The strategic path in a creative start-up process
Action research within the fashion industry

Bachelor's thesis within Business Administration

Authors:  Eriksson, Joel
          Ivarsson, Jonas
          Krantz, Niclas

Tutor:  Nordqvist, Mattias
        Raviola, Elena

Jönköping December 2005
Abstract

Problem  During the start-up phase of new ventures, the founders are at many times occupied with different reflections about the concept, the marketing, the financing, and what strategies the venture should have. Family One (FO) is one of these start-ups that have been struggling with these reflections. Have the FO-team succeeded in their work of starting up their own fashion brand, and how could it have been done better?

Purpose  The purpose of this thesis is to document and analyze the start-up process of a newly founded fashion venture and present a model that reflects the venture creation of Family One.

Method  A qualitative action research approach has been used in this thesis. The founders of FO have produced detailed logbooks of the actions taken during the start-up, and these have been interpreted and analyzed.

Result  The conclusion of this bachelor thesis is that the start-up and different phases of the new venture creation of FO does not totally comply with the existing theories. Even though we are able to see the reality in which the start-up models are developed, it differs from the start-up of the street fashion company FO. Therefore, the results hold an alternative model of a fashion start-up, developed by the authors.
# Table of Contents

1 Introduction ........................................................................................................... 5  
  1.1 Introduction ....................................................................................................... 5  
  1.2 Background ........................................................................................................ 5  
  1.3 Problem Discussion ......................................................................................... 7  
  1.4 Purpose .............................................................................................................. 7  
  1.5 Delimitations ..................................................................................................... 8  
  1.6 Disposition ....................................................................................................... 8  

2 Research Method .................................................................................................. 9  
  2.1 Data gathering ................................................................................................ 9  
    2.1.1 Literature .................................................................................................. 9  
    2.1.2 Data collection ......................................................................................... 9  
  2.2 Research approach ......................................................................................... 9  
  2.3 Research method ............................................................................................ 10  
  2.4 Action research ............................................................................................... 10  
    2.4.1 Action research process ........................................................................... 12  
  2.5 Applied method of action research ................................................................. 13  
    2.5.1 Conceptualization .................................................................................... 14  
    2.5.2 Interpretation ............................................................................................ 14  
    2.5.3 Implementation ......................................................................................... 15  
    2.5.4 Action – Reflections ................................................................................ 15  
    2.5.5 Action research in our nutshell ............................................................... 15  
  2.6 Validity ............................................................................................................... 16  
  2.7 Reliability .......................................................................................................... 16  
  2.8 General criticism and justification ................................................................. 16  

3 Empirical Findings ............................................................................................... 18  
  3.1 Background to the empirical findings .......................................................... 18  
  3.2 April/May 2004 ............................................................................................... 19  
    3.2.1 Reflections ............................................................................................... 20  
  3.3 June/July 2004 ................................................................................................. 21  
    3.3.1 Reflections ............................................................................................... 22  
  3.4 October 2004 ................................................................................................... 22  
  3.5 November 2004 ............................................................................................... 22  
    3.5.1 Reflections ............................................................................................... 23  
  3.6 December 2004 ............................................................................................... 24  
    3.6.1 Reflections ............................................................................................... 24  
  3.7 January 2005 .................................................................................................... 25  
    3.7.1 Reflections ............................................................................................... 25  
  3.8 February 2005 .................................................................................................. 26  
  3.9 March 2005 ...................................................................................................... 26  
    3.9.1 Reflections ............................................................................................... 26  
  3.10 April 2005 ....................................................................................................... 26  
  3.11 May 2005 ....................................................................................................... 27  
  3.12 June/July 2005 .............................................................................................. 28  
  3.13 August 2005 ................................................................................................... 29  
    3.13.1 Reflections .............................................................................................. 29
Figures
Figure 2-1: Sequences of action-reflection cycles (McNiff & Whitehead, 2002, p. 41) ............................................................................................... 12
Figure 2-2: The action research process (McLean, 1995, p. 64) .............. 13
Figure 2-3: Applied model of action research ........................................ 14
Figure 4-1: The authors’ view of the connection between the entrepreneur, innovation and creativity ................................................................. 42
Figure 4-2: The opportunity identification process (Long & McMullan, 1984, p. 575) ......................................................................................... 44
Figure 4-3: Bhave’s opportunity recognition sequences in entrepreneurial venture creation (Bhave, 1994, p. 229) .............................................. 45
Figure 4-4: The interrelation between discovery and exploitation (Davidsson, 2003, p 4) .......................................................... 46
Figure 4-5: How the components of entrepreneurship fit together (Davidsson, 2003, p 11) ................................................................. 46
Figure 5-1: Business platform analysis ........................................................ 61
Figure 6-1: Proposed start-up model ............................................................ 58
Figure 6-2: Idea and concept elaboration phase - an extraction from the proposed model (6.1) ................................................................. 61

Tables
Table 4-1: Drucker’s do's and don'ts .......................................................... 40
Table 4-2: Klofsten’s Cornerstones (2002, p. 27) ........................................ 49

Appendices
Appendix A – Early graphical profile ......................................................... 85
Appendix B – The core of family one ......................................................... 86
Appendix C – The Strategic Market Landscape ........................................ 87
1 Introduction

This introduction chapter describes the background of the subject of this thesis and includes a problem discussion, followed by the purpose. After this, our demarcation and focus along with who might be interested in our research will follow. A disposition to make it easier to follow the thesis is presented in the end.

1.1 Introduction

“You can look at a giant corporation, and I mean the biggest, and they all started with a guy with an idea.” (Irvine Robbins, entrepreneur)

This statement made by the founder of Baskin Robbins ice bars stresses the importance of the single entrepreneur, introducing us to the whole idea behind this thesis. The business environment consists of various enterprises of different sizes that all have in common what this quote describes; they all started with a guy/girl or team with an idea bringing a product or service to the market. The Swedish giant corporation Ericsson was started by the entrepreneur Lars-Magnus Ericsson that had an idea about telecommunications. Virgin was started by Richard Branson and his team, with the idea of establishing a record store targeted at students. The local Jönköping café Salotto 23 started as a result of an idea of serving Italian coffee culture. Today, Virgin and Ericsson are world leading multinational enterprises, while Salotto 23 still is struggling in the post start-up process. The common denominator in all these cases is that they have gone through a start-up process.

The importance of entrepreneurs therefore is obvious for creating individual and common wealth. The authors have all started firms during their studies at Jönköping International Business School and thereby know how it is to be an entrepreneur and have all been experiencing the process of starting new ventures.

1.2 Background

According to Stefania Saviolo and Salvo Testa (2002) of Università Bocconi in Milan, there is no other field of human activity that has been exposed to such systematic change as it has been in clothing, and consumer good closely related to clothing, where the changes can be viewed as an obsession. This is due to the fact that clothing is, or ought to be, the expression of a development in custom, social context, culture, and lifestyle; in a phenomenological context that is much wider and more complex than clothing itself (Saviolo & Testa, 2002).

“Today’s younger generation in Sweden is much more open to fashion and new design. Deeply engrained mindsets regarding fashion as something expensive and frivolous are dissolving. Fashion inspires us; it allows us to experiment and express our own personalities and lifestyles. An awareness of our appearance and the clothes we wear no longer needs to be associated with superficiality. There is more genuine interest in fashion and clothes among ordinary people; we are more interested in what brand names actually stand for and perhaps even the design philosophy behind them” (Blom, 2004)

Swedish fashion brands are on advance in the world (Leijonhufvud, 2005). Brands like Acne, Frank Dandy Superwear, J. Lindeberg, Nudie Jeans, Svea, and We are going from red figures towards multi million profits, and most of them are expanding their market out-
side their original market Sweden. But it has not been a straight way to the top for these companies. J. Lindeberg has for example been struggling with losses and has been forced to change their organization and focus several times (Hermele, 2004). Acne and We are two other companies that have been forced to do something about their figures, they turned to venture capitalists, which invested the necessary resources to make an expansion possible (Leijonhufvud, 2005; Sundström, 2005).

Gehlhar (2005) suggest that consumers are tired of the “sameness” offered by big clothing brands. Consumers seek something special to set them apart from others. Gehlhar (2005) suggest that this is why independent and new fashion brand are in the advance, not only in Sweden, but also around the world.

Family One Clothing (FO) was founded in late 2004 after discussions between the three founders; Joel Eriksson, Erik Gudmundsson and Jonas Ivarsson. Though the business activities, to a high extent, is about to start in late 2005. Therefore, the company should still be considered to be in the start-up process.

The fashion market, and especially the street fashion market, is characterized by brands having brand images and core values that expresses hard attitude and in general these brands are perceived as rebellions. Looking at the business opportunity landscape (Wickham, 2001) which represents the possibilities of establishing new ventures in an unexplored location in the landscape, the founders of Family One recognized an opportunity to create a fashion brand with an image holding the core values of humbleness and down-to-earth attitude.

Looking at the common background of the three founders, it is no surprise that a clothing brand with focus on action sports is what was founded. The three founders all have a history within actions sports, and all has a genuine interest of fashion. Another factor that tied the three founders together is that they value humbleness and friendship.

Furthermore; there is a difference between the founders concerning the role of the individuals in the venture in which one has a background of clothing design (Joel Eriksson), another marketing experience (Jonas Ivarsson), while the third founder had an interested more towards financing and production (Erik Gudmundsson). Therefore, the roles of the founders were divided from day one, even though they all have participated in the development of the venture.

1.3 Problem Discussion

Looking into the fashion business, and many other businesses which are into shopping products, we believe that the customers are buying much more than just the core product\(^1\), and are instead buying the actual product (e.g. brand name, packaging, features, styling, and quality). According to Gehlhar (2005) the fashion business is as much about marketing as it is about the actual design of the garments. Further, Gehlhar (2005) argues that image is everything. The image differentiates the brand from others, and establishes an emotional connec-

---

\(^1\) Core product is the problem-solving core benefits that the consumer really are buying (Kotler, Armstrong, Saunders & Wong, 2001, p. 460).
tion with the customer. We think that the concept in these businesses is of greater importance than the concept in more convenience product oriented businesses. Furthermore, traditional management studies (marketing, communication, strategy, and operations) have not been focused much on the fashion industry.

According to Saviolo and Testa (2002) we are moving away from fashion products as commodities towards an intangible emotion creating; therefore a strong market orientation is needed. Once a product moves from specialty products to convenience products, there is a progressive decrease in the importance of the intangible aspects of the product, and an increase in consumer power and rationality in the purchasing processes. The firm can gain extra profits and uniqueness as a competitive advantage, if they succeed in upgrading the product from the shopping or convenience product, to the specialty category (Saviolo and Testa, 2002).

Many researcher have tried to model the venture start-up process, however, since this process is of a very complex nature, there is no model covering all aspects, and since the start-up process might look very different from industry to industry, the work for the researchers is even more complex. We will in this thesis, describe, interpret, and analyze the start-up of Family One Clothing in order to a) increase the awareness of the venture start-up process in the fashion industry, and b) help Family One Clothing to better understand their start-up process and how it might affect the future business.

1.4 Purpose

The purpose of this thesis is to document and analyze the start-up process of a newly founded fashion venture and present a model that reflects the venture creation of Family One.

1.5 Delimitations

Since this bachelor thesis is an assignment limited in time, we will only investigate the Family One Clothing venture during the phases prior to the thesis and somewhat during the thesis (from September until December). Sadly, the outcome of the start-up will not be disclosed in the thesis, since the production start is set to January 2006.

Our focus in this thesis will be on Family One Clothing, and the findings presented are always applicable for this company, and it can in some cases also be applicable for other start-ups.

1.6 Disposition

In order to help the reader better understand how the different chapters in this thesis are connected, we will present them shortly here:

Introduction – The introduction chapter describes the background of the subject of this thesis and includes a problem discussion, which will be followed by the purpose of this paper. A discussion of our delimitations and this disposition will follow.

Research Method – The method chapter describes how we have conducted the research which is the foundation of this thesis. The main topic in this chapter is the introduction to
action research, and the way we have chosen to implement it. Also, the validity and the reliability will be discussed.

Empirical Findings – Our empirical findings are a summary of all the events taken part during the start-up of Family One Clothing. We have decided to categorize the empirical findings monthly to ease the reading. Many of the subchapters in the empirical findings will end with the individual reflections from the founders.

Frame of References – Our frame of references has been built upon existing theories from many researchers with good reputation, but there might also be some new names for the reader. The frame of references has been collected through various journals, books and from databases.

Analysis – In our analysis we compare our theoretical findings in the frame of references with the reality, i.e. the empirical findings. We turn and twist on different issues in order to understand what have happened, and why, during the start-up of Family One Clothing.

Conclusion – Our conclusion will explain what we actually have concluded during the work with this thesis.

Final Discussion – The final discussion is where we will discuss the work with this thesis. It will include personal reflections and also discussions regarding the trustworthiness of the study.
2 Research Method

The methodology chapter of this thesis will present and motivate the choice of research method we have selected to carry out this study. Descriptions of how data was collected as well as how it was analyzed will described along with information about the trustworthiness and reliability of this study.

2.1 Data gathering

This study is based on a literature study and a participatory investigation. The two following sections will describe how we have collected our information and data.

2.1.1 Literature

Theories collected for this thesis have been gathered through various sources available to us. Much literature has been collected from Jönköping University Library and from different full text databases. When using the full text databases, keyword such as “new venture”, “fashion”, “start up”, “entrepreneurship”, and “entrepreneur” has been used.

2.1.2 Data collection

The data used in this thesis is of very qualitative nature and all of it has been collected through participation in the start up of the company. Furthermore, since we aim to gain as much knowledge as possible, a method called action research will be used. More information about this can be found in Chapter 2.4.

2.2 Research approach

Before any research can be conducted, the approach on how to perform the study has to be determined. Lekvall and Wahlbin (1993), presents exploratory, descriptive, and predictive research as the main approaches in which a study can be conducted.

Considering the purpose of this study, the research approach that is most suitable for this thesis is of explanatory nature since we aim to look deep into the start-up process of a new venture and explain the actions taken during this venture creation. The explanatory research approach is used because we want to explain the venture start-up process; and try to enlighten how different factors are related and how they influence each other.

Through the involvement in the start-up process of a new venture within the fashion business, the authors will be able to understand the process from within the company, and also from the analysis, from an entrepreneur’s perspective.

According to Hyde (2000), qualitative research methods generally adopt inductive processes, in contrast to deductive processes which are more common within quantitative research. The inductive process is characterized by the fact that the empirical findings are not colored by theoretical findings; the researchers commence the study with an open mind which is not influenced by pre-studied theories (Strauss & Corbin, 1994). In our thesis, the empirical findings were composed out of protocols, logbooks and chat-logs, by the founders of Family One, during the same time as the frame of references was developed. Our
hope is that the empirical findings will not be affected by the frame of references and that we can analyze the findings from a pure theoretical perspective.

### 2.3 Research method

Malhotra (1996) present the three general research methods to base a study upon, qualitative method, quantitative method and a combination of the two.

Considering the purpose of this study, the most suitable and relevant research method is of qualitative nature. Since we will deal with a single case, Family One, the highest degree of accuracy will be achieved through a qualitative approach. A quantitative approach could have been used, but since our interest is of a more qualitative nature, we have decided to use a qualitative research method. Furthermore, if a qualitative approach is used, we will be able to more specifically apply theories and identify gaps in which we are interested.

One approach for analyzing the start-up of Family One could have been to use in-depth interviews with the founders to find out reasons for certain decisions. However, since two of the founders also are co-authors of this thesis, the interviews would be very subjective and it would color the outcome of the study.

In order to eliminate the problems that would occur in such a research situation the authors have agreed upon using an approach of qualitative research that truly will consider the in-depth approach of the qualitative method, namely action research.

### 2.4 Action research

Action research is something that can be, and is, conducted by us all almost daily. It is a method of acting, and then observing the actions, and further on reflects upon the actions in order to maximize the effect of the taken actions. The general idea behind action research is to generate practical knowledge in order to improve the everyday life (McNiff & Whitehead, 2002).

An example of action research is how to find out the fastest way to get from point A to point B. First, one possible way is tried out. After reaching point B, we reflect upon the chosen way and then we try other ways, using shortcuts and aids. The approach involves learning through action and reflection (McNiff & Whitehead, 2002).

Kurt Lewin and his associates have historically been credited for the concept of action research. The method was introduced in the post World War II era and emerged from the field of social psychology. Action research is not a program or a special invention but is basically all about to ask the question *Is there a better way?*, and the process of answering it (McLean, 1995, p 4). Generally, action research has to a high extent been used with the process of improving educational processes and information systems by involving the participants to a higher degree (McLean, 1995; Atweh, Kemmis & Weeks, 1998; McNiff & Whitehead, 2002; Carsson & Sumara, 1997).

Action research can be defined in various ways. Since the method is applicable in many different research areas, it is seldom that the definition follows a universal format. This leads to many different definitions. Below we will present some different definitions.
• “…action research is the application of the scientific method to the practical problem” (Lee, 1990, p 85)

• “…the key idea is that action research uses a scientific approach to study the resolution of important social or organizational issues together with those who experience these issues directly.” (Coghlan & Brannick 2001, p 4)

• “Action research is a practical way of looking at your practice in order to check whether it is as you feel it should be. A self-reflective process.” (McNiff & Whitehead, 2002, p 15)

• “…the process of systematically evaluating the consequences of decisions and adjusting practice to maximize effectiveness. Action research is essentially examining one’s own practice.” (McLean 1995, p 3)

From the definitions of action research above, we understand that it is an approach to evaluate problems that cannot be evaluated without participation of the involved. We also believe it is important to understand the dual rationale of action research. Firstly it enables a process to be effectively re-worked, and secondly action research serves as a learning process where the most important outcome is the experiences gained by the involved parties. The processes can be seen by the participators as a relationship of a learning and experience gaining journey.

According to McNiff and Whitehead (2002) the process of action research can be seen as the figure presented below.

![Figure 2-1: Sequences of action-reflection cycles (McNiff & Whitehead, 2002, p. 41)](image)

The first step holds the planning followed by acting, observing and reflecting on the results before the re-planning of the process. This is something that also Atweh et al. (1998) points out clearly. To continue, Atweh et al. (1998) argues that the processes may overlap and be more freely flowing, and responsive in the reality. Therefore, the success cannot be measured in the steps themselves, but as the outcome of the process. Action research enables people to investigate the reality in order to change it, but also at the same time the approach enables people to change the reality in order to investigate it (Atweh et al, 1998).

### 2.4.1 Action research process

To further narrow down the concept of action research in order to fit the purpose of this study, a specific study will guide us. The study “Action research in education” by McLean...
(1995) is presented below. Considering this study as a starting point, a strategy on how to form our method from our purpose will be discussed further down.

According to McLean (1995) a strategy for action research involves three stages: conceptualization, implementation, and interpretation. While the conceptualization and interpretation stages demands skills that are part of the researcher’s general skills, the implementation stage is dependent on the other stages. Below is a graphically presentation of the stages (Figure 2-2).

Figure 2-2: The action research process (McLean, 1995, p. 64)

2.4.1.1 Conceptualization
The first stage in the action research process is conceptualization which requires that the specific process to study is selected. Furthermore, it is important to consider what results are expected from process, the outcome and how the input might promote the outcome. In this perspective, action research is the process of determining if the conceptualization was achieved. McLean (1995) stress that the process of carefully considering the input and outcome brings up a clearer understanding; which leads to new ideas of how the process can be improved.

2.4.1.2 Implementation
The stage of implementation consists of three component; measurement of the outcomes, identifying a standard of comparison and comparing current performance with the standard (McLean, 1995). This is the most technical phase of the action research process; and through the participation of the researcher, the implementation will be smoother.

2.4.1.3 Interpretation
Interpretation is the final stage in the action research process (McLean, 1995). In this phase judgments are made about the effectiveness of the observed company. Here, findings of the implementation stage are brought together with the findings from the conceptualization stage. Furthermore, it is during the interpretation stage that judgments can be done about the effectiveness of the practice and if it produces better results than the theories involved in the topic. In order to receive the best results possible in the interpretation stage; it is crucial that the research effectively evaluate the implementation phase.

2.5 Applied method of action research
When it comes to using action research in an academic context, theories of how the reality is has to be implemented In order to include academic theories and the actions taken during the start-up into or research, we have to modify the process of action research in order to fit in this thesis. Please see the applied model Figure 2-3.
Furthermore, actions and reflections will be upheld throughout the time of the thesis, and also in the pre-September 2005 period. The actions and reflections (empirical findings) will be analyzed in a retrospect.

![Applied model of action research](image)

**Figure 2-3: Applied model of action research**

### 2.5.1 Conceptualization

As mentioned in the first chapter, it is the intention of the authors to explore the process of new venture creation in the specific case of Family One. The conceptualization stage of this study will serve as the frame of reference to which the empirical findings will be compared and analyzed. Here, we have included not only the theories regarding start-up, but also entrepreneurship, and tools and theories developed that might be of use to the entrepreneur in the start-up process.

Models and theories regarding the above discussed areas were obtained and are presented in the frame of references. The goal is to pin the existing models and theories (conceptualization) against the reality (implementation) of the start-up Family One.

### 2.5.2 Interpretation

The stage of interpretation will consist of the interpretation of actions performed and the reflections on these actions. What really is interpreted is the “logbook” that describes all actions made such as meetings, paths chosen and other important steps taken as well as the feelings and thoughts related to the carried out actions. The logbook will be kept between 1st of September to 30th of November.

According to Gummesson (1988), spontaneous reactions and feelings should be incorporated when conducting action research since it is of importance to tell how the individual feel regarding a certain matter. Though, due to the risk of losing “the edge” of the feelings it should not be analyzed until it actually is time to analyze the actions taken. Through this approach, one could gain deeper knowledge of the case studied which may be a help in a qualitative approach to actually understand what triggered the actions.

The results of the “logbook writing” can be viewed in our empirical findings. An analysis of the startup process will be conducted by reviewing the documented actions and reflections presented in our empirical findings comparing them to the frame of references. Family One has not consciously used a model on how to conduct the start-up, wherefore we will analyze if the existing theories and models reflects the Family One start-up hopefully leading us to conclude an alternative way of starting up the venture that would have been more efficient. Thus concluding a better way to carry out a start-up the next time it occurs. As stated above, the logbook will be maintained up until 30th of November allowing us to analyze and conduct the comparative study retroactively.
2.5.3 Implementation

This thesis studies the process of a new venture creation. By participating in the start-up process we will collect information in a very reliable way. Considering this purpose, the authors decided to follow and actively participate in the start-up process through the company Family One. It is the authors’ intention, therefore, to participate and develop FO as much as possible within the time frame presented and through this experience the start-up from the entrepreneurs’ perspective. Thus, implement the participation of the actions.

However, we will follow FO from day one to, in a retro perspective. We will measure the outcome of the start-up cycle through various existing theories and in retrospect compare the performance of FO with the frame of references. Therefore, the real implementation of the outcome of this study will take place in the up-coming start-ups.

2.5.4 Action – Reflections

Throughout the time of our investigation actions will take place, and reflected upon. Most of the actions during the start up of Family One have already been completed when this thesis work commenced; but also some of the actions were carried out during the writing of this thesis. Concerning the actions taken, no frames are required, and the actions will be reflected upon. This holds that we will study and participate in the process of new venture creation, from the decision to start, through the phase of concept and idea elaboration, to the very decision to proceed with the venture. As mentioned above, it is first in the stage of interpretation that we will compare the real-life scenario against already existing models and theories, with the aim of retrospectively analyze the case and provide an answer to what could have been done better, and suggest and adjusting the practice to maximize the effectiveness in the next start-up.

2.5.5 Action research in our nutshell

So, what does all this fancy methodology discussions actually mean? Basically, throughout the time the authors will participate in the process. Actions will take place, and reflections will be written down through logbooks. Furthermore, the start-up process will be interpreted using existing models (conceptualization) and from this; the start-up will be analyzed in a retrospect. Further on, as explained by McNiff and Whitehead (2002) there are sequences of action-reflection cycles (plan, act, observe, reflect). We view the whole start-up process as one action-reflection cycle which hopefully would generate a better result for the next new venture creation. Thus, the implementation of the better way is yet to be performed in future start-ups.

Furthermore, since two of the founders of Family One also are co-authors in this study we want to clarify what “we” means. Throughout this thesis “we” refers to the authors. Though, since the method chosen includes reflections from the founders themselves, in the empirical findings “we” refers to the founders of Family One (that is to say Joel Eriksson, Jonas Ivarsson and Erik Gudmundsson).

2.6 Validity

Validity is the measurement of accuracy within conducted research. According to Malhotra (1996) there are two measurements of validity; internal and external validity. The internal
perspective of validity treats the accuracy of the research while the external perspective deals with the generalization aspect of any uncovered cause-and-effect connection.

The action research approach is according to McLean (1995) both the most valid and the least valid method. It is the most valid method since the researcher actively takes part in the processes. This boosts the inner validity; but on the other hand, the generalization aspect of the action research is low since only one unique case is studied, and as well known; what is true for one case might not provide an applicable answer for another.

2.7 Reliability
According to Lekvall and Wahlbin (1993) reliability concerns the degree to which certain circumstances have influenced the results and how well the study can be replicated. Since the action research approach involves the researcher in both the process and the analysis part, the reliability could be describes as high for this specific case. However, the problem with most case studies is that it can be hard to replicate, leading to a decrease in reliability.

2.8 General criticism and justification
It is of great importance that the researchers maintain an objective view on the groups’ performance. Since the action researcher participate in the process, it is crucial that he/she critically assess the groups’ own actions and performance which may result in subjective evaluation. Therefore, this is an area that might influence the quality of our study. However, we believe that the overall research will be of an objective nature since one of the authors is not involved with the Family One venture.

Furthermore, there are obviously some aspects of action research that might be negative in an academic context. However, we believe that the positive aspects justify this method. Atweh et al (1998), highlights the positive aspects and argues that action research is a more specific method of participation and examining the knowledge involved in a process or system. As an exploratory qualitative method, action research is self-critical in exploring acts of communication, production, and social organization in order to improve a process more specifically. It is a process of learning-by-doing, as pointed out by Atweh et al (1998), which might provide a foundation and understanding for a change by the parties involved. This spiral of self-critical action and reflection help the parties involved to learn more about practices and the knowledge of the practices, therefore the effectiveness of the research may be more obvious to the involved ones.
3 Empirical Findings

Our empirical findings consist of a detailed logbook that has been constructed out from notes in meeting protocols, instant messaging logs and e-mails. The reflections added after each month has been added during this thesis work.

3.1 Background to the empirical findings

Our empirical findings have been collected through protocols of meetings as well as logbooks kept by Joel Eriksson, Jonas Ivarsson and Erik Gudmundsson from the 1st of September 2005 until the 1st of December 2005. Furthermore, we have been able to collect empirical findings before September 2005 because of saved MSN-conversations during the year when Joel Eriksson was abroad and other meeting protocols. This means that we as authors have been able to include reflections from the founders from the very start of the idea discussions in 2004 until late 2005. However, the pre-September 2005 sections have been written in a retro-perspective but always based upon the different documents investigated such as meeting protocols and saved conversations. Especially the reflections up until September 2005 have been re-written based upon the saved conversations, though since the founders themselves has conducted this we believe that this has not impacted the empirical findings negatively. Further, the empirical findings are to a great extent written in the past tense because we want to make it an easy readable text and thereby reducing the risk of confusion.

To clarify this chapter a bit more, the use of “we” in this chapter refers to the founder of FO (Joel Eriksson, Jonas Ivarsson and Erik Gudmundsson). In all other chapters, the use of “we” is related to the authors (Joel Eriksson, Jonas Ivarsson and Niclas Krantz).

In order to better understand the start-up of FO, backgrounds of the involved parties and other organizations are firstly presented. Though, the real names of some of the individuals have been changed to virtual ones.

Joel Eriksson – JE has been practicing design during a short period within the US surf-based brand Santa Cruz. He has a background within retailing and has also started another business before the FO start-up. At present JE is studying his last year at the Master of Science in Business Administration program at JIBS (Jönköping International Business School), Jönköping, Sweden. Further, another competence that JE holds that is important to FO includes graphical design and publishing.

Erik Gudmundsson – EG has an interest in finance in which EG is doing is major at the Bachelor of Business Administration program at JIBS; EG will finish his studies in May 2007. Besides the studies EG works extra as an accountant assistant at a local accountant firm.

Jonas Ivarsson – JI has worked for a large clothing retail store in Sweden during a five year period. He has actively followed and participated in the process from the establishment of the store until today. At the same time, he has followed the creation of several fashion brands closely. Further, JI has set up a business in which he has performed marketing consultancy during a few years and also has experience regarding printing and publishing.
VC – An entrepreneur and owner of a large clothing retail store in Sweden. VC has experience of establishing retail stores, sales, fashion brand establishing, distribution within the fashion industry, etc. VC has in general great knowledge about the fashion industry as a whole.

OT – OT is a promising kite surfer (kite surfing is a young action sport in which the practitioner rides a board on water by the help of a kite). OT possesses great knowledge about the kite market, and has great credibility in the market. OT has actively participated in the kite market for years, and has gained great publicity (e.g. coverage in one of the biggest Swedish newspapers, Dagens Nyheter). At present OT is practicing surfing and kite boarding in Sri Lanka.

JS – JS is a business developer at Business Lab, Science Park Jönköping. Business Lab is a business incubator.

ML – ML works as a business developer at Science Park, Jönköping. ML was appointed to be the personal business developer and coach of the FO start-up.

JIBS (Jönköping International Business School) – A business school with a focus of business renewal, entrepreneurship and internationalization located in Jönköping, Sweden.

Science Park – An entity for knowledge-intensive companies and dynamic business innovators seeking to explore new business opportunities established in collaboration with JIBS. The science park organization is dived into a business incubator and a business lab.

3.2 April/May 2004

The three founders of Family One started discussions about starting a business within the fashion- and clothing industry. The discussion started as a result of that EG and JI wanted to produce some t-shirts, hoods and sweatshirts in order to sell it on a small scale basis. JE was contacted to help EG and JI to produce basic prints for the t-shirts. JE did agree to perform this. However, he presented a different approach to the original idea; that they all should found and develop the business together. EG and JI agreed to do this after several meetings and discussions, concerning different scenarios of the future business based upon the competences of the two-member team vs. the three member team.

After the decision of trying to establish a new fashion brand in the market, both the ambitions and the workload increased. Where should we start? What should be developed first, a collection, a brand image, the values of the brand, brochures, etc? How should we reach our goal? What had to be done? What competences did we have? What competences did we not have but were required? How should we finance the business? Basically, the team did not know where to start to reach the goal of developing a brand that would survive financially.

However, discussions led to the identification of what values the brand should be built upon. Firstly, friendship and internal loyalty in social groups of friends within the skate- and snowboard scene would be tried to be capitalized. Secondly, humbleness was characterizing these social groups. Since all the founders in the past had actively been part of this target market (the clothing market of skate and snowboard) they understood this market and the approach to this came naturally. Friendship, the loyalty within the group of friends is important aspects of life, and something that could be communicated and easily identi-
fied by the final customer. The new brand should be developed to defend the humbleness and the values within the social groups in the skate and snowboard market. Even though this was the main idea in this stage, no business idea had yet been discussed.

Concerning the brand name, several ideas and suggestions were generated. The name “Foo” was suggested and it seemed to fit well since the team were interested in a short, easily remembered, brand name. Foo was the first name that came up, and also generally the only one discussed. However, the word “foe” basically means “enemy” which was the total opposite to the indented brand identity. It became pretty clear that the name could not be used in order since a dual and inconsistent image would be devastating. That is to say, problems in communication would occur if having a brand name that stands for the total opposite of what the brand image stands for. However, after a sleepless night one of the partners came up with the idea of calling the brand FO standing for Family One. This would take away the foe and enemy obstacle and at the same time clarify what the intended brand image would stand for. Hence, the name Family One highlights what often is present in a strong group of friends, the sense of belonging, of being one family.

Further on, no actual legitimate business had been founded at this stage. Though, the group of the three decided that a limited liability partnership (Sw. Handelsbolag) would be the most suitable form of the company phase of the start-up.

3.2.1 Reflections

**JE:** Firstly, this felt great! Suddenly I would be able to actually do something that I had been thinking of during a number of years, to create and design clothing! Even though I did not understand the pre-requisites of what was necessary to create a fashion brand, it did not matter. I would be able to fulfill my dreams and share this vision with others that would contribute and develop it further! A great feeling of satisfaction.

Further on, the excitement arouse when understanding that EG and JI obsessed the same values as myself, the one above all; humbleness. When coming up with this solution to the brand name, I felt satisfaction since it would better represent the brand image the founders wanted to develop in a very precise manner. This satisfaction feeling worked as an energizer. To me these energy boosts have been important in order to continue to perform in the huge amount of work load associated with starting up fashion brand with all the obstacles it holds. These energizers help me to overcome obstacles and continue to work in inspiration.

**JI:** It is funny how some things turn out. At this time I had several times before reflected about doing something similar but I had not found the right gut feeling. Some proposals have passed through my nose before but nothing as interesting as this. Fortunately, I asked Joel if he had the time to help us out. Unless, the company had probably been a low-budget, low-scale thing that eventually dies in someone's garage.

**EG:** Great when Joel entered the scene, an immediate connection. He approached and developed the idea from a new perspective. The lack of know-how in design where covered since Jonas where more on the marketing track and me, a finance wannabe. The discussions went from small to a larger scale production approach. When the brand name where settled, it felt good since it concluded our ideas and from that point, it felt that our project could become real.

3.3 June/July 2004

Due to the program structure of the studies at JIBS, JE (then a third year student) started a year of studies abroad. He would arrive to Sweden again in June 2005. During Joel’s time abroad, the main communication tool used was internet, over which FO conducted almost
weekly meetings. Of course, the studies of JE had an impact on the development of the company; it complicated the process. However, during this period the founders were determined to continue working with the project, even though it was in a slower pace. Since both JI and EG left Jönköping as well during the summer break of 2004, there was no focus on developing FO. However, it was a time for the idea to mature.

Further, no company had been founded and the founders decided to try to figure out where and how to start working with the project. JE started to work on prints for the future collection, however, not much happened during these months. Even though some work was conducted, there was no direct focus on the start-up of the venture. During this time FO tried to find the design that would characterize the brand. Something that has been re-produced several times after this. However, the discussions between the founders went on. The concept of the street fashion brand was still not clear. However, the three agreed upon using the sentence “be all you appear to be” as a catch phrase that would explicitly communicate what FO stands for. Even though design of the future collection started, and a catch phrase was agreed upon, there was still only a vague business idea or rather a vague idea what the business idea itself would be all about. Furthermore, no market research at all had been conducted concerning what opportunities that existed in the street wear market. This implied that no direct target market could be chosen, even though skateboarders and groups associated with this group would be targeted.

3.3.1 Reflections

JE: I started to work on the design of the garments, but it was hard since we still had not targeted any specific group within the broad street wear market. It felt like the design itself of the garments would guide the whole project. To conclude, it felt like a specific customer would like the design, but still we had no understanding concerning who this customer was.

3.4 October 2004

JI, JE and EG works with the test collection. A decision is taken to launch a small test collection before Christmas. It is going to be produced in Sweden, and will only consists of shirts with the purpose to gain knowledge in the different methods of production and also try to figure out if somebody wanted to pay a specific amount of money for the garments produced. The collection was planned to be finished in December. JI and EG worked with the more practical duties as finding suppliers and JE created the graphical prints to the collection. Discussions concerning the concept continued without any clear result.

The lack of sufficient competences within the group became obvious. The founders did not have any previous experience of launching a new clothing brand. The team therefore started to discuss which individuals in their close environment that could be used in order to acquire these competences. The outcome of this discussion resulted in identifying several individuals that could help FO in several perspectives.

3.5 November 2004

The limited liability partnership company was now founded, and the FO-team decides to invest in a homepage. A decision is taken that the homepage will not be launched until the first batch of clothing is produced. The domain of the webpage is .co.uk. It was registered
with the co.uk domain since the founders wanted the international perspective to characterize the brand from the start. Since Sweden is a relatively small country an international perspective must be chosen in order to survive and growth in the long term.

Initial presentation work is also taken with the purpose to present the concept of FO for a third party and receive feedback in order to develop the project further. The meeting was planned by the FO team to take place in the beginning of January.

JE designed the initial collection and sends it to Sweden for feedback from JI and EG. Jonas set up a meeting with VC in the end of November. However, the meeting with VC was highly unplanned. JI made a drastic move, and called up VC in order to receive some feedback on the FO project, and he managed to get a meeting the very same day. The founders had thought about the competences that were required for establishing a new fashion brand, and VC has high knowledge of the fashion industry and had himself managed to establish several new fashion brands in the past. Therefore VC had circulated in the thoughts of JI for a long time, though it was firstly at this point that JI felt confident enough to actually arrange a meeting.

Further, JE also worked with the development of the graphical profile of the brand, see appendix A. The first draft of the graphical profile was presented as well as drafts of an upcoming collection and functioned as a starting point for. This was the starting point for the graphical profile, something that has been developed since then.

Further, the FO-team discussed the concept in order to develop it more specifically. What should the brand stand for more precise? The sentence of “be all you appear to be” had been used in the past, but as the brand matured and grew (even though the brand was yet to be launched, it felt to the FO members that the brand already had its core) new approaches were considered which led to formulation of two new sentences which represented the core of the brand better in this stage:

- Humbleness in attitude
- Individualism in collectivism

3.5.1 Reflections

JE: Firstly, to register the domain www.familyone.co.uk felt good. The seriousness of the business increased, and so did the motivation. However, still I was confused on where to start to work. Should I try to produce the design for the future collection? Should I start to develop the graphical profile of the brand? It resulted in that I started to work on both which was very rewarding since we actually for the first time were able to present a graphical profile (even though it has been changed since then). However, since we did not have a clear concept at this time worked as a huge obstacle in the design of the garments. What should we communicate with the garments? Even though some development of the concept had been made, it was yet not clear enough to make the design process easier.

EG: Because of the registration of the company along with the internet domain-registration it became obvious to me that “now, it is serious”. The investments made in this, together with the planned investments in the development of an initial test-collection worked as motivating factor. It felt great when tangible actions were performed! To me, it was good to feel that the company progressed.
JI: The meeting with the VC was a milestone in the history of FO. I called the VC at 3 pm and asked if he was interested in a new business concept and at 7 pm that same day, I got an appointment — Fantastic! When I drove to the office where our meeting would take place I had a weird feeling. Alone in the car with the work that we had produced during the last couple of months; I can easily say that I felt some responsibility against my co-workers to nail the meeting. I was a bit nervous at first, probably because I had not prepared a single sentence in my presentation. Although, unprepared and nervous, the meeting went well. I felt secure in it, we had worked with it for so long and it felt natural to talk about it. Since Joel was traveling I had not been able to inform him about the meeting so he exploded in happiness when I told him about our deal with the VC. This is certainly the biggest step so far.

A great step in the history of FO is the start-up of the limited liability partnership company. We all felt that we are now doing something tangible and the motivation for all involved persons peaked.

3.6 December 2004

JI visits the VC for feedback on the FO-project. The VC gave new perspectives on the sales plan developed by the FO-team. When it comes to distribution and volume in production he revealed interesting details, such as the batch units required to reach the production price needed to be able to create a financial bearable business had to be larger. The meeting also resulted in a deal; VC will help FO with the production, not in financial terms but in the logistics, and with VCs network in the textile production industry. A decision is taken that another meeting will take place in the beginning of 2005. The FO-team decides to postpone the first collection since the VC had shown interest in helping FO further, but according to the VC the production volume must be even larger than the team had been planning for. The collection is planned to be launched in the summer of 2005 instead of December 2004. This resulted in several concrete tasks that had to be completed.

Great feedback was acquired from the VC who really knows what he is talking about! However, other questions were raised as well. As soon as the initial excitement was over, the founders realized that if they were about to take this opportunity and develop the concept further. Significantly more time had to be invested since the ambition of the projects had increased. The approach of relatively small to medium scale production had to be abandoned. If time would be invested in the future venture, the return on invested time in terms of money became more central. The focus shifted from very small-scale production into a more serious approach of actually trying to develop a new brand. Since a small-scale production would not generate sufficient money to grow with the aim of being able to be self-employed, the calculated volume had to be increase. Larger batch units were therefore the only solution to reach the aim described above. The concept had to be further developed, the production and sales volume had to be increased, and the design of the garments had to be improved, even if FO received positive feedback of the design from VC.

3.6.1 Reflections

JE: After the meeting it felt great! One of Sweden’s most competent persons within the field of fashion gave us good feedback and even promised to help us. This was way more than we expected, even if we hoped that the response would be similar to the one we got! Something that had been discussed in FO was that the FO-team wanted VC as a mentor, which basically the meeting resulted in. Great! At the same time, the project grew larger after VC’s inputs. The pressure of this was also felt, but triggered more than hindered the development of the concept and brand. Further, the new perspectives presented by VC implied that we had to go back to the design of the clothing and re-work it. The same was the implication for the concept. We believed
that we had reached a higher level than we actually had. We were not able to answer some basic questions from VC regarding the concept, wherefore we had to go back here in order to move forward.

3.7 January 2005

Initial work with the Business Plan is taken. JI and the VC meet to reflect over the first draft of the collection in a third meeting. This meeting is the basically the first that is planned so this time JI had time to prepare a presentation. The meeting resulted in further feedback regarding the collection but also a briefly how much a garment, including details, would cost to produce. Still discussions about the concept took place. It now became obvious that FO had to narrow down the concept.

Initially the founders believed that their project could be financed through their own means of capital. However, as the project grew and was developed it became clear that the capital required for a successful launch would be significantly higher than the capital the founders could pitch in.

At this stage, a discussion started whether FO should continue as a limited liability partnership or should be transformed into a private limited company because of the various benefits that a private limited company holds. No decision was taken.

3.7.1 Reflections

JI: Concerning a possible transformation of the limited liability partnership into a private limited company would probably be a better business structure since we pose a risk in launching our company. Though, in Sweden this requires a capital of SEK 100 000. Probably this capital could be founded through private means, but would this capital be sufficient for developing the business in the way we intended to? This question remained unanswered.

The meeting with the VC was planned a couple of days ahead so this time I had the time to prepare a proper presentation. JE had a proposal of a complete collection and a full presentation of the concept was the aim of this meeting. It felt real good to present a more complete view of FO since it was a bit unclear to VC after the first meeting.

3.8 February 2005

Further work with the business plan was conducted. JE, JI and EG started to investigate the market of street clothing. Discussion about positioning of the brand followed. A question that rose was how a focused position could be achieved in the exposed strategy. EG continued working with the budget. JI is equipping JE with an employment during the summer break of 2005. The job is in a large clothing retailer and at the same store that JI is employed. This was a prerequisite in order to intensify the work of FO during the Swedish summer months (June and July). Since the feedback received from VC pointed at the fact that we had to think bigger, larger it led to the fact that the project had to be taken to an-
other level of ambition which would require even more time, and a more holistic concept had to be clarified, the financing became an obstacle, etc.

**EG**: As the project grew larger, the more attractive it became. But also, the bigger it will be, the more thorough concept we need to have. Therefore, I feel that we have to go back to the roots of the concept, consider it over and over again.

### 3.9 March 2005

EG keeps working with the start-up-budget. Problems arise in finding the costs for production. Since the VC will not supply FO us the contact info to the suppliers of textiles until he gives us the start signal, EG is forced to appreciate the amount. JI has a meeting with a retailer consultant in order to find the average margin on clothes in Sweden and a suitable way to address the initial sale of a new brand. JE continues to develop the graphical profile of the collection and supports JI with the writing of the business plan. JI also puts together a presentation for the VC and make the graphical prints ready for production.

#### 3.9.1 Reflections

**JI**: Frustration is a feeling that comes in mind when I think back on the spring period. A lot of work to be done but the thing is that still we don’t really know where to start. The time to produce the collection for the summer is starting to run out. This was a tough time for the FO members and a lot of discussions about where we should place the goal were discussed.

### 3.10 April 2005

JI works with the color details in the collection that is planed to be released to the summer of 2005. EG travels to Falun in order to meet an auditor that had agreed upon helping FO with the aim to get some final feedback on the budget before it is sent to the VC. After this the FO-team sends a presentation of the concept to the VC. This presentation was meant to be the final presentation before the production is started. However, the feedback received from VC was negative. The FO-team must drop some products in the collection and especially reduce the number of details of the garments. According to the VC, a simple detail can create great customer satisfaction, but a lot of details might result in a negative effect on the customer. Also, with a larger amount of details, the costs to produce the garments will increase significantly. The budget was also calculated to low, more money is needed to be able to make the project reality according to VC. This feedback changed the scenario in the way that the FO-team will not be able to produce the collection to the summer of 2005. A decision is taken that the first “real” collection is launched on the market in the summer of 2006. During the summer of 2005 a “try-out” collection is going to be produced in order to gain knowledge about textiles, techniques used for prints, etc. Observe that at this time, the FO-team has not produced a single product yet.

Unfortunately, JE’s computer collapse in the middle of South America so from this month on, until his return to Sweden in June, communication is poor. This was a significant problem and the working pace slowed down.

**JI**: The collapse of JE’s computer was a catastrophe since JE had a lot of new prints on his hard drive and we were in the middle of a critical stage of the business so a communication problem was sort of unnecessary.
Further, the feedback was good, though to some extent bad news. We had to go back again and re-design the garments.

3.11 May 2005

JI arranges a meeting with the VC. EG participates in order to get answers to his questions regarding the budget. The meeting resulted in a new approach from VC. He believed that FO did not have to be that focused upon the thoroughness of the brand; instead he proposed that FO should try to experiment with different kinds of techniques regarding the post-production of garments, such as bleaching. Further, VC offered FO to buy garments from him with the aim of not being in need of a high amount of capital.

The suggestions by VC that implied a more experimental approach lead to that the FO-team starts working with the test collection for the summer. The products is planned to be produced in Sweden in order to have the opportunity to visit the producers and try different techniques.

To summarize the year of 2005 until June, the feedback received from VC implied that the project had to be taken to a higher level of ambition since FO had to think bigger. Significant time had to be invested. Since the founders had to dedicate a lot of time to studies, and since JE still were abroad, the pace was not that high and neither was the focus on development. Even though the physical distance between the two founders in Sweden and the third founder in Chile had not produced any problems before (since the ambitions of the project was lower), it became obvious that it slowed the pace of the development.

JI: The meeting with the VC was the last before the summer. It hit us by surprise since we didn’t expect this reaction from the VC. Then it felt like all our effort was unnecessary but if the VC hadn’t stopped us we would not have had the same clear concept as we do today. The same afternoon I and Erik visited a producer of T-shirts in order to gain more knowledge about different techniques. It felt great!

3.12 June/July 2005

JE came back from one year abroad, and the pace of work increased. He moved to JI in order to intensify the work of FO and at the same time work together with JI at a clothing store located nearby the home of JI, in which JI had supplied JE with an employment during the Swedish summer break from studies. This was by JI and JE perceived as a great opportunity to learn more about clothing, design, materials, etc. Furthermore, the founders could interact with the customers and directly receive ideas and determine preferences concerning fashion. Since the target customers were shopping in the store in which two of the founders worked in, the preferences and consumer behavior of these specific customers could be observed.

To continue, the third founder of FO, EG, went to his home town, Falun, in order to work there during June and July.

Besides the jobs that the three had during June and July, the development of the FO concept finally was intensified. As time passed by during these months, a lot of literature concerning concept development was consumed, and the concept of FO finally was discussed at a level that actually had an impact. In order to foster creativity, the founders worked out core values for the company, which should work as a guideline throughout the time that
the business was running. Further, the core values of the brand was also developed and finally written down. The designing process also increased in speed, and a large amount of new designs and garments was designed.

**JE:** Once again it felt great! We managed to work out the core values of the company and the brand, which the whole project would be based upon. The cornerstones (core values) of the business were laid. It felt great that we could work together without a huge physical distance. The pace of developing the concept increased dramatically.

In this start-up it was not about to believe in a specific idea, but rather believe in the competence that the founders holds. To get the right people on the bus, and find the right seat for every person involved. To come up with certain core values that the business is founded upon has been highly stimulating. I felt great stimulation in this process, that according to me is about building up a base for a business and believe in the capacity of these, and not be blinded by “a great idea” and opportunity. To me, it is more about believing in the values as a mean itself then believe in a “great idea.” With the right people, I believe, we can achieve huge things. In the initial process, we had right people with us to a high extent. Further, I believe that we have to get more people on the bus and find places for them as well.

Further, when working in the clothing store we received a great amount of knowledge. The most important aspect I do believe was that we could actually observe the preferences of the customers, as well as when interacting with customers we were able to determine what was missing on the market (market gaps), and what kind of garments that were demanded. This had a very important impact on the FO project. Before, we concentrated in creating t-shirts, hoods and sweatshirts. With this new input, we realized that there were higher margins in other types of garments, such as shorts, which were also demanded to a high extent. Therefore, we started to play with new garments.

Moreover, other employees at the retail store had a great knowledge in textiles, design, and production. This was an opportunity to learn, and throughout the months I gained knowledge about techniques, different textiles to use, as a result of interest and interaction with the employees that had knowledge within the discussed areas.

### 3.13 August 2005

In August 2005, a test-collection was launched in order to see if the targeted customers were willing to pay for the design. FO started to sell the garments to people in their closeeness.

#### 3.13.1 Reflections

**JE:** A great feeling! Even though this was not a final collection but a test collection, it was at least a physical product! At the same time as I held the great satisfaction feeling, I was nervous about taking the products to the market. We have worked so hard in order to formulate the concept, and put power and meaning behind every explicit text/word that is presented in the design of the clothing, presentations etc. What if this was still not clear to the customer? True, we had not communicated these yet, but I was still nervous about the reactions from the market as well as if the customer and general public (to whom we had presented the company directly or indirectly) would interpret the brand as ambiguous.

**EG:** To receive something tangible in our hands had a direct impact on an increased motivation. To follow the process from the designing the garment was interesting, but the feeling of being able to actually see a physical product implied that we showed to VC that this project was serious, and something that we put a lot of effort and also our savings into.
JI: This is the first time we have actually felt our products in real life. A bonus was that it looked like our digital version which was a relief to us. We had learned a lot during the summer about colors, printing techniques and it all paid off. Truly a great feeling.

3.14 Early September 2005

An important step was taken; two of the founders decided to do their bachelor thesis in business administration within FO with the help of action research. The purpose was to try to understand the start-up process. Since the process from the decision to create a new fashion brand from the start were very complex to the founders, they felt it would help themselves and hopefully others through higher knowledge and understanding of the start-up process. The questions rose in the absolute first discussions between the founders such as “where do we start?”, “how should we go ahead?” etc would hopefully be more understood which would generate new knowledge that could be used in the FO project.

The action research implied that the founders had to actually put extra effort into the company, since empirical findings and important steps in the company were demanded in order to produce a thesis of high quality. The pressure on the founders grew. The founders agree on trying to explain the process from the idea stage to the pre-registration phase of private limited company would be suitable.

The FO-team met up with VC in order to further discuss project. It felt necessary to the FO-team since the level of ambition has increased all along the development of the concept. Further changes had also been implemented. The details revealed and presented at the meeting included a broad possible future collection, the core values of the brand, the catch phrases of the brand, the marketing strategy approach in which guerrilla marketing was central.

The meeting resulted in great feedback with focus on the concept. FO still had to find its niche. Thoughts from the VC included partnership, distribution, the credibility of the brand, and a weak Swedish market.

Firstly, the VC stated that he believed in the core values that the FO-team had presented. The VC also believed that the idea had matured and was thorough. Though, FO had presented that the brand exclusively would be sold through independent stores that had the same approach of humbleness, and that fitted exactly with the core values of the brand. However, the VC was explicitly skeptic to this idea and assumed that only a couple of stores would fit in that case. Therefore, the conclusion was that the Swedish market was relatively small and it would be hard to reach the level of profit and growth that was necessary for a success for the company in a long-term. Furthermore, the guerrilla marketing approach developed by FO was discussed and the VC was in favor of this. However, everything presented and especially the discussions about guerrilla marketing were pure theory; it was questioned if it would work in practice. The credibility of the brand was also discussed by the VC who argued that the market which FO intended to capitalize were dependent of credibility to a higher extent than other markets. According to the VC, everyone in the target market hates business me. Would three business students succeed to reach a sufficient level of credibility in the kite/surf/skate/snowboard market? Further, VC wanted to see a budget regarding concrete marketing activities that would stimulate the consumer into buying the products.
After discussions between the FO-team and the VC, both parties agreed that a summer intensive brand with a focus on shorts would fit FO best out from a concept-, opportunity- and competence perspective. There was a clear market gap for such a brand and this opportunity should be capitalized. Further, FO introduced the idea of being a brand in the portfolio of VC; that is to say that VC should invest in the project not only in terms of guiding but also financially. VC perceived this as interesting but wanted to see more details and a finished concept based upon what the parties had discussed (the new approach of a summer intensive brand).

Furthermore, in order to build the business as we wanted, it became obvious that SEK 100 000 (as a result of a business transformation from a limited liability partnership into a private limited company) would not be sufficient. The conclusion was that FO had to seek other means the private funding of financing the business.

3.14.1 Reflections

JE: What a feeling! Great feedback once again from the VC. The impression I got was that the VC would definitely be interested in a partnership with FO if we manage to take his advice, concretize and narrow down the concept, and develop the collection further! If this works out, it would be a great solution to our capital needs! This would, without doubt, be the best solution for FO. However, we asked ourselves also if capital could be raised in other forms. Could any grant be allotted to a fashion start-up? If yes, this would imply a highly welcome inflow of capital meaning that we could develop this business further. It would be a good idea to keep the eyes open, and actively look for grants.

Further on, in the meeting with VC obstacles and problems had been discussed, but I still felt that it could be defeated if we just played our cards right! “Ain’t no mountain high enough, ain’t no river deep enough…” The feedback was extremely useful and with the help of the VC’s comments I finally realized an obvious market gap that could be capitalized. What an opportunity we now hold!

JI: The overall impression that I got from this meeting in September where marvelous. A partnership instead of a plain investment plan is a great competitive advantage for us on the market since our VC has a great knowledge in the industry. Further, I feel that we also have to disguise our competence in the business area is important. I don’t feel that I want to be associated with the brand in person. I believe that we must communicate the brand through our teams and let they do the marketing of our brand so that we don’t end up with a street wear brand produced by some business students.

3.15 Mid September 2005

The energy and work after the meeting with the VC in September was concentrated on:

- …specify and narrow down the concept into short written sentences.
- …specify the targeted market.
- …specify how to reach the targeted market (marketing strategies).
- …narrow down the line of products and concentrate on developing new clothing demanded by the targeted market.
- …working out a 3-years budget (balance sheet, liquidity budget, income statement).
The strategic path in a creative start-up process

- ...market research regarding summer intensive sports (wake board, skateboard, kite board, surfing, windsurfing, BMX, long board, inlines etc).

- ...which brand image we should try to create.

- ...market research regarding which Swedish stores we wanted as distribution channel. Further, even stores located on other attractive markets except for Sweden (primarily Germany, Australia, USA, and England) would be suitable as distributor of the FO street wear line.

- ...building up a team consisting of two groups:
  
  - Riders – Individuals that hold the same core values as FO and are great and/or potential great practitioners of the sports upon which we had chosen to use to build up our brand image.
  
  - Humble individuals that are FO impersonate and might have other competences except for excellent sports results that could be useful for FO.

All these parts were required to be developed if we wanted to present a partnership/ownership proposal to VC.

Other concrete tasks that were done in September:

- 13/9 Meeting with JS representing Business Lab (incubator for potential businesses) regarding office space in the office building Science Park
  
  - Results: JS’ impression concerning our business presentation was very good. According to JS the concept and business was solid. He believed that this project could result in a bearable company, wherefore he offered FO free office space during at least 6 months. After the 6-months period had expanded, a re-evaluation of the need of an office would be conducted. Further, JS appointed ML as a personal business developer for FO, whom would help FO to commercialize the concept.

3.15.1 Reflections

JE: Great! What an environment full of opportunities we are living within. Free office space! Even though some kind of office space was a pre-requisite, the solution presented by JS was great. Finally it felt that we could be more structured and collect all information at one place. This would definitely improve our efficiency and productivity.

JI: This was really good for us. I believe that an office was important for the motivation as well as the productivity. I believe we will be able to be more focused when actually having an office. Though, I was almost certain before that we would be able to receive free office space at Science Park. However, it felt really good.

3.16 Late September 2005

29/9 Meeting with ML – The meeting with ML who was representing Business Lab took place in late September. ML was by JS appointed as a personal business developer for FO in the start-up, as mentioned above. Further, ML would fill a more specific function as adviser concerning the finances which was something that FO to a high extent felt that they were in need of. ML’s experience in this area would definitely help FO.
Discussions concerning the different ways of raising money started. To try to start a private limited company was discussed as well. It was most probably necessary in order to establish a street fashion brand at this level. The responsibility if something would go wrong would be transferred from the founders to the company itself, as well as if founding a private limited company the FO-team perceived as it would be easier to receive capital from banks or venture capitalists.

The belief that there is not so much do to until the market introduction has been something that has followed FO throughout the time. It was first in September 2005 FO could see the way on how to attack the market.

3.16.1 Reflections

JE: Once again I had a good feeling after the meeting. To be able to use a business developer with the competence that ML hold would be of great use in the future. Since the finances was the area which we had put least effort in, ML would contribute with professional skills and opinions about how to approach this.

3.17 October 2005

The FO-team continued to develop the concept and specify it as well as producing a wide range of necessary market research, documents, and presentations in order to prepare themselves for the probable launch of their first collection in April. Still a lot had to be done, and a concrete plan on how to approach this was under development. Firstly though, a lot of time was devoted to research.

The feedback from the September meeting with the VC worked as a to-do list. This was something that was performed, but since we had to do research concerning several of the aspects of the feedback from the VC, the process of producing good outcome was very time-consuming. Further, the workload at JIBS increased as the time passed by which was noticeable for the FO project.

Considering the feedback from the VC about the team, FO managed to get their first team-rider within kite surfing, OT! OT is a promising kite-boarder that was and will be in Sri Lanka during the Swedish autumn, winter and spring (October-May) in order to develop as a kite-boarder. The recruitment of OT’s competence resulted in a dialog between OT and FO. This dialog resulted in greater understanding of the kite market for FO.

Furthermore, the concept and core of the FO brand was discussed with several parties. Friends and those involved directly or indirectly in the project. This generated more feedback that was used in order to clarify the concept even further. Now the concept started to feel complete for the FO-team. Catch phrases that would demonstrate the core have changed throughout the year. Firstly, FO had intentions of using “individualism in collectivism” and “humbleness in attitude” as the catch phrases in the past, but it did not seize the very core of FO as it would function as a brand. Instead other sentences that captured the core of FO were explicitly formulated.

- Designing humble lifestyle
- Preserves the core and stimulates the progress
- Humbleness in attitude
In order to further reflect a more specific position in the clothing market where FO wanted to position the brand, the catch phrase, “Street culture everywhere” was used. Further, a clear business idea was developed and formulated. A specific target market was chosen. The process of trying to recruit individuals for the FO team showed progress. Basically, the re-working of the concept after the meeting with VC in September implied a very more direct and clear approach to the whole process of developing a business.

3.17.1 Reflections

JE: The feedback from those close to the founders and/or involved in the project to some extent has been of great use. The catch phrases that were supposed to capture what the FO brand stands for were understood. However, I still believe we have to re-formulate some of these sentences in order to clarify the concept even more. I do hope and believe that a thorough concept, in which one has put a lot of effort, will pay off. Concerning the concept in general, it feels like it has been a process of two steps forward then one step backward throughout the history of the idea.

Further, the to-do-list implied a more direct approach towards what had to be done. Even though the pace slowed down to some extent (I believe it is natural concerning in which ambient the business is developing), the results were very tangible. The concept developed significantly and became way clearer; the catch phrases were improved (even though I believe they have to slightly change before the “go” decision). Above all, when actually know exactly which market to target, the designing process of the collection is also more direct and it is way easier to understand the demands of the market when actually knowing whom we are targeting! The inputs from feedback, and when there are a lot of things that have to be done, I feel that the creativity is at the top! The fashion industry, as I have experienced it; depends to a high extent on creativity wherefore it is of high importance.

3.18 November 2005

FO met up with an advertising agency, called AA in this thesis, in Gothenburg that had showed interest in the project. Since FO basically had a “zero-budget” the pre-requisite for this meeting was that FO would not be able to pay for anything concerning hiring an external advertising agency. The meeting took place in Gothenburg the 4th of November. The results of the meeting were of that kind that AA would work as a discussant regarding the marketing of the street fashion brand. Further, AA had a broad network within the action sport market which could be of great use for FO. Especially one of the team members at AA had worked with similar products before and had also launched a magazine that to a high extent was targeted to the market in which FO is interested.

Furthermore, the FO team starts working on a document containing the strategy for the initial launch of FO, a new version of the market plan including a market analysis. This was conducted with the preliminary aim of providing sufficient information to the VC about what an investment in the firm would hold. The market plan is backed up by a start-up budget and a launching plan that shows how FO is going to position the brand and to what price this might be. This will be used, not only for the VC, but also for additional funds if extra capital is needed. Problems arose when estimating the size of the market since the style of clothing is extremely individual and varies with time. A rough estimation based upon competitors’ sales figures is taken to represent the market for FO.
The team decided to use a guerrilla marketing approach in the market- and launch plan in order to communicate to the target group, meaning that the FO team will use cost efficient methods and innovative ways to promote their message. The strategy only discuss how to market FO during the start-up phase, therefore a more long-term plan must be produced in short since the VC wants a plan that stretches over the next three years.

Concerning the core values and catch phrases on which the concept of the FO brand was built upon where now determined. The one above all, explaining what FO ultimately stands for is “The Soul of Street Culture”. The concept was fully developed, and the founders decided to try to realize the firm and that it was time to approach a venture capitalist, namely the person that had figured in the minds of the founders since later 2004, VC. Further, FO has the intentions of starting the private limited company in January.

Moreover, the full 3-year budget was finalized. A meeting with ML at Science Park concerning the budget took place the 28th of November. The meeting resulted in good feedback on the proposed budget, but above all, more accurate figures were the concrete outcome of the meeting.

Concerning the team which will be the face of FO, another important discussion was held in late November, a friend of the FO-team, who is an ex-professional snowboarder, decided to participate in the Swedish Championship of Half pipe, and a very informal sponsor contract was signed. FO will have their logotype on the rider’s board, his jacket and on his beanie. Hopefully this can be a small start for the marketing of the brand.

To continue, several individuals holding competences that FO value (such as great knowledge in textiles and clothing design) were contacted, and an informal meeting was held. These individuals accepted with enthusiasm the roles in which FO wanted to see them within the company.

3.18.1 Reflections

JE: Even though this meeting did not generate a concrete proposal on how the cooperation between FO and AA would work, it felt great to broaden the network! Finally we had somebody that were interesting in helping us, just for the sake of developing himself, that had a network within attractive street fashion and action-sport stores in Gothenburg, Great! Further, AA’s workforce has a higher level of experience concerning the marketing aspect than we have. Now, we still have to nail the concept, solve the financial part, start to produce the collection, and we should be on track! Still quite a lot to do... But at least we have a great opportunity and great persons that want to involve themselves in the project! However, I see that it might be a risk of getting too excited.

Concerning the concept in general, I believe that it is prepared for the launch. Of course, a micro-evolution of the concept will occur throughout the time, but through the formulated core values, through catch phrases and especially “the soul of street culture” implies a very clear path for FO to take. I am very satisfied when considering this, and the evolution of what the brand should be built upon. Still the FO brand holds the humble values as the founders discussed in the first meetings, though now the concept is further narrowed down and developed to fit our target market and thereby I believe FO has a good chance of acquire the intended position in the market.

JI: The meeting in Gothenburg was rewarding to FO. We got a great contact and they will certainly be of use in the near future. We had planned to have a meeting with VC in November but due to a high work-load beside the project this was not possible. It feels like the time is running to fast! However, a plan for the
coming months is produced and it is still not impossible to keep the deadlines. Our core value is finally printed on paper and I believe that this is finally the sentence that communicates our values best of all the other proposals that we have presented.

**EG:** The full 3-year budget is finally done after all these weeks. I am excited to meet the VC after all the work that has been conducted since September 2005. And finally it feels like the concept is fully developed. The process of narrowing down the concept, from the broad approach we had in the beginning to the more specific and concrete one the concept now holds, has been long but so fruitful. It feels like we have wondered around within the opportunity that we saw, and as time passed by we narrowed down the concept meaning the approach on how we should capitalize on this opportunity. It has been great to actually go from an unclear concept with the intention of target a huge market, into finding a niche within the opportunity. Hopefully, the capital required for establishment will be solved in January, and we will be able to see the outcome of the time put down in the project.
4 Frame of References

The frame of references aims to summarize existing theoretical knowledge within areas connected to new venture creation and strategic concept development in the fashion industry. The information presented in this chapter is collected from scientific research papers, thesis, dissertations, and textbooks.

4.1 Entrepreneurship

Entrepreneurship is, according to Bygrave (1989) one of the youngest paradigms in the research field of management. There are a many definitions and but no single definition that is universally agreed upon. The word entrepreneur derives from the French word *entreprendre* which signify “to undertake”, which in business terms could be interpreted as “to start up a business”. Most of the definitions of entrepreneurship generally hold identifying opportunities, generate new perspectives and ideas, and through resources create added value (Kuratko & Hodgetts, 2001).

The modern definition of entrepreneurship was introduced by Schumpeter (1946) holding the process of carrying out new combinations with existing resources (Vesper, 1986).

Some other prominent researchers define entrepreneurship as an act:

- “…the creation of economic activity that is new to the market. This includes the launching of new products and services by new or existing firms” (Davidsson, 2003, p 1)

Moreover, also Wiklund stress that entrepreneurship is an act of taking advantage of opportunity by novel combinations of resources in ways which have an impact on the market (Wiklund, 1998). Furthermore, Drucker argues that entrepreneurship is an act of innovation which involves endowing existing resources with new wealth-producing capacity (Drucker, 1985)

Stevenson and Jarillo (1990) identified the three main categories concerning their research in the area of entrepreneurship, these are (1) What happens when entrepreneurs act, (2) Why do entrepreneurs act, and (3) How do entrepreneurs act?

The first category concerns the actions and the outcome of the entrepreneurs and not the entrepreneur and his/hers actions per se. This approach is more focused on the economic activity that the action results in and the nature of the ‘what’ is therefore of economics to a high extent (Stevenson & Jarillo, 1990). The second category is more focused on the psychological and sociological aspects of the entrepreneur, the background, environment, goals, values, and motivations of the human being. The emphasis is on the entrepreneur as an individual (Stevenson & Jarillo, 1990). In the third and final category, the focus is on how the entrepreneurs act; the characteristic of how entrepreneurs achieve their goals (not considering the personal and environmental reasons to overcome obstacles and reach the goals) and the management aspect of the entrepreneur (Stevenson & Jarillo, 1990).

Since this study concerns the managerial behavior and development of a new start-up, the third category of entrepreneurship studies is of most relevance to this thesis. This category mainly resolves around the management of and the behavior of entrepreneurs (Stevenson and Jarillo, 1990). According to Stevenson and Jarillo (1990) there are two main areas of theoretical research on how entrepreneurs act.
1. The first one concerns the different life cycles that new ventures go through and the problems and obstacles that occur in the development process of the company.

2. The second concerns the common determining success factors and relating them in the perspective of the entrepreneurial background, strategy or/and environmental considerations or a combination of these.

Both areas of research are of interest to us. In line with the first of the above mentioned areas, Gray and Ariss (1985) studied new ventures and the different phases of the life cycles; start-up, mature, and decline or re-development. Some interesting aspects applying this to this thesis can be found in the start-up phase, where values and ideology plays an important role in determining the strategic choice (Gray & Ariss, 1985) and stress the symbolic management as an important political determinator. Furthermore, the evidence shows that there is little or no formal structure and the strategic direction is guided by the vision of the entrepreneur as reflection of the ideology the entrepreneur and the company holds (since the power is concentrated to the single entrepreneur). Also the high level of uncertainty in facing new opportunities in the market space is characteristically for this phase which the bold entrepreneur pursues (Mintzberg, 1973).

The chapter of entrepreneurship above discusses different aspects of entrepreneurship and narrow down our approach to how entrepreneurs act. Furthermore, it is not interesting to study how entrepreneurs act if not considering the common success factors of successful new venture creation and especially during the start up phase. There are a large number of failures even though the founders might have qualified as entrepreneurs, combining existing resources into economic activity. The coming chapter will provide deeper knowledge in this; concerning successful innovation creation, which as we will see is important in the entrepreneurial process.

4.2 Innovation

Innovation by the general public is often seen as an ingredient of entrepreneurship. However, as Lambing and Kuehl (2003) states; innovation may very well be a part of entrepreneurship but also determines that innovation is “neither sufficient nor necessary for entrepreneurial success” (Lambing & Kuehl, 2003, p 75).

In order to be able to discuss innovation further, we have to define it:

- The process by which entrepreneurs convert opportunities into marketable ideas (Kuratko & Hodgetts, 2001, p. 122)
- A product’s development from idea to market introduction (Andersson, 1996, p. 46)
- The commercializing of the ideas and/or the implementation and change of existing systems, products and resources (Bird, 1989, p. 39)

Furthermore, innovation can take form in new products, new services, new production techniques, new operating practices, new ways of delivering the product or service to the customer, new means of informing the customer about the product, new ways of managing relationships within the organization, and new ways of managing relationship between organizations (Wickham, 2001).
Drucker (1998) defines innovation as a specific function of entrepreneurship. Furthermore, innovation is the mean used by the entrepreneur to create new wealth-producing resources or use existing resources in order to increase the potential for creating wealth (Drucker, 1998). According to Wickham (2001, p. 74) “innovation is the key to exploiting opportunity” that is pursued by entrepreneurs.

There are endless of strategies for innovation (e.g. creative imitation and entrepreneurial judo as suggested by Drucker (1998), focusing on core competencies (Prahalad & Hamel, 1990), etc). Drucker (1998) has developed a list of do’s and don’ts which are critical in the innovation process.

Table 4-1: Drucker’s do’s and don’ts

<table>
<thead>
<tr>
<th>Drucker’s do’s</th>
<th>Drucker’s don’ts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity</td>
<td>Complexity</td>
</tr>
<tr>
<td>Perceptualization</td>
<td>Diversification</td>
</tr>
<tr>
<td>Focus</td>
<td>Time-focus</td>
</tr>
<tr>
<td>Size</td>
<td></td>
</tr>
<tr>
<td>Leadership</td>
<td></td>
</tr>
</tbody>
</table>

What Drucker (1998) means with opportunity, is that a purposeful and systematic innovation always begins with an analysis of innovative opportunities. Drucker (1998) argues that in different areas, the sources of innovation will have different impact. For example, the demographics will not have any influence if the innovator is looking at process having nothing to do with people and the other way around. Perceptualization is to go out and look, ask, and listen to market, what is actually needed? Drucker (1998) claims that successful innovators look at figures and people, they look at customers and users to see what is expected, what is valued and what is needed. With focus Drucker (1998) means that the innovation must be simple and focused. It should only have a single purpose, or else it will only confuse. Furthermore, Drucker (1998) argues that effective innovations start in a small size, to later expand. The Leadership item in Drucker’s (1998) “do’s” is the fact that successful innovations aim at leadership in the market. It might not necessarily mean that the innovation has to become “big business” immediately, but innovations that are not aimed for a leading position in the market, it might not be innovative enough and therefore not capable of establishing itself.

A different approach to the same aim was developed by Collins and Porras (1998) in which the authors stress the importance of “big hairy audacious goals” implying a commitment to challenging and often risky goals that a successful visionary company (or entrepreneur) channels its efforts. The aim of becoming a leader in the market would then imply that effort is directed toward such a goal, resulting in a collective strive with aim to implement the right culture. The connection to Mintzberg’s (1973) research is obvious, concerning the guiding of a vision in entrepreneurial companies.

Drucker’s (1998) list of “don’ts” is started with complexity, meaning that the innovation should not be too clever. The target market will have difficulties understanding the cleverness if the complex feature. Diversification is to not try too many things at once, it is better to focus on one idea, and according to Drucker (1998) innovations that are not focused are likely to become diffuse. The time-focus is another important factor; innovations should not be for the future but for the present.
The innovation section in this chapter has focused upon an important feature of entrepreneurship, concerning the innovation, and in our case, the concept development process. Obviously entrepreneurship and innovation plays an important role in creating a new product and concept, however, another part that is interlinked with the above to this will be examined in the next chapter, creativity.

4.3 Creativity

Beside innovation, creativity is an important factor in entrepreneurship and in commercializing a product. However, as well as the word ‘innovation’ can mistakenly be taken for ‘entrepreneurship’, innovation and creativity as words have a similar relationship. Von Stamm (2003) presents the differences; if innovation is about to put an idea into practice, creativity is the point of the departure, to come up with the idea in the first place. Similarly, Gurteen (1998) explain that creativity is the generation of ideas while innovation is concerning the transformation of the ideas into action through a selection, an improvement and an implementation. “Creativity underpins innovation; innovation underpins enterprise” as Thompson (2004, p. 1082) puts it.

Furthermore, to understand creativity, Kuratko and Hodgetts (2001) present a definition of creativity as “the generation of ideas that result in the improved efficiency or effectiveness of a system” (Kuratko & Hodgetts, 2001, p. 123).

Especially in the fashion industry, creativity plays an important role (Saviolo & Testa, 2002), which we will be able to see in the chapter describing the fashion process. Creativity is one of the intangible parts that is required for a successful innovation and commercialization of a product, especially if consider a start-up with little financial resources.

The discussion above about entrepreneurship, innovation and creativity, lead us down to conclude that creativity is the starting point, the generation of ideas, while innovation is concerned with the transformation or market introduction of the ideas, while the entrepreneur is the one that takes these actions into creating an economic activity.

![Figure 4-1: The authors’ view of the connection between the entrepreneur, innovation and creativity](image)

Further, there are other variables that should be considered when focusing on creating a successful venture. Creativity, innovation and entrepreneurship are truly important aspects of the creation of successful new ventures; however, an opportunity in the market place has to be identified and captured. This leads us down to how to act as an entrepreneur considering opportunity seizing and the actual process of starting up a new venture.
4.4 Modeling the start-up process

In the previous sections, we discussed some basics in entrepreneurship, innovation, and creativity and the importance of these aspects in a start-up. In this section, we will go through different models and theories regarding the start-up process that we feel are of relevance to our study. These models and theories combined; will outline our framework.

Furthermore, there are different phases in the start-up process in which different researchers have focused upon, and therefore we will present these separately and later combine the different contributions in order to present a more holistic view of the process. Firstly, we will go through the pre-start phase, what is called opportunity (Roberts, 1984) or opportunity identification (Long and McMullan, 1984), and thereafter move forward to discuss the whole process.

4.4.1 Window of Opportunity

According to Wickham (2001), the business environment is full of opportunities since existing businesses always leave gaps in the market space. Mainly this is due to the fact that mature ventures lack entrepreneurial creativity, or overlook an opportunity that is too small for the large corporation to capture, and thereby this entity fails to recognize some opportunities in the market. It is here the role of the entrepreneur becomes obvious when exploiting these opportunities creating new ventures and wealth. The importance of entrepreneurship in the economy is therefore fundamental, as can be understood from the previous chapters. Wickham (2001) presents a basic metaphor to illustrate the opportunities in a market and how entrepreneurs should act to capitalize on these, called ‘the window of opportunity’.

The window metaphor can be divided into five different stages: spotting, locating, measuring, opening and closing (Wickham, 2001):

1. **Spotting** - The first stage involves scanning the existing ‘wall’ (market place) in search of opportunities to commercialize.

2. **Locating** - The locating stage means developing a position for the new venture and its uniqueness in the marketplace. When the entrepreneur has gone through this stage she should be able to answer the question - Why should the customers invest in the business idea?

3. **Measuring** - The third stage involves evaluation and mapping of the market. It involves the markets different trends, what impact the product will have and how much the customers will be willing to spend on the product. In the measuring stage, a risk analysis follows on what risks the venture is facing.

4. **Opening** - This stage concerns the opening of the window. The entrepreneur turns the vision into reality and a venture is created. This is a crucial step in which the need of stakeholder commitment is present, and the venture has to develop relationships with strategic partners and also to attract investors.

5. **Closing** - The fifth and last closing stage is vital. Here, the entrepreneur must seek ways to create barriers to entry. If the entrepreneur is not able to create these barriers, the competitors will follow and commercialize on the market opportunity as well.
Roberts (1984) presents another approach to the same idea. He describes opportunity or pre-start analysis as he prefers to call it, which includes:

1. To understand the opportunity and decide whether it is attractive or unattractive.
2. To understand which efforts that is necessary to exploit the opportunity.
3. To identify a course of action for avoiding the obstacles in a potential venture.

After the discussion of the role of innovation, creativity, and opportunity in entrepreneurship this leads us to the next part of this thesis, the process of turning an opportunity into new venture and more specific the actions in which we are interested, how the entrepreneurs act in establishing a business within the fashion business (Roberts, 1984).

### 4.4.2 Motives for the start-up

There are different theories for the motives for starting up businesses. In this sub-chapter we will discuss and show three quite similar, but yet different models illustrating the start-up. It is our intention to use different parts of these models when we are about to analyze the start-up of Family One.

In Long and McMullan’s (1984) research about intellectual processes of new venture opportunities, a number of uncontrolled and controlled factors that influence the potential entrepreneurs in the start-up phase, are identified. The uncontrolled factors can be of cultural, social, economical, and/or of personal nature. Together with the controlled factors (e.g. venture alertness cultivation, study of venture subjects, job selection, moonlight venturing, and entrepreneurial lifestyles), the uncontrolled factors might lead the potential entrepreneur to what Long and McMullan (1984, p. 572) describes as the “aha” experience. This is when the entrepreneur first realizes the new venture opportunity.

![Figure 4-2: The opportunity identification process (Long & McMullan, 1984, p. 575)](image)

Once the new venture opportunity is realized, a phase of elaboration commences, in which the entrepreneur elaborates with the idea (Long & McMullan, 1984). This process might take place over a long time, and this is where the entrepreneur attracts and compiles the available resources. The outcome of this process is the decision to proceed. Once this phase starts, the entrepreneur should have done some thinking about the location of the venture, its core products, the financing, and the distribution (Long & McMullan, 1984).
Bhave (1994) describes the start-up process similarly. In his study, Bhave conducted interviews with existing ventures with the aim of trying to find answers on how the entrepreneur started their venture. According to this research, there are two different paths for perceiving an opportunity, one external and one internal stimulated.

![Figure 4-3: Bhave's opportunity recognition sequences in entrepreneurial venture creation (Bhave, 1994, p. 229)](image)

The external approach is influenced by the entrepreneurs personal and individual circumstances during that time, e.g. some individuals were affected when their employers decided to relocate them, which worked as driving force for setting up their own business since this group did not have any interested in being relocated. Another group within the externally stimulating approach did not bear to work for others any longer, resulting in a driving force for setting up their businesses (Bhave, 1994). The internal stimulated approach, on the other hand, is when an opportunity is recognized and a venture is started after the recognition. During this meta opportunity stage, the entrepreneur tries to find evidence with the aim of observe if the opportunity that was perceived was correct; hence, a process of refining the opportunity into a business opportunity.

Wickham (2001) further discusses the business concept creation that can be seen as a complementary theory to the model by Bhave (1994). Wickham (2001) argues that the future entrepreneur has experienced or was introduced to a need that could not be fulfilled through available vendors or means. Therefore, the entrepreneurs try to find their own solutions in order to satisfy the need. This leads to an identification of the business concept. The concept development refers to the effort that is involved in clarifying the business concept, as can be observed in Bhave (1994), in order to find a fit between the customers need and the entrepreneur’s perception of those needs. If there is a difference between the customer’s perception and the actual customer needs, a reorientation of the venture is needed. If the customer signals improvements in quality, it indicates that changes in the production technology are needed. A new generation of technology may be taken in consideration. According to Ansoff (1988), the previously mentioned factors are called operating feedback. They require both operating and tactical changes but do not threaten the core of the business concept.

Davidsson (2003, p. 1) defines entrepreneurship as “the creation of economic activity that is new to the market” as we have mentioned before. This includes the launching of new
products and services by new or existing firms. According to Davidsson, entrepreneurship is best viewed as a process that unfolds over time. Furthermore, this process can be divided into two different subcategories that are parallel and interrelated processes themselves;

1. **Discovery** - The development from an idea to a business concept, thus opportunity identification, opportunity detection and opportunity formation

2. **Exploitation** – The attempted realization of ideas, i.e., primarily resource acquisition, co-ordination and marketing.

![Diagram of discovery and exploitation processes](image-url)

**Figure 4-4**: The interrelation between discovery and exploitation (Davidsson, 2003, p 4)

Davidsson (2003) also highlights that these sub-categories are to be viewed as processes that feedback on one another. The similarities in Davidsson (2003) with the phase of “Elaborating the opportunity” in Long and McMullan’s (1984) is obvious and easy observable, tying these two models together.

In order to further understand a more holistic situation of the above discussed process in the context of entrepreneurship, Davidsson (2003) presents another model which also holds similarities to Long and McMullan’s (1984) and Bhave’s (1994) model, however simplified.

![Diagram of entrepreneurship components](image-url)

**Figure 4-5**: How the components of entrepreneurship fit together (Davidsson, 2003, p 11)

According to Davidsson (2003), the uni-directional arrows from individual(s) and environment to idea symbolize that some individuals and environments generates better business ideas than others. An example of this might be the business idea generation in the JIBS course “new venture development” than the environment in a village in the outback of Siberia.

The importance of fit between individual(s), environment, and idea is also a critical factor. Davidsson (2003) argues that it is more likely that the outcome of the entrepreneurial process is successful when there is a good fit between the above mentioned factors.
Furthermore, the uni-directional arrow from idea to process underlines what Davidsson (2003) want to emphasize; “the nature of the idea will with necessity have an effect on the process” (Davidsson, 2003, p 12). For example, a start-up of a catering business will most probably take shorter time and be less complex than a start-up of a high-technology manufacturer.

To continue, Davidsson (2003) define that the processes differ in different start-up as the above mentioned example demonstrates. Though, Davidsson (2003) argues that one cannot determine that a specific process is generally better than the other. However, Davidsson and Honig (2003) identify that in order to make progress in the process and achieve successful results, the most important predictor was to establish and use network contact. The authors suggest that this probably is because of getting access to resources and customers. Therefore, the most important competence to an entrepreneur is suggested to be the competence of identify, mobilize and cultivate other individuals’ competences.

Davidsson (2003) define that there are not a specific process that are generally better than another one, as determined above. But what exactly does this process holds? Davidsson and Klofsten (2003) present a theory of building up a business platform and suggest steps that have to be taken in order to succeed in the process of starting up a new venture. This approach is explained further in the next section below.

Davidsson and Klofsten (2003) suggest steps that have to be taken in the process of starting up a new venture. This is discussed below.

4.4.3 The cornerstones of the business

Klofsten (2002) developed a practical model for newly started companies on how to be able to recognize if the concept is bearable or not since new ventures often are very vulnerable. Klofsten (2002) argues that in order to survive and further develop; the individual business has to be based on a business platform. This approach to the process has gained support from Davidsson (2003). The business platform consists of eight different aspects as cornerstones of the platform. These are:

Four cornerstones concerning the development process of the business:

1. The business idea – Formulation of a clear business idea concerning what the business will offer to the market; how the product or service produces value and to whom; and how turning this value into a profitable business.

2. Product development – A functional product or service has to be developed.

3. Definition of market – Definition of the market and which customers will be targeted.

4. Organizational development – An organization has to be created and developed into a functional entity holding functions such as marketing, financing, distribution, production, etc.

Two cornerstones concerning the competence of the business employees and other close actors:
5. Core group’s thrift and engagement - The driving force and engagement of the actors should result in sufficient commitment to the start-up.

6. Core group expertise – The competence that is crucial to the business must be developed or acquired.

Two cornerstones concerning the external resources flow into the business:

7. Customer relations – A trustful relationship with some of the future and prospective customers have to be developed in order to generate first sales. This due to the fact that one has to know the customer preferences to successfully satisfy a need.

8. Other relations – There are several key relations that must be developed, such as relations with venture capitalists or governmental authorities.

In order to be able to fully analyze a business from the Klofsten (2002) approach, the business platform has to fulfill two basic conditions.

- The flow of resources in the business must be secure through defining a market that is large and profitable enough. Further, ready accepted products as well as customer relations and other external relations should be of sufficient quantity and quality.

- The company has to be able to make use of the resources collected.

An interesting point by Klofsten (2002) is that initially, capital is not that important. Rather the “soft” parts of the business are of more importance. This can also be seen as a determination of the results of Collins and Porras (1998) in which a number of very successful companies are studied, in which the results shows that companies that have clear explicit core values which the organization comply with, are the most successful one. The conclusion is that an important factor that contributes to the success of the individual business as well as the group of enterprises is the focus on the core values, that is to say the “soft” parts of the business as Davidsson and Klofsten (2003) determines.

A measurement system (both internal and external) in order to identify different stages in the start-up process was developed by Klofsten (2002), and enables a company to benchmark its activities with a general description presented in the model. The reason for conducting this is to strive towards the highest level and thereby developing the business further. It should be noted that the model was developed for strong technology based firms, and therefore some aspects not relevant to this study have been excluded in the presentation below.

<table>
<thead>
<tr>
<th>Cornerstone</th>
<th>Low Level (L)</th>
<th>Intermediate Level (I)</th>
<th>High Level (H)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Business Idea</td>
<td>Idea is vague. Business concept not yet articulated.</td>
<td>Clear, articulate understanding of the uniqueness of own products and know how. First step towards a business concept is taken.</td>
<td>Business concept in initial version. It defines users (customers), their needs and ways to satisfy the latter.</td>
</tr>
<tr>
<td>Product development</td>
<td>No finished product exists. Working model or prototype may be available.</td>
<td>Beta product is tested on pilot customers.</td>
<td>Finished product available and with key cus-</td>
</tr>
</tbody>
</table>

Table 4-2: Klofsten’s Cornerstones (2002, p. 27)
Klofsten’s (2002) study shows that the companies that have developed the cornerstones of the idea and market have the largest chances to build a good business platform. Our view of Klofsten’s (2002) cornerstones is that they are about defining the business, something that is important in the early phases in the venture start-up. After the start-up, we think it is important to be able to measure the start-up. One way to do this is to use MacMillan and Block’s (1985) milestones for successful venture planning. These are described in more detail below.

### 4.4.4 Ten milestones for successful venture planning

MacMillan and Block (1985) introduce an approach for successful venture planning. They argue that this approach has three basic advantages over for example using business plans in the start-up phase. Firstly, the milestone approach helps to avoid costly mistiming errors. Secondly, it gives logical and practical milestones for learning and for re-evaluating the entire venture. Thirdly, MacMillan and Block (1985) stresses that this approach offers a methodology for “re-planning” based on a growing information base.
MacMillan and Block (1985) also argue that few entrepreneurs use planning in the process of new venture creation, which often results in horrifying consequences such as cash-flow problems, mistiming, and accumulation of losses. Below the ten milestones are presented:

- Milestone 1 – Completion of concept and product testing
- Milestone 2 – Completion of prototype
- Milestone 3 – First financing
- Milestone 4 – Completion of initial plant test (or pilot operation for a service)
- Milestone 5 – Market testing
- Milestone 6 – Production start-up
- Milestone 7 – Bellwether sale (first important sale)
- Milestone 8 – First competitive action
- Milestone 9 – First redesign or redirection
- Milestone 10 – First significant price change

Even though MacMillan and Block (1985) present a certain set of pre-determined milestones, they argue that each new venture has its own set of milestones even if they should include the milestones presented above. Furthermore, the point with milestone planning is: “that it takes entrepreneurs at the lowest possible cost to the next important stage, where they can make informed decisions rather than blunder along adhering to a fixed plan that out of ignorance they have based on faulty projections” (MacMillan and Block, 1985, p. 196).

4.5 The Fashion Process

Since our thesis focuses on a start-up in the fashion industry, we believe it is of great importance to get a deeper understanding of the fashion process.

The point of departure concerning the nature of the fashion process, introducing us to fashion is a quote by the world know fashion designer Tommy Hilfiger:

“Being a successful fashion designer is about more than just making great clothes. It’s about running a business, and that means having a combination of diverse skills—you need creativity, business acumen, social skills, management skills, and, most importantly, you need dedication.” (Cited in Gehlhar 2005, p 8)

This quote demonstrate that fashion is a lot more than flashy designers and catwalks. Further, to start up a new business in the fashion market is extremely hard as many other markets. Considering entrepreneurship in this perspective, Gehlhar (2005) states that the entrepreneur thinking about setting up a new fashion business should bear in mind that entrepreneurship is a very hard road.
Further, John Bartlett - a New York fashion guru, recommend the fashion entrepreneur to do one of two things; either commit yourself to working for another designer company for at least four years to really learn from their mistakes, or concentrate on one product category, like t-shirts or shoes, and focus all of the energy developing the best possible product. According to Bartlett, too many designers get caught in the idea of producing a whole collection and doing shows. While shows are for the ego, the product is for survival (Gehlhar, 2005)

Furthermore, fashion industry is an industry which is very seasonal intensive. When planning for these seasonal up and downs, many different stakeholders are involved (e.g. fashion designers, producers, distributors, retailers, and media) creating a very complex process (Saviolo & Testa, 2002). To make the process even more complex, it is not enough to offer the market what it wants today, fashion companies always have to understand what will happen in the future, designing collections for the coming seasons.

Saviolo and Testa (2002) explains that consumers are increasingly creating their own fashion with combining brands and products to express their personality and/or style. Furthermore, consumers are attracted by the fashion offers, but they do not passively accept them. Earlier (during the 1980s), fashion brands tried to market the total look; people dressed in only one brand. However, due to changes in the perception of what fashion is, this total look does not exist to the same extent nowadays. Today, there is instead a move from the concept of fashion to the concept of style. Individual identities and values affect the personal styles and also the fashion of today. In extension, this mean that individuals match different brands with different brand values and images in order to create an own identity (Saviolo & Testa, 2002). Concerning the brand image, Gehlhar (2005) argues that image is everything in fashion, as also is stated in the background of this study. Therefore, each element in the fashion venture, such as logo, web site, must communicate a consistent identity and image. Regarding this perspective, Gehlhar (2005) also states that the designer of a fashion brand represents the brand to a high extent. What the designer, or in a more general case - those one involved in a fashion business, can shape the brand. What they wear, where they eat, etc works as a distinguisher of the fashion brand.

O’Cass (2004) has examined the effect of materialism and the relation between self-image and product-image on consumers’ involvement in fashion. His conclusions show that the customer’s degree of materialism, gender and age affect his or her involvement in fashion. This implies that fashion conscious customers use clothing in order to reflect their status, membership, success or prestige. O’Cass finally argues that customers with strong materialistic tendencies use clothing for, what he describes as, impression management.

Saviolo (2000) argues that nowadays relevance, intimacy, and credibility are the new concepts in branding, in contrast to brand power and visibility during the 1980s. A designer brand should, according to Saviolo (2000) offer the customer a feeling of well-being and interest. In the past, the product and manufacturing technologies was seen as the critical success factors for fashion companies, but today, a series of intangible element seem to be the critical success factors- namely brand and retail management.

According to Auty and Elliott (1998), fashion involvement can be associated with the differences in social sensitivity that individuals show, leading to the conclusion that those individuals that are motivated to fit into a particular group need to be aware of fashion signals, not only from the desirable groups, but also from the groups that the individual do not want to be associated with, this in order to make sure that the wrong cues can be
avoided. Furthermore, Auty and Elliott (1998) also argues that branding becomes even more crucial due to the fact that the product’s “social class” can be defined by the branding, and that the brand even can include attributes that is not included in the brand.

Managing creative businesses, such as fashion companies, is something Saviolo and Testa (2002) goes deeper into and their conclusion about a firm’s creativity is that the creativity suffers from chauvinism about who in the firm that should be creative. Saviolo and Testa argues that it is of high importance to determine how the employee’s creative interests support the core of the business. It is important that the creativity shown by employees is related to the firm’s objectives, also it is important to understand that creativity often is spontaneous. Managers in creative forms have to work as integrators, and connect the creativity to the objectives of the organization.
5 Analysis

In the coming analysis, the start-up process of Family One Clothing will be analyzed and interpreted using the existing models and frameworks described in our frame of references.

Getting from an initial state to a desired state in a development process means a purposeful movement in one direction. In order to get there it is important to first know where “there” is. As suggested by Mintzberg (1973), the “there” is guided by the vision of the entrepreneur. Furthermore, we have presented several models how researchers describe the process from idea to market introduction in new venture creation. These models are framed against the backdrop of the entrepreneur. Throughout this chapter we will analyze and examine the literature in relation with the empirical findings in order to fulfill our purpose. The empirical findings will be analyzed in the light of the frame of references divided up section by section. Further, the theories regarding the fashion process will be integrated throughout the analysis section.

5.1 Analyzing the entrepreneurial capacity

Entrepreneurship is defined by Davidsson (2001) as the creation of economic activity that is new to the market; including the launching of new products and service by new or existing firms. FO has created a new fashion brand with distinctive core values that the founders believe differentiate the brand from other players in the market space. Furthermore, FO has launched a test-collection (a new economic activity) that has been sold, and the company is in the planning stage of a complete market entrance. According to us, the conditions for entrepreneurship, as defined by Davidsson (2001), are therefore, to a high extent, fulfilled.

Furthermore, in our chapter about entrepreneurship, we discuss the approach on how entrepreneurs act, and more specifically; how entrepreneurs act in new venture creation. Concerning this approach, FO can be seen as an example that supports Mintzberg’s (1973) research. Mintzberg (1973) explains that there is little or no formal structure during the start-up concerning the strategic direction. Rather, the strategic direction is guided by the vision that the entrepreneurs hold as a reflection of the ideology of the entrepreneur and company as described by Gray and Ariss (1985). This can be observed in the case of FO to a very high extent. The FO-team founded the company based on ideological grounds, with an attribute of interest. The interest concerns the fashion- and clothing industry while the ideological values of friendship and loyalty of the social group laid the base for the business, and also defined the market in which these values were strongly grounded. The core values of FO acts like the foundation of the business which is interconnected with the elaborated FO vision that function as guiding star. According to FO, this work as a driving force in order to foster creativity in the seeking of new ways; in order to fulfill the aim of becoming not only a major player, but also a leader in the street fashion market.

Now, when we have defined that FO process qualifies as entrepreneurship we are going to further analyze important parts of entrepreneurship; successful innovation and creativity creation.
5.2 Innovation and creativity in the team

Innovation is generally seen by the public as an ingredient of entrepreneurship. However, as described it might be a part, but should also be considered separately. Innovation within FO has tangible results such as the products produced, the so called “test-collection”. Furthermore, we are interested in what happens during the process of innovation (a concept's development from idea to market introduction), and especially in strategic elaboration when converting opportunities into marketable ideas. In the empirical findings, it can be observed that FO has the aim of creating new wealth through the creation of a financially bearable company. Also, FO has long-gone plans to capitalize a specific opportunity in the street fashion market. How should this be done? In the perspective of Drucker’s (1998) ‘do’s’ and ‘don’ts’ it is possible to observe the path of FO as ‘correct’ or not. Firstly, considering the ‘opportunity’ of Drucker’s (1998) ‘do’s’ there seems not to have been any opportunity analyzing in the FO-case. Rather, after the decision to start it can be observed through the empirical findings that FO seems to have strolled around in the market of street wear indirectly trying to reveal opportunities in the market space. However, the company was founded on specific values (later on these were further developed) and the strolling became a way of discovering customers that would pay for the brand and strengthen the outsiders view upon the customers; fashion as a self-expression (Saviolo and Testa, 2002). Since FO did not have access to the capital required to perform a “proper” market research to analyze where opportunities existed, the entrepreneurs strolled by themselves trying to discover the market, the opportunities and potentials within it. This can be explained through a metaphor developed by the co-authors JI and JE; the strategic market landscape (see final discussion 6.2)

This is what the FO-team has performed; an exploitation (as described by Davidsson) of opportunities that exists in the market. Rather time-consuming, but to FO it seemed like the only option available. This can further be directly observed in the empirical findings, in which the FO-team describes a process trying to identify opportunities in the market, since the post-start decision until November 2005, when the concept was more or less finalized. This has been conducted by FO through collecting information and resources available to them such as the knowledge of VC. Further, two of the founders worked in a large fashion retail store during June, July and August 2005 which made it possible to observe the preferences of the street wear customer, as well as interacting with the market directly. All this can be summarized as the Drucker’s (1998) ‘do’ of perceptualization.

Furthermore, even though it might be perceived that FO was focused from the start, where FO explicitly focused upon the skate- and snowboard market, it is undoubtedly a discovery process that has led FO to the position in which they are today. As discussed in the section above, concerning the market discovery stroll performed by FO, the perspective of focus has been a process of narrowing down the concept. This implies that FO started relatively unfocused but along the way, the more FO discovered in the market, and the more feedback received from the VC, the more focused FO became, resulting in a specific targeted audience today. Drucker (1998) also stresses that with an unfocused concept, the customer gets confused. This can also be observed as an explicit anxiety by FO, since the team strives to be very clear in the marketing of their concept. The discussion about which catch phrases to use is illustrated through the concerns of JE: “The feedback from those close to the founders and/or involved in the project to some extent has been of great use. The catch phrases that were supposed to capture what the FO brand stands for were understood. However, I still believe we have to re-
formulate some of these sentences in order to clarify the concept even more. I do hope and believe that a thorough concept, in which one has put a lot of effort, will pay off.”

To continue, the focus on street wear shorts as the base of the brand also demonstrate this. This also gains support in the fashion process presented by Saviolo and Testa (2002) in which they state that in the past, fashion companies focused on trying to deliver the total look of the customer, hence the individual customer dressed in only one brand. However, nowadays the customer uses different brands in different combinations to express themselves and their values more precise. By establishing FO as “the soul of street wear”, and launching the brand based upon trendy shorts works in favor for the focused approach developed by Drucker (1998), as well as a part of the lack of focus on the total look as suggested by Saviolo and Testa (2002). This implies that the customer is nowadays more interested to buy different brands and self combine them into the total look preferable to the customer. That is to say, it might result in a pair of Nike sneakers combined with a Diesel T-shirt and FO-shorts.

The fourth ‘do’s’ of Drucker (1998) is size. It means that ventures should start in a small scale and thereafter expand. FO had the intention to start with a very small scale production, however, as the opportunity in the market was perceived as relatively large, as well as feedback generated from the VC during several meetings, they decided upon taking FO to a higher level of ambition, holding an approach of larger scale production. The reason for this was also because of the founders’ vision concerning the creation of a financially bearable company. With this vision in mind, it seems that the larger scale approach was a necessity for the success in the long run. Further, this approach does not naturally imply a mass production as Drucker (1998) would have defined it, rather the opposite.

Concerning the last of the ‘do’s’, FO has explicitly aimed at becoming a leader in the street wear market, firstly in Sweden, but thereafter also internationally. For a newly started venture, such a vision and aim is rather radical. However, as suggested by Collins and Porras (1998), successful visionary companies often set big hairy audacious goals and channel its efforts in order to achieve the aim in question. Therefore, the vision and goal of FO, to become a leading actor in the street wear market, has support in theory even if it might seem like “impossible” to the general public.

To continue, Drucker (1998) presented three ‘don’ts’ for a successful innovation. Since the products of FO do not hold any technological complex details and since there are non general diversification in the business, this works in favor to FO. Regarding time-focus, the innovation is to a high extent for the present. This can be observed since FO’s market research that has been conducted, are based upon the evolution of the street wear market and how it works today. However, the trend of increasing street wear consumptions, also works in favor to FO even though this is not a major opportunity that the company wants to capitalize upon.

The creativity is another important aspect in the holistic view of entrepreneurship. Furthermore, it is probably of greater importance in the fashion industry as determined by Saviolo and Testa (2002) in the section of fashion process. Creativity is an intangible part that is to some extent required for successful new venture creation, the point of departure of the innovation. Further, as also determined by Saviolo and Testa (2002), it is of greater importance if it concerns a start-up with little financial resources. We can therefore conclude that creativity plays an important role in the establishing the FO venture, since no great financial resources are available and because of the fact that FO intends to operate on
the fashion market. In FO, creativity plays a central role expressed explicitly as a core value (see appendix B). Further, in the guerilla marketing approach used by FO in the launching-and marketing plan it is obvious that creativity is central.

5.3 Modeling the start-up

5.3.1 Window of opportunity

To model up the start-up of FO, we will start by comparing our empirical findings with what Wickham (2001) calls the ‘window of opportunity’. According to Wickham (2001), opportunities in the market space are always existent since businesses always leave gaps. Wickham (2001) argues that the **Spotting** is when the entrepreneur is scanning the market place for opportunities. **Locating** is finding a position for the new venture and finding the uniqueness in the market that is needed. **Measuring** involves evaluating and mapping the market, looking at trends and what impact the product will have. **Opening** the window of opportunity is when the entrepreneur turns the vision into reality and a venture is created. Finally, the window is **closed** when the entrepreneur finds ways to hinder competitors to enter the same opportunity.

In the case of FO, we have cannot identify a pure **spotting** episode. The market place was not really scanned in order to find opportunities to commercialize, it was rather so that JI and EG wanted to create some t-shirts on a small scale basis. However, we think that it is visible that the stage of **locating** has been an ever going process from the moment that JE entered the business. The positioning of the new venture is something that from the start (April/May 2004) has been discussed, starting with identification of the values the FO-brand should have. This locating phase has also been developed during the start-up process, taking different turns after discussions within the FO-team, but also after discussions with the more experienced VC.

The **measuring** of the market is something that has been done in various stages in FO’s start-up process. Since the target market was not very precise from the beginning, it has been hard for the team to evaluate trends and impacts of the product; however, a more precise marketing analysis is undertaken during the later parts of 2005 which will in a more detailed way map the market. The window of opportunity for FO has not really been opened at this time; we could say that it stood ajar for a while, during the test collection time. It was a crucial time for the team since this was when the team actually realized that people were interested in their products.

5.3.2 Opportunity identification process

Long and McMullan (1984) argues that a number of controlled and uncontrolled factors influence the potential entrepreneurs in the start-up phase. These factors, in different formations, lead to the initial vision which also is called the ‘aha’ experience. This is where the field of opportunity is identified. After this, the process of elaborating the opportunity commences, where the entrepreneurs goes through an iterative process of strategic idea elaboration and opportunity elaboration. This process ends with an elaborated vision, which is to say, the vision with which the entrepreneurs decide to proceed with.
What we have identified in the first phases of the FO start-up is very hard to label as uncontrolled factors or controlled factors. We believe that the personalities of the three founders has much to do with the initial vision of the start-up, two of the founders (JE and JI) has previously started other ventures and have experienced the challenges with start-ups. Also the founders had an interest in fashion before the start determining that this might have influenced the start-up as well. Saviolo and Testa (2002) further suggests that fashion is about self-expression and the expression for societal change. FO was founded on common values held by the authors, self-expression to a very high extent. Cultural forces might also have impacted the start-up; JIBS is a university which promotes venture start-ups and the Science Park is by many students used for this purpose.

The initial vision was not as “big and bold” as the venture is today, but still, there was an initial vision of creating clothes, this was the identification of the field of opportunity. When the FO-team entered the opportunity elaboration phase; not much was decided. This process is something that has been present during the whole start-up phase. It is obvious that the strategic idea elaboration and the opportunity elaboration is a process which has been taking a lot of time and considering from the team. We think it is interesting to see that the initial vision of creating a brand with humble attitude is something that still is intact in the elaborated vision. Further, we believe that it has truly been a process of narrowing down the concept. The initial concept was weak and approached a huge market, through the intention of capitalizing on social values within social groups, firstly identified in the snowboard and skateboard market. Still the core values are intact, but FO seems to have narrowed down the concept in order to attract a more specific niche market within the huge one determined in the beginning, going from concept based on t-shirt, hoods, and sweatshirts to a concept based on core products such as shorts. Further, the reflections of the founders also demonstrate this process (see the reflection by JE in empirical findings, section 3.14.1, and 3.18.1 in the reflections by EG).

The decision to proceed is something that we believe never has been questioned. Already from the start, there has been a strong motivation to start-up the FO-venture, even if the start-up has been altered due to feedback from the VC among others. Though, FO decided to proceed with the venture as a result of the elaborated idea and concept in late 2005.

5.3.3 Opportunity recognition sequences

In Bhave’s (1994) model of opportunity recognition sequences, two different stimuli are described as driving forces for new venture creation, i.e. externally stimulated and internally stimulated. Depending on which approach the concept is identified, different stages are undertaken, but once the business concept is identified; the commitment to physical creation is undertaken. Complementing with Wickham’s (2001) ideas that the entrepreneur find their own solutions in order to satisfy a need; this leads to an identification of the business concept.

Looking at FO, we cannot clearly identify if the stimulation for the start-up has been completely external or internal. Our impression of the start-up is that there was a decision to start, but according to us, it was not externally stimulated (according to Bhave’s (1994) explanation). There were not any factors forcing (which is externally stimulation according to Bhave (1994)) the founders to start the business, but more a simple decision to start making clothing. This decision to start was directly based on need recognition, perceived by
the founders, but not fully internally stimulated by definition either. Rather the founders decided to start a firm and shortly after they recognized a need and an opportunity. We argue that the process of the pre-start-up was something in between the internally- and externally stimulated. It might have been more similar to Wickham’s (2001) ideas of the business creation. The founder’s had a need of having garments with a special set of core values of the brand that was not available in the marketplace, and therefore decided, initially, to create a small scale brand.

Even though we cannot precisely define if the stimuli were internal or external, we can recognize the opportunity refinement phase in Bhave’s (1994) model. This phase has been ongoing over a longer period of time. Bhave (1994) also refers to the concept development as the process of clarifying the business concept by refining the concept until it fits the customers’ need. The commitment to physical creation is identified in the FO-start-up by the first sketches done by JE, and to a larger extend when the test collection was produced.

5.3.4 Interrelation between discovery and exploitation

According to Davidsson (2003), entrepreneurship is best viewed as a process that unfolds over time. This process can, according to Davidsson (2003) be divided into a discovery- and an exploitation sub process that are parallel. The discovery sub process is the development from an idea to a business concept while the exploitation sub process is the attempts to realize the ideas. Davidsson (2003) stressed the importance of viewing the two sub processes as processes that give feedback to each other.

In FO, we can very distinctively see the sub processes of discovery and exploitation. The idea is something that during the whole start-up process has been developed and modified. What also is interesting to observe in the case of FO is that feedback coming from outside parties, e.g. the VC, has been absorbed and has influenced the ongoing discovery and exploitation. We would like to argue that the process observed in FO is something that has undertaken three different forms. In the very start, the concept and idea was quite narrow, but was expanded when the founders decided to start up a more serious business. But after feedback from the VC, the concept was again narrowed down to the shape it has today. This can also be seen at the development of the catch phrases, from using more phrases to cover a larger spectrum, but today it has been narrowed down to “the soul of street culture”.

Davidsson (2003) argues that some individuals in some environments generate better business ideas than others, depending on different factors. Furthermore, it is important to find a fit between individuals, environment and the idea generated. Davidsson (2003) also explains that the nature of the business idea (e.g. complexity) will have impact on the start-up time. Davidsson and Honig (2003) identified that in order to present successful results, the most important factor was to establish and use network contacts, to get access to resources and customers. It is also important to identify, mobilize and cultivate other individuals’ competences.

We think that the environment have influenced the founders of FO in the start-up, as discussed in the section about opportunity recognition sequences (Long and McMullan, 1984). Concerning the factors in the environment influencing the start-up as suggested by Davidsson’s (2003), we argue that it is of great similarity to the same approach as discussed by Long and McMullan (1984). Looking at Davidsson’s (2003) idea, he means that people in
more creative or stimulating environments are more likely to start businesses, and considering that JIBS is a school which stimulates start-ups, it is likely that it has influenced the founders in the start-up. Looking into the start-up time of FO, it cannot be claimed to be very fast, yet it is not a very complex product. However, we think that the clothing market is of a complex nature, with many different barriers to entry and that this might be a reason why the start-up process has not been faster. Also considering the fact that JE was abroad for one year during the start-up and the fact that all three founders have had school during the start-up is something that most likely have impacted the start-up speed. Furthermore, the founder did not have any previous high level of knowledge of the fashion industry, which makes the start-up process more complex from the founders’ point of view.

The use of network contact is something else that has been used during the start-up of FO. The VC has been a central person in the development of both the concept and the business. Access to resources in the form of contacts and experience was two of the most important reasons for involving the VC in FO. With the VC, FO also cultivated the competence of the VC, using his knowledge of the fashion business. Another important contact that has been accessed is OT, the kite surfer, who is the brother of a friend of the founders. Also with the ex-professional snowboarder, the FO-team used their contacts to exploit a marketing opportunity. This we believe has had a great impact on the start-up. After the establishment we will be able to see if the network contacts will be key resources in the post-start-up phase, even though we will not be able to cover that in this specific study.

5.3.5 Cornerstones

FO will be analyzed in the perspective of the business platform developed by Klofsten (1992) and further supported by Davidsson and Klofsten (2003) since FO fulfills the preconditions before being able to analysis a business from the business platform approach. These conditions are explained in the frame of references and according to FO there is a sufficient large and profitable market for a successful establishment, as well as that the company FO believes to be able to make use of the resources collected.

Firstly, Klofsten (1992) as well as Collin and Porras (1998) argue that it is of more importance to the company to focus upon the “soft” perspective of the company. If consider the empirical findings and the venture FO, we are able to observe that this is exactly what FO has done. Until September 2005, basically the venture focused upon developing the concept of the business, finding out what they should base the business upon. Though, later on, from September 2005 and onwards, when the concept has been narrowed down (though not set until November 2005) a lot of effort has been concentrated to perform activities so to attract the capital required for a launch of the brand.

Klofsten’s (1992) study shows that the companies that have developed the cornerstones of the idea and market have the largest chances to build a good business platform. According to Klofsten (1992) the pattern of grey squares, as visible in Figure 5-1, has to be fulfilled by the venture three years after the start in order to be successful in the future. Further, the measurement system provided by Klofsten (1992) has been used in order to analyze the business platform of FO. Significant movements have occurred. This can be seen below:
Figure 5-1: Business platform analysis

The Business Idea (High) – The business idea has developed from a thought of providing a humble fashion brand on the market in a small scale, to the business idea that now is present in FO - the company.

Product development (Middle) – A test collection was presented in August 2005 as a market research action in order to generate feedback from the prospected customers. Though, a final collection is yet to be able to key customers, wherefore FO should be placed in the middle in product development.

Three years after launch, the profile of a business would at least be as the profile of the gray squares above shows (Kloften, 2002)
Definition of market (High) – the market is defined by FO, and a specific niche, board and street shorts, has been chosen by FO. Furthermore, the market has been mapped, and it is possible to reach profitability.

Organizational development (Middle) – Concerning the development of the organization, FO is characterized as an entrepreneurial company in which overlapping roles in the company are present. Therefore, FO has only reached the middle level of development in the cornerstones of the business. However, the functions are to some extent divided by the founders though not sufficient for reaching the highest level of organizational development.

Core group expertise (Middle) – Even though FO has developed and acquired competences through the VC, and the ”teams” (OT for example); we cannot place FO at the very high end of development. This is since the competences acquired are not complete and formalized, nor is it highly well-matched yet.

Core group’s thrift and engagement (High) – Considering this cornerstone, it is quite obvious to us that the thrift and engagement of the FO-team are high. The aim for FO has always been to establish a bearable business, and the foundation of the business (including core values, business plan, etc) implies that FO has a long-term vision of becoming a leading actor in the street wear fashion industry.

Customer relations (Middle) – Even though FO might not have established contacts with that many customers yet (not retailers nor the final customer), the company has taken important steps into this direction through the teams that will promote the brand. Furthermore, FO has secured a deal with the VC implying all the sales of the products not sold through other channels would be sold through channels possessed by VC. Based upon this and the production and evaluation of the test collection, leads us to the conclusion that FO has developed the customer relations to the medium level in Klofsten’s (2002) business cornerstone model.

Other firm relations (Middle/High) – FO has established contact with a provider of capital, managerial skills, and other necessary competences to launch a brand successfully (primarily through VC and teams). The deal is yet to be completed, but FO sees no or very few obstacles that could occur that would stop this development. However, if the VC rejects the proposal concerning venture capital, a plan B has also been developed by FO through securing bank loans for a market introduction (as the meeting in September 2005 with ML implies). Even though the venture capital proposal is rejected by VC, he will function as a mentor and guide. Therefore we conclude that FO has developed other firm relations into middle/high level.

Generally, we view the cornerstones building up the business platform are about defining the business, something that is important in the early phases in the venture start-up. This is something that to a high extent has occurred in FO’s case, since the FO-team has planned the market introduction for a long time period. FO has considered not only the “soft” parts of the business as suggested by Klofsten (2002) but also the “harder” cornerstones such as product development and competences required for the long-term success of the venture.
5.3.6 Milestones in new venture planning

The approach to successful venture planning suggested by MacMillan and Block (1985) holds that instead of using a business plan in the start-up of a new venture, a milestone planning approach should be used. MacMillan and Block (1985) argues that this approach is superior because one are able to avoid costly mistiming errors, it gives logical and practical milestones for learning and for re-evaluating the entire venture as well as it helps to re-plan activities.

Even though FO has not used a milestone approach deliberately, the founders have set up certain milestones. Further, these could be observed in the empirical findings as:

- Completion of a test-collection before Christmas 2004 (failed)
- Foundation of the company in late 2004 (succeeded)
- Completion of a graphical profile before the meeting with VC in January 2005 (succeeded but has been re-developed since then)
- Completion of the concept initial design for a full collection before the meeting with VC in January 2005 (succeeded)
- Completion of a business plan in the Swedish spring of 2005 (succeeded)
- Completion of budget before the VC meeting in May 2005 (the budget needed to be re-worked, therefore failed)
- Completion of a test collection in the Swedish summer of 2005 (succeeded)
- Completion of vision and core values before the meeting with VC in September (failed since the core values was further developed during the following months)
- Completion of marketing plan until the beginning of December 2005 (succeeded)

If looking at the milestones suggested by MacMillan and Block (1985) one can observe that FO has only completed “Milestone 1 – Completion of concept and product testing”.

If looking at the milestone approach that FO un-deliberately has used, one are able to observe that several of them failed. When interpreting the empirical findings as a whole, we also draw the conclusion that this might not be suitable in a fashion start-up since, for example, the first milestone suggested by MacMillan and Block (1985) (completion of concept and product testing) is highly dependent on a process of elaboration. Though, when the business actually is founded and running, a milestone approach might be of better use. Further, we believe that milestone approaches to a high extent are more adaptable to other consumer products than those in the fashion industry.

To continue, it might be a good idea to use the milestone approach even in a fashion brand creation. However, this cannot be proved through our empirical findings. Rather we believe that a new fashion brand, depending on trends, seasons and creativity among other things, works as best in a state of where one actually can change the concept, for example, along the way of the new venture creation. If a milestone approach would be used in FO, would it generate a better result? Well, we believe that it might have been good to use a combination of a conscious milestone and an elaborating approach. Evidence shows that
when the founders have used a specific goal to work towards (a milestone) than motivation has increased and affected the outcome positively. Further, it is of great importance to make the concept clear, and our findings suggest that in order to be flexible to some extent in the steadily changing fashion environment, and the concept needs time to mature and continuously develop/re-develop. If FO would have stopped develop its concept in September 2005, after the meeting with the VC, the outcome would probably have been weaker. The empirical findings support this (see for example the reflections in November 2005) since the FO team discussed the importance of an evolution of the concept.

However, FO might have been able to avoid the continuously question raised; “where should we start?” through a milestone approach in a combination of using the business platform. The question is if the outcome would have been better or improved? In this study, we are not able to answer that question but only speculate since a concrete milestone approach has not been used. Though, what we are able to observe is when FO had an important meeting, a milestone, to work towards, the motivation seemed to improve. As expressed by EG: "To receive something tangible in our hands had a direct impact and an increased motivation".

To conclude, we believe that a milestone approach together with an elaboration of ideas might have generated better results. This because when FO had a milestone to work towards, the motivation and effort increased but at the same time our empirical findings suggests that an evolution of the concept was of great importance to FO as well.
6 Conclusions and Final Discussion

This chapter summarizes the results and the analysis made in the previous chapters. Further, it will be followed by a discussion concerning the future of FO, reflections by the authors. The chapter will end with lessons for others and suggestions for further research.

6.1 Conclusions

The purpose of this thesis is to document and analyze the start-up process of a newly founded fashion venture and present a model that reflect this new venture creation.

Our purpose has been fulfilled since the start-up process of FO has been documented, interpreted, and analyzed using existing theories in the field of new venture creation. Using theories about the fashion industry have also impacted our work, and we think that our findings will help FO and its founders in the future. The model we aimed to present will be presented further down in this chapter.

To conclude, none of the models presented in our frame of references (i.e. Long & McMullan, 1984; Bhave, 1994; Davidsson, 2003) have succeeded to illustrate the FO start-up process in what we feel is a satisfying way. However, even though FO’s start-up process differs from the models presented, we have been able to see the reality in these models. Our findings suggest that the components of the start-up process is in line with what the researchers mentioned earlier, but that the setup might differ in this particular start-up. Therefore, we suggest a model that reflects the start-up process of FO more accurately (figure 6.1), presented below. The proposed model is based on the models of Long and McMullan (1984), Bhave (1994), and Davidsson (2003), but has been, as already mentioned, modified in order to better illustrate the specific start-up process of FO.
The proposed start-up model is built up by layers and phases. The layers include factors that influence the entrepreneur(s) (Controller and Uncontrolled factors), the capacity of the entrepreneur and network contacts. Furthermore, we propose three different phases in the start-up process: nascent phase, idea and concept elaboration phase and acquirement phase. Furthermore, our model can bee seen as a time-line moving from left to right.

The proposed start-up model includes the layer of the factors influencing the entrepreneur (the white level) influencing the whole process. It is the environment in which the entrepreneur operate (uncontrolled factors), but also includes the characteristic of the entrepreneur (the controlled factors). Furthermore, a more individual approach of the characteristic of the entrepreneur is present in the model through another layer concerning the capacity of the entrepreneur (the dark grey level) that we argue also influence the process of new venture creation. The third, and last layer in the proposed model, is network contacts (represented by the light grey layer) which influence the whole process investigated.

Furthermore, we have divided the model into three phases; nascent phase, in which the initial steps of opportunity/need discovering and decision to start takes place, idea and concept elaboration phase, in which the work of developing the business concept and idea from the initial state until a elaborated business concept is present, and the acquirement phase which concerns the actual acquirement of the resources and competences necessary for a successful establishment which hopefully results in a concrete outcome; the establishment of the firm.
As mentioned, we believe that there exist several gaps which are not reflected very well in the reviewed models. The process of narrowing down the business concept, which so obviously has been observed in this study of FO, is not present. FO has been much focused on the development of the business concept, and how to differentiate themselves from their competitors, yet another thing that is hard to observe in the models that we have examined. Neither has the capacity of the entrepreneur and network contacts been present in the models discussed.

6.1.1 The three layers: the factors influencing the entrepreneur, the capacity of the entrepreneur, and the network contacts

What affects the different phases in the start-up process of FO? What happened before the nascent phase? Did the factors suggested by Long and McMullan (1984) have any impact on the new venture creation? Even though we have not been focused on what factors influenced the entrepreneurs before setting the business, we will briefly examine these because of it might be of interest in the comprehension of the holistic start-up process. As stated in the frame of references we do not have the intention of examine why entrepreneurs act, but rather how they act.

Firstly, we believe that the factors (the controlled and uncontrolled factors) could influence and affect the entrepreneur to start up a new venture to a high extent as a part of the pre-nascent phase. These factors are represented in the proposed model as the factors that influence the entrepreneur(s): controlled and uncontrolled factors as a white layer, the environment in which the entrepreneur(s) operate as well as characteristics of the entrepreneur. Hence, we have no findings that imply a rejection of the results of the research conducted by Long and McMullan (1984). Rather the opposite. We believe that the founders of FO have an entrepreneurial life-style, partly because of the fact that two of the founders (JE and JI) have started up other businesses before FO was started. Furthermore, the culture of JIBS (in which the founders study) is entrepreneurial in nature and promotes start-ups. Science Park has helped FO in the venture creation, providing valuable office space and consultancy for free. Something else that we believed have influenced the decision to move on with the idea of creating FO, is that fashion, and especially street wear fashion, is an interest of the founders, as can be viewed in the job-selection of JI as well as of JE. This interest can therefore be viewed as a part of the personality factors the entrepreneur holds. This has without doubt functioned as a trigger to start a new business within the fashion industry. Furthermore, we have observed that the values of the founders have also affected the decision to proceed with the initial idea. The common values made it easy to determine what the brand should stand for, self-expression to its highest extent, which also the theory regarding fashion suggests (Saviolo & Testa, 2002). Concerning this, we can conclude that the social and personality factors, as suggested by Long and McMullan (1984), has influenced a start-up, and especially the recognition of a need since the founders concluded that the action sport market (in which the three founder all have participated within) hold this common values. To conclude, some of the factors suggested by Long and McMullan (1984) indeed have impacted and stimulated the FO venture creation.

To continue, we believe that the capacity of the entrepreneur (represented by the dark-grey layer in the proposed model), and more specifically the creativity and innovation, as discussed in the frame of references, is of great importance, coloring the whole start-up process. Creativity, as the starting point of generating ideas, is not only in the obvious way to generate a business idea, but also the generation of ideas on how to attack different mar-
kets, and what strategies to use, how to build an image, etc. FO has decided to take the approach of guerilla marketing in the launch of the brand, which in itself is of creative nature, since it is a way of seeking ways of market the brand to the target audience in a cost-efficient and creative ways. In the start-up process of FO, it has been obvious that the lack of capital have had implications and that the founders has to take a more creative approach, generating ideas of new ways to reach the customers at the lowest cost possible.

Furthermore, innovation is concerned with the market introduction of an idea. FO has a specific idea of a street wear fashion brand, and is at present in the planning process of introducing it to the marketplace. Also, FO has produced and introduced a test-line which can be seen as a tangible result of innovation.

To conclude, the capacity of the entrepreneur, in terms of the competences that the entrepreneurs hold especially concerning creativity and innovation have affected the start-up to a very high extent.

The importance of network contacts is another thing that FO has experienced. The VC has been a central figure in both the business- and the concept development, another thing that we feel is of great importance, but it has not identified in the models, even though Davidsson and Honig (2003) discusses the importance of such contacts.

In the very first phase of the start-up, from the very decision to start until initial business idea and concept, the founders have discussed their idea with individuals who are potential customers, as well as other individuals in the fashion business. Network contacts (especially the VC in the case of FO) have had a great impact on the elaboration of the concept in the concept elaboration phase. The network contacts are present in the proposed model as the light-grey layer. The impact of network contacts in our study of the venture FO can be observed through advices; feedback generated by the VC and actions suggested that FO had to conduct. Therefore the network has impacted the actual concept and idea development throughout the time, from the decision to start, until the elaborated concept. Thereafter, it is up to the founders to decide if to proceed or not. However, network contacts also influence the acquirement phase. We argue logically that the decision to proceed was easier to take because of the competences and resources that have been discovered throughout the time and the step to actually acquire these formally does not seems like a huge one. Also, we believe that network contacts have an impact on the firm in the post-physical creation phase, but it is nothing that we have studied, and therefore we will leave it to that, just beliefs.

### 6.1.2 The three phases: nascent-, idea and concept elaboration-, and acquirement phase

In figure 6.1, the nascent phase is represented by the paths suggested by Bhave (1994) presented in the frame of references. We have chosen to merge Bhave’s (1994) two different paths of perceiving an opportunity. This is because we cannot distinguish the separate process of either the entrepreneur(s) takes a decision to start a new venture, or he/she recognizes a need. Our evidence rather suggest that the different ways of getting to an initial business idea is interlinked, or more precise the evidence shows that is very hard to distinguish the two paths developed by Bhave (1994). Even though our research does not indicate that there are two separate paths as presented by Bhave (1994) we do not exclude the possibility of such in other ventures. Our empirical findings confirm that the founders decided to start, and very shortly after the decision to start they observed a need but also an opportu-
nity of a street wear brand. This was the initial need recognized and also the opportunity on which FO at first planned to capitalize upon. From the beginning the need recognition and opportunity was quite vague, but as time passed by the founders were able to observe the opportunity clearer. This search for opportunity and need location could be seen as a metaphor presented final discussion (in the section “FO and the future - reflections of Mr. Creative mind (JE) and Mr. Marketing (JI)”)

Moving on to the next phase in the model, *idea and concept elaboration*, we can determine that once the opportunity is realized and the initial business idea and concept is determined a process of elaboration commences. It is in this phase that the elaboration of the opportunity and of the concept and idea takes place. Below the phase of idea and concept elaboration, as an extraction from the proposed model, is presented:

![Diagram of Idea and Concept Elaboration](image)

**Figure 6-2:** Idea and concept elaboration phase - an extraction from the proposed model (6.1)

As suggested by Long and McMullan (1984) we argue that the elaboration of the idea and concept might take place over a long period of time, in which the entrepreneur try to collect and develop competences and resources available for realizing a completion of the new venture. The collection and development of competences and resources can also be observed in the empirical findings. Examples of this are the intent to attract team riders (establishing credibility and collect the competence of deep market knowledge) and the meeting with the advertising agency AA (high level of knowledge within marketing regarding bigger projects but also zero-budget projects). FO has been developing its concept during a longer period of time. At the same time, or just after the decision to start, FO recognized
an opportunity of capitalizing on the social values held within action sports. From that time (April/May 2004) until late 2005, FO has elaborating its concept, idea and opportunity.

Even though an opportunity is recognized, we found that the elaboration process for FO had different approaches on how to capitalize the opportunity. FO recognized an opportunity and a need in the street wear fashion market, and the elaboration of the concept was that FO evaluated different approaches on how to attack it, such as which action sports to use in order to build up the brand image, what the core products should be, and what specific consumers to target. Taking this into account, our findings show that the elaboration and opportunity discovery process is not as straight forward as Davidsson (2003) suggests. Rather it sometimes takes a leap back. At first, FO developed its concept around the customers with an interested in snowboard and skateboard and further around core products such as t-shirts, hoods and sweatshirts. Later on, parts of that concept had to be changed and re-developed as the elaboration of the strategic idea and the opportunity of capitalizing on the customers holding the values FO wanted to promote. It was first in September 2005 that the core products of the future business were changed to from t-shirt, hoods, and sweatshirts to shorts as a result of opportunity refinement. The specific elaborated opportunity of capitalizing on social values was by FO perceived greater with this approach. This implied a re-development of the concept in order to target the consumers in need of the specific core products. To continue, this also can be exemplified through the concerns of JE in a reflection in the empirical findings: “Concerning the concept in general, it feels like it has been a process of two steps forward then one step backward” (p. 23).

We also believe that during this process, the concept is narrowed down along the way, why we have chosen to sharpen the opportunity refinement phase. However, Davidsson (2003) suggests that it is a process of exploitation and discovery, which we also conclude to some extent, based on the empirical findings. The intended meaning of exploitation in this sense holds the attempted realization of ideas, i.e., primarily resource acquisition and co-ordination (Davidsson, 2003). FO has exploited different approaches possible for capitalizing the opportunities. Furthermore, an exploitation process is present through the realization of ideas, and especially in the test collection produced by FO. Further, Davidsson (2003) also includes the acquisition of primarily resources and co-ordination of these, which has great similarities with the collection and development of competences and resources presented by Long and McMullan (1984). We also believe that another exploitation process will take place throughout the post-decision to proceed, developing the business further. To continue, we have chosen to only use strategic idea elaboration and opportunity elaboration, as suggested by Long and McMullan (1984), in this elaboration phase. This because we feel that all the theories regarding this phase describes the same things in different words.

The outcome of the idea and concept elaboration phase is the decision to actually try to realize the venture in terms of a market introduction. Once this phase starts, Long and McMullan (1984) suggests that the entrepreneur(s) should have been thinking about the position of the business, the core products, the financing and distribution, which also is the case of FO. The core products, a more holistic marketing approach, financing, distribution is something that has been thought of in the concept elaboration phase, as a result of the knowledge gained by the company concerning what competences and resources that are necessary for a successful launch. However, the practical actions of actually securing and acquiring capital and distribution are yet to take place in the acquirement phase.
The final elaboration of the FO concept was conducted in November 2005 which also determines the movement to the next phase, the \textit{acquirement phase}. Here, FO started the attempt of attracting capital. It is shown that FO had throughout the \textit{idea and concept development phase} tried to narrow down the concept, the idea and the opportunity at the same time as the capital needed for an establishment was over. FO decided to try to realize the firm. Since the VC had showed interested in the project and because of the resources, competences and contacts the VC possesses, FO has always worked towards the goal of attracting the VC as an investor in the project. Further, FO started to contact other individuals that had other competences and the founders tried to tie these persons to the company. Clearly, FO is a phase of acquirement. However, our empirical findings do not include the post-December period and until then FO had not yet completed the acquirement phase. Therefore, we have only examined the firm up until early acquirement phase. However, we believe that this phase holds the actual formal acquirement of competences and resources ending the phase with the competences and resources that actually has been collected and the physical creation of the firm (in the case of FO, the start of a private limited company which is planned to be started in January 2005) and the establishment on the market.

Furthermore, throughout this thesis we have also focused on practical tools of developing a business, the business platform approach (Klofsten, 2002) and the milestone approach (MacMillan, and Block, 1985). Based upon our findings and analysis we believe that if a milestone approach would have been used to a higher extent concerning some practical actions that had to be performed, such as market investigation (which basically was conducted between September-November 2005) the motivation would increase. Since our findings suggest that more actions are conducted when the founders had a higher level of motivation, this would work in favor for the company. Though, we have also found that it is of importance not to set a concept too early since the fashion market is in constant change and dependent on seasons and trends (as described in the analysis).

Though, what we are able to observe is when FO had an important meeting, a milestone, to work towards, the motivation seemed to improve. As expressed by EG: "\textit{To receive something tangible in our hands had a direct impact and an increased motivation}".

To conclude, a greater use of milestones might have generated better results. This because when FO had a milestone to work towards, the motivation and effort increased. However at the same time our empirical findings suggest that an evolution over time of the concept were of great importance to FO as well.

Furthermore, we view the cornerstones building up the business platform are about defining the business, something that is important in the early phases in the venture start-up. This is something that to a high extent has occurred in FO’s case, since the FO-team has planned the market introduction for a long period of time. FO has considered not only the \textit{“soft”} parts of the business as suggested by Klofsten (2002) but also the \textit{“harder”} cornerstones such as product development and competences required for the long-term success of the venture. A conscious use of the business platform has not been conducted by the FO team. Though, the company has still developed all of the cornerstones and FO is approaching the level required (according to Klofsten, 2002) for successful business establishment. However, through an active use of the business platform (Klofsten, 2002) we believe that the firm would have recognized the need of developing the specific cornerstones faster, thus developed the business more efficiently as a result of the benchmarking against the business itself over time.
Evidences describes that the founders did not know where to start, or what to do, especially in the nascent phase. Therefore, we believe that through a greater use of the milestone approach, based upon the business platform would have increased the awareness of what actually had to be done in order to develop the firm further.

6.1.3 Final conclusion
To finally conclude, the proposed model (Figure 6.1) presents the start-up process of the company FO in a more satisfying way than the other reviewed models. Our main findings include the importance of network contacts as well as the entrepreneurial capacity, and how these affect the whole venture creation. Moreover, we could not distinguish the two paths concerning the early-venture creation as suggested by Bhave (1994). Furthermore, evidence shows that the idea and concept elaboration phase is a process in which the company narrows down the concept and idea. The process of narrowing down is not straightforward neither zigzagging as proposed others, rather it sometimes take leaps back.

6.2 Final discussion
6.2.1 Reflections
We, the authors, have enjoyed the work of this bachelor thesis during the fall of 2005 to a high extent. The thesis has increased our knowledge, not only within the area of new venture creation, but we have also gained a lot of valuable knowledge within the fields of fashion management, entrepreneurship, and strategic development and how to conduct academic research.

6.2.2 Method criticism
The method chosen for this bachelor thesis was the method of action research. It can be discussed if the chosen method was the ultimate one to choose when writing a thesis, since it is a model with many practical implications. We found it hard to apply the “design” of a general thesis into the pure theoretical description of action research, and it therefore we decided to change the action research process in this thesis a bit, as described in the chapter about our method.

It is also important to understand that even though action research is a model where iteration is of great importance, we have not conducted this iteration in a scientific sense for all processes happened within FO. The aim of action research is to learn and to do better next time, and as we see it, next time any of us is starting up a business, we have learned from the FO start-up. However, one thing that has been true action research during the start-up is the concept development which has iterated several times, each time, new knowledge has been produced and used in the next coming turn of the development.

Allover, we think that action research has been very helpful for the individual development of both the authors and the founders of FO since it have allowed us to analyze the actions taken and evaluate if the actions taken were of good or bad character.

One negative aspect of the action research method is that the empirical findings are a log-book written by the founders of FO, which might affect the subjectiveness of the thesis.
However, we think that even though not all nuances might be visible in the empirical findings, these findings have been analyzed in a true scientific manner, i.e. it has been done objectively with regards to the frame of references. Even if there might be a risk of being subjective, through the method chosen we have been able to a deeper extent examine the firm and its actions. Another important fact about the empirical findings is that they are all composed from e-mail and chat logs, and what is stated in these logs are also reflected in the empirical findings. Furthermore, it is important to remember that one of the authors (Niclas Krantz) have not been involved in the start-up and is the objective part in this thesis.

6.2.3 Trustworthiness of the study

According to us, our thesis has a high degree of trustworthiness. The inner validity is very high since two of the authors have been participating in the process of the start-up. However, the external validity is very low since only the case of FO has been investigated, and what is true for FO might not true for other newly started fashion businesses.

Regarding the reliability of the thesis it could be argued that it is important that the processes described in the empirical findings is accurate, and we, the authors, are positive that the information presented in the empirical findings are accurate. However, problems occur when looking at the possibility to replicate this study which is nearly impossible since some important names have been anonymonized for strategic reasons; it would not be a good thing if any fashion start-up took advantage of the work of FO. Also, it is hard to replicate such a creative process, because the process is very dependent on the parties involved. Although, the empirical findings could be analyzed once again and they should most probable end up in the same conclusion.

6.2.4 Views from an outsider (Niclas)

It has been very interesting following this start-up, not only during the thesis work, but also reading the empirical findings and realizing that my co-authors are two guys with an interesting dream, to create they own fashion brand. I have been involved in two start-ups during the last three years (we can exclude the hardly existing partnership company me and two friends started in high school). Something I have learned from my own experience is that running a profitable business while doing other things, such as studying or being employed, is something that really hurt your start-up. Not only do you have to prioritize, but also, if an opportunity opens, are you really going to take it? After all, the life you are living is quite comfortable, is it not? Anyhow, my experience is that unless you actually put in all that you have, your business is going to suffer! But, I might be very wrong. The businesses I have been involved in have been service companies, and I know that it is different from other companies.

So, have these three entrepreneurs actually putted all their effort into this business? Well, my answer to that question would be: no! No, they have not putted all the effort needed to get this business started. But then again, it is this thing about conformity; the three of them are all students, and they are expecting their student loan from the government every month, and to be quite honest, they are all living good lives. So, why should they drop everything they have and start a business? Because they believe in their idea, and that is something I believe is essential!
But will they only succeed upon an idea? Maybe… I think that FO has a unique set of attributes in their start-up that separates them from other fashion start-ups; the VC and the combination of skills in the team. After what I have understood from the discussions within the FO team, the VC is a real asset to FO. However, it is easily observed in the empirical findings that the VC has expanded the start-up process because he wants more information about the concept. The expansion of the start-up process has of course been instructive for the founders, but I believe that they have to start speeding the process up, I have felt the frustration of the slow pace of development.

6.2.5 FO and the future - reflections of Mr. Creative mind (JE) and Mr. Marketing (JI)

We (JE and JI) have enjoyed the work involved in this study to a very high extent. Not only have we managed to combine our bachelor thesis with the street fashion brand we want to launch, but also a great amount of knowledge has been gained throughout the process. We believe that this study contributes to the academic society through the model proposed and developed by the authors. Also, we believe that this study contributes more practically to the entrepreneur with the reviewed tools such as milestone plan (MacMillan and Block, 1985) and business platform (Klofsten, 2002). Even though we have been studying business administration for years, at first we did not exactly know where to start and what to do when the decision to start had been taken.

In a true philosophical manner, we would like to illustrate the process of new venture creation and opportunity capitalizing as a metaphor. This is how we have perceived our own start-up process. The metaphor of the strategic market landscape (see Appendix C) has many similarities to Wickham’s (2001) Business Opportunity Landscape metaphor but also some significant differences. The connection to the proposed start-up model (figure 6.1) presented below is direct; the strategic market landscape consists of a complete market of equal products and close substitutes. The firms already established in the market can be seen as trees, while the whole market is the landscape itself. At first, the market landscape is a place of darkness, representing that the entrepreneur does not have the knowledge and information required in order to understand the market. A holistic approach of market research could then work as the sun, which enlightens the market landscape, showing where the competitors (trees) are positioned and where the consumers (nourishment for the trees) are located, creating understanding of the market and the consumers. However, if an entrepreneur does not have the resources available for conducting a complete market research, the entrepreneurs will stroll around in the landscape with a torch, discovering the market landscape bit by bit, ending up with an understanding where the opportunities are located and where a potential business could be positioned (where there are sufficient nourishment for a business establishment). We argue that this illustrates the process from the decision to start the business and/or the need recognized until the elaborated vision in the proposed model (6.1). Furthermore, when the opportunity where the nourishment is sufficient has been identified, the process of narrowing down where exactly to sow the seed within the field of opportunity is present, which can be seen as the opportunity refinement phase. A seed can be sowed for establishing a new venture; this is the decision to proceed and actually establishes the company on the market.

What about the future for FO? Well, the fashion market in Sweden is extremely tough and the competition is getter harder as new entrants’ increases. Though, we believe that the FO team has capacity to establish the brand successfully because of all the competences that
have been acquired and developed. If we did not believe in this idea or rather the capacity of the firm, we would not spend time on this; neither would we waste our energy. But there is something special in the composition of the FO team, in the composition of the competences, in the idea of designing a more humble lifestyle that make me spend a huge amount of time on such a hard challenge as establishing a new fashion brand.

JE will finish his studies at JIBS in May 2006 and JI in May 2007, and after our studies are finished we plan to work with FO fulltime. We believe that the company has suffered from the fact that all the founders have studied during the start-up process. However, this is a huge opportunity we hold that cannot be overseen. But what will happen from now and on?

Family One is now in the acquirement phase in which the founders concentrates on acquiring capital for the planned launch of the brand, acquiring other competences necessary for a successful launch such as team riders, distributors, etc. Initial contacts with individuals holding the competences demanded have been contacted throughout the start-up phase, but contracts and deals are yet to be formally signed.

The first Family One street fashion collection is planned to be launched in March/April in Sweden. Everything, from how to enter the market, which position to take, the actual clothing design, to how to develop the business further, is planned. The foundation is laid. Though, a great plan is not a guarantee for success. The practical skills of the FO team are yet to be proven. We will soon be able to see if we have the capacity to launch the brand successfully.

However, bear in mind that nothing is impossible. Impossible is just a word invented by man. The meaning of the word has over and over again been proven wrong. Lars Magnus Ericsson (Ericsson) once started with dream and so did Richard Branson (Virgin) as well as the founders of the local Jönköping café Salotto 23. We have another different idea of creating a new street wear fashion brand. Virgin and Ericsson are today multinational if not global businesses, while Salotto still is struggling in the post-start-up phase. FO has established a concept, now it is up to us to demonstrate that our projections and dreams can be fulfilled.

6.3 Lessons for others

What are the actual lessons contributing to a higher level of knowledge concerning the area investigated? Firstly, the existing models within the field do not fully illustrate and explain the process of a start-up in the fashion industry, at least not the FO venture creation. The importance of network has been neglected in the models, even though if it has to some extent been discussed as an important factor influencing the entrepreneur. Further, the capacity of the entrepreneur, in terms of innovation and creativity more specifically, has also been discussed as an important feature in the literature. However, neither this aspect is presented in the models examined and encountered. To continue, the proposed model holds that factors that influence the entrepreneur(s) (controlled and uncontrolled factors, as suggested by Long and McMullan (1984)) can have an impact on the whole process of new venture creation because of the fact that the entrepreneur is working in an environment in which these factors are present.
Another contribution in the proposed model is that of concept development. As we have been able to observe, the process of concept development is not a straightforward, neither zigzagging as proposed by several researchers (Davidsson (2003), Long and McMullan (1984)). Rather, we observed a process characterized by two steps forward, one step back, developing and re-developing the concept in order to narrow it down and finally reach an elaborated concept.

We have suggested a model, based on empirical findings of a specific fashion start-up, how and where all the factors, that before have been excluded from start-up models, are present.

6.4 Suggestions for future research

This study concerns the process of a new venture creation within the fashion industry. Throughout the thesis the authors have documented and analyzed the early start-up process of the firm, and presented a model concerning how the start-up looked like. The model has been developed from this specific case. However, it holds several aspects based on other prominent research. Further, we have modified the existing models within the field and added aspects that have been of great importance in the start-up of FO, interlinking theories that before not has been present in start-up models. Therefore we strongly suggest other researchers to further examine if the model is applicable more broadly in order to develop the model further, hopefully leading to a better understanding of the process of new venture creation. This would gain knowledge for individual entrepreneur (he/she would then get a clearer picture of what is necessary to consider when starting up a new firm) as well as it would result in greater understanding of how to improve the situation for the wealth creating entrepreneur. Further, we would like to see more research conducted in a more holistic view of a start-up.

6.5 Acknowledgements

We would like to show our warm appreciation to the following persons for their great support during the work with this bachelor thesis.

Mattias Nordqvist – For support, ideas and feedback during seminars
Elena Raviola – For great tutoring, nice talks, motivation and for being available
Erik Gudmundsson – For complementing our empirical findings
Maria Hjalmarsson – For that afternoon with great coffee
Science Park – For providing office space to FO where we could write this thesis
Opponents in previous seminars – For helping us to improve this thesis
Families, our girlfriends, and all beloved friends
References


Appendix A – Early graphical profile
Appendix B – The core of family one

The elaborated business idea of FO:

FO creates, build and deliver a feeling of social-group-loyalty through a strong and clear message. A humble street wear alternative for the individual with the roots in action sports.

The elaborated core values of “FO - the soul of street culture” which the company are based upon are:

- Designing humble lifestyle
- Eat, breath and sleep creativity
- Work hard, yet keep it fun
- Humbleness in attitude
- Preserves the core and stimulates the progress

The elaborated vision of FO is:

FO strive to become a widely know, credible and acceptable leader within the street wear market, and in a successful way deliver the core values of the company.
Appendix C – The Strategic Market Landscape