Report for Sten A. Olsson Foundation: Victor Göthensten and Axel Hellström

Description of stay in Silicon Valley

During the spring of 2017 we spent 7 weeks in Silicon Valley to collect empirical data for our master thesis. We got the opportunity to meet with 10 start-ups in Palo Alto, Redwood City, and San Francisco. Together with the start-ups, we carried out semi-structured interviews regarding their operations and attitudes towards reaching product-market fit. Through our new contacts in the area, we got to visit several co-working spaces, such as WeWork, The Vault, and Parisoma. During our time there, we also participated in seminars with Anthony Ulwick, on how to have a customer-centric focus in new product development, and a seminar with Amy Wilkinson on entrepreneurial traits. In the end of our trip, we did a study visit to d-school (Design school, Institute of design at Stanford University) which gave us insights into the origin of Design Thinking.

Our time in Silicon Valley proved to be harder than we at first had anticipated. Before leaving, we were told that the area has an 'open door policy', and that finding respondents would be easy. However, this was not the case. A considerable amount of time had to be spent on finding suitable respondents for the study. In this process, our contact Minna Sandberg at Nordic Innovation House proved to be invaluable.
All in all, our time in Silicon Valley was incredible. We have both learned a lot about start-ups' practices, innovation, ourselves, and Silicon Valley itself. This trip has provided us with contacts and experiences that will be of value for our entire professional careers, and we are grateful for having the opportunity to go there.

Purpose and Research Questions

The vast majority of start-ups fail, and they do so because they do not have a customer for their offering. Studies have shown that the greatest priority for start-ups is to quickly find product-market fit for their innovations. However, methodologies for finding new product development struggle to get adopted by start-ups. Therefore, the purpose of our study was to find out what approaches that start-ups actually use in this process, and that their rationale for doing so is. The research questions that we used for the study were:

How do start-ups approach product-market fit?

With the following sub-research questions:

- How do start-ups gather information, regarding what changes to carry out?
- How do start-ups evaluate the gathered information?
- What are start-ups' rationale for the specific methods used?

Key findings

The study showed that start-ups in Silicon Valley and in Gothenburg are remarkably similar in their approaches to validate innovations and reaching product-market fit. However, there were some differences that were discovered.
First, start-ups in Gothenburg have far more internal collaboration. Previous research shows that there are many benefits from including all employees in the new product development process, and insights should be shared to create an understanding for the customers and their needs. All respondents from Gothenburg showed clear signs of this practice, while it was almost non-existent in Silicon Valley.

Second, Silicon Valley is much more prone to use qualitative methods. To continuously use interviews, focus groups, and observations was much more common. Gothenburg on the other hand, prefers to use qualitative tools initially, and then turn to quantitative analysis of user data to guide decisions.

Third, the Lean Startup and Design Thinking suggest that their tools can be used by any firm at any stage, and in any industry. However, our findings show that there are differences in the tools used, depending on if one is targeting consumers of professionals. Interviewing, observations, focus groups, and surveys were all used for gathering feedback from consumers. However, the respondents argued strongly against using such tools on stakeholders who are not consumers.

Fourth, many of the practices in the Lean Startup and Design Thinking are not pertinent for start-ups to use. E.g., Design Thinking suggests ‘divergent thinking’, were several potential solutions to a problem should be evaluated simultaneously to find the best fit. However, resource scarcity, lack of know-how, and time pressure makes this approach near impossible for the respondents in the study.