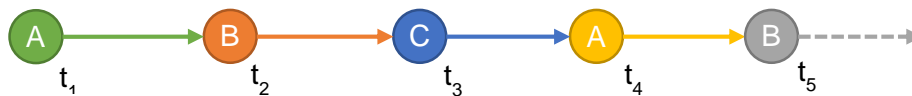


Figure 3-3: Schematic view over the types of exchange structures. Actors labeled A, B, C and arrows indicate the direction of exchange as time passes. (Adopted from Lawler, 2001)

How the different forms of exchange structure affect the actor's interdependence and emotions according to Lawler (2001) is presented in figure 3-4. The high effect of productive exchange structure can mainly be attributed to the difficulty to distinguish individual contributions to a task. Negotiated exchange structures however have the same emotional potential, but the individual contributions are easier to distinguish, due to the nature of a contractual agreement. Furthermore the negotiated exchange structure possess an inherently high risk of creating strong negative emotions, since one party's failure to fulfil a contractual agreement will be highly visible. Simply meeting the agreement however ought to produce emotions of relief, rather than pride or gratitude.

Whilst providing unilateral gift in a reciprocal manner it will be easy to distinguish individual contributions, however the feeling of responsibility is built upon a socially constructed exchange structure. Here the emotions created are strongly connected to the receiving actor's ability to express gratitude towards the other actor. In generalized exchange structures the task is loosely connected between actors, and therefore exogenous structures

are necessary for the actors to see their individual contribution, which is not explained by Lawler's (2001) endogenous process.

Exchange structure	Non-separability	Perception of shared responsibility	Emotion
<b>Productive</b>	High	High	High
<b>Negotiated</b>	Medium	High	Medium/High
<b>Reciprocal</b>	Low	Medium/high	Medium
<b>Indirect</b>	Low	Low	Low

*Table 3-5: Comparison of effects of exchange structures (Lawler, 2001)*

The third proposition entails the relational and group attribution of emotions. In short this can be explained as emotions tied to relations and groups will be stronger when the task exchanges are productive rather than direct or indirect, has a high non-separability and high perception of shared responsibility. This leads into that Lawler's (2001) proposed exchanges structures are ranked as following in regards to creating emotions attributed to social exchange:

$$(Productive > Negotiated > Reciprocal > Indirect)$$

This deduction of earlier proposition is intuitive, however Lawler (2001) theory raises another interesting aspect. The positive emotions created by social exchange successfully eliminate self-serving biases of the individuals in regards to social objects, and can be said to raise both pride in self and gratitude towards others mutually. Negative emotions however fail to eliminate these self-serving biases, such that often more anger toward the other is felt then shame in self as a result of social exchange failure. The negative emotions reduce the self-serving bias. An exemplifying statements could be "Well, perhaps it's not me, and it's not him; we just don't hit it off or work together well" (Lawler, 2001, p. 342).

The fourth proposition is regarding affective attachments to the social unit. Lawler (2001) proposes that the social unit is a source of stability and controllability of affective attachments. A relation that is seen as a stable and controllable source of positive emotions will create a strong affective attachment to the social unit, due to the group rather than self-efficacy described earlier. The same goes for relations that are seen as unstable and uncontrollable, it will produce negative emotions that results in affective detachments to the social unit. Repeatedly successful exchanges make individuals place greater affective

attachment to the social unit. Here, Lawler (2001), similarly to the marketing literature, adheres to the importance of time.

#### 3.4.5 Summary of an affect theory of social exchange

Exchange relationships between actors result in emotions, the described positive or negative affective states, in addition to the cognizing factors presented in earlier chapters. The emotions are for an individual internally rewarding or punishing subjective feelings and the theory states that individuals strive towards positive ones. The emotions experienced by individuals trigger a cognitive explanatory effort, as individuals want to explain and interpret emotions. What the affect theory proposes is that exchange between individuals create such affective states, and they attest it to the social exchange situation they are in. This become especially interesting when trying to explain how entrepreneurs treat the initiation with early customers as sources of emotions. As stressed earlier, all entrepreneurs must engage in a joint task with customers, and the social exchange situation this creates is such a source of emotions.

The way aspiring entrepreneurs structure the relationships with early customers according to Lawler's (2001) theory ought to impact the perceived emotions stemming from the exchange situation. Whilst productive type structures might be difficult to achieve, the reciprocal type structure resonates what was described as benevolence in the chapter about initiation, which acts as a trust inducing mechanism (Valtakoski, 2015). Furthermore the negotiated structure seem to have a high impact on emotions, however due to an apparent power imbalance in the relationship between entrepreneurs and their early customers, this type of structure might risk falling into a state of negative emotions. Regardless of the structure entrepreneurs tend to use when initiating relationships, the impact of different types cannot be ignored and have implications for entrepreneurs and the valence of the perceived affective state towards a business relationship.

Another interesting feature of Lawler's (2001) theory is the fact that exchange situation tend to create a sense of group-efficacy, a feature completely absent in both the EAM and marketing literature. The self-serving biases the group-efficacy create in this sense becomes an interesting feature in an entrepreneurial setting, which again is not mentioned in other streams of literature.

According to Lawler (2001) stable relationships are over time perceived as sources of affective attachments, and therefore individuals tend to gravitate towards them. Lawler does not theorize about the impact this might have in new exchange situations, or in other words when old business relationships are transferred over into a new organizational situation. Such a reasoning would however resonate what was described in the marketing literature



earlier, that interpersonal relationships can facilitate the initiation of business relationships. (Aarikka-Steenroos, 2008; Håkansson & Snehota, 1995).

## **4 A theory of early customer engagement of entrepreneurs**

In this chapter four theoretical propositions based on the theoretical background are presented in order to address the second research question of this thesis. These four propositions will be used to discuss the findings in relation to the purpose of this thesis; to explore the interpersonal relationships with early customers from the perspective of the entrepreneur. Furthermore the propositions will focus on the importance of factors outside of rationality. First, the different theories reviewed in the theoretical framework will be connected. Second, a motivation for each proposition in relation to the theoretical background is presented.

### **4.1 Connection of the theoretical background**

EAM literature is evidently well developed with regards to how entrepreneurs can leverage initial customer contact. First the role of the entrepreneurs is well described in both streams of EAM literature with regards to how they ought to act with regards to venture development. Furthermore what the entrepreneur can gain from leveraging contact with customers is well described. The relationship with customers and what it constitutes, in addition to how an entrepreneur ought to develop those relationships are however not described.

To fill that gap, a review of marketing literature was conducted. First, this examination was made in order to determine what a relationship in the business world constitutes, and how they are characterized. Here, similar to the EAM literature, a lack of research with regards to how the relationships come about in the first place is noted. The concept of trust is described as the key factor for overcoming the uncertainty in relation to initiating new business relationship. This is particularly interesting in an entrepreneurial setting, where uncertainty is an influential aspect. Some authors use a concept of trust that is based in both the cognitive and the affective domain. However the literature stream is arguably more focused on mature inter-organizational relationships, rather than the interpersonal relationships within these.

To further examine what an interpersonal relationship in a business setting is built upon, a review of SET was conducted. Notably SET resonates what is described in marketing literature, while also emphasizing social features. Individuals involved in a relationship calculate these social features in rational manner (Thibaut & Kelley, 1959; Lambe et. al, 2011). The emotional aspect of an interpersonal relationship and its impact in a business setting is therefore not well defined. Both marketing and SET literature has been more focused on the cognitive aspect of trust, and specifically how it evolves over time. Similarly both streams of literature depict individuals as rational actors. Lawler's (2001) affect theory

however suggests how the affective states and attachments influence the initiation of a business relationship.

The concepts of Lawler's affect theory of social exchange have been reviewed to explain the entrepreneur's perception of factors from the affective domain when developing relationships in a B2B environment. The theory has been used to explain what it is that make up the part of affective trust, and how entrepreneurs go about doing it. Four propositions formulated from the theory review are presented in the following section, which will be compared to the empirical data underlying this study in the next chapter.

#### 4.2 Propositions

Both streams of the EAM literature regard the customer as an important building block for venture development, however the reason for engaging with the customers differs. The EAM literature assumes the entrepreneur to be either (1) a rational actor that engages the customer to try out assumptions about the business and the literature is mostly a set of tools to gather these answers effectively. The other way the entrepreneur is described is as (2) an actor that leverage others based on their resources and capabilities, which is another expression of rationality.

The proposition here expand this definition of the entrepreneur as described by the affect theory of social exchange. An entrepreneur is an actor that is guided by both the rational domain as described in the EAM literature as well as the affective domain as described by the affect theory. Therefore, it is proposed that:

*Proposition 1: An entrepreneur is an actor that is guided by the combination of the cognitive and the affective domain during early interactions with customers.*

From the review on marketing literature the importance of the interpersonal relationship between the entrepreneur and the early customer for initiating a relationship is evident. The product and/or service are described to have little effect on the progression of the initiation, except as needed for further interaction. When no prior information about the seller exists the trust is argued to be carried by the individuals that have interacted with the buyer. Therefore since a startup lack reputation or earlier references when engaging with early customers, the interpersonal relationships that the entrepreneurs create with their customers during initiation might be of significance.

The significance of trust is highlighted in SET, which describes it as an important precursor to achieve mutually desirable outcomes in an exchange relationship. The trust construct in SET

is a mechanism inducing a spiral of positive action between the two parties involved in an exchange relationship. Based on the review of marketing literature, it is argued that influencing the buyers' cognitive trust during the initiation of a new relationship is not always feasible.

Therefore the affective states should be of significance during the initiation of exchange relationships with early customers. Lawler's theory postulates that an exchange relationship creates emotions, and - if positive - both the entrepreneur and their early customer deem them pleasurable and therefore strive toward these. Both actors attribute this to the exchange relationship they have together, therefore the affective attachment is an influencing factor during the initiation of a relationship.

*Proposition 2: An entrepreneur deems the interpersonal aspect of, and the affective attachment to, the relationships with early customers to be of significance during the initiation phase.*

Lawler describe a pursuit of positive affective states derived from exchange with early customers, and similarly proposes that actors involved in a relationship try to avoid negative emotions stemming from an exchange relationship. It is noteworthy that emotions are not the only factors influencing the entrepreneurs' early interaction with customers, but the focal construct investigated this thesis.

In a vein similar to that of proposition one, striving towards positive emotions and concurrently avoiding negative ones ought to affect the structure of the exchange relationships between the entrepreneurs and their early customers. In the SET literature, Lambe et. al (2001) describes initial reciprocal behavior as the start of a spiral of positive actions, which echoes the view presented in marketing literature where affective trust can be built from displaying a willingness to commit to the relationship.

As was argued earlier, the possibility to influence cognitive trust are limited for the entrepreneur. Therefore a reciprocal behavior ought to be common in order to influence the affective trust of the relationship with early customers. The reasoning for this approach is based on what Lawler (2001) describes as the risk of producing negative emotions in a relationship, a risk the entrepreneur will not be willing to take. The entrepreneur will rather be inclined to try harder to please the customer, and therefore be more willing to act in a reciprocal manner. The reciprocal approach is therefore easier to interpret as positive, and the entrepreneur is considered to be more likely to take a reciprocal mode of exchange, where activities are more easily interpreted as creating positive outcomes and an affective attachment to the exchange relationship.

*Proposition 3: The entrepreneur will try to avoid negative emotions, and is more prone to take a reciprocal approach to the exchange with early customers.*

A previous interpersonal relationship between an entrepreneur and a potential early customer with positive outcome is bound to act as a facilitator for the entrepreneur during relationship initiation. The logic behind this is two-fold; (1) both actors can draw upon earlier successful interactions, and the resulting positive emotions. The emotions are then directed at the interpersonal relationship as well as the new exchange relationship between the two actors. This will have a positive spillover effect, where (2) it is hard for the entrepreneur and the potential customer to distinguish between the exchange they are doing now, and the exchange they have done successfully in the past.

The reasoning from marketing literature that previous relationships between both firms and individuals facilitate future relationships in new settings supports the reasoning above from the affect theory of social exchange.

*Proposition 4: Already established interpersonal relationships between the entrepreneur and a potential customer serve as a facilitator for exchange in a new setting.*

## 5 Empirical findings

In this chapter the propositions presented in the previous chapter are compared to the empirical findings that have been collected through interviews. During the interviews the entrepreneurs were asked to freely talk about their perception of engagements with early customers. The findings are presented in compiled form, supported by some example-quotes. The analysis is focused on the affective domain of the relationship, hence service or product specific information has been excluded. Findings belonging to each of the propositions will be presented in turn.

### 5.1 Proposition 1: *An entrepreneur is an actor that is guided by the combination of the cognitive and the affective domain during early interactions with customers.*

The empirical data showed that the rational based reasons to engage customers was based in transformative as well as in experimental approaches. The salient theme was that the entrepreneurs use a mix or elements from both approaches. Some entrepreneurs leaned towards an experimental approach whilst others leaned towards transformative reasons.

**Table 5.1 Example quotes in relation to an experimental approach**

Interview	Quote
1	<i>"It's better to ask the customer and validate what they want then provide a solution for that, rather than the other way around."</i>
7	<i>"To minimize the risk of developing the wrong things, you have to understand the customer. [...] we do things like go there [to the customer] with minimum viable products and let them try it and verify how they use it and what's not working."</i>

**Table 5.2 Example quote in relation to a transformational approach**

Interview	Quote
6	<i>"We thought working like that was a good way, we get paid for the development [of something project specific], and it extends our offer. So in the end it's beneficial for both us and our customers."</i>

In addition, factors outside of those described in the EAM literature could also be identified in most cases. These expressions were usually not explicitly expressed, however were a present theme during interviews. Some entrepreneurs gave clear-cut expressions of what can be described as an affective, endogenous drive for engaging customers, and even the development of the venture as a whole.

**Table 5.3 Example quotes in relation to an endogenous, affective drive**

Interview	Quote
2	<i>"We're a technology-heavy idea company [...] we just want to give people an idea of how this industry should work"</i>
7	<i>"We want to help their [the customers] company evolve."</i>

5.2 Proposition 2: *An entrepreneur deem the interpersonal aspect of, and the affective attachment to, the relationships with early customers to be of significance during the initiation phase.*

In all cases, the empirical evidence pointed towards the importance of an interpersonal relationships with people within other organizations, but how this was expressed differed between the cases. The entrepreneurs perceived that for an exchange relationship to fruitfully develop with a customer, the interpersonal part was a central feature.

**Table 5.4 Example quotes showcasing the importance of the interpersonal relationship**

Interview	Quote
1	<i>"I don't do business with companies, I build relationships with people"</i>
5	<i>"Initially I thought the hard part would be the technology, to create a good product that works. What I have noticed however is that the really tricky part is the market and especially the people that constitutes the market."</i>
7	<i>"The human part of a business relationship is extremely important"</i>

Although all cases mentioned the importance of the interpersonal relationship during the initiation of a relationship, the cases varied on what the entrepreneur as the key construct for the interpersonal relationship. One pattern however was visible, as some entrepreneurs mentioned interpersonal trust as a key construct for an exchange relationship to be fruitful.

**Table 5.5 Example quotes showcasing interpersonal trust as a key construct for the exchange relationship**

Interview	Quote
1	<i>"I know how important the relationship is, that they can trust me. I become their insurance, it becomes my responsibility. I try to be very clear about that. "</i>
3	<i>"It's about showing the customer that I am not only a sales person that just comes here and then leaves. You have to show them, 'I am loyal towards you. I really want to help you.'"</i>

How the entrepreneurs described the positive affective state stemming from an exchange relationship differs between the cases. All cases however somehow referred to the importance of perceiving the exchange relationship as a source of positive affective states during the development of the relationship. What the entrepreneur deemed most important for this situation to occur differed, however some used a rather vague reference to "personal chemistry", "personal liking" or "friendship". Presenting an overall picture of what the entrepreneurs expressed for this construct is challenging. Nevertheless, in general the cases



surfaced a theme that describe the affective states stemming from the relationship as pleasant.

**Table 5.6 Example quotes of expressions of positive valence of affective states**

Interview	Quote
3	<i>"If you meet a customer and you can become friends, which allows you to do something together. Then of course he or she has to be able to defend it, but that comes at a later phase."</i>
6	<i>"...working with other companies should be fun and enjoyable on a personal level"</i>

5.3 Proposition 3: *The entrepreneurs will try to avoid negative emotions, and are more prone to take a reciprocal approach to the exchange with early customers.*

Most of the entrepreneurs stated the importance of avoiding negative emotions during interaction with early customers. No cases contradicted this statement, however a few cases did not explicitly mention it either. At a general level, the entrepreneurs talked about the affective attachment to the social unit. This was expressed as not wanting the customers to experience the exchange relationship with them as unpleasant. The detailed expression of these negative affective states differed between the cases, as well how the entrepreneurs acted to avoid them.

**Table 5.7 Example quotes showcasing the avoidance of negative emotions**

Interview	Quote
4	<i>"...often without getting an answer [from a potential customer], but I've been trying anyways. Then once I get ahold of them I make sure not to show any discontent or get angry, but rather the opposite"</i>
5	<i>"We've always really tried to check that [an unsatisfied customer] in question is at least content: - Alright, maybe you don't like this, but what would make you content even if the technology isn't what you hoped? Another report or something, would that at least make this a good ending?"</i>
6	<i>"Sometimes you have to say that you are wrong even if you weren't wrong, just bite the bullet and take a punch to the face to kind of put out the fire and see how you can move forward"</i>

The general behavior of the cases during early customer interaction could be described as having a 'humble' approach to the customer. All cases, except one, phrased their approach with that specific word. 'Humble' was used to describe both what was promised to the customer as well as the attitude towards their time. In combination to being 'humble', the cases generally expressed reciprocal behavior towards the customers. The reciprocal behavior however was never explicitly described as of strategic importance, but was a rather an implicit assumed mode of behavior.

**Table 5.8 Example quotes showcasing a humble, reciprocal approach**

Interview	Quote
3	<i>"...sometimes customers felt bad because we did so much for them, they kind of say: - Can I please pay for this?"</i>
4	<i>"We used to go with, well maybe I shouldn't say cap in hand, but we've always known that we've occupied valuable time, and it's been important that they actually gain something from talking with us"</i>
7	<i>"You have to contact them [initial customers], cap in hand, and kind of just ask nicely"</i>

5.4 Proposition 4: *Already established interpersonal relationships between the entrepreneur and a potential customer serve as a facilitator for exchange in a new setting.*

Whether the entrepreneurs had previously established relationships that they carried over in their new venture differed along the sample. Most of the cases did have previous interpersonal relationships that were taken into the setting of the new venture. All of these saw it as an important aspect of the venture and facilitator for venture development. One case stretched as far as stating that it was imperative for the success of the venture.

**Table 5.9 Example quotes showcasing previous relationships a facilitating factor**

Interview	Quote
7	<i>"...it was previous business relationships that made this [the business venture] work."</i>
2	<i>"...from the start really [of the business venture], we knew a lot of people in the industry and it's been really helpful."</i>
4	<i>"It wasn't that hard for us to get to meet with customers, since we already were familiar with some from before"</i>

The other cases did not have the possibility to leverage previous interpersonal relationships in the new venture environment. Two of the entrepreneurs expressed the absence of such

relationships as a hurdle during venture development, not unsurpassable but still rather difficult. One case did not have any previous relationships nor perceived it as a problem.

**Table 5.10 Example quotes showcasing the perception of a lack of previous relationships as problematic**

Interview	Quote
1	<i>"I use all tricks available to me, but in short it's about picking up the phone. Having an introduction can warm things up, but essentially it's about having the guts to call, and to dedicate time, since it's not that easy to do"</i>
5	<i>"...doing this the first time, I realized I really don't know how to do it. I was really scared to pick up the phone and just call someone."</i>

**Table 5.11 Example quote showcasing the perception of a lack of previous relationship as unproblematic**

Interview	Quote
6	<i>"We were in this luxury position where companies found us rather than us reaching out to them"</i>

## 6 Discussion

*This chapter will discuss the empirical findings in relation to proposition 1-4 in order to address the third research question. The logic is not to falsify the importance of product or service specific factors as important for the entrepreneur, but rather expand the definition of the entrepreneur as both a cognizing and emoting actor. The findings specifically indicate that entrepreneurial decision making is also based in the affective domain during initial customer engagement. This is noteworthy as previous EAM theories have largely focused on the rational as a basis for decision making. This indicates that the interpersonal relationship between the entrepreneur and its early customers is an important aspect for the entrepreneur during the relationship initiation in general.*

### 6.1 Proposition 1: *An entrepreneur is an actor that is guided by the combination of the cognitive and the affective domain during early interactions with customers.*

The EAM literature describes the reasons for interacting with early customers as either means for validated learning or as springboards for venture development. The empirical findings support both the experimental and transformative view. Some entrepreneurs were describing variants of the Lean Startup Methodology (Ries, 2011; Blank & Dorf, 2012), and explicitly stated the process of validated learning as a central theme for interacting with early customers. Further, some entrepreneur also explained the importance of co-development with early customers, a central theme in the transformative approach (Sarasvathy, 2001; Baker & Nelson, 2005)

While the EAM literature could be divided into two camps with (1) a social constructionist nature (transformative) and (2) a positivistic nature (experimental), the entrepreneurs were not as distinctly divided. No theoretical model holistically depicts the reality and the empirical findings showed that the entrepreneurs rather used a mix of the two camps. This opens up an interesting dimension that is the focal point in this study: are there reasons for entering a business relationship beyond what is currently described in the EAM literature?

In this thesis focus was on factors outside of the rational, and in the underlying study, reasons from the affective domain for engaging customers are a central theme. Comparing the endogenous affective drive that the entrepreneurs displayed with the affect theory (Lawler, 2001), a noteworthy interpretation of the phenomena studied can be made. The affect theory propose that the affective states exchange relationships cause trigger a cognitive explanatory effort for why they occur, which in turn creates an affective attachment directed towards the exchange relationship. Therefore, actors involved in an exchange relationship seek to continue the relationship if it creates a positive affective attachment. This

process can be rationally explained as: "I like doing this, hence I continue doing it". In such a scenario however it is the affective domain that guides the rational process, and is the driving force behind the continuation of an exchange relationship.

Most entrepreneurs seemed to have some endogenous drive stemming from the affective domain, in combination with the rational. The logic here is not to deny or falsify the inclusion of rational factors, but to expand the view of the entrepreneur as purely rational by investigating the emotional dimension. What this drive consisted of differed between the entrepreneurs.

The same argument can be applied to the reasons and explanations entrepreneurs give, when providing explanations of how the initial customer relationships evolved. The same process could be in place, in effect a cognitive effort to explain the affective states and attachments. This could potentially lead to a retrospect-fitted cognitive explanation for why and how things developed. In that sense the entrepreneurs would provide a rational explanation of why and how they got from the affective point A to another affective point B.

**6.2** *Proposition 2: An entrepreneur deems the interpersonal aspect of, and the affective attachment to, the early relationships with customers to be of significance during the initiation phase.*

The cases showed the interpersonal relationship was important when engaging early customers. Similarly, to what is described by Håkansson & Snehota (1995), the interpersonal relationship between the entrepreneur and the customer seems to positively influence the interorganizational relationship. Furthermore, Edvardsson et. al (2007) argues that the importance of the interpersonal relationship is of higher significance when the actor lacks any reputation, which is arguably the case in an entrepreneurial setting. The findings support this view of the importance of the interpersonal relationship during initiation.

While initiation literature mentions the importance of the interpersonal relationship for the initiation of a business relationship with the customer (Edvardsson et.al, 2007, Valtakoski, 2015), little explanatory reasons for why is provided. The affect theory (Lawler, 2001) could provide such an explanatory reason since it argues that if the experiences of an exchange relationship are positive, then individuals tend to strive towards continuing them. If the interpersonal relationship between the entrepreneur and its customer is a source of positive affective states, then this is a facilitator for future exchange between the actors.

The findings indicate the importance of interpersonal trust between the entrepreneur and its customer as a key construct for facilitating further exchange. This echoes the view presented by Dwyer et.al (1987), where trust is seen as an important antecedent to build commitment to an exchange relationship. Furthermore the findings points towards the affective attachment

to the interpersonal relationship as being of importance for the initiation of the relationship. The view presented by the entrepreneurs is similar to the construct of trust as presented by Johnston & Greyson (2003), who argues that trust is built from both the affective and the cognitive, with both influencing the other.

While the expressions that describe the positive affective states stemming from the exchange relationship differed, the findings indicated that the entrepreneurs perceive it of importance to have '*pleasant*' interpersonal relationship with the customers. As argued by Lawler (2001), when actors perceive the exchange as pleasant it creates an attachment to the social unit. Some support for this point can be found amongst the findings presented in relation to proposition 3, where the interviewees described their customers on a level of a social unit and portray the avoidance of negative emotions as important.

Given the points presented above we argue that while the product/service and economic factors are of importance during initiation, other factors seem to facilitate the initial exchange for the entrepreneur. As described by Edvardsson et.al. (2007), the product can be seen as more of a "hygiene factor" for further interaction instead of the "key" for creating a business relationship. We argue that the feeling of trust stemming from the affective attachment to the relationship is of importance during the early customer engagement. Johnston & Greyson (2003) presents an explanation for these findings where they argue that with an increased affective trust, the cognitive trust in the actor is likely to increase as well. Similarly as argued by Lawler (2001), the emotions stemming from the exchange relationship create a cognitive explanatory process in the actor. Both these points resonate with each other, as the affective trust in a sense builds the cognitive trust as well.

Since words such as friendship were used to describe the relationship with customers, instead of plainly customer or business relationship, the findings support what Lawler (2001) describes as an affective attachment to the exchange relationship. The findings with regards to proposition 2 arguably contrast the approaches to EAM, and especially the experimental approach, where the product/service development is a central theme for venture development.

Moreover, the findings indicate that building an interpersonal relationship with the customer is viewed as important for the entrepreneurs. In contrast, the experimental EAM literature assume customers as readily available for the entrepreneur to make use of (Blank & Dorf, 2012; Ries, 2011). Furthermore the transformational approach of EAM literature describes customer as an important building block for co-creation (Sarasvathy, 2011). The co-creation

that takes place is however in the sense that the customer functions as an inclusion in the entrepreneurs' pool of available resources (Baker & Nelson, 2012). To be able to include these resource however, a relationship must first be built, an aspect the EAM literature omits.

6.3 Proposition 3: *The entrepreneur will try to avoid negative emotions, and are more prone to take a reciprocal approach to the exchange with early customers.*

The affect theory propose that actors involved in an exchange relationship try to avoid negative affective states experienced as a result of the relationship (Lawler, 2001). The empirical findings show no sign of this statement to be false, however not all cases explicitly mention it as important. The cases that do mention the importance of avoiding negative affective states resulting from the relationship reflect on a level of the social unit, that is the individual contribution to the negative affective state is combined with inferences of the exchange partner and the exchange task.

In the affect theory, Lawler (2001) postulate that an exchange relationship creates a group rather than self-efficacy, which creates self-serving biases. In this situation we argue that these biases are at play, especially in the sense that the entrepreneurs did not speak about the exchange partner, nor the task they were doing, but their relationship. Another possible explanation for the phenomenon could be reputation based, in the sense that the entrepreneur does not want a potential customer to be dissatisfied since (a) they might want to do business in the future or (b) does not want a bad reputation in the network of potential customers

The findings show that the cases have a '*humble*' approach towards their customers, and the general approach is to act reciprocal. In proposition 2, trust seems to be the key construct for successfully developing a relationship and SET argues that initial reciprocal behavior induces a spiral of positive action between the actors involved in an exchange relationship (Lambe et. al., 2001). Furthermore Valtakoski (2015) also states that initial reciprocal behavior is a beneficial way to induce trust in an exchange relationship, but phrases this through the construct commitment. Therefore reciprocal behavior is identified as a way for the entrepreneur to generate trust in the relationship.

Interestingly, amongst the cases reciprocal behavior was the natural mode of behavior towards customers and not an explicit tactic or strategy. We would argue that this is due to the fact that providing unilateral gifts, to act reciprocal, is easily interpreted as a source of positive affective states. For an entrepreneur, the venture and the tasks that comes with developing it is a source of positive affective states. Therefore, performing an exchange task, even without reciprocity from the receiver, will produce what Lawler (2001) describes as



pleasantness towards the exchange task and at the same time produce a feeling of pride towards self.

Furthermore the humble approach towards the customer can be interpreted as an extension of avoiding negative affective states towards the social unit. The rationale for this is that a humble approach would rarely agitate a customer, since it basically is a set of cautious actions with little risk involved. Additionally, reciprocal behavior without explicit expectation of reciprocity would also rarely agitate a customer. Therefore, a humble approach is seen as an extension of avoiding negative affective states, since it rarely involves risky moves that could result in negative affective states.

#### 6.4 Proposition 4: *Already established interpersonal relationships between the entrepreneur and a potential customer serve as a facilitator for exchange in a new setting.*

Similarly, to what was argued in previous section, stable exchange relationships are perceived as sources of positive affective states, and individuals gravitate towards them. The affect theory (Lawler, 2001) does not describe the impact this might have for exchange relationships when these are transferred over from a previously successful exchange relationship into a new organizational situation. The empirical findings however show that most cases either (a) used previous relationships as a facilitator for exchange to happen in a new setting or (b) perceived gaining access to customers as a hurdle.

These findings closely resemble the argument of Håkansson & Snehota (1995), that previous relationships, both personal and organizational, can act as bridges between previously non-connected actors to facilitate the creation of new exchange situations. Furthermore as described by Valtakoski (2014), already established relationship between people are argued to help facilitate the initiation process. However while highlighting the importance of existing interpersonal relationships they provide little explanatory factors for why this is the case. Therefore this thesis proposes that the affective attachment to the social unit of previously successful exchange as described by Lawler (2001), facilitates the new exchange situations.

Of particular interest with regards to proposition 4 is that one of the cases neither had previous relationships nor experienced it as a problem. In that particular case the entrepreneur did not have to make contact with customers, instead the customers reached out to them. While this study focuses on the affective in the early customer engagements, this particular case seems to indicate that it is possible to successfully initiate a business relationship without building, or leveraging previous interpersonal relationships with the customer. As argued in the experimental EAM literature, the entrepreneur finds a scalable business model through finding out what the customer really wants (Ries, 2014). In this

situation, we hypothesis that case five is an extreme of the non-affective, where the product/service was dominant. However given the sample size it is hard to determine whether this is a frequently occurring situation.

Most cases highlighted the importance of the entrepreneurs having previous interpersonal relationships to gain access to early customers, at least as a facilitator for exchange. It should however be pointed out the empirical findings do not answer how an entrepreneur could overcome this perceived barrier, given a situation where the entrepreneur lacks previously established interpersonal relationships to bring into the new venture.

This thesis highlights the importance of including the sociological domain in the EAM discourse. The findings showcase that, the sample explored in this thesis, a humble approach towards early customers was used. Moreover, the findings highlight that previous relationships are a way to develop relationships in a new setting, and that the lack of such relationships can be seen as problematic. Hence, the entrepreneur should not only be defined as a product or service developer, but as a relationship developer as well, especially during the early customer engagements.

## 7 Conclusion

This study has explored the initiation of the interpersonal relationships with early customers from the perspective of the entrepreneur. Instead of focusing on the product or service specific factors, the focal point of the study has been the interaction between the entrepreneurs and their early customers. Through a review of theory and an empirical investigation of four propositions, the thesis has unveiled the sociologic domain as a noteworthy addition to the EAM discourse. The thesis thus provides a better understanding of the influence of the interpersonal relationship with the initial customers or venture creation.

With regards to research question 1, the EAM literature currently paints the picture of an entrepreneur as an actor guided by rationality, and focuses on efficient product or service development or the expansion of available resources instead of the initiation of new business relationships. Answering research question 2 it was found that when operating in a B2B setting factors beyond the product or service offering needs to be included. In this thesis, different propositions that aim to evaluate the inclusion of sociological aspects have been presented, especially the domain of the affective.

While the product or service specific aspects are certainly of importance, this thesis aimed to explore factors beyond these aspects. With regards to the findings of this thesis and in relation to research question 3 the importance of the interpersonal relationship between an entrepreneur and its early customer is highlighted. The findings furthermore show that the entrepreneurs generally have a humble approach towards their customer, and go to lengths to avoid any negative affective attachments. Moreover the findings show that leveraging previously successful relationships in other settings into the new venture as a common way to develop early customer relationships. The conclusion from this study is that the entrepreneur cannot only be viewed as a product or service developer, but must also be viewed as a relationship developer.

### 7.1 Future research

The exploratory nature of this thesis and the sample size limits any generalizable conclusions to be drawn from this study. Nevertheless, this study does point towards that the inclusion of factors beyond the rational is a healthy addition to the EAM literature. In this study we have applied a sociological perspective to the initiation of business relationships between entrepreneurs and their early customers.

Future research is needed in order to better understand the process of building customer relationships as an entrepreneur. More specifically, further research is necessary to

understand the significance of factors within the affective domain in an entrepreneurial setting. Furthermore the sociological lens needs to be applied in other situations than business relationship initiation.

While this thesis provides a good starting point, EAM could benefit from further exploratory research of the initiation phase into other domains of research as well. One such field could be to study how the entrepreneur negotiates their initial deals. Another could be how they present their offer to their customers, and exploratory research venturing into other sociological and psychological fields such as negotiation theory and prospect theory. Studies of that kind could have a potential for giving practical suggestions in terms of how to actually handle customers.

The findings do not answer how an entrepreneur could overcome the barrier of not having without previous interpersonal relationships to bring into the new venture. However we envision that a solution could be to actively seek out individuals known within the industry, and leverage their relational network for establishing business relationships. This reasoning resembles what the transformative approach (Sarasvathy, 2001; Baker & Nelson, 2005) labels as expanding the resources or means available to the entrepreneur. Hence, further research addressing this topic would have to be made.

Although the limitations of the thesis impose constraints of how it can contribute to the EAM discourse, we believe the thesis has unveiled the sociological as an aspect that needs to be incorporated in EAM literature. Entrepreneurship and new venture creation is basically a human activity, between individuals, and must therefore be viewed as such. Our aspiration is that the findings of this thesis can help guide further research towards the inclusion of the sociological domain.

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