The Blindspot of Growth:

A Deeper Look into the Mindset and Capabilities Required to Sustain Startup Momentum

Nada ElBarkouky

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By: Nada ElBarkouky

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Signed by the final examining committee:

_____ Chair
Dr. Michel Laroche

_____ Examiner
Dr. Michel Laroche

_____ Thesis Supervisor(s)
Dr. Michéle Paulin

_____ Thesis Supervisor(s)
Dr. Arman Sadreddin

Approved by _____
Dr. Darlene Walsh

_____
Dr. Anne-Marie Croteau

Abstract

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Growth is critical for a tech startup's long-term success, as it determines whether it will stick around or fizzle out into obscurity. More than 70% of startups fail because of growth issues (e.g., premature scaling). The existing research and knowledge on the capabilities and mindset required to sustain startup growth momentum are limited. This study adopts a multiple case study method from a meso-level perspective to uncover how successful tech startups in Egypt managed to sustain their growth during varying levels of environmental turbulence (i.e., *waves* and *storms*). Our findings indicate that startup momentum is based on the equilibrium of the evolution of these three constellations: Stability *(i.e., Laying the Foundation and Strategic Direction),* Agility (i.e., *Dynamic Capabilities and Improvisational Capabilities),* and Team & Leadership. These constellations are interconnected and possible by adopting a Service-Dominant Logic, which involves co-creating value throughout the ecosystem. We also offer a new perspective on how growth hacking strategies can achieve sustainable growth by creatively leveraging startup resources and the entrepreneurial ecosystem's support. We propose a conceptual model, *The Constellations to Sustain Startup Growth Momentum*, to set the stage for future researchers to further inquire into the capabilities required for startups to sustain their momentum and understand the influence of different entrepreneurial ecosystem factors on startups. We also suggest ten pointers to help entrepreneurs identify and surpass startup blindspots to ensure growth.

Keywords: Startup Growth, Entrepreneurial Ecosystem, Dynamic Capabilities, Organizational Agility, Improvisational Capabilities, Growth Hacking, Service-Dominant Logic.

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Dedication

This paper is dedicated to my late mother, who instilled the fighter spirit in me. I will always strive to be half the woman you are. Also, I would like to dedicate this to my late uncle; I hope to teach and share my knowledge one day like you always did.

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Chapter 1

Introduction

Technology-based startups provide the global economy with innovations and services that move economies forward (Chatterji et al., 2019; Korper et al., 2020). However, it is increasingly difficult for them to survive and reach sustainable growth (Lütjen et al., 2019). Besides resource constraints, startups often face high turbulent environments with sudden *storms (high-level turbulence)* stemming from unpredictable competitors' actions, changes in market needs, and disruptive technologies that make it challenging to stick to formal strategic planning and maintain their momentum (Ma et al., 2020; Pavlou & El Sawy, 2010). According to Blank and Dorf (2012), tech startups are highly scalable (i.e., they reach exponential rather than linear growth) innovation pioneers that deliver new or existing technological solutions to the market. Based on a survey recently conducted by the World Economic Forum (2020), 97% of all jobs in emerging economies are created from early-stage companies and small-medium enterprises. Furthermore, the top 1% of startups contribute to 44% of total sectoral gross domestic product (GDP) by their 5th year (Qoriawan & Apriliyanti, 2022). Thus, entrepreneurship and innovation are gaining immense prominence in several emerging economies like Africa (Abdel Malak et al., 2021; Al-Mubaraki & Busler, 2017). However, more than 90% of startups fail, and despite the scalable nature of tech startups, they have the highest startup business failure rate (Kotashev, 2020; Startup Genome, 2021).

According to a recent report by Startup Genome (2021), premature scaling accounts for 70% percent of tech startup failures. Several studies discuss the challenges of scaling up in startups and explain that premature scaling occurs because startups race to achieve market leadership even

when they are not fully prepared (Picken, 2017; Zajko, 2017). However, these studies adopt a good-dominant logic (i.e., neo-classical, production-oriented) view rather than one based on service value creation (Vargo & Lusch, 2004). Moving away from embedding values in goods or services to co-creation of value across the ecosystem might offer further insight into how startups successfully achieve growth (Ng & Vargo, 2018). As Isenberg (2012, p.3) points out: "extraordinary value creation cannot occur without growth, and entrepreneurial growth post-startup has numerous challenges which can be an order of magnitude more difficult than simply starting a venture." Nevertheless, startups are increasingly adopting "growth hacks" blindly to achieve exponential growth, ignoring their unique value and the impact on the rest of the ecosystem (Arora et al., 2020; Eisenmann, 2021; Teece et al., 2016; Troisi et al., 2020). Hence, sustaining growth momentum is critical for a startup's long-term success.

The essential capabilities required to transition from a nascent tech startup to an organization capable of sustained and profitable growth are not readily apparent in the literature and to many entrepreneurs (Blank, 2013; Picken, 2017). Despite the importance of organizational capabilities in growth and firm performance (Teixeira et al., 2021) and the potential shift towards a service-dominant logic in value creation, differences are expected in startups (Korper et al., 2020). To the best of our knowledge, no coherent conceptual model or guide currently discusses organizational capabilities and mindset necessary during tech startup growth while keeping in mind varying levels of environmental turbulence (e.g., high turbulence from COVID-19). There is a lack of understanding in the literature on how these approaches can be adopted to achieve sustainable growth momentum. Accordingly, idiosyncrasies in growth and the contextual dependency of capabilities may have a distinct influence on the success of a startup, especially in

emerging countries, such as Egypt (IMF, 2021). Only recently did a few scholars realize the importance of addressing this strategy-execution gap (Troisi et al., 2020).

Therefore, the purpose of this study is to bridge the divide between theory and practice by uncovering how tech startups navigate, capture opportunities, and overcome potential obstacles faced in changing environments while trying to achieve exponential sustainable growth. Hence, we adopt a multiple case study approach that is intended to answer "how" and "why" questions and contribute to theory building (Yin, 2014). This paper contributes to the increasing calls for further conceptualization and developments on startup growth within entrepreneurship literature (Korper et al., 2020; Pavlou & El Sawy, 2010; Picken, 2017; Teece et al., 2016; Teixeira et al., 2021) through developing an integrated conceptual framework of the capability's mindset and practices startups should consider to sustain their growth momentum (Please refer to Figure 6.1).

Specifically, Egypt was selected as the context of this study because it flourished with the highest growth rate among emerging countries despite the harsh economic conditions and the pandemic (Bosma et al., 2021). In 2021 alone, Egyptian tech startups raised $404M in the country as of the end of September, representing a 158% increase from 2020 (Disrupt Africa, 2021). Further, we take a meso-level perspective because it allows us to better grasp the dynamic between actors that are part of the economic evolution of the entrepreneurial ecosystem. The questions guiding this research are developed through the meso-level:

1) *What are the capabilities necessary for startups during the growth stage? Particularly,*
    a) *In the face of challenges and hurdles (e.g., resource constraint)*
    b) *During varying levels of environmental turbulence: mid-level turbulent environment (i.e., waves) vs. high-level turbulent environments (i.e., storms).*

2) *What mindset (team and/or individual) is required for startups to successfully sustain the startup momentum?*
3) *How can startups achieve sustainable growth through "growth hacking" while co-creating value with different ecosystem actors (e.g., universities, government, and investors)?*

Following the introduction, Chapter 1, the paper is divided in six chapters. Chapter 2, the theoretical background, synthesizes the theory on *Organizational Agility* (*Dynamic and Improvisational Capabilities), Entrepreneurial Ecosystems, and Service-Dominant Logic*. This chapter moves from the meso-level perspective of capabilities and *organizational agility* to a more holistic ecosystem overview. Chapter 3 presents the conceptual background. This section introduces some common approaches that startups apply in practice-based theory: *Lean Methodology, Validated learning, Bricolage, Growth Hacking, and The Marketing Funnel*. Chapter 4 introduces the methodology, where we explain the research design and analysis process step-by-step. Chapter 5 follows, where we present the findings of this study. Chapter 6, the discussion, elaborates on the research questions, theoretical contributions, and managerial implications. Finally, Chapter 7 concludes with the research limitations and future research directions.

Chapter 2

Theoretical Background

This chapter presents the theoretical framework of the study. It aims to give the reader an introduction and background to the research field and show how different theories are linked to successful sustainable growth and why the ecosystem theory should be considered when analyzing startups. The following theories and models are presented sequentially from a specific to a broader perspective as they are interrelated in the comprehension of startup growth complexity: *Dynamic Capabilities, Improvisational Capabilities, A Dynamic Life-Cycle model of Entrepreneurial Ecosystems, and Service-Dominant logic*.

2.1 Dynamic Capabilities: The Engine Behind Startup Growth

High-tech startups evolve in highly competitive, turbulent, and unpredictable market contexts (Lütjen et al., 2019). Consequently, some scholars argue that a firm's internal capabilities for successful growth and service innovation are often insufficient (Farhana & Swietlicki, 2020; Su, Xie, & Wang, 2015). This is especially true in emerging countries, where recurrent institutional transitions rapidly alter the "rules of the game" (Bruton, Su & Filatotchev, 2018, p.23). Independent of contextualities, startups need to continuously "improve and reconfigure their skills and resources" to address changing business environments; this is what we define as *dynamic capabilities* (Bruton et al., 2018, p.30).

The concept of *dynamic capabilities* draws its theoretical basis from two widely used concepts in the strategy field 1) the resource-based view of a firm (RBV) and 2) market positioning (Barney, 1991; Porter, 1996). The resource-based view of a firm (RBV) is grounded on the notion that organizations with a stock of resources can more likely gain a competitive advantage (Barney,

1991). Despite being widely used; many scholars found the RBV of a firm to be static without effectively addressing changes in the business environment. On the other hand, *dynamic capabilities* bring new knowledge, lead to innovation, and facilitate startup survival and growth by driving them to stay aligned with market needs (Khaksar et al., 2017; Lütjen et al., 2019; Teixeira et al., 2021). Furthermore, Wu (2007) discovered that *dynamic capabilities* helped high-tech startups leverage entrepreneurial resources to improve their performance and gain a competitive advantage. There are three main categories needed to develop and monitor *dynamic capabilities.*

2.1.1 The Three Keys of Dynamic Capabilities

Teece (2007) breaks down *dynamic capabilities* into three main categories *sensing, seizing,* and *transforming/shifting*. *Sensing* refers to the capacity to sense, identify, develop, co-develop, and assess opportunities and threats. While *seizing* represents the ability to mobilize resources, seize those opportunities, address needs, and capture value. Finally, *transforming and shifting* concerns the continued renewal, enhancing, and reconfiguring of tangible and intangible resources to maintain relevance and competitiveness (Teece et al., 2016). *Dynamic capabilities* demand a growth mindset that focuses on continuous growth and involves short-term optimization, frugality, and adopting best practices to create long-run "innovation enhancing strategies" (Teece et al., 2016, p.20) (Please refer to Table 2.1). Although *dynamic capabilities* allow for agility, firms often assume that there is a tradeoff between much-needed agility and stability, and that they must choose only one (Aghina et al., 2015).

Table 2.1: The Compositions of Dynamic Capability

Sensing	Seizing	Transforming
Firms need to explore their internal and external environment to identify opportunities.	As soon as opportunities are sensed, they must be addressed through new products, services, process, etc.	To address new opportunities, firms need to recombine and reconfigure resources and capabilities as environments changes.
Common practices/ activities: - Identify new opportunities - Identify new ideas - Scan for new markets/customers	Common practices/ activities: - Activities to select the "right" new technology or business model. - Activities to build commitment and loyalty.	Common practices/ activities: - Activities to stimulate open innovation. - Activities to manage strategic fit. - Deploying knowledge management.

Source: Adopted from Teece (2016).

2.2 Maintaining Startup Momentum by Balancing Agility & Stability

Startups are notably known for their ability to act quickly, but once they reach a certain point, it is challenging to maintain their momentum (McGrath et al., 2019). A startup cannot afford to lose its momentum, since today, more than ever, innovation is a vital requirement for startups to sustain their competitive advantage (Laser, 2020). In management literature, the emphasis is mainly on achieving speed and flexibility (i.e., agility) (Collis et al., 2021; Teece et al., 2016; 2018). However, the essence of true prolonged growth and success is to be both stable and dynamic (McGrath et al., 2019). Agility involves dealing with uncertainty, being willing to change, recognizing the value of existing resources, being responsive to changes in the market, and adapting (Pavlou & El Sawy, 2010). While stability revolves around formal planning, focusing on increasing efficiency and deciding on a fixed structure for the firm (Laser, 2020; Teece, 2014).

Aghina et al. (2015) argue that there does not have to be a tradeoff between speed and flexibility, and stability because startups and organizations can paradoxically learn to be stable and dynamic.

Similarly, Lütjen et al. (2019) claim that startups with superior dynamic capabilities can successfully manage uncertainty and obtain more favorable agility and efficiency (stability) trade-offs, where there isn't an ultimatum. The key to the successful balance and organizational agility is to design structures and processes with a "relatively unchanging set of core elements-fixed backbone" while creating more dynamic elements that can be quickly adapted to leverage opportunities and deal with threats (Aghina et al., 2015, p.1). Startups with strong *dynamic capability* can experience lower costs and efficiency at a given level of organizational agility. Organizational agility is based on the ability to be both stable and dynamic (Aghina et al., 2015). McGrath et al. (2019) discovered that high-performing companies were both extremely stable, with certain organizational features that remained the same for long stretches while being "rapid innovators" (McGrath et al., 2019, p.2). This could be reworked if the decision-makers know how to use their resources swiftly; startups could learn to "variabilize" their costs to remain flexible in dynamic market contexts while reducing costs incurred (Teixeira et al., 2021). Through *dynamic capabilities,* startups can achieve "evolutionary fitness," especially when coupled with *strategy* since it allows for "judicious levels of agility" that ensure that value is created and maintained (Aghina et al., 2015, p.2).

2.3 The Strategic Steering Wheel

Strategy is the steering wheel that directs the startup vehicle; without it, the startup will get lost without a destination until it runs out of fuel (i.e., resources). A strategy refers to "a coherent set of analyses, concepts, policies, arguments, and actions that respond to a high-stakes challenge" (Rumelt, 2011, p.6). Attention to search and discovery is a scarce resource and, therefore, should

be strategically allocated by the entrepreneur (Teece, 2007). A strategy should be consistent, coherent, and "embrace innovation" in such a way that it leaves a trail map of the past and illuminates the path ahead (Al-Aali & Teece, 2014, p.16). According to Rumelt (2011), the kernel of good strategy includes a visionary diagnosis, a guiding policy, and coherent action. Strategy directs *dynamic capabilities* adaptation such that the firm is not "diverted to every opportunity and threat that successful search reveals" (Teece, 2007, p.1326).

Strategy and *dynamic capabilities* are interrelated in practice, despite seeming like they are analytically different concepts. Notably, *sensing* includes a vital element of diagnosis; *seizing* requires both a guiding policy and coherent action while *shifting and transforming* should be for value-preserving and enhancing opportunities. Good strategies are not always fully formed rather arise through trial and error (Pavlou & El Sawy, 2010). However, not all business environments are forgiving to allow for experimentation. Startups particularly face high turbulent environments with sudden *storms* stemming from unpredictable competitors' actions, changes in market needs, and disruptive technologies that make it challenging to stick to formal strategic planning (Ma et al., 2020). Therefore, an alternative capability is needed since *dynamic capabilities* coupled with strategy will not suffice during unexpected events as they need prior planning and could be too costly in this context.

2.4 Improvisational Capabilities: Dancing Through Storms

Pavlou and El Sawy (2011) introduces "*improvisational capabilities*" as an alternative reconfiguration that can address environmental turbulences and storms (unpredictable change). *Improvisational capabilities* are defined as "the ability to spontaneously reconfigure existing resources to build new operational capabilities to address urgent, unpredictable, and novel environmental situations" (Pavlou & El Sawy, 2011, p.443). In past literature, improvisation was

sometimes viewed negatively as a failure to plan (Ma et al., 2020). However, many scholars argue that the lack of planning does not signal inferior results (Mendonça, 2007; Pavlou & El Sawy, 2011; Teixeira et al, 2021; Vera & Crossan 2005). Especially in highly turbulent environments, there is no time for formal planning, and firms are presented with a narrow window of opportunity (Ma et al., 2020; Pavlou & El Sawy, 2011). Kornel (2018) argues that effective improvisation can conserve a startup's momentum and provide stability. He believes that when meaningful discoveries remain "elusive," entrepreneurs know when to abandon the journey or change directions before becoming "overwhelmed with regret about expended time and resources" (Kornel, 2018, p.8).

Moreover, it was recently discovered that improvisation might be chosen intentionally as a strategy to take advantage of spontaneity (O'Toole et al., 2020). Comedians often use this approach to draw from the audience's live reactions to enhance their performance and the experiential value; the same logic can be applied in firms. Interestingly, the literature mainly compares improvisation to jazz, where this leadership logic is referred to as the "jazz mindset" (e.g., Bernstein & Barrett, 2011, p.1; Pavlou & El Sawy, 2011). If entrepreneurs surrender to wandering like jazz musicians and dance through the storm, improvisation can be learned and improved through repetitive practice (Kornel, 2018). However, surrendering is tricky since humans usually have the "urge to control" and rely on the past (Werner, 1996). Although past knowledge and routines facilitate *dynamic capabilities*, Abraham, Aier and Winter (2012) found that they hinder improvisation. The main differences between *dynamic and improvisational capabilities* are presented in Table 2.2. *Dynamic capabilities* are more structural and usually work best while reacting to mid-level environmental changes *waves*, which are roughly predictable in their patterns and have larger windows between planning and implementation than *storms* (Ma et al., 2020). Subsequently, *improvisational capability* makes up for the insufficiency of *dynamic*

capability in highly turbulent environments (Ma et al., 2020; Pavlou & El Sawy, 2011). Altogether, both *dynamic and improvisational capabilities* are essential not only for the startup but to help *entrepreneurial ecosystems* manage sources of uncertainty and "capture value from innovation" (Helfat & Raubitschek, 2018, p.1392; Teece, 2018).

Table 2.2 The Main Differences between Dynamic and Improvisational Capabilities

	Dynamic Capability	**Improvisational Capability**
Environment Status	Anticipated environmental events and opportunities, "waves"	Unanticipated environmental events, crises, failures, disruptive technology, "storms"
Nature or prior planning	Disciplined flexibility, planned, structured	Planned spontaneity, simple, emergent, unstructured
The time gap between planning & implementation	Sufficient time gap between planning and implementation allows time for formal planning	A small gap, narrow "window of opportunity", insufficient time for formal planning
Logic of competitive behaviors	Logic of Planned Opportunity	Logic of Spontaneous Responsiveness
Common Misconceptions	All abilities that reconfigure other capabilities such as operational fall under dynamic capabilities (they don't)	Chaotic activity, totally different from other organizational capabilities, not repeatable & not learned or enhanced through practice
Innovation	Existing resources can be used for new opportunities and prepared for specific situations	Existing resources cannot be used for novel situations, and thus creative leveraging is required
Role of information	Reliance on past experience, existing knowledge, and routines	Real-time information is essential, creation of new knowledge, wandering, hacking

Note. Adapted from Abraham et al. (2012), Ma et al. (2020), Pavlou & El Sawy (2011).

2.5 Entrepreneurial Ecosystems: The Startup Race Circuit

Over the past decade, the concept of entrepreneurial ecosystems has received attention from practitioners, policymakers, and academicians (Acs et al., 2017; 2018; Alvedalen & Boschma, 2017; Cao & Shi, 2021). An entrepreneurial ecosystem (EE) is a community of different co-evolving actors and stakeholders. It may directly or indirectly support startup creation and growth (Cao & Shi, 2021; Spigel et al., 2020). Empirical studies focused on understanding common static elements of entrepreneurial ecosystems, such as labor, government aid, and success stories (Roundy et al., 2018). However, recent studies evolved towards the inherent dynamics of the entrepreneurial ecosystem using process analysis (Cantner et al., 2020; Cao & Shi, 2021). These dynamics include how change occurs within a holistic view of resource allocation, interaction process, and governance. In the observation of the phenomena, there is often a missing link between the entrepreneurial and business ecosystem.

2.5.1 The Intersection Between Entrepreneurial & Business Ecosystems

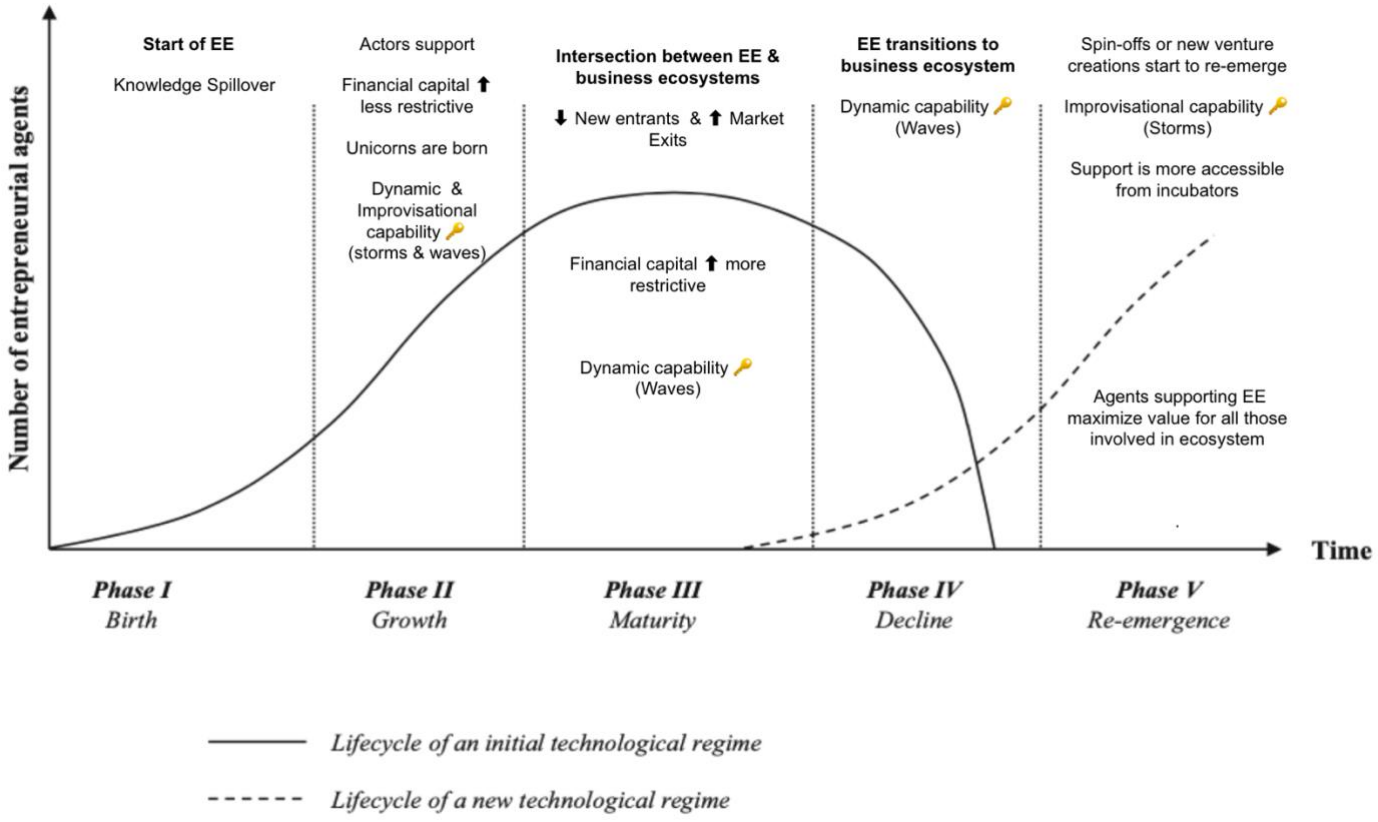
Natural ecosystems are often used as a metaphor to explain ecosystems in a business context. Cantner et al. (2019) develops a dynamic lifecycle model illustrating how EE evolves and co-exists within business ecosystems. These analogies create many misconceptions and mythologies (Cantner et al., 2020). First, business ecosystems do not always evolve over time; they are sometimes artificial and built from scratch. Second, in the business context, there are different boundaries of ecosystems; for instance, ecosystems might be either geographically or non-geographically bounded, real or virtual, flexible, or fixed, and static or dynamic (Colombo et al., 2019). Boundaries play a vital role in "value creation, performance, and survival" (Canter et al., 2020, p.411). Lastly, boundaries help define governance structures that arrange the interactions of different actors, set entry, and exit conditions, and motivate agents to cooperate and co-create value (Colombo et al., 2019; Cunningham et al., 2019). Each activity has a ripple effect on the

entire ecosystem and economy. It is commonly understood that agents compete for scarce resources to survive in an ecosystem but in a cooperative way (Cantner et al., 2020). One agent cannot survive without the other; the suppression of one agent will result in welfare loss for all. For the ecosystem to survive, there must be an equilibrium between the interrelations among different actors (Acs et al., 2018; Cantner et al., 2020). This is particularly important in the case of a startup.

Entrepreneurs create firms, and firms create ecosystems where value flows and mutual interdependencies are generated throughout. EE and business ecosystems are "subsets and nested within a regional economic system." (Cantner et al., 2020, p.408), a point that is also shared by Auerswald and Dani (2017). Cantner et al. (2019; 2020) develop a dynamic lifecycle model illustrating how EE evolves and co-exists within business ecosystems.

The dynamic lifecycle model presents how the ecosystem evolves from new startup entrants to the growth of former startups, then to a point where more startups have become corporations transitioning to the business ecosystem or exiting, and finally, to re-emergence of the EE following a sine curve (Cantner et al., 2020). This model can be applied on a macro level to incorporate entrepreneurial systems that might be global, and it follows the archetypical lifecycle model from birth to decline. We offer an illustration of how EE evolves and where the intersection occurs between the EE and business ecosystem (Please refer to Figure 2.1).

Figure 2.1 The Dynamic Life Cycle Model of Entrepreneurial Ecosystems



Note. Adopted from Cantner et al. (2020), Ghio et al. (2015), Lehmann & Seitz (2017), Mack & Mayer (2016), O'Connor et al. (2018), Shane (2003).

This model differs from other models as it reveals how business ecosystems and EEs appear and intersect in the maturity and stabilization phase, and it introduces a fifth re-emergence stage. We further elaborate on the key attributes of each phase in Table 2.3.

Table 2.3: Detailed Review of Dynamic Life Cycle Model Stages

Stages	Phase Description
Phase I: Birth	- *Entrepreneurial ecosystems emerge from new ventures.* The root of EE is an individual or economic agent that decides to pursue entrepreneurship whether by chance or to seize a window of opportunity. - *To start a new venture value needs to exceed* opportunity cost (Shane, 2003). Value is influenced by the nature of opportunity, industry and market conditions, and the environment with its institutions, norms & rules (Cantner et al., 2020; p. 415). - Knowledge spillovers from either academic research institutions or established firms are pivotal in the development of this ecosystem. (Ghio et al., 2015)
Phase II: Growth	- *Venture creation is fostered by different actors*, such as venture capitalists, incubators, entrepreneurship policies, lawyers, consultants, and accelerators. - *Financial capital* through support becomes *less restrictive*; hence growth starts to take place. - More and more people start riding the entrepreneurship bandwagon due to herd behavior**.** *Herd behavior effect* in this context occurs when human capital becomes increasingly interested in entrepreneurship, and successful entrepreneurs become role models for others and generate an individual non-monetary value (Lehmann & Seitz, 2017). - Growth is possible through *human capital, technology know-how, and innovation capability.* - *Unicorns are born* where startups become more global and their valuation skyrockets. - The environment in this stage starts like a *storm* and ends like a *wave*. Therefore, resource usage is increasingly important, and *dynamic* and *improvisational capabilities* play a major role in a startup's growth (make it or break it moment) (Nenonen et al., 2018).

Stages	Phase Description
Phase III: Maturity	- *Stabilization* occurs in this stage where fewer entrepreneurial firms enter the market, and a greater number of startups exit. Due to *i) weakened market opportunities and networks, ii) increased opportunity cost* of opening new ventures, *iii) harder to access financial capital* since investor confidence starts to wane and IPO activities start to decline. - *Business and Entrepreneurial Ecosystems intersect (*successful startups turn into incumbent firms) - *Established companies re-integrate entrepreneurial firms.* Establishes firms have more financial capital to invest, while startups usually have more flexibility to generate radical innovation thus creating a win-win situation where startups become a part of incumbent firms and established firms. - The economic agents in the first two stages become more established players and are "still at work, but in a less dynamic and vibrant way" (Cantner et al., 2020, p. 417).
Phase IV: Decline	- New ideas & opportunities are mainly exploited in established & incumbent firms. - Established firms become the main drivers of the regional economic system. - New entrants resemble traditional companies rather than entrepreneurial firms. - Entrepreneurial firms totally re-integrated into incumbent firms. - The environment is *less turbulent* and more like *waves* or even steady waters. - Technological standards are established where innovation is incremental rather than radical. - This phase characterizes the *final transition from an entrepreneurial ecosystem towards a business ecosystem.*
Phase V: Re-emergence	- This phase introduces novel opportunities for entrepreneurs to exploit uncommercialized ideas from incumbent firms, substituting the initial established technological regime. - Spin-offs or new venture creations start to re-emerge. - Entrepreneurial culture is already established, making it easier for startups to re-emerge. - *Improvisational capabilities* play an important role in this stage by quickly incorporating real-time data insights from different actors (e.g., customers, competitors, incumbent firms, and incubators) to create value and radical innovation (Bharadwaj et al., 2013). - Support is more accessible from incubators and other actors. - Agents supporting EE maximize value for all those involved in the ecosystem

The re-emergence stage is seamless compared to the birth emergence stage because incubators and support agents already have an established entrepreneurial culture and experience to maximize the benefit for all stakeholders. Especially since startups that mature and transition to being established (e.g., Amazon, Apple, Microsoft, Uber, and Airbnb) become incumbent firms.

Incumbent firms are in the market for innovation; they reap a competitive advantage in the "commercial exploitation of innovations" (Cantner et al., 2016, p.418). In comparison, technology-based startups have room to explore and "exploit uncommercialized ideas from incumbent firms" (Cantner et al., 2016, p.418). Incumbent firms facilitate startup explorations by becoming a source of knowledge for entrepreneurs, accelerators and incubators, and acquirers of promising startups (O'Connor et al., 2018). Although the dynamic lifecycle model briefly touches on value creation and how EE requires a network of agents, it adopts a producer-dominant logic that mainly focuses on entrepreneurs and their ability to exploit opportunities where value is in exchange (Cantner et al., 2016). However, in business and other domains, actors service one another, evolve, and interact together. Although not always aware, they evolve in service-dominant ecosystems.

2.6 Taking A U-Turn Towards Service-Dominant Ecosystems

The rapid growth of technology, the increased competition, and the low switching costs push many businesses to venture outside of their bubble and move towards a *service-dominant logic* (Kurtmollaiev et al., 2018). A single actor no longer generates value in relative isolation; instead, it is a co-creative endeavor (Ng & Vargo, 2018). Vargo and Lusch (2014) provide a more in-depth overview of the *service-dominant logic* (S-D) through four axioms (Please refer to Table 2.4).

Table 2.4: Good-Dominant and Service-Dominant Logic

	Goods-Dominant Logic	Service-Dominant Logic
Creator of Value	Companies/Firms/Managers	Network: Startups, Strategic Partners, Customers, Service Providers, Investors, Incumbent Firms, Universities
Purpose of Value	Profit maximization, satisfying shareholders, customer satisfaction	Increasing value co-creation, system wellbeing, adaptability (context-driven), service inclusion
Operationalizing Value Creation	Value-added to existing offerings by the firm and embedded within goods and services.	Value co-created by various actors (collective value formation), intangible included.
Business Terms	Users, Consumers	Customers, passengers, travelers, entrepreneurs, learners, etc.
Resources Used	Operand resources: Resources that are acted on (e.g., steel, wood)	Operant Resources: Resources that act upon other resources (e.g., knowledge, skills)

Source. Adapted from Vargo & Lusch (2017), and Vargo et al. (2008)

First, service is the principal source of exchange. Service is considered an applied knowledge for another party's benefit and is exchanged for service, where the specialization is not regarded as a part of the unit of exchange (mutual benefit). The micro-specialization is in the service-for-service exchange instead of mechanized systems distributed through units of exchanges (adaptation & flexibility). Whether a good or service activity, the process of rendering the service is more important than the "distribution mechanism" (goodwill and trust) (Gummesson, 1995). Where know-how is essential and considered operant resources (resources such as knowledge, technology, and skills that can act upon other resources) as opposed to a source of

competitive advantage. Second, a service firm's view should be customer-oriented. The term customer means an institution, another business, a group of individuals, a person. Third, "institutional work" through enabling actors, integrating resources, and service exchange can create new service ecosystems. Fourth, value is phenomenologically determined by the beneficiary.

Maglio and Spohrer (2008) advocate that these interactions are voluntary between all actors and the role of a business is to maximize all beneficiaries' wellbeing. Value co-creation can be achieved by integrating people, technology, multiple value propositions, and shared information. For instance, incumbent organizations share their knowledge with new ventures to help them grow so that eventually, they can acquire them (Cantner et al., 2020). Thus, the S-D logic is relevant to entrepreneurial ecosystems because it allows growth and re-emergence to occur and helps the ecosystem to prevail. Roundy et al. (2018) argues that entrepreneurial ecosystems are a unique type of service ecosystems based on *service-dominant logic*, where value is created from "the exchange of services" among entrepreneurs, customers, incubators, accelerators, investors, suppliers, incumbent firms, and universities (Roundy et al., 2018, p.324). For instance, university incubators help startups to identify opportunities and build a network, and in return, this sparks strategic partnerships and more recognition for the university. On the other hand, the growth-at-all-costs methodology can negatively impact different economic agents and lead to co-destruction (Cantner et al., 2016).

2.6.1 The Fragility of The Ecosystem: The Dark Side of Actors

Although *dynamic and improvisational capabilities* can proactively influence entrepreneurial ecosystems, if resources are misused, they can result in value destruction, referred to by Ng and Vargo (2018) as the dark side of actors. Opportunistic behaviors between focal actors in the ecosystem can result in systematic conflict (Ng & Vargo, 2018). Like the earlier business

conceptualization where customers are operand resources to be captured and acted on, one can argue that startups are becoming the same. Eisenmann (2021, p.1) suggests that "A broad set of stakeholders, including employees, strategic partners, and investors, all can play a role in a venture's downfall." Several key actors push startups toward hypergrowth or to embrace the lean startup canon to maximize their gains. Consequently, startups often fail because they follow the "wrong opportunity" with the "right resources" or vice versa. Nenonen et al. (2018) suggest that dynamic capabilities could be game-changers in their influence on service ecosystems if viewed as operant resources – resources that act on other resources to provide benefit (Please refer to Table 2.4). Additionally, the author proposes that this view of *dynamic capabilities* allows actors to systematically influence resource integration and institutions.

While *dynamic capabilities* could be viewed from a *service-dominant logic,* there are still many unanswered questions in the literature regarding how startups can successfully scale and maintain their growth, particularly during different environmental conditions (*storms* and *waves*). So far, most *dynamic capabilities* research focuses on the relationship between *dynamic capabilities* and firm performance rather than the meso-level of the entrepreneurial service ecosystem. Additionally, previous work failed to address the need for improvisation as a part of the *service-dominate logic*. To the best of our knowledge, the literature mentioned above (i.e., *dynamic capabilities, improvisational capabilities, strategy, ecosystems, and service-dominant logic*) is fragmented with no coherent conceptual model. Lastly, startups blindly follow conventional wisdom and common approaches such as the lean startup methodology, bootstrapping, and growth hacking which paradoxically leads to their demise (Eisenmann, 2021). The real question is why? A deeper look into capabilities and growth strategies is required on a meso-level to identify the critical blindspots of growth that affect both the startup and the entrepreneurial ecosystem.

Chapter 3

Conceptual Background

This chapter presents the conceptual background of this study. The previous section briefly introduced the relevant theories to startups growth (i.e., *dynamic capabilities, improvisational capabilities, entrepreneurial ecosystems, service-dominant logic*). We aim to bridge the divide between theory and practice; hence, this section introduces the conceptual background based on the common approaches we found startups apply in practice. Namely, we present *The Lean Startup, Validated Learning, Bricolage, and Growth Hacking*, which includes the growth mindset and the marketing funnel. Reviewing these different fragmented concepts on a meso-level allows us to develop a combined and integrated conceptual model shown at the end of this chapter.

3.1 The Lean Startup

The lean startup is one of the most prominent outgrowths from the lean manufacturing principles that build agility into new product/service development processes in uncertain and dynamic environments. Ries (2011), a Silicon Valley entrepreneur, coined the term "The Lean Startup," where he applied the lean concept to the process of innovation and startup activity. "Lean" is a concept that emerged from Toyota's efficient manufacturing in the mid 20th century to maximize value with less work and zero waste (Shah & Ward, 2003). Toyota group founder Sakichi Toyoda applied "Jiadoka" to Toyota's production based on two main pillars (Spehler, 2015, p.1). First, increase output by utilizing the total value of the limited resources available in equipment and capital. Second, the use of just-in-time production refers to making "only what is needed, when it is needed, and in the quantity that is needed" (Ton, 2014, p.141). Ries (2011)

claims that through iteratively building offerings, startups can leverage fewer resources (only what is needed), eliminate wasted time and resources, and reduce risks for their initial product development and launch.

The lean startup methodology favors incremental development by building a minimum viable product to launch and learn from, then adjusting and improving depending on the customer and market response (Teece et al., 2016). A minimum viable product (MVP) is a beta version of a product like a prototype. The purpose of an MVP is to validate the idea first and then add on features later once customer perceptions are measured and understood (Blank, 2013; Ries, 2011). MVP falls under the lean startup methodology since it allows for a high level of *validated learning* about customers with minimum costs and low startup efforts. Ries' (2011) vision is based on his personal experience, interviews with entrepreneurs, lean production, and mentor Steve Blank, who developed the concept of "Customer Development Methodology" (Blank, 2013).

Blank (2013) was the first entrepreneur and researcher to shift the focus from product development to customer development. He argues that customer focus reduces myopia. In management literature, Levit (2004, p.45) found that "sustained growth depends on how broadly you define your business and how carefully you gauge your customers' needs." In a recent study by Correia et al. (2020), results indicate that business performance relies on a firm's capacity to collect market information on customers and competitors and respond accordingly through dynamic capabilities to create superior value. Also, CBInsight (2021) demonstrate that startups invest a lot of money optimizing their offerings, but more than 45% fail due to misreading market demand (Blank, 2013; CBInsights, 2021). Hence, for startups to survive and scale in environments of high uncertainty and dynamism, they should focus on validating their ideas and getting feedback

from potential customers. It is suggested to follow feedback before intuition through an outward-looking learning mindset of validated learning (Blank, 2013; Shepherd & Gruber, 2021).

3.2 Validated Learning: Build-Measure-Learn Loops

"Tell me, and I forget, teach me, and I may remember, involve me, and I learn" (Xunzi et al., 1991, p.216). The build-measure-learn is a three-step feedback process that replaces assumptions with knowledge and maximizes customer value through iteration and continuous improvement; these loops fall under the concept of *validated learning* (Ries, 2011). In practice, the model allows entrepreneurs to i) test their hypothesis by building a beta prototype (MVP) for potential customers while being cost-effective, ii) collect data on customers and measure their reactions, iii) learn about the customers and whether data aligns with company goals and from there decide whether to preserve or pivot (Blank 2013; Blank & Dorf, 2012; Ries, 2011; Shepherd & Gruber, 2021).

Among practitioners, "pivoting" is often seen as the "secret sauce" for successful ventures such as PayPal, Instagram, Groupon, and Twitter (Arora et al., 2020). According to Teece (2016), pivoting is similar to *shifting/transforming* in *dynamic capability*; it allows for dramatic changes in business models in response to customer feedback. Pivoting "is essentially an iterative process of sensing and seizing" opportunities and proactively managing threats through *transforming* (Arora et al., 2020, p.1471; Teece et al., 2016). *Sensing* by anticipating market needs and listening to customer feedback and *seizing* opportunities through building prototypes in a cost-effective and agile manner and *transforming* when necessary. Typically, *transformation* is costly to execute, but it is less costly and risky to implement and reverse through the lean approach because the learning loops run faster (Bohnsack & Liesner, 2019). Despite the ease of *transforming and pivoting*

through the lean methodology, overdoing it may inadvertently encourage opportunistic behavior and hopscotching between ideas (McGinn, 2012).

3.2.1 Spinning Out of Control

"Believing in Lean Startup is very dangerous," warns Markus Witte, Co-founder of Berlin-based startup Witte (Kornel, 2018, p.25). Focusing all efforts on jumping from one MVP to the other can drain startup resources, "demoralize the startup team and lead entrepreneurs to think superficially about their venture's strategy" (Kornel, 2018, p.23). Yet, some researchers advocate for the lean startup methodology, considering it offers a "comprehensive theory of entrepreneurship" when the journey in startups is unpredictable (Blank, 2013, p.20). In contrast, traditional management research provides "far too little theory to guide the actions of leaders" (Felin et al., 2020, p.2; Spheler, 2015). Despite the increase in popularity of the Lean Startup, several entrepreneurs agree that practice diverges from theory regarding startup growth and development (Kornel, 2018). From a dynamic capabilities' standpoint, Teece et al. (2016) suggest that context matters; without a proper strategy, *transforming* or *pivoting* can lead startups to fall victims to the agility trap and the dark side of actors (Ng & Vargo, 2018). Moreover, it is widely recognized that successful entrepreneurs are passionate, committed, and show sustained effort; frequently pivoting discounts these qualities (Arora et al., 2020; Kornel, 2018). Hence, it is as vital for entrepreneurs to decide what not to do as it is to determine what to do, or else the startup might spin out of control.

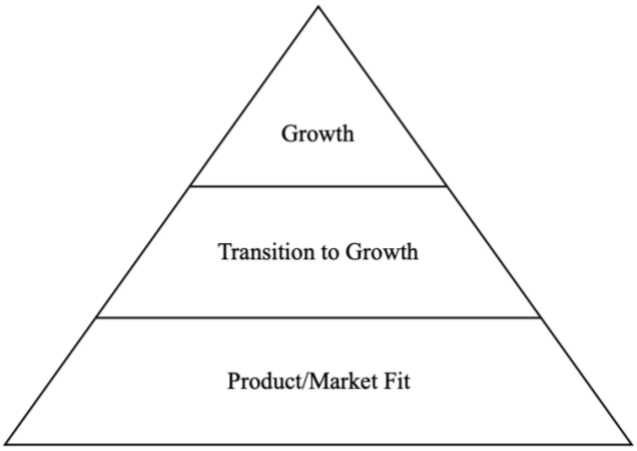
3.2.2 Too Fast, Too Furious

"The funny thing is, sometimes you'll actually go a lot faster in the end by going a little slower at the beginning" (Haynie, 2016, p.10). Entrepreneurs have a bias for action, which often results in them overlooking crucial consumer insights (Eisenmann, 2021). They often fall victim

to *false starts* because they feel pressure from investors and increasing market demands to move and grow fast to stay relevant and maximize returns (Kornel, 2018). For example, the online dating platform "Triangulate" was developing software initially intended to be licensed to popular dating sites such as Match. To prove to date sites that Triangulate software would work, the founder decided to create a test site called Wings, which received a substantial investment from venture capitalists. However, due to the added urgency to reap results, the startup steered away from its initial goal and launched a feature called "Wingman" that allows friends to vouch for each other. Although initially, the concept received virality, the marketing hype did not last, and the startup discovered that daters were not comfortable sharing their dating life with their friends (Eisenmann, 2021). In practice and theory, it remains unclear what is considered a minimally viable product and whether the rejection of an MVP is because the market opportunity may not be present or the MVP has not "delivered sufficient ease-of-use, functionality or value" (Kornel, 2018, p.11). Entrepreneurs sometimes struggle to slow down and refuse to view "the path already traveled as a sunk cost," leading to a recipe for disaster (Haynie, 2016, p.5).

A recipe for disaster can be avoided if a startup discovers a market opportunity or gap (i.e., product-market fit). The purpose behind *validating learning* is to ensure that there is a "product-market fit" (Maurya, 2012). Product-market fit is defined by customers' willingness to pay, economically viable means and resources to acquire customers, and a substantial market for the business (Cooper & Vlaskovits, 2013). Ellis (2010) suggests that "startups require a solid product-market fit before progressing up the pyramid and scaling the business" (Please refer to Figure 3.1). Before spending money on growth and developing the optimal offering, startups should first achieve product-market fit (Intercom, 2018; Mauyra, 2012).

Figure 3.1: The Startup Pyramid



Source: Ellis (2015, p.6)

"Growth secures survival and increases value," once the product-market fit is achieved, a startup should divert its attention towards growth. The startup ecosystem is becoming "noisier" with many emerging high-growth startups, it is increasingly vital for startups to prove "market growth and sustainability to get noticed" in their transition to growth (Ellis, 2015; Conway & Hemphill, 2019) (Please refer to Figure 3.1). The fastest way to maximize startup growth speed is through the lean startup build-measure-learn loop iterative process (Ries, 2011). The central element of the lean methodology is to learn from failure by running the loop as fast as possible while mitigating invested resources. However, due to the increase in environmental turbulence and storms, startups need to be quicker in sensing and seizing opportunities. One way to address challenges as they unfold is by drawing on available resources through Bricolage (e Cunha et al., 2009).

3.3 Bricolage: Working with Existing Parts

Bricolage stands for a mentality where the actor "the *bricoleur* [French for tinkerer or hacker] looks for free or inexpensive access to things that might become useful one day" (Kornel, 2018, p.81). The bricoleur uses the resources at hand, even when limited, to outperform and outgrow competitors. Through bricolage, startups can overcome crises and times of storms by mobilizing available resources and trial and error (Baaken et al., 2021). Moorman and Miner (1998) suggest improvisation is associated with bricolage during times of storms because there is less time to obtain appropriate resources; thus, "being skillful at bricolage may actually help produce value improvisation" (Moorman & Miner, 1998, p.15). On the other hand, Baaken et al. (2021) indicate that despite improvisation implying bricolage, bricolage does not imply improvisation since bricolage may occur in the execution of pre-existing plans, not just during improvisation.

Similarly, it is imperative that bricolage is not confused with bootstrapping, a popular resource management technique among entrepreneurs. Even though bootstrapping involves using the resources at hand, it is different from bricolage because it focuses on a self-sustaining process that runs effectively without external help, while bricolage centers around improvisation regardless of the source or resource (Coutu, 2002). Furthermore, bricolage complements growth hacking in using the input at hand, while growth hacking provides the opportunity for startups to achieve explosive growth (Baaken et al., 2021; Bohnsack, 2019).

3.4 Growth Hacking: Activating Sports Mode

Growth hacking is a new strategy that brings different tools and resources together in an "out-of-the-box" manner to identify the most efficient ways to grow a business (Troisi et al., 2020).

Through growth hacking, startups can learn to "dance through storms" (Please refer to Section 2.3). Growth hacking incorporates the lean startup growth approach (experimentation, testing, and feedback loops) but adds to it through improvisation and bricolage. Ellis (2010) was the first to coin the term "Growth Hacking," he defines it as "a process of rapid experimentation across the funnel to learn the most effective way to scale sustainable customer adoption" (p.20). It is similar to activating sports mode in a vehicle to make use of all its power. This strategy is particularly useful for startups that require massive growth in a short period of time on low budgets (Baaken, Liu & Lapornik, 2021). A growth hacker leverages technological tools to listen to customer feedback, build customer relations, directly improve offerings and integrate growth, equivalent to creative leveraging in improvisational capabilities. Technology and data enable cost-effective exponential growth when coupled with marketing (Bohnsack & Leisner, 2019). Moreover, a *growth mindset* is imperative for a leader or entrepreneur to implement growth hacking successfully, as it allows them to prioritize strategies that help reach optimal growth (Troisi et al., 2020). Essentially a growth hacker's "true north is growth" (Ellis, 2010, p.5).

3.4.1 The Growth Hacking Manual

To understand how growth hackers achieve exponential growth, we have to understand the process behind the hack. Holiday (2014) refers to this process as "the growth hacker marketing loop", composed of four steps (Holiday, 2014, p.4), *ensuring product-market fit, finding the appropriate hack, and targeting the right group of people, going viral, and retaining customers*

Dropbox is a great example of how "the growth hacker marketing loop" is applied because it developed one of the most taught growth hacks. Dropbox is a cloud-based file hosting service now worth more than ten million dollars (RockBoost, 2020) We will use this example to illustrate the steps.

Step 1: Ensuring product-market fit. The goals of startups should be to ensure product-market fit by learning through feedback, scanning the market, and identifying new ideas. Dropbox focused on improving the product for users and creating a fun and easy way to invite and accept invitations. A video prototype was created to explain how Dropbox works and get feedback from early adopters (this is equivalent to the "Build" MVP in the Lean Methodology). According to Conway and Hemphill (2019), when the product-market fit is achieved, satisfied customers are more likely to become evangelists for the startup and increase their WOM, bypassing high marketing and advertising costs. Scholars proposed modifications to this phase where the product-market fit is a prerequisite to growth hacking rather than a part of the process (Ellis & Brown, 2017). Nevertheless, Theil (2014) believes that in this step, the startup should not seek to find a fit for a significant market since that will erode profits because competing companies usually serve these markets. Alternatively, a startup should first test with a small and specific market that is not served by many competitors.

Step 2: Finding the appropriate hack and targeting the right group of people. Growth hackers must understand how data can be applied to create actionable insights (Conway & Hemphill, 2019, p.167; Mucklow, 2014). Dropbox was able to filter through customer feedback and identify the appropriate hack that complements their offering. According to Mucklow (2014), there is often an overload of information and data available; thus, it is increasingly challenging to decide what is relevant and prioritize one strategy over the other. In Dropbox's case, the founder realized that traditional marketing methods, such as paying for online ads, would be too expensive and timely to achieve without running out of a budget. This approach corresponds to the *pivot* part in lean methodology and the *transforming* aspect in *dynamic capability* (Bohnsack & Leisner, 2019) (Please refer to Table 2.1). The Dropbox decision-makers decided to design an incentive by

introducing a referral program that offers their users free storage space to refer a friend who would also be awarded free space if they accept the invite. This incentive program became their growth hack. Therefore, through a combination of data analytics, software engineering, and creative marketing, startups can translate customer preferences and behavior into informed decision making, and accordingly, create superior value (Bohsnack & Liesner, 2019; McAfee & Byrnjolfsson, 2012).

Step 3: Going Viral. At this stage, the goal is to achieve viral growth, which involves the diffusion of product information with its network adoption (Leskovec et al., 2007). Growth hackers focus on identifying "influential" customers early on to boost the startup's growth. Making it easier to share by including social network links and actions buttons increases the likelihood of referrals helps reduce friction (Conway & Hemphill, 2019; Herttua et al., 2016; Intercom, 2018). Dropbox's growth hack of embedding WOM in their offering resulted in virality.

Step 4: Retention. Once the viral loop takes place, there is potential exponential growth in users and retention. In the case of Dropbox, the more storage users had, the more they felt committed, the less likely they were to switch. Essentially, Dropbox leveraged the resources available creatively and real-time information to hack growth and sense and seize opportunities through a combination of i*mprovisational and dynamic capability, bricolage, and validated learning.*

The different phases are summarized in Table 3.1 to demonstrate how each one complements the other one while evolving in parallel. For instance, customer acquisitions in the marketing funnel enable startups to gather data and produce real-time information which is crucial in *improvisational capabilities.* This information facilitates *sensing* opportunities in *dynamic*

capabilities, which allows startups to discover their product-market fit (the first step in growth hacking).

Table 3.1: Continuum between Dynamic Capabilities and Growth Hacking Phases

Dynamic Capability (DC)	Common activities/ practices of DC	Improvisational Capability	Growth Hacking Phases	Marketing Funnel Similar Stages
Sensing	Identify new technology & ideas Scan for new markets Learn through feedback (from actors such as customers, incubators)	Real-time information usage	Finding product-market fit	Acquisition & Awareness
Seizing	Select the "right: technology, growth hack, or business model Activities to build commitment and loyalty Designing means to monetize or to activate	Creative Leveraging & Bricolage	Finding the right hack Going Viral Retaining customers	Activation, Retention, Referral, Monetization
Transforming	Leveraging & deploying information to find product-market fit Creating and innovating new features or elements	Real-time information usage	Re-finding product-market fit	Acquisition & Awareness

Source: Adopted from Bohnsack & Leisner (2019), Herttua et al. (2016), Lütjen et al. (2019), and Teece et al. (2016).

3.5 The Marketing Funnel

A commonly utilized framework in growth hacking to *validate learning* is the Pirate Metrics Framework, also referred to as "The Marketing Funnel." (Conway & Hemphill, 2019). To reap the benefits of growth hacking and successfully grow, Croll and Yoskovitz (2013) advise growth hackers to examine the customer lifecycle through the "pirate metrics." The five phases in

the pirate metrics are *Acquisition, Activation, Retention, Referral, and Revenue*, which leads to the acronym AARRR and hence the name pirate metrics.

Phase 1-Acquisition. Customers visit company sites and platforms, and growth hackers must collect relevant data and ensure that their offerings create value for these customers. Customer data is usually found through forms, landing page analytics, Search Engine Optimization (SEO) tools, and online resources that measure app and page activities (Conway & Hemphill, 2019; Intercom, 2018).

Phase 2- Activation. Customers take action, such as subscribing to the newsletter, downloading the app, or messaging the business. The goal is to enhance customer experience and manage data for conversion rate optimization CRO (Ellis, 2013). CRO involves "understanding visitors, prioritizing planning in response to this, then testing and analyzing which link back to an understanding of visitors" (Conway & Hemphill, 2019, p.166). Companies that are more strategic in dealing with CRO, run quick experimentation, and learning loops, achieve higher sales (Conway & Hemphill, 2019). According to Alex Shultz, Vice President of Growth in Facebook, companies need to find their product's "magic moment" during this phase (Intercom, 2018). The magic moment calls attention to enhancing customer experience by finding a unique aspect of offerings and knowing its value; for eBay, for instance, it is when customers find the unique item, they have been looking for everywhere (Intercom, 2018).

Phase 3- Retention. In this phase, the key is to get customers to return to startup offerings; improving retention has two times the impact of improving acquisition (Intercom, 2018). Focusing on acquisition alone without retention is like adding more fuel to a leaky fuel tank (the customer is the fuel) instead of fixing the tank itself. Retention is tied to every other phase and should be the primary focus of growth hackers because they understand the value of loyalty (Quint, 2014). By

increasing retention rates by 5%, the average business can increase its profits by 25% to 95% (Eisenmann, 2021). As mentioned earlier in the Dropbox example, retention creates evangelists that help the product go viral.

Phase 4- Referral. Satisfied customers become evangelists and are more likely to refer others to the company's offerings. Here we view the power of WOM and viral growth (Croll & Yoskovitz, 2013). Growth hackers understand that viral marketing enables them to reach the largest number of customers efficiently and cost-effectively (Geru, Rusu, & Capatina, 2014). However, virality alone is not enough to guarantee the success of a startup's growth because, more often than not, it is merely hype with no return. Therefore, it is vital to pair virality with ways to create retention and monetization, the third and fifth phases of the marketing funnel.

Phase 5 – Revenue. In this phase, monetization occurs. Many startups fall victim to the appeal volume and do not have a clear plan for profitability or a viable business model (Intercom, 2018). Therefore, it is essential to have monetization top of mind early on. Especially since improving monetization has four times more impact on growth than improving acquisition. Additionally, without proper pricing or a monetization source, the startup will not be able to re-invest in enhancing offerings and stay on top of market demands.

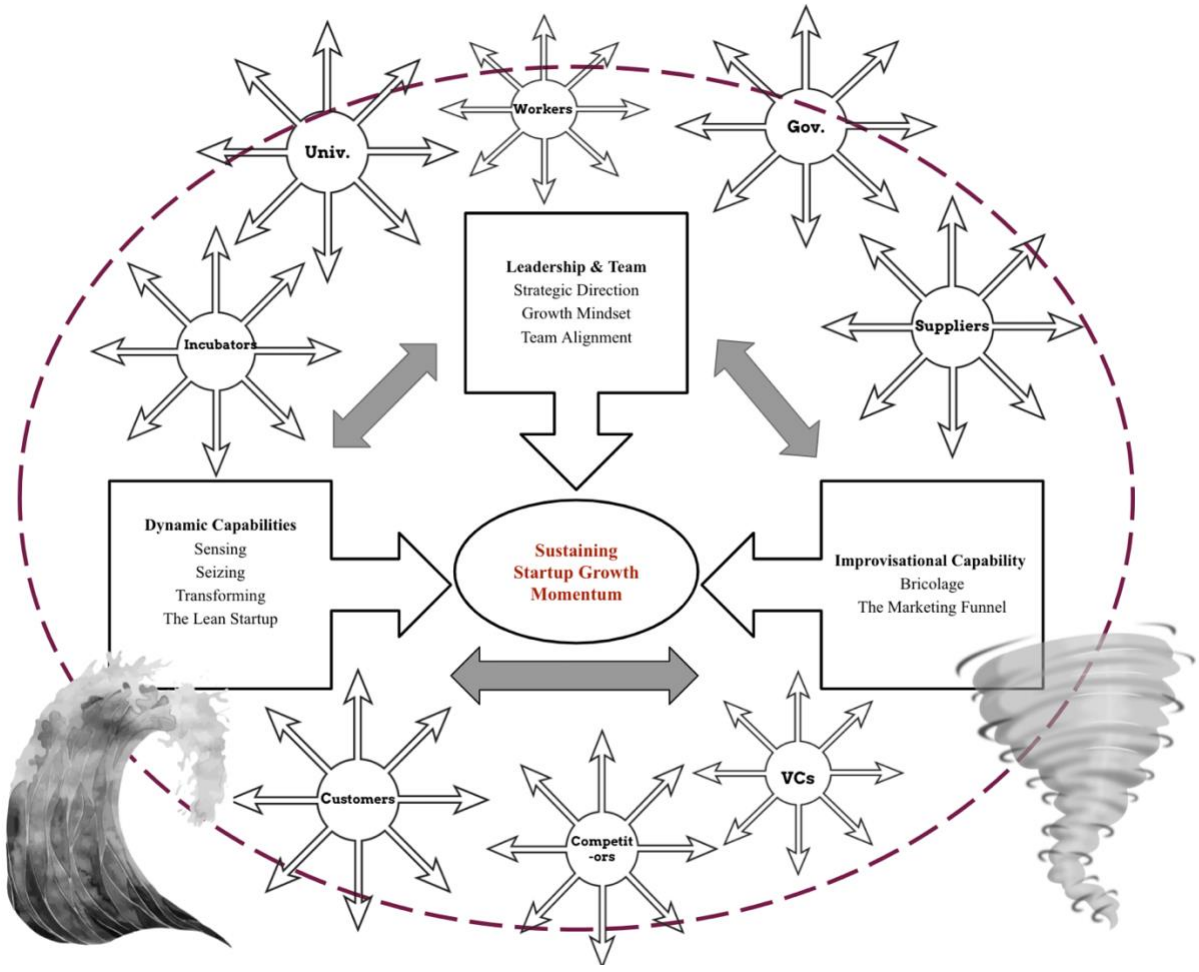
3.6 Growth Hacking & Sustainable Growth Momentum

Ellis and Brown (2017) believe that because growth hacking is involved in all customer journey stages, it allows startups to achieve sustainable growth. However, in practice, growth hacking is receiving backlash for making new startups believe there is a "silver bullet" for growth, thus resulting in premature growth (Ikola, 2018). Currently, the literature on growth hacking is very limited, and only recently did a few scholars attempt to address the strategy-execution gap

(Herttua et al., 2016; Troisi et al., 2020). Growth hacking is often misunderstood and abused to lead to quick hacks and shortcuts without a long-term outlook (Wheatley, 2021). Furthermore, there are many cases where startups copy successful companies blindly, ignoring their unique value (Cunard, 2021). A deeper understanding of the capabilities and mindset needed to implement growth hacking strategies with sustained startup growth momentum should be further explored.

Therefore, we developed an integrated framework based on the literature review (i.e., the theoretical and conceptual background) to help consolidate the fragmented literature on startups growth (Please refer to Figure 3.1). The model below suggests that *dynamic capabilities* are required during *waves*, *improvisational capabilities* are necessary during *storms*, and strong leadership and team are essential for both capabilities to work and the startup to grow. Each pillar is interdependent, and without one, the startup will not sustain its growth. Furthermore, we believe that actors (e.g., government, incubators, universities, venture capitals) also play a role in startup support through a *service-dominant lens*. In the upcoming section, we will discuss our choice of methodology and present our iterated conceptual background based on the data we collected.

Figure 3.2: The Integrated Framework of Successful Startup Growth



Source: Author's elaboration

Chapter 4

Methodology

This chapter aims to present and justify the choice of research methodology that has been applied in this study. First, the research design and case context are introduced, followed by a description of the case selection and data collection, and completed with a discussion on the data analysis process.

4.1 Research Design

The purpose of this study is to identify the capabilities and mindset required for startups to scale and maintain their growth. We aim to understand how startups successfully navigate obstacles and different levels of environmental turbulence without losing their growth momentum. Thus, a qualitative approach is deemed the most appropriate to answer the three related proposed research questions:

1) *What are the capabilities necessary for startups during the growth stage? Particularly,*
   a) *In the face of challenges and hurdles (e.g., resource constraint)*
   b) *During varying levels of environmental turbulence: mid-level turbulent environment (i.e., waves) vs. high-level turbulent environments (i.e., storms).*
2) *What mindset (team and/or individual) is required for startups to successfully sustain the startup momentum?*
3) *How can startups achieve sustainable growth through "growth hacking" while co-creating value with different ecosystem actors (e.g., universities, government, and investors)?*

We explore, interpret, and gain a deeper understanding of startup growth and discover insight beyond the surface in a specific context in Egypt, where emerging entrepreneurial strategic innovations occur under high complexities (Gill et al., 2008; Silverman, 2004).

This study is exploratory in nature with an emphasis on discovering new ideas and insights. Due to the fragmented state of research on startup growth, we thus employed a multiple case study method (Eisenhardt, 1989; Eisenhardt & Grawebner, 2007; Yin, 2017). According to Eisenhardt and Graebner (2007, p.25), "case studies are rich, empirical descriptions of particular instances of a phenomenon typically based on various data sources." This method is frequently adopted in social sciences and entrepreneurship research (Troisi et al, 2019; Yin, 2017). First, it allows for the collection of in-depth data and the study of complex situations and contemporary phenomena within their real-life context. Second, it is the preferred research strategy to answer explanatory research questions (i.e., "how" and "why" questions) (Strauss & Corbin, 1998; Yin, 2017). Furthermore, unlike single case studies, multiple-case studies enable researchers to identify the differences, similarities, and relationships between cases. They also elucidate whether findings are replicable, thus yielding generalizable results (Ćwiklicki & Pilch, 2020; Eisenhardt & Graebner, 2007; Yin, 2014).

This study was explicitly designed to achieve generalizable results from the cross-case analysis (Eisenhardt & Grawebner, 2007). However, the goal is not to achieve statistical generalizations but rather theoretical generalizations. According to Hillebrand, Kok, and Biemans (2001), this can be done by including multiple cases since they enable findings to be confirmed or refuted through logical argumentation. In that sense, our qualitative study can be seen as 'theory elaboration' (Lee et al., 1999; Maitlis, 2005) as we applied both a deductive and inductive approach between theory testing and theory generation (Korshunova et al., 2021) that extends existing theory

(Acs et al., 2017; Cantner et al., 2020; Kornel, 2018; Ma et al., 2020; Ng & Vargo, 2018; Pavlou & Sawy, 2010; Rumelt, 2011; Teece et al., 2016; Troisi et al., 2019). A crucial part of theory building is choosing a suitable context for the study; in our case, it is Egypt (Eisenhardt & Grawebner, 2007).

4.2 Case Context: Egypt

According to Global Entrepreneurship Monitor (GEM), Egypt is emerging as a hothouse of entrepreneurial activity (Bosma et al., 2021). We selected Egypt as the hub for our study because it is driving the innovation scene in the MENA region with its tech-powered solutions, and impressive support initiatives (Startup Genome, 2021). Furthermore, Egypt has continued its positive trends from previous years with a substantial rise in the number of individuals actively engaged in starting or running a new business and tripled the number of established businesses owners in a year (Bosma et al., 2021; Disrupt Africa, 2021; Khayal, 2021).

Despite harsh economic conditions and the pandemic main crisis period (2020-2022), startup funding increased by 158%, with eighty-two Egyptian startups securing US$403,562,000 in 2021 (Bosma et al., 2021; Startup Genome, 2021). Of these investments, 32% come from international firms, indicating the increased desirability to invest in the Egyptian Entrepreneurial Ecosystem (Bosma et al., 2021). Similarly, Egypt is attracting Venture Capital firms such as Global Ventures (UAE-based) and Openner (US-based) (Bosma et al., 2021). Particularly in the year 2021, the government, private sector initiatives, and associated regulatory reforms started investing in propelling the ecosystem growth (Startup Genome 2021, p.144). A new law has been released to support startups with tax, customs, and non-tax incentives. Moreover, the government

offers incentives for incubators, accelerators, corporations, and investment funds to support startups (Bosma et al., 2021).

Not only is Egypt being at the forefront with its university-led support programs, but it also has the highest number of accelerated startups in Africa, amounting to 39% (Disrupt Africa, 2021). Different entrepreneurial ecosystem actors are committed to creating initiatives and support programs to provide startups with training, mentorship, networks, and funding. These efforts have paid off this year, with Egyptian-based startup SWVL being the fastest-growing and largest unicorn in Africa, with listings in US Stock Market and NASDAQ at a $1 Billion Valuation (Bosma et al., 2021).

Nonetheless, entrepreneurship is a desirable career choice by 74% of Egyptians, making it a significant contributor to employment (Ismail et al., 2019). Egyptian entrepreneurs have a low fear of failure compared to the global average; however, they still report that it is challenging, stressful, risky, and uncertain to operate in Egypt (Nabil, 2019). According to the GEM Report (2021), despite the growth of the Entrepreneurial Ecosystem in Egypt, out of 43 countries, Egypt is also among the seven with the highest number of "business exits" (Bosma et al., 2021). Upon deeper inspection, Ismail et al. (2019) uncovered that business discontinuation is due to the lack of profitability in startups and financing issues than planned exits. Although Egypt is ranked high in business discontinuation it is showing massive improvement and a rise in fast-growing disruptive startups (Ismail et al., 2019).

Altogether, Egypt represents an ideal ecosystem for this study because of its impressive entrepreneurial ecosystem growth in the Middle East-North Africa region and support despite its highly turbulent environment.

4.3 Case Selection

Our study includes five cases; we stopped further startup selection after reaching data saturation (Boddy, 2016; Eisenhardt, 1989). We analyzed each case right after interviews were conducted; after four interviews, we discovered a reoccurring pattern of results, and therefore five cases proved to be sufficient. The five cases selected had to meet the following criteria: *privately held, tech startups, startups mentioned in Forbes "20 Most Promising Startups in Egypt", Startup List Africa's "Top Startups in Egypt" or Startup Genome, survived past two years and is younger than eight years and received investment.* The remainder of this section will go over each of the criteria and justify our reasoning. The chosen startups had to be privately held because we wanted to ensure our respondents had decision-making power and control of the organization.

Furthermore, we opted for tech startups because they drive the ecosystem in Egypt and have the potential to grow fast. Tech startups are companies that bring technology products or services to solve a problem in the market that may not have an apparent solution. For example, consider Case 1 (Please refer to Table 4.1); C1 identified a business opportunity and developed a technology platform that intelligently connects shippers and carriers to freight (MENABytes, 2021). C1 and other tech startups are defined as innovation pioneers; however, they often face challenges during rapid growth. In the pursuit of opportunities under resource scarcity, they do not know when to press the breaks. This explains why we have oriented our case selection towards these types of innovative pioneers (Engel, 2013; Zajko, 2017).

We chose growth leaders in Egypt that survived more than two years and less than eight years (to be still considered startups) since they exemplify how to navigate through environments of varying turbulence swiftly and flourish (Troisi et al., 2019; Yin, 2017). Furthermore, a maximum of 8 years helps us ensure that the startups we selected did not transition from the

entrepreneurial to a business ecosystem (Please refer to Section 2.5.1). Nevertheless, we selected startups that received investment for two reasons; 1) investments are increasing in Egypt and 2) to grasp the challenges of resource allocation. According to several sources, many startups fail in allocating their funding and aligning with investors during the growth stage; overall, we wanted to unveil how the startups we chose avoided these pitfalls (Öndas, 2021; Startup Genome, 2021). Multiple data collection methods were employed for each case to shed light on the startup growth

Table 4.1: Case Description

Case #	Founded	Industry	Description	Funding Round	Support
C1*	2018	Marketplace, shipping, transportation *Perception: Storms*	A B2B technology platform and trucking marketplace that connects shippers with carriers in the highly fragmented freight industry.	Series A	Maersk and Raed Ventures Y Combinator (Accelerator) Algebra Ventures (VC)
C2*	2017	Fintech *Perception: Waves*	An online payment platform aiming to digitize payments across various sectors in Egypt (specifically the education sector), axing the fuss of routine payments in cash-adapted nations.	Seed-Fund	AUC Venture Lab (Incubator) EFG Hermes (Investment bank) Camel Ventures (VC)
C3*	2014	Mobile, Software SAAS *Perception: Waves*	A computer software company that offers services for mobile app developers to help them in testing their applications and detecting errors and bugs in real-time.	Series A	Accel (growth-stage VC) Y Combinator (Accelerator & Investor)
C4*	2019	B2B, E-Commerce, Marketplace *Perception: Storms*	A B2B marketplace that brings together micro, small, and medium enterprises (SME) businesses with a single platform that allows retailers to order a wide range of inventory, obtain delivery, and access an embedded "buy now pay later" solution all from a single platform.	Series A	Foundation Ventures (VC) MSA Capital (VC) Quno Capital (VC)
C5*	2017	Ride-sharing transportation *Perception: Storms*	A ridesharing company that provides a premium mass transit system that fills in the gap between broken public transportation and expensive on-demand services.	Series B	AUC Venture Lab (Incubator) VCs*

*Due to the company's request, its name was not mentioned

4.4 Data Collection

Following the principles of case studies, data were collected from multiple sources for triangulation (Yin, 2017). This allows us to improve the validity and reliability of the results. The data collection methods in this study are semi-structured in-depth interviews, participant observations, and secondary data (Eisenhardt & Gaebner, 2007).

4.4.1 In-Depth Semi-Structured Interviews

The primary source of information was semi-structured in-depth interviews with key informants such as Founders, Strategy Heads, Vice Presidents, Growth Marketing Heads, and people with decision-making power in startups (Kumar et al., 1993). This method was chosen since it helps cover critical issues and uncover unexpected insights (le Duc & Lindeque, 2018). We initially sought to interview as many organizational members of each startup as possible but noticed that (part-time) employees were unable to disclose critical and detailed information or were worried about doing so. Conversely, founders and long-term members had a better overview of the startup and its capabilities, strategy, and growth processes and how these changed in different environments and throughout the growth journey.

We used purposive sampling (Guest et al., 2006; Morse et al., 2002) or theoretical sampling method meaning "that cases are selected because they are particularly suitable for illuminating and extending relationships and logic among constructs" (Eisenhardt & Graebner, 2007, p.3). The choice of cases is based on their contribution to theory development. Using the LinkedIn search tool, we approached twenty people from ten companies in Egypt by email or LinkedIn messenger. Of the fifteen people who responded, nine were selected as suitable interview participants based on their positions in the firms and the case criteria.

Further, we developed an interview protocol (Please refer to Appendix B) according to the theoretical background and with the exploratory purpose of understanding startup growth challenges and capabilities needed to overcome them (Puliga & Ponta, 2021). The interview guide (Appendix B) was used to direct the primary investigator through the discussions focusing on the following aspects: a) Startups Background, Team, Vision and Industry, b) Understanding Growth, c) Improvisation and Bricolage, d) Growth Hacking, e) Lean & Agile Startup. Interview questions were not necessarily in order, and questions were added that were not included in the guide to explore new emerging categories given the nature of growth within different startups (Saunders et al., 2009). The whole data collection process followed diligently the ethics protocol that was approved by an ethics committee from the university of the principal investigator (Please refer to Appendix D).

The data collection was conducted from November to December 2021. Interviews were recorded and transcribed with consent from the participants; however, many members asked us not to disclose their positions or identities in the startup; hence we did not specify who we talked to and kept startups confidential as requested (Please refer to Table 4.1). Around two interviews were conducted per case, with a total of 9 in-depth interviews. The interviews ranged between 45 minutes to 2 hours depending on how the interviews progressed and were mostly administered over Zoom to avoid in-person contact during the pandemic. We recorded a total of 830 minutes of in-depth interviews.

4.4.2 Participant Observation

The second source of data collection is participant observations. The researcher attended and participated in entrepreneurship-related events and activities since it allows us to connect our findings to the entrepreneurial ecosystem and understand the role of actors during a startup's

growth (Etikan et al., 2016; Miller & Acs, 2017). We attended the RiseUp summit November 25-27th 2021, the leading annual entrepreneurship and innovation event in the MENA region, designed to bring the entrepreneurship ecosystem together (RiseUp, 2021). The event this year was held at the Pyramids of Egypt. It was ongoing for three days with many talks, workshops, and panel discussions with high-growth startup founders, investors, unicorns, incubators, and key actors in the entrepreneurial ecosystem (Please refer to Appendix A). Furthermore, we conducted more than 15 semi-structured interviews with tech startups at the event, and 5 unstructured interviews with different actors, specifically, an accelerator director, a professor of entrepreneurship, event organizers, investors, and a growth hacker (670 total minutes of interviews). It is important to note that we attended this event prior to selecting the cases and the development of the interview guide. This event helped us determine the criteria for our cases and how other startups struggle to achieve rapid, exponential growth. Overall, participant observations enabled us to triangulate our data, connect our findings to the *service-dominant logic* theory discussed earlier in the literature, and paint a clearer image of the region and its level of turbulence (i.e., storms vs. waves).

4.4.3 Secondary Data

The final data collection method was the use of secondary data to further increase the validity of our study. Secondary data is useful since it allows us to reduce information bias, which interviews are typically prone to (Saunders et al., 2009). Specifically, we gathered data from publicly available information found online, such as websites, online interviews of key informants, startup social media pages, news articles, and press linked to the startups. Therefore: "the events or facts of the case study have been supported by more than a single source of evidence" (Yin, 2003, p.98).

4.5 Analytical Framework

This study followed Eisenhardt (1989) and Williamson and Johanson (2018) proposed procedure for data analysis to maximize validity. We examined the empirical data through a hybrid approach that involves four steps (Fereday & Muir-Cochrane, 2016). First, we applied deductive reasoning, where we went through the theoretical and conceptual background of *dynamic and improvisational capabilities, strategy, lean methodology, organizational agility, and growth hacking* to grasp the theoretical assumptions better. Based on this, we defined some themes that might arise in our empirical cases and could potentially be first-order codes (Lütjen et al., 2019).

Second, we fully transcribed the interviews, talks, and workshops and started coding each separately in an open manner while triangulating it with secondary data, mainly using inductive reasoning (Corbin & Strauss, 2014; Miles et al., 2018). We were constantly iterating between our codes and theory (Eisenhardt, 1989). Also, we made sure to complete transcription on the same day of data collection for content validation; thus, we could follow up with informants immediately if any unclear information or more data was needed (Long & Johnson, 2000).

Furthermore, two researchers independently analyzed the data in this research to avoid bias and to ensure the rigor of our study, where we applied iterative joint data consolidation (Kirk & Miller, 1986; Morse et al., 2002; Sousa, 2014). There were only a few differences in code names, such as *exploration and exploitation* to refer to *seizing opportunities*; however, after discussion with the research team, we opted for codes that are more suitable in a service-dominant rather than a good-dominant study.

Third, we performed a cross-case analysis where we identified patterns and differences and finalized a set of first-order categories, which were then further grouped into second-order categories for a higher level of data abstraction and theory building (Ghezzi & Cavallo, 2020).

Finally, the final group of aggregate categories was developed and represented in the inductive coding tree below (i.e., Figure 4.1).

Figure 4.1: Inductive Coding Tree

Chapter 5

Cross-Case Findings

This section presents our cross-case findings that capture the variation of experiences between cases to identify patterns and commonalities (Mills et al., 2010). Based on our data collection methods, we were able to identify several themes linked to sustainable startup growth, as presented previously in Figure 4.1: *Stability, Agility, Team & Leadership, and Entrepreneurial Ecosystem* (Please refer to Figure 4.1). To grasp the intrinsic aspects of individual cases, please refer to Appendix C for a summary of the within-case analysis. First, we discuss how our cases establish stability through laying the foundation, setting strategic direction, often referred to in the literature as governance (Teece et al., 2017), and planning. Second, we present how agility is adopted through *dynamic* and *improvisational capabilities*. Third, we address team and leaderships necessary attributes and the mindset required for growth. Finally, we expand on themes linked to the entrepreneurial ecosystem and how it impacts startup growth.

5.1 Stability

Startups must have a set of core elements, such as structures and processes, to establish stability (Aghina et al., 2015). Our findings suggest that stability is necessary for sustainable growth. According to past research, the fixed structure/backbone is a part of laying the foundation: this structure involves acquiring initial resources for growth and selecting the core of the business, market positioning, and developing effective decision processes (e.g., systems and infrastructures for operations and management) (Aghina et al., 2015; Laser, 2020; Picken, 2017). We identified two essential stability requirements:

1. Laying the Foundation: entails establishing a solid backbone and finding product-market fit and product-channel fit.
2. Strategic Direction: involves understanding growth (sustainable growth, growth hacking process, KPIs), optimizing the marketing funnel, and planning (setting a course of action for the future).

These requirements should be iterated and revised to sustain the growth process and ensure stability.

5.1.1 Laying The Foundation

In all cases, the informants emphasized the importance of laying a foundation first before growth take-off. As one informant states: *"the problem with the entrepreneurial ecosystem is they all want to build the largest skyscraper without laying down the foundation, that's why they don't prevail"* (C2). We use the term *laying the foundation* because it is a requirement in the transition to growth (Picken, 2017). In fact, laying the foundation is vital because it allows startups to have a *solid backbone* to endure different environments and handle increasing demands that accompany growth without sacrificing quality. Our informants agree that taking the time to decide on a fixed backbone, identifying product-market fit, and identifying product-channel fit are necessary ingredients for startups to build *scalable architecture,* which is also confirmed during participant observation (Ayman Ismail Talk, Please refer to Appendix A).

Fixed Backbone. All informants stressed the importance of having a fixed backbone that ensures supply can fulfill demand. Fixed backbone is equivalent to developing processes and infrastructures such as flexible manufacturing processes (Picken, 2017). We found that the backbone is chosen differently depending on the industry level of turbulence perception (Please refer to Table 4.1). For instance, in Case 3 (C3), the mobile software is the "fixed backbone." It is an application with sufficient storage space to handle the activity on the app so that it does not

crash. On the other hand, for Case 1 (C1), the startup must ensure that a sufficient number of trucks are available at each site to complete the delivery requests. Therefore, the "backbone" in Case 1 is the operation management system of handling truck delivery time and loads. Case 5 (C5) explains the implications of not managing demand and supply. C5 informant previously worked in another ride-sharing startup and recalled how the business struggled because they did not have *"enough supply to meet the demand,"* which led to a *"shitty experience and a strain on growth."* They share that the *"shitty experience"* includes not finding busses at pickup spots allocated times, lags in-app updates, and misinformation regarding bus capacity on the app. While for Case 4 (C4), the fixed backbone was their logistics management system. Both C4 and C5 invested time and money in technology to cater to the massive network and ensure sufficient supply in each area was available to satisfy demand. In fact, the C5 informant indicates: *"sometimes growth decisions need to be slowed down because we must stop and think about the operation and what needs restructuring."* Thus, a startup can achieve stability and meet demand through a "fixed backbone," whether it is related to operations, management systems, platforms, or supply chains. The fixed backbone ensures that the startup has sufficient supply and capacity to meet demand. To gain demand, startups also need to verify that they have a good product-market fit.

Identifying product-market fit. Finding product-market fit involves offering a product or a service that satisfies a strong market demand (Ellis, 2010). All startups in our data collection discussed how startups must find their product-market fit. For a startup to establish product-market fit, market understanding is required, which informants refer to as *"customer discovery."* Customer discovery entails understanding customer pain points, situations, and needs. According to C2 key informant, they were able to take off and become one of the most prominent fintech startups in Egypt, providing their service to over 250 schools because they took the time to understand the market and properly plan how to cater it.

"In the first year and a half, we were trying to understand the market, customers, and what they needed… We laid the foundation; you can't build a building without the design and understanding of what the customer actually wants and needs...there's nothing called I will build first and discover later" (C2).

In this case, the informant suggests that the primary reason that so many fintech startups *"pop out but don't last"* is that they all target the same niche market with features (e.g., buy not pay later or save now and pay later) rather than solutions, due to their lack of market understanding. An important aspect of product-market fit is finding a substantial market, not just a good fit (Cooper & Vlaskovits, 2013). A C2 respondent argues that addressing niche markets limits a business's ability to scale because "*that means if they get 1% of that market, they are playing in the thousands customer range and won't be able to increase transactions or scale significantly.*" Hence, he advises startups to *"build to scale,"* which entailed offering an app that can handle high transaction numbers for public schools because they account for almost 70% of the market and invest time in research to find the right product-market fit.

"Once you identify the key factors (purchasing power, target market, channels…) needed to sustain your business, create value and meet customer needs…you launch your product, and everyone will come to you because the product-market fit is perfect since you tailored it to the market and customer" (C2).

Case (C4) had a similar situation regarding the B2B marketplace for small and medium enterprises. The team first needed to gather insights on the merchants through interviews and focus groups. Through market research, they found that the merchants were not tech-savvy, but contrary to popular belief, they were very willing to embrace new tech and learn. Consequently, the startup simplified its service and allocated a group of people to onboard and teach merchants how to use their app. On the other hand, the founders of C5 came across their product-market fit by chance

while working for another ride-hailing startup; from there, they realized the gap and opened their startup to satisfy it.

Similarly, initially, C3 thought that coders would want an app to hang out together and work on projects; however, while showing how their product works to people at an event they attended, one of the listeners commented that they would pay for bug detection. Subsequently, the company conducted market studies and established its product-market fit. Following the product-market fit, the startup needs to align its channel.

Identifying product-channel fit. Most of the interviewees pointed out that identifying the right channel for marketing and growth saved them money and effort and allowed them to focus on creating value. As one informant at the RiseUp event (2021) suggested, *"find the right channel you want to enter, get that working and then move after the next one."* Likewise, C1 adds that when the product starts getting more requests, the startup should "*start thinking which channel inside marketing are we going to use?"* (C1). C1 mainly relied on Facebook for truck drivers and the website and search engine optimization for their business clients. Following this method allows businesses to focus and not *"spread themselves thin,"* jumping from one channel to the other. C4 also conveyed how they opted for using SMS messages to reach their clientele. They also discovered a unique channel that reached small kiosks through a local payment gateway partnership ad and newspapers. Kiosk owners usually have access to newspapers and payment cards for people to refill their credit. Typically, startups assume that social media is the best route, but, in this case, they choose the channel that allows them to reach potential customers faster. Another example is C3 which opted for Hacker News outlets as a channel to reach coders instead of investing in the wrong platform and wasting resources to reach fewer potential customers. Based on our interviews and secondary data, the key takeaway is to choose the channel that complements the business offerings and can reach the target market directly, even if it is unconventional.

After depicting both product-channel and product-market fit, the study indicates that strategic direction should be established to allow for the transition to growth.

5.1.2 Strategic Direction

Strategic direction is composed of the following key interrelated factors: *understanding growth and growth hacking, optimizing the marketing funnel, and planning.* These factors contribute to the strategic direction since they allow startups to tailor their strategy to their growth. Similarly, informants suggest that if a strategy works for one startup, it does not mean it will work for another.

Understanding Growth. All startup respondents indicate a common misinterpretation of what constitutes "growth": *"superficial growth with real growth"* (C4). Some of the blindspots of growth will be discussed in this section: a) superficial growth, b) the dangers of growth spikes, and c) the problem with blindly replicating successful startup strategies.

Superficial Growth. The C2 founder explains: *"All want the buzz and propaganda, buzz and applause, but where is the substance?"* C2 explains that other fintech companies consider social media views and reactions to measure growth. In contrast, they define growth as conversions per school (i.e., the percentage of parents who pay tuition through their platform out of all parents). A "buzz" and a "trend" are not equivalent to real and sustainable growth.

Growth Spikes. Besides superficial growth, a sudden spike in growth can also negatively impact a startup. In C5, the startup shared a situation where they had a flare in trip demands due to a promotion. However, they struggled to meet the demand and allocated more bus fleets in a specific area, leaving regular customers in other regions to suffer from delayed trips. They elaborate that after the promotion time ended, demand died down, and they had to re-organize their fleet schedules and regain the trust of their regulars all over again. Another respondent even called it *"growth on cocaine"* and elaborates that the startups get a high, "*a spike and think 'oh we did*

it,' but then, they get complacent, and the quality suffers" (C4). It *"messes up the brain chemistry"* (C2). Similarly, Mike Quinn, during his workshop in the RiseUp summit (Appendix A) concurs: *"the spike of growth"* increases *"ignorance,"* one of the hard-learned lessons he went through with his startup.

Strategy Imitation. Another reason several of our cases suffered initially in their growth journey is that they thought they should imitate the growth strategy of other companies. For instance, C3 shares how they used a similar strategy to Facebook where coders can invite their friends to *"hang out"* online and ask questions in forums; however, this approach was not relevant to their business idea. As a result, they had app downloads but not *"activity"* on the app. Many startups fall into that trap and assume that they will succeed by following other successful models (Troisi et al., 2020). C5 also explains how the startup tried to adopt growth strategies from businesses in developed countries, such as providing on-demand busses, which led to misallocation of resources and delays. However, once they stopped imitating and started innovating, they were able to boom. Overall, growth depends on each startup's objective and process; one model does not fit all. C4 suggests that,

> *"if something worked at Company X, it doesn't necessarily mean it will work at Company Y because it depends on the industry. For instance, is that industry product lead or sales lead operational? Or is it software? All of these factors alter the way you approach growth"* (C4).

Similarly, C1 adds that startups need to know *"which channels or leavers are relevant" to them and "be mindful that the change of context… does not just repeat the same things that worked for another startup because it won't work for you"* (C1). They elaborated that one of their new hires attempted to apply the same growth strategy for a software company in a transportation company, where they bought ad space on apps, which made no sense. Furthermore, they elaborated

on how it is vital to decide on the key performance indicators (KPIs) before undertaking a strategy; in this case, Return on Investment (ROI) was the primary indicator (for more information, please refer to Appendix C). Clearly defined KPIs enable startups to measure whether they achieved their goals. In summary, startups can set the strategic direction by understanding growth, establishing objectives and goals, and monitoring KPIs.

Understanding Growth Hacking. Growth hacking and growth marketing were recurrent themes throughout the dataset. One of the C4 informants' states that there is often a *"misconception around growth hacking where people view it as merely a combination of marketing and engineering."* Yet, in *"reality"* in growth hacking, the *"means do not justify the end"* (C4). Growth hacking is about figuring out a *"smart way to creatively leverage resources and support to scale and reach objectives"* (C3). C2, the fintech startup, offers a great example of how growth hacking may work differently. The informant shared with us that instead of *"knocking on doors"* of each customer trying to onboard them, they thought about *"the macroeconomic perspective"* and asked themselves, *"how can we include the bigger customers on our side?"* Consequently, their hack was to approach bigger entities with massive merchant networks. As the informant indicates:

> *"We started doing partnerships with all educational stakeholders and key players in the ecosystem (i.e., banks, governments, etc.), and we started taking strategic deals to take their merchant network…that way they get a cut of the revenue and all actors around us are winners"* (C2).

In this case, the startup realized the value of the entrepreneurial ecosystem, and for them getting these partners on their side *"enabled"* them *"to scale aggressively"* (C2). Growth hacking here was not linked to data or engineering; the "*means*" to reach exponential growth was rather

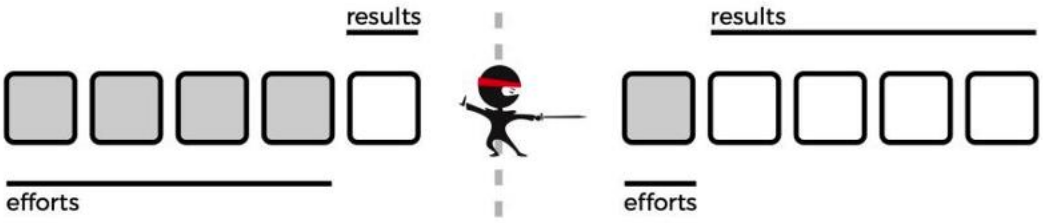
partnerships. Furthermore, the informant from this case provided us with great tips on how to implement growth hacking successfully:

> *"1- Discover the value chain in your industry, 2- Link your growth strategy to KPIs, 3- Create value through your service and offerings"* (C2).

For case 2, the value chain in their industry consists of building a platform, establishing an agreement with a payment gateway for secure payment, and partnering up with the government and schools to reach customers. Their KPIs (percentage use rate of parents in schools) are linked to their growth strategy of offering a payment solution for all schools in Egypt. Finally, they created value through simplifying payment for parents and providing schools and the government with a system that tracks payments. This respondent mentioned and suggested creating value; multiple other respondents also provided similar tips. These findings offer a glimpse of a potential new field of research that examines the intersection between growth hacking and *service-dominant logic* (Ng & Vargo, 2018).

Based on these previous examples, growth hacking fits the definition suggested by Nader Sabry (Talker at RiseUp Summit, Please refer to Appendix A), that *"growth hacking is all about disproportionate results."* To elaborate, this is when less effort is exerted to achieve higher results (Please refer to Figure 5.1). This image was presented by a participant in one of the RiseUp Workshops (2021). On the left-hand side, a significant effort is allocated with minimal results, while on the right-hand side less effort is allocated with more substantial results.

Figure 5.1: Growth Hacking Explained



Note: Retrieved from participant observation at RiseUp Event (2021)

From the interviews, respondents indicate that effort is more than time; it is also a resource allocation and an investment. All respondents agree that startups struggle from resource scarcity, thus employing growth hacking techniques "*really comes in handy"* (C5) to help startups maximize their returns from the efforts they invest. For instance, C4 realized that it was inefficient to reach all kiosks through on-ground onboarding (a team member goes door to door to pitch the idea). Instead, they found it better to partner up with supermarkets and service providers that already offer restocking options and optimize their solutions. Through this growth hack, the startup could penetrate the market efficiently.

Growth Hacking Term Controversies. Several controversies were noted regarding the term "growth hacking." Half of the respondents favored "growth marketing" (C1, C3, one informant in C4), and the other half preferred "growth hacking" (C2, the other informant in C4 and C5). As one respondent specifies:

> *"I don't consider myself a growth hacker. The thing is, with growth hacks, it's quick, and you can engineer it or try to get to virality. But virality is not sustainable. But what you want to do is even if you're working on virality and making sure that you're always creating buzz around your product, you're building growth engines. And with engines, you need processes, and with processes you need, you need a proper framework. So that's why I*

think I go for growth marketing, because it builds for the long term, while you can focus on quick wins as well. So I'm not disregarding growth hacking. I'm just saying growth hacking is one aspect of growth marketing generally and growth" (C1).

The respondent argues that growth hacking is not sustainable and mainly revolves around hype and virality. Similarly, the C3 informant comments that *"growth marketing is a discipline and it's building for the long term."* However, as previously discussed, this argument is one of the main misconceptions around growth hacking because growth hacking is not *"just about quick wins"* (C2). Regardless, in the above example made by C1, there are some noteworthy points; growth requires a process, and framework, building growth engines is essential, and growth hacking might be a part of growth marketing.

The Marketing Funnel. Aside from the growth definition, as mentioned by most informants, one recurring aspect of growth is the *"pirate marketing funnel."* The Pirate Funnel is a marketing tool used by growth hackers to map the customer's journey starting with awareness, the first stage in the funnel to referral, where momentum is gained, and there are no additional costs (Utâ, 2020, p.7). "*One of the core mandates in growth hacking is looking at the funnel"* (C4). Growth hackers typically use the pirate funnel to identify the weakest areas in the business to focus on and develop (Ratcliff, 2017). The "area of focus" (i.e., Strategic Direction) refers to the different parts of the funnel, which according to most participants, are "acquisition, activation, retention, referral, monetization, and re-activation" (as reported by informants from C1, C2, C3 & C4).

The pirate metrics phases are all reported but with the addition of a new phase called "re-activation." This new phase of "re-activation" was an unforeseen result not previously discussed in the literature (Ratcliff, 2017). Re-activation is defined, according to a participant, as:

"Reactivation is the last part of the funnel. It is when people churn, and we try to reactivate them, just to make sure our funnel is working properly…our goal is to have the bulk of our users active" (C4).

"Churn" is essential and often overlooked. Although the startup can achieve customer acquisitions, it cannot retain or keep its customers active. This is a crucial dilemma, according to an informant:

"retaining customers is much cheaper than acquiring them. So if you are not retaining customers, you will always have to spend more money to acquire and activate new ones. That way, you are not successful" (C5).

Acquisitions are more expensive than retention, and hence the business must focus on improving customer experience to avoid churn. Likewise, C4 admitted that they accidentally went through this situation where they focused on gaining more customers and did not offer customer service or listen to complaints. Hence, they could not retain many customers; they elaborate that *"focusing only on acquisition is a waste of money,"* since *"if you acquire a customer and he churns, then you spent your money on nothing"* (C4). C4 later realized the issue and invested in customer service to avoid this happening again and ensure that the focus is not on one specific phase but distributed across the funnel. Furthermore, C1, C5, and C4 concur that a startup must work on *"optimizing the experience"* for customers to avoid losses from churn.

Although retention is cheaper than acquisition, that does not negate the importance of having a *"customer base"* (C5). All participants believe that acquisitions allow the startup to gather data and information about the customers. Case 5 explains how the more customer acquisitions they get, the more data they have, to make future decisions regarding where to allocate their busses and peak times. As another informant describes:

"In the beginning, the focus was on acquisition and awareness. Retention was not the main aspect during that stage. The goal was to acquire more users and data to be able to have a healthier base later on and do the growth hacks properly on a large scale" (C3).

C3 focused on getting their brand name known among coders, entrepreneurs, and large software companies. The more customers they acquired, the more they could collect data on these groups and identify how to retain them later.

Monetization can sometimes be a catalyst to quality issues and unsustainable growth strategies. In the beginning, C4 respondents indicated facing significant challenges because they did not keep track of their customers' needs and wants and focused their energy on increasing the number of transactions through lower prices. According to a respondent, "*we would create promotions and ruffles all the time to get more transactions, but then the orders won't arrive on time, and the supply won't be met"* (C4). As a result, the experience was *"dissatisfactory,"* and the startup lost many customers. Similarly, C5 respondents argue that:

"focusing on quality is the most important aspect for delivery. The most important thing is customer lifetime value and experience, so don't lower your experience for pricing" (C5).

In this case, the respondent suggests that getting higher gains from monetization should not impact the quality of delivery. Thus, they ensured to avoid quick hacks (e.g., promotions that alter quality) and opt for loyalty rewards such as getting a free ride after several rides by a specific date (C5). Customer lifetime value is mainly possible through retention (Croll & Yoskovitz, 2013). Nevertheless, pricing often impacts supply and demand, depending on the level of elasticity (Sedláček & Sterk, 2017). As one interviewee expressed, *"experience is extremely important. I need to have enough supply to promote whatever I'm selling"* (C4). Moreover, startups need to guarantee that the customer *"is willing to pay"* (C5). During the RiseUp event (2021), several interviewees struggled with monetization because they acquired customers with a promise of free

service; hence once they put a price on it, the customers switched to other competitors. It is advised to have a monetization strategy early on and not rely on *"a free service"* to scale since that will not be useful in the long term (C3).

While a couple of informants suggest that startups tend to have different areas of focus, all agreed that optimizing the funnel is the best way to achieve sustainable growth. Startups should work on *"maintaining a healthy funnel"* as their strategic direction since each activity performed has a spillover effect on the rest of the funnel and the business.

Planning. Planning was also identified as another stability requirement for growth. There were some controversies around the notion of *"planning."* Some felt that planning was necessary to prepare for changes in the market and build a solid foundation, while others considered planning a waste of time. As C2 informant describes:

> *"Our strategy was to understand the customer and grow organically…this organic growth led to aggressive growth, but we were always prepared for that because we planned ahead"* (C2).

The interviewee (C2) clearly depicts how planning allowed him to prepare for rapid growth and set their strategic direction. On the other hand, a C5 informant argues that planning is not as *"possible as we might think"* in startups.

> *"It's all emergent. You can't plan so much when you are starting something… you have just an idea, a hypothesis, barely that this is something that people will need that there is a product-market fit for it, but you don't know how you will use it, you don't know who will use it and why you don't know anything…reality is completely different from planning"* (C5).

Not all startups have the luxury of planning. In comparison to the C2 informant, the C5 informant operates in a highly turbulent context (Please refer to Table 4.1). Planning is more or

less feasible depending on the context and the market turbulence level. In fact, startups in turbulent environments tend to create scenarios and use their *"improvisational"* responses to the unexpected to create *"contingencies."* When the unexpected occurs, the case informant mentioned how the teams *"think on their feet"* and then *"just come up with solutions"* (C1). Similarly, the C4 informant indicates they had to make decisions in the *"heat of the moment"* but then learn from these instances to be prepared if a similar situation arise in the future. The C1 informant explains how scenario planning occurs:

> *"We developed contingency plans, plan A, B, C, D… we have a customer experience team, where basically they build scenarios of what happens if there's a theft case, what happens if there's a delay case, and there is like diagrams and flows of you know if this happens…we also have escalation processes, like let's say if there's a theft, how do we deal with the shipping? Do we have insurance? How do we make sure that this doesn't happen again?"*

The startup team found a balance between agility and stability. They utilized the information learned and scenarios developed to plan while staying agile to leverage opportunities and deal with threats.

5.2 Agility

Agility is the ability for a startup to move quickly, efficiently, and actively redirect resources to value-creating, bearing in mind context changes (Teece et al., 2016). Agility is thus related to *dynamic capabilities and improvisational capabilities*. We also found that agility is facilitated by validated learning (experimentation and build-measure-learn loops). Specifically, validated learning was more prevalent during times of *waves* when there is a bigger window of opportunity. Validated learning will be discussed in the *dynamic capability* section in the

prioritization category as it allows startups to prioritize between activities and opportunities relevant to their goals, not necessarily to scan for opportunities (*sense*), or capture value (*seizing*).

5.2.1 Dynamic Capability

Dynamic capabilities enable startups to prepare for and capture arising opportunities and handle threats effectively (Teece et al., 2019). Three categories in *dynamic capabilities* emerged from the data collection: *sensing, seizing,* and *prioritizing*. The process of *sensing* and *seizing* opportunities was considered the *"differentiating factor"* for startups that assisted them in growth (C3; C4). One of the speakers during the *"Unicamel Vs. Unicorn's"* talk (Please refer to Appendix A) described how the startup *"waited for the right time to kick off growth, based on how ready the market is"* he mentioned that they *"could sense it beforehand."* C2 interviewee confirms the importance of recognizing opportunities and planning *"the time to go for it."*

Sensing. Part of *sensing* opportunities is understanding the industry dynamics and retrieving the relevant information that allows the startup to maximize the *"benefits reaped from their assets"* (C5). A C5 informant indicates the transportation sector has *"a very peak driven pattern…a morning peak when people are going to work and an evening peak when people are going home from work."* Accordingly, the team questioned: *"how do we use our assets more than that?"* realizing that having buses for public transport at all times was not efficient since full occupancy was not achieved, and expenses were high. Their assets were *"at best 8% utilized."* As a result, they decided to *"utilize the assets for different forms of transportation."* They identified an untapped opportunity that caters to different lengths of commutes and peaks. The experienced team started to be creative, seek and seize opportunities. As described by an informant, the C5 team:

> *"Started breaking down the business into three segments. 1) is what we call retail, intracity b2c commuting, 2) one is the intercity, so moving from one city to another, 3) the final one*

is 'transfer as service' which includes corporate, etc. The three of them have different peaks across the day, week, and year. We wanted to deliver on speed and focus; we started to even break down our company internally into these three segments. Yes, it comes with the expense of efficiency from a headcount perspective, but it is made up for it through speed. Based on this, we were able to identify the cities to invest in where we can achieve maximum utilization and which segment to focus on for each city to solve for a better experience" (C5).

Seizing. Our data imply that *seizing* accompanies *sensing* opportunities (C1; C2; C4; C5). For instance, C1 discovered that 70% of their truck drivers in the Saudi market were of Pakistani origin; accordingly, they seized this opportunity by rebuilding the product and app in Urdu (a Pakistani language). Likewise, the C5 example in the previous *sensing* part demonstrates how quick mobilization of resources changes the whole internal structure to maximize utilization and efficiency to transition to another growth level. The experienced team quickly took decisions and *seized* opportunities based on *sensing.* The startup team *prioritized* speed over efficiency. They understood how to turn a short-term inefficiency into a long-term opportunity by fundamentally reviewing their internal operations. In summary, capturing the *"right opportunity"* has a *"flywheel effect,"* which is: the more the team utilized their bus asset, the more money vehicle owners could make. Thus, the less the startups needed to pay on a cost per seat basis because they *"had no opportunity cost,"* and the lower the startup could charge their customers, leading to more demand (C5).

Prioritizing. Another integral element of dynamic capabilities is *prioritizing* and choosing between different activities and opportunities. As C4 participants indicate, *"we have to be selective with our business projects; we can't do everything." Prioritizing* or *deprioritizing activities* depends on resource availability, time constraints, team, and experimentation. The C1 informant

explains how the startup had to *make a choice* because of their resources and team constraints. However, they prioritized activities to focus on sustainable growth:

> *"It seemed like we're going after everyone and anyone that moves loads. However, the resources that we had, the production capacity, and trying to double down on a specific persona needed us to basically make a choice...if we focus on both, we're going to divert the attention of not only the sales team but basically, everyone that's working on figuring out how to sustainably grow"* (C1).

In the other cases (C4; C5), the informants suggest that it is necessary to determine when to *deprioritiz*e activities. For instance, when COVID-19 started, C4 had to pause acquisitions and focus on retention, to protect its team. In the case of C5, the team discovered they were *"pushing"* their *"teams too hard, without work-life balance,"* to try to cater to all categories. They realized that they needed to *"pause"* and *"focus on areas"* they had *"maximum utilization"* in to maintain their *"growth momentum"* (C4, C5). Furthermore, respondents realized that prioritizing is more feasible through validated learning.

Validated Learning. Validated learning enables startups to cater to their customers without blindly pushing offerings that do not create value. For instance, the C5 informant believes that a significant blind spot of startups is that they *"have a bias to building for themselves."* Specifically, startups might *"build for problems";* they think they *"are cool"* or the team might personally be *"suffering from."* Consequently, customer needs and wants are often misrepresented, and this causes delays since prioritizing is done on the wrong opportunities. For instance, they thought about adding WIFI as a part of their bus experience while increasing price, but shortly they learned through customer feedback that customers preferred this as an option (not mandated), and the likelihood of using it was low. The team soon realized the "*need to build for the customers and captains"* through *"a very fast iterative process and experimentation"* (C5).

Likewise, the founder of the mobile software startup (C3) agrees; he advises startups to *"not get attached to their product, be flexible, talk more to the customer and validate your ideas."*

Based on the interviews, to validate ideas, startups should be open to *"fail and learn"* (C3). Earlier on, we discussed the build, measure, learn loops; this process is often used unconsciously by startups and applied to gather insights (Ries, 2011). One of the mistakes mentioned in the C1 interviews was that the fear of failure adversely affected the company's understanding of the customer and inadvertently led the team to invest time while seizing the wrong opportunity.

> *"So, when I joined, we were focused on SMEs, we wanted to scale and acquire 1000s of SMEs. But then once we did experiments and heard the feedback, we took a step back, and we said you know what, before scaling and going after SMEs, we need to focus further on building a comprehensive set of tools so that it will become a solution for a specific set of shippers. And then we scale from this solution to acquire more and more. So, I think this was one of the things that we didn't necessarily do right the first time"* (C1).

In this case, not doing the *"right thing"* is related to the fact that they didn't experiment from the start, were skeptical, and worried that they might waste resources. They learned the hard way that experimenting is a valuable tool and that it is better to experiment on a small scale and fail than it is to adopt an entire model on a big scale and fail. Another informant further elaborates:

> *"We were super focused on growth in terms of numbers. And we neglected that we were at a stage where we needed to focus on building the right product and not necessarily scaling what we had. We had to course correct and fail by design. If this experiment doesn't hit the KPIs or the goals that we set for it, we move on to the next experiment. At the end of the day, the faster you fail, the faster you are going to figure out what's best for the company"* (C1).

All informants agree that experimenting early on is essential because it allows the startup to "*identify which opportunities to prioritize*" for their business to grow (e.g., C2, C4). A prominent growth hacker mentioned: "*startups need to experiment… fast, keep it cheap, and keep it easy,"* to avoid running out of resources. His views are in line with C1 informants' experience. In fact, according to several respondents, the *"center to growth hacking is experimentation" (i.e., validated learning)* (C3).

Growth hacking starts with identifying the growth problem, experimenting, and then scaling. *"You don't know what, you don't know"* (C4), that is why it is crucial to experiment. By experimenting, one must be *"fast, efficient, and selective"* (C1). The key is to perform experiments that are not just *"quick hacks"* (C3) but *"hacks that can scale and be repeated"* (C1). For example, in the case of C3, the team found the following strategies valuable and worthwhile implementing: offering free trials, using referral programs, experimenting with different content types through A/B testing, and pushing content to suitable mediums such as Hacker News. While promotional ads and cold emailing didn't work for them. Through experiments, they were able to find appropriate marketing strategies that align with their objectives. Experimenting can help prioritize strategies within the different areas of the marketing funnel.

One informant suggests:

> *"To scale growth and make money, you need to experiment with the top channels or the top activities that you want to experiment with, based on reaching a specific goal. Whether its acquisition, awareness, or retention; because sometimes the growth teams in some companies are focused on retention and other teams are focused on acquisition"* (C1).

It is common to experiment with different activities within the marketing funnel's different *"areas of focus"* (C2). Since, as earlier mentioned, it helps the business *"validate their learning"* (C1; C2). According to several respondents, the process goes as follows: the team experiments to

"reach product-market fit." They start *"working on the entire funnel"* to prepare it for growth, and then finally, scaling occurs (C3). As another interviewee specifies:

> *"I generally tend to go with a company that's approaching product-market fit, and I basically work on the entire funnel. And then, we start dissecting the funnel further once we reach product-market fit. Then we experiment. After that, we identify the costs and the ROI. And then started pulling in more resources so that we increase our ROI, whether it's through hiring more people, or maybe putting in a bigger budget or scaling the activities that are already happening within a specific channel"* (C1).

This comment simulates the same steps as described in Figure 3.1 (e.g., 'Startup Pyramid' in Chapter 3 – to verify).

Although experimentation requires agility, it is not always feasible when high turbulence occurs due to a small window of opportunity; thus, improvisational capabilities are also needed in startups.

5.2.2 Improvisational Capability

When unpredictable events occur, startups must spontaneously reconfigure their resources to handle the situation (Pavlou & Sawy, 2010). In some cases, improvisation was built into the team's DNA (e.g., C1, C4, & C5). They believed in the importance of *"thinking on your feet"* (C1). Nevertheless, times of high turbulence *"increased resilience"* and became a period where they had to be more *"efficient so that the economies don't crumble or just freeze"* (C4).

Real-time information. To improvise, startups relied on real-time information to come up with quick action plans:

> *"Let's say at 2 am I want to know what's happening. I could log on to Salesforce and I know that this week if we have any opportunities that are going from x to y and we have a*

shortage in the trucks there, I would deprioritize these accounts or I would reach out to them and say you know what, let's pause for a while" (C1).

Most startups invest in platforms that will provide them with *"day-to-day data"* through tools such as SalesForce because it enables them to be highly responsive (C1, C3, C4, C5). Through the data analysis, we discovered a pattern where startups that rely on operations require more improvisation on a daily basis than startups that are more reliant on technology (e.g., SAAS Startups).

"I think improvisation happens on a daily basis...with operations. There are things happening by the minute. And there are like ridiculous stories ...a truck that disappeared...what's great is that most of the operations team think in the heat of the moment, they just come up with solutions" (C4).

Bricolage. Bricolage is a key element of improvisation. The participants indicated that resource scarcity adds pressure on startups to *"make choices"* and *"double down on winners"* (C1). To illustrate, C1 shares how their truck drivers were afraid to operate during curfew hours in the pandemic despite authorities providing them with an exemption. Consequently, they decided to increase their *"carrier onboarding"* which led to a significant jump in their "*new carriers metric"* and reductions in their delivery times. Due to restrictions, startups are propelled to creatively leverage their resources: *"improvisation is all about pulling in the right resources, in a creative way"* (C3). C4, for instance, made use of all their *"eyes and ears on the ground"* during a technology malfunction. C4 allocated account managers and agents across different delivery checkpoints and immediately sent them an SMS with delivery schedules to ensure "*things would run smoothly."* They were able to do so through mobilizing their resources quickly and using the

data they had stored in their data warehouses and on their personal computers to provide a timely solution to resume operations.

Furthermore, C2 faced unexpected legal complexities while negotiating a contract with clients, instead of hiring lawyers, they came up with a creative solution that leveraged their resources and enhanced support by the ecosystem. They quickly created a strategic partnership with one of their competitors, leading to a win-win situation—the business utilized *improvisational capability* to deal with varying turbulence levels. (Pavlou & El Sawy, 2010) Nevertheless, they established a co-creation mindset between partners to enhance value for all stakeholders (e.g., Service-Dominant Logic, Farhana & Swietlicki, 2020; Ng & Vargo, 2018).

Resilience. Although businesses respond to turbulence differently, in this study, the findings suggest that startups with improvisational capabilities view threats as opportunities to become more *resilient*, disrupt routines, and be innovative. Generally, resilience refers to the capacity to withstand and recover from "challenges, pressure, or stressors" (Alliger et al., 2015, p.176). The first form of resilience that came to light from our data is supply chain resilience. *Supply chain resilience* is defined as "the adaptive capability of the supply chain to prepare for unexpected events, respond to disruptions, and recover from them by maintaining continuity of operations at the desired level of connectedness and control over structure and function" (Ponomarov & Holcomb, 2009, p.131). Supply chain resilience is based on the capacity of a firm to adapt and recover from supply chain disruption. The prominent disruption mentioned by the informants was COVID-19 (C1, C4, C5). C1, C4, and C5 share that to increase their supply chain resilience, they performed supply chain mapping where they would map out the origin point for their customer's goods: C1 gave us much oversight.

"We were able to see the hit in our imported loads early in Feb due to a slowdown in Chinese movements, and accordingly, we shifted gears to serve other customers for us to keep the ball moving. Without that kind of detailed supply chain mapping, it would have been difficult to know where our vulnerable links were" (C1).

Aside from supply chain resilience, all cases highlighted the importance of team resilience. Whenever the interviewer asked the respondents about the pandemic, they all mentioned that despite it being challenging, it opened the door for them to discover new opportunities and get closer to their teams. A resilient team has the capacity to resolve challenges and respond to disruption flexibly and effectively (Alliger et al., 2015 p.178). C2 explains how the team would work overtime at a point during the pandemic *"so as not to waste the amazing opportunity of providing schools with the optimal payment solution,"* but then once the storms settled, the team rested and enjoyed more time for themselves. According to the respondent, resilience allowed the startups to excel. Likewise commenting on the impact of the pandemic, another interviewee said, *"if you look at what happened this year, we just raised $2 million. So, if anything, it helped us show that as a company, we're resilient"* (C1). The storm was the proof they needed to show how resilient the team was.

Signal for Transformation/Pivoting. Nevertheless, threats acted as triggers to positive change for improvisational startups. As an interviewee said, *"the pandemic changed a lot for us. The rate of innovation had to change because we stopped thinking about ten years from now and started thinking about tomorrow"* (C3). This view was echoed by another informant (C5) who suggested that the *"team got a wake-up call they needed to become more innovative because of the pandemic."* C5 struggled to get people who signed up for their bus services to activate and take a ride, but COVID-19 provided the team with the *"opportunity of introspection."* According to

C5, their approach prior to the pandemic was to *"grow at all costs— to create supply first and let demand come."* However, soon after, they pivoted where instead of launching their entire network across the city on the first day, they *"identified pockets of demand, and strategically created supply to fulfill the demand that already existed."* This new technique is called *"hyper-local targeting."* C3 explains that *"more is not always better,"* where they also had to pivot to provide their app solutions to big companies instead of SMEs because it was more aligned with their goals at the time.

Similarly, in Case 1, the trucking freight company experienced a government policy threat that signaled them to pivot. They explain that the government-imposed curfews during the start of the COVID-19 pandemic initially reduced order fulfillment (because of less time to deliver), which meant a decline in revenues and growth. However, they immediately responded to this threat by pivoting their *"sales efforts towards COVID-19 proof industries, such as food and hygiene, and away from petrochemicals and non-essentials."* The takeaway from this experience is to *"pivot, not panic"* (C1). These findings substantiate that *pivoting and* transformations are more likely during *storms* than *waves*.

The most striking observation to emerge from the data comparison was that errors are viewed as part of innovation. In startups with improvisational capabilities, errors are corrected, not avoided. They are surprisingly encouraged by the startup team. As one interviewee specifies:

> *"I was super afraid of making mistakes, but I remember one of the founders told me that this is my budget and this time is just for you to invest in feeling, since the faster we fail, the faster we can shift and figure out what's best for the company"* (C1).

In this case, the company allocated a budget to allow the team to experiment and improvise without being afraid of the repercussions. Another interviewee gave an example of a time when the errors helped them identify whether to pivot or stay as-is. He said:

> *"We reached a point in time where we felt the deal closure was taking too much time and upfront cash. We weren't happy with that direction. We actually realized that the mistakes we made during that crazy time gave us the signal to pivot"* (C2).

In C2, they pivoted from providing their service to training facilities to educational entities (Please refer to Appendix C). Errors are a starting point for change and on-the-spot strategies; hence they are encouraged as a source of pre-emptive transformation. Besides, through errors and fast experimentation, an organization can achieve growth. Another pivotal element that impacts the potential and sustainability of growth is team & leadership.

5.3 Team & Leadership

The team brings all the different activities in a startup together. In all cases, the participants reported that their growth and achievements would not have been possible without their teams, and more precisely: *team alignment, culture & support, the growth mindset, and hiring at pitfalls.*

5.3.1 Team Alignment

Without proper alignment and communications, the startup will not sustain its growth. To make sure there are transparent and clear channels of communication, most cases (C1, C3, C4, C5) relied on *"continuous feedback loops"* and developing several *"feedback touchpoints"*:

> *"We have a continuous feedback loop, where basically we get the sales team to talk to the account management team and the support and success team on a weekly basis. And we have a sales operations team that is working under the growth team, and they work with*

all the different teams to ensure that if there is feedback…we also log all the different feedback points that we do at meetings" (C1).

Feedback allows startups to stay updated with all changes, particularly as the teams grow. The informant C5 explains how they started. "It was a small space where all the team worked together in a tiny room"; they were *"on top of things."* However, as they expanded and added more departments, they recognized that they had to *"invest in communication tools"* and *"always update information on their communication channels"* to avoid duplications and errors.

Interestingly, a few informants consider maintaining team alignment under the growth teams' responsibilities. As one informant explains:

So growth becomes the team that basically coordinates and works with all the different teams to ensure growth, whether it's on the operational side or whether it's on the product side. All are intertwined together, relating it to the brands, the brand mission, and also basically having a unified target that everyone is working on" (C1).

It is clear from the response that there should be alignment and a *"unified target"* agreed on before growth take-off. According to C3 participants, this alignment *"increases the likelihood of successful growth strategies."*

Nonetheless, all participants concur that with the COVID-19 pandemic hitting, team alignment is even more crucial. An informant reported that: *"with COVID remote working and having a large team, you can easily find yourself working in a silo without knowing who's doing what because you're not in the same office"* (C5). The primary concern encountered by most respondents was the negative implications of working in "silos." As an informant describes, *"isolated skills don't work"* (C2). However, a few respondents assert that working in silos is not *"bad for all teams."* Specifically, in C3, the engineers in the mobile software startups were able

to *"increase concentration"* and finish their *"task efficiently."* The informant even claims that these engineers became more productive during the pandemic (C3).

On the other hand, in C3, the product and growth teams suffered, not more than *"30 to 40 percent of the percent of the job sitting down, writing product requirements, and reviewing use cases and designs".* The other portion of the job is based on relationship building:

> *"as a product manager, a lot of what you do day to day is forming relationships, jumping in to understand one thing or the other… like going in and out of meetings…asking someone to do better…understanding how they see the world and how they can make the product better. So, it's an in-person walk and talk type job"* (C3).

We can infer that the job of a product manager is very dynamic. Another informant communicated how it is also challenging for the growth team. The informant shared the following:

> *"Trying to recreate all of that beautiful kind of set of coincidences that you've had in the office and trying to take that and kind of turn it into a list of meetings that you have in your calendar is obviously it's not the same thing you can't just like 'kind of 'call a meeting' coffee"* (C5).

Relationships prior to the pandemic were more organic than during the pandemic. Furthermore, communication would easily flow because there was no need to formalize the process. A C2 informant echoed this view and voiced how sometimes the team wants to communicate *"something tiny like a five-minute thing," but "it feels odd to schedule a small meeting."* As a result, they would *"go on for months just de-prioritizing that thing,"* whereas activities and communication can be completed quickly and not put off in the office. On that note, the C3 informant depicts how this influences the startup:

> *"So the way that this affects the company is that sometimes you have to over-communicate and over meet to get stuff done properly. Because every single time you meet, you're like*

'oh we uncovered another blind spot' or 'uh you know I can't believe we didn't talk about this" (C3).

In summary, communication is more strained during the pandemic for some teams than for others. The startup must provide feedback and team alignment. As suggested by one C1 informant, one way to achieve alignment is to *"have data shared between teams and regular and religious feedback touchpoints."* Moreover, during high turbulence like the pandemic, having a solid team foundation through culture and support can act as a shield against any hurdles that may arise.

5.3.2 Culture & Support

The participants were unanimous on having a unified vision and a strong team culture to sustain growth momentum through varying turbulence. During the "World of Mass: Mobility as a Service" panel (Please refer to Appendix A), one of the participants shared that: *"culture is the genes and DNA of any startup. It is established from the early founding team where the founders must be role models to the whole team."* Culture is initiated by leadership and shared purpose:

> *"the biggest asset we have is people. Everyone with us knows we have a purpose.... just knowing that we're doubling down on the core values…. like you see the real impact of when you launch feature x, or when we roll out a specific program how it affects the carriers on the ground, you can see it. Also, the same goes for shippers. It brings you joy and makes you feel like you're part of the entire entity"* (C4).

The purpose forms the link between the different team members and allows them to create value internally and externally with other actors involved in the ecosystem. Through mutual respect and support, talents within the startup may feel more confident and open to experimentation, which in turn leads to innovation. A C2 participant claims that *"if you look at your team as your own, even when they make mistakes, they'll always make up for it."* Similarly, when the team believes they "are in it together," they are more likely to stick around and help the

company. For instance, in the case of C1, when the company did a brand lift, the entire team posted on their accounts and LinkedIn to support their startup. Multiple key actors in the ecosystem give credit to teams for the success of a startup: *"everything we know is due to having the right people around us. The team is the whole equation"* (C3). Furthermore, results indicate that team members are supported to pursue their goals even if that involves leaving the startup.

5.3.3 Growth Mindset

All interviewees noted that growth is a mindset where *"resilience, patience, and self-awareness*" are the pillars. Resilience allows the startups to prevail and improvise during high turbulence (Shepherd & Gruber, 2021). C2 informant insists that *"the mindset required for growth is resilience."* Likewise, C3 informants note that "*growth is the mindset that entire rallies around."* Nader Sedky (Please refer to Appendix A) proposed a solution to avoid growth hacks that are not sustainable, which is that "every function in a company must serve growth." C5 startup exemplifies how this is done:

> *"For us, it was organizational Growth Hacking. We started even giving data access to everyone inside the company, and we started demanding that you cannot join unless you can code because you cannot make a decision without data; you have to be able to navigate it. The moment we did this innovation started to become a bottom-up more organic process"* (C5).

This statement indicates that growth hacking is a way of thinking strategically and requires a growth mindset. It is applied to marketing and to the organization as a whole; the C5 respondent refers to this as *"Organizational Growth Hacking."*

According to the Fawry the most prominent fintech startup in Egypt, to grow, *"you need to be eager. You need to be thirsty for growth. The ability to change and step into the future requires that and won't happen without it"* (RiseUp Summit, Please refer to Appendix A) while

patience helps the founders and team lay the foundation and prioritize transformations and opportunities. Finally, self-awareness entails understanding the startup's capabilities and working on improving them.

5.3.4 Hiring At Pitfalls

Many startups fail due to a lack of self-awareness in the founders themselves. Ego is a startup's poison since founders often assume they can "*do everything, which causes them to fail" (C3).* Failure occurs due to the misallocation of talents, being overworked, and arrogance. As one informant put it: *"If you don't bring on the right talents, you won't be able to scale up."* Therefore, founders should learn when to *"let go"* (C2), *"hire at their pitfalls"* (C3), and rely on other experts to do their jobs. Notably, a few participants urge startups to be *"deliberate"* about hiring people, even if they make a few mistakes. As one respondent mentions: "*with hiring, you can fail, and you can test it out, you will get people that work for you and some others that don't"* (C3). The main takeaway of the team and leadership category is to ensure team alignment, not be blinded by confidence, share a strong purpose, hire at pitfalls, and have a growth mindset.

5.4 Entrepreneurial Ecosystem

Further analysis of the data reveals that the Entrepreneurial Ecosystem in Egypt is in the growth stage amidst highly turbulent s*torms* (Please refer to Table 2.3). First, there is an increase in the number of actors supporting venture creations: academic institutions offering entrepreneurship competitions and courses, incubators creating programs that teach startups how to validate learning, and investors offering funds and mentorships for startups. Second, there is a rise in the number of new startups in Egypt, many of which are serial entrepreneurs. Third, technology is booming, and *"everyone is hungry for digitizing the industry"* (C5), generating more opportunities for venture creation. Fourth, several unicorns are born and rising in the ecosystem

with more than $1 billion valuations. Finally, the environment is highly turbulent at this stage. We broke down our Entrepreneurial Ecosystem category into three main subthemes: *digital technology, environmental turbulence, and investment*.

5.4.1 Digital Technology

In this study we refer to the enabling role of digital technologies in startups and their ecosystems. The growth of the entrepreneurial ecosystems is accelerated due to advancements in digital technologies. *"Tech has been a key factor in driving the economy forward"* in Egypt (Mira Arif Talk at RiseUp Summit, Please refer to Appendix A). Technology opens the door for uncovering opportunities, and as one informant indicates:

> *"I think that moving forward, it is going everything is going to be digitized, and super-fast-paced, and it's gonna use analytics and data to basically make efficiencies in this market on both ends" (C1).*

C1 elaborates that they are now using E-Voices (i.e., automated digital shipper invoices), digital proof of delivery documents, Track and Trace (i.e., a feature to offer visibility on cargo and status updated), cashless payment, and live chat support. These new technologies allow them to increase the economic advantage to all stakeholders (actors) in the marketplace, particularly carrier partners. Nevertheless, C1, C4, and C5 explain that digital products allow logistic-heavy industries to drive less human interaction, such as digital cash payments replacing the typical interaction-heavy, paper-based infrastructure. This shift is essential to safeguard workers from the pandemic. As for non-logistic heavy industries, digital technology enables them to plan, find trends, and navigate through storms.

Technology drives growth in startups; some informants consider it the *"most valuable tool"* (C3). It allows startups to further their customer discovery. Several respondents commented

that data analytics and automation need to be spot on in the growth stage to help them make quicker and more informed decisions.

> *"Automation help with creating models for forecasting and predicting based on past data and visualizing to make it easier, later on, to expand significantly"* (C4).

Like automation, earlier in Section 5.2.2 *Improvisational Capability*, we also discuss how technology allows for supply chain mapping.

Many founders believe in the power of data and call it a *"gold mine*" (C5). With technology, growth is *limitless* (C4). Technology needs a team that can intelligently filter through overwhelming data and offers actionable plans. One participant remarked that:

> *"Technology is a people game. If you can't find the right talents to bring on with you. You are dead in the water."* (C4)

A mix between the *"right talents*" (Please refer to section 5.3.4 *Hiring at Pitfalls*) and learning to harness technology effectively will assist startups in planning and pulling through while in environmental turbulence.

5.4.2 Environmental Turbulence

Environmental turbulence is currently high in the entrepreneurial ecosystem mostly due to the recession and pandemic. Several discussions with individuals during RiseUp (2021) indicate that it is difficult to navigate as an early-stage startup during storms. This is especially true if the startup does not have the right team and does not know how to *prioritize* and *seize* opportunities. The principal investigator heard several stories from startups during the RiseUp (2021). Startups face challenges in retaining employees, hiring good talents, and building trust with their team. In one case, a team member *"stole the startup's idea"* and clients and went off on his own. The lack of trust and the *"growth at all costs"* mentality stifles the growth of the entrepreneurial ecosystem

as a whole (Mirna Aref, Please refer to Appendix A). According to the Advisor of the Ministry of Tourism & Antiquities:

> *"We are in recession and top that off with the pandemic; startups are struggling to scale up. So today more than ever we need to support the ecosystem and help startups to scale and survive"* (Please refer to Appendix A).

Turbulent environments call for support. The ecosystem is coming together to help entrepreneurs navigate through storms. Ayman Ismail, Director of AUC Venture Lab, claims that incubators and accelerators must evolve to cater to the changes in the ecosystem:

> *"Year after year, we witness the change in the lineup of startups, their experience, and the increasing level of complexity. Our program is now more focused on growth and business-building"* (Please refer to Appendix A).

Surprisingly, startups have more opportunities than bigger organizations, despite the difficulties they face from resource scarcity, lack of know-how, and increased risk. The result is somewhat counterintuitive: the main reason startups are at a higher advantage than corporations rely on their agility. As the founder of Vezeeta summarizes:

> *"When the economy gets tough, entrepreneurs have a better opportunity than big companies because they are more agile*" (Please refer to Appendix A).

Similarly, in the "Current State of The Entrepreneurial Ecosystems" panel, one speaker claims:

> *"The lack of opportunity actually creates new opportunities because you're faced with so many issues that need a solution."*

Some informants went further to say that startups are "lucky" because they have the chance to achieve "rapid hyper-growth" (RiseUp Summit Interviews, Please refer to Appendix A). According to Ashraf Sheta during the "From Ideator to CEO Exploring the Mindset Development" workshop, *"luck favors the ready."* Similarly, most of our participants contend that startups have

to be resourceful *"bricoleurs"* and think about value creation for the ecosystem. As the C2 informant summarizes:

> *"You also have to understand the nature of your business and the value chain partners; you have to see who is actually involved, whether it is a tech company, incubators or accelerators you have to learn to capitalize on every single resource"* (C2).

The process of capitalizing on every resource fall under *improvisational and dynamic capabilities* since it involves creative leveraging and *seizing* opportunities. Nonetheless, getting investment is among the top resources' startups should capitalize on.

5.4.3 Investment

Investments provide startups with the boost to launch into growth. All our respondents have investments because they believe investment allows them to unlock their potential and achieve their goals. When asked*: "what would you have done differently"* looking back on your experience, one informant in C2 said: *"I would have fundraised earlier because I was purely depending on cash, family, and friends, and that influences growth potential."* Even though bootstrapping helps build a culture of resilience and self-challenge, it is not usually sustainable for growth. Part of the reason startups do not want investments is because they believe they will lose control. They also *"fall in love"* with their ideas, making the transition from product-market fit to growth harder (C4). As one respondent describes: *"don't be very defensive about your startup; you need to look at how the market is very fragile and use what you can get"* (C4). Investors can be a huge asset during the growth stage, *"you just need to choose the right one"* (C3).

Most informants explicitly noted the significance of selecting the right investor. Selecting wrong investors can be a nuisance in a startup and *"create many problems"* (C3). The investor relationship is not only about funds; hence before agreeing to an investor, our informants advise

startups to *"double-check that goals are aligned"* (C1). Some investors are *"solely after short-term profits"* (C4), while others are focused on the team and want to make sure that *"the founders are a part of the gang that did this before"* (C3). Accordingly, it is important to take the time to build a relationship with the investor to figure out *"which investor is compatible"* with the "*founder's vision and the core values of the company"* (C1). One interviewee shared his views on how his startup categorized the different types of investors:

> *"We break down investors into three buckets: the A+ investors who are absolutely amazing, who help you all the way with everything you need, but they're only there when you want them, which is very, very important here. Then there is A- investors who give you money, don't bother you, and let you run the show. Then the third bucket of investors have good intentions but impose themselves and end up creating problems"* (C5).

The first bucket is ideal for any startup and intuitive because it balances support and autonomy. However, the interpretation of the remaining two buckets was rather unexpected. Initially, we assumed that investors who invest time and play a role in decision-making are more favorable than completely hands-off investors. This example shows that startups appreciate support but value decision-making and autonomy more. It also demonstrates that investors that are *"too involved"* can harm the business. Most of the informants explain that *"problems arise"* because investors in the third bucket do not "*live the day-to-day"* (C5). Further, they do not fully grasp what the startup is "suffering from" (C5). Consequently, assumptions are made, resulting in conflicts and delays in growth.

Startups are willing to *"compromise their own economies"* (C5) for suitable investors. A C1 informant remarks:

"I remember that in some of the calls. They used to tell us okay, there is a potential investor that could basically cover the entire ticket, but we don't want to go with that investment because we don't think that they are aligned with our long-term goals. So, they took some hits to make sure that whoever comes in is actually worthwhile" (C1).

The fact that multiple startups are willing to *"take hits"* and suffer in terms of gains is further ground to the importance of investor selection.

The optimal way to deal with an investor is to find the *"sweet spot"* (C1). Some informants felt they had to *"be not too available" and "create a fear of missing out"* to deal with investors (e.g., C1, C4). In contrast, others considered this approach unnecessary because if the startup has a *"clear path towards growth"* (C2) and *"high demand"* (C3), by *"default,"* investors would want to be a part of it. According to the C5 informant, the approach was different; they were *"successful in creating a very personal relationship with their investors,"* one in which they *"looked out and care for each other."* Furthermore, a C5 informant emphasizes the significance of "*maximizing the value for investors*" and the fact that they've *"always put them before us as founders, and we've always put our team before everyone. We've managed to build a very solid personal relationship with everyone."*

Chapter 6

Discussion

In this chapter, we present answers to the research questios while considering the implication and limitations of the findings. We also offer a practical guide for startups consisting of ten pointers to help entrepreneurs achieve sustainable growth momentum.

6.1 Answering the Research Questions

6.1.1 Capabilities necessary to navigate challenges and turbulence (RQ.1)

What are the capabilities necessary for startups during the growth stage? Particularly,

I. *In the face of challenges and hurdles (e.g., resource constraints)*

II. *During varying levels of environmental turbulence: mid-level turbulent environment (i.e., waves) vs. high-level turbulent environments (i.e., storms).*

The first question in this research sought to determine the capabilities required to sustain startups' growth momentum. This study shows that both *dynamic and improvisational capabilities* are necessary, steered by *strategy direction*. This question is answered in two parts:

1. We will discuss how a balance between agility and stability plays a role in startup survival and growth during resource constraints & high turbulence.
2. We will reveal the unexpected results for each capability.

This study confirms that a balance of agility and stability is possible (Collis et al., 2021; Lütjen et al., 2019; Teece et al., 2016; 2018) when organizations take their time in the early stages of startup development to lay the foundation, gather information, and decide on their strategic direction. Our analysis verifies that agility and stability are “two poles of a continuum that are interdependent” (Laser, 2020). Again, agility dimensions (i.e., *dynamic* and *improvisational*

capabilities) do not work in isolation as presented in the revised conceptual framework below (Please refer to Figure 6.1); agility requires a level of stability and strong team and leadership. In startups, we are taught that agility is the most crucial aspect for growth; however, too much agility without stability can lead to a loss of company orientation and failure (Schumacher et al., 2016). Similarly, Picken (2017) argues that startups prematurely scale by trying to grow without laying a solid foundation, which "precipitates failure as transaction volumes overwhelm inadequate systems and infrastructures or outrun the capacity of the management team" (p. 589). On the other end of the spectrum, if a startup does not have agility, it will not be able to handle *storms* and deal with resource constraints, and service quality might suffer. In this study, laying the foundation involves product-market fit, product-channel fit, and building a fixed backbone. According to all our participants, a startup will not sustain its growth or survive without these factors because the key is building *scalable architecture* (Ayman Ismail, Please refer to Appendix A). Startups must decide on their "backbone" in the early stages before growth to leave room for agility in other supporting functions (Aghina et al., 2015). Further, laying the foundation alone does not suffice for the transition to growth; *validated learning* allows startups to plan strategically.

Startups require information to balance between agility and stability. One source of information we found that assists a startup in being agile is validated learning. In the initial framework (Please refer to Figure 3.2), we assumed validated learning fell under *improvisational capabilities* (as part of the lean startup) since fast iterations are required to experiment during high turbulence to quickly discover the best course of action (Ries, 2011). However, after deeper inspection of the data, we realized that validated learning helps startups prioritize which opportunities to seize. When adopted early before growth, it also helps startups develop their strategies following the startup pyramid steps (Please refer to Figure 3.1) to identify product-market fit (through MVPs) and product-channel fit (Ellis, 2015; Traynor et al., 2018). Hence, it is

more suited for *dynamic capabilities*. As earlier discussed by Pavlou and El Sawy (2010), strategies are *"not always fully formed rather arise through trial and error,"* and during storms, validated learning is not necessarily feasible due to the *"small window of opportunity."* Still, that does not negate that validated learning is a part of growth when there are resource constraints and *waves*, but not during high environmental turbulence (i.e., *storms*). Notably, we uncovered that growth hacking specifically demands validated learning and experimentation throughout the marketing funnel to select the most suitable growth hack for a startup. Validated learning also helps with customer discovery, understanding and reduces the likelihood of myopia (Blank, 2013). Accordingly, validated learning is the main link between strategy and agility, especially when faced with resource constraints and resource allocation issues.

Nonetheless, we can infer that *dynamic capabilities* are also guided by strategic direction through planning. Planning is complemented by technology. The access to real-time information and data on the industry, customers, and actors helps startups position themselves and decide on a growth strategy to adopt that provides them with prolonged growth. Interestingly, we found that startups use automation and business analytics to predict future trends and opportunities. Our findings support Correia et al. (2020) claim that business performance (in this case, growth performance) hinges on a company's capacity to collect relevant market information on customers and competitors and utilize it to respond to market changes (i.e., challenges, trends). Hence, startups are more equipped to *sense* opportunities and threats based on data. Nevertheless, real-time information enables *improvisational capabilities* because it allows startups to react quickly to novel events and recognize them; without it, the risk of improvisation failure increases (Eisenhardt 1989; Pavlou & El Sawy, 2010; Vera & Crossan 2005).

Similarly, through market research and past experiences, existing resources can be employed for new opportunities and prepared for specific situations (Please refer to Table 2.2).

For instance, in one of our cases, the startup developed contingency plans to counter potential obstacles that may arise and deal with them immediately. As far as we know, scenario planning was briefly described by Teece et al. (2016); however, it was not clear whether it is considered a part of *dynamic capabilities*. This study shows that scenario planning is more likely a stability element that aids in sensing opportunities in *dynamic capabilities*. Laying the foundation also plays a role here because it allows startups to capture and *seize* opportunities seamlessly. Not only does planning enable more efficient resource utilization, but it also allows for the development of stronger *dynamic capabilities*. These findings substantiates McGrath et al.'s (2019) claim in the literature that strong *dynamic capability* allows startups to benefit from agility through being more efficient and saving money.

Our findings also suggest that when dynamic capabilities are coupled with strategy, "judicious levels of agility" are more likely to occur (Aghina et al., 2015, p.2). This coupling is crucial because it enables startups to strategically allocate resources without being "diverted to every opportunity and threat that successful search reveals" (Teece, 2007, p.1326). All our informants emphasized *prioritizing* opportunities and deprioritizing activities based on the startup's strategic goals. Likewise, Kornel (2018) and McGinn (2012) suggested that hopscotching between ideas is dangerous for startups and can drain resources. Therefore, startups should *prioritize* opportunities based on their strategic direction and what they learn from data and experiments (i.e., validated learning). The present study raises the possibility of *prioritization* being added to Teece et al.'s (2018) proposed *dynamic capability* categories of *sensing, seizing, and transforming* (Please refer to Table 2.1).

Nevertheless, contrary to expectations (Ma et al., 2020; Teece, 2014), our findings imply that *transforming* is more suited as a category in *improvisational* rather than *dynamic capabilities* (Please refer to Figure 6.1). In our cases, *transformations* and pivots occurred due to sudden

obstacles encountered or mistakes made by the startup, such as taking the wrong decision. Surprisingly, we discovered that errors are encouraged and are not viewed negatively but rather as an opportunity to innovate. In our case set, errors were a source of *pre-emptive transformations.* Moreover, we believe they fall under *improvisational capabilities* because, as e Cunha et al. (2009) put it, "improvisation espouses an aesthetic of imperfection" (p.186). Future studies on the current topic are therefore recommended. All the aforementioned factors will not be achievable without proper team and leadership.

6.1.2 The Growth Mindset (RQ.2)

What mindset (team and/or individual) is required for startups to successfully sustain the startup momentum?

Concerning the second research question, we discovered that both the team and entrepreneur must share a growth mindset to achieve sustained growth momentum. Growth mindset was initially discussed in growth hacking; however, we found it essential to run the business (Troisi et al., 2020). The core of this mindset is resilience, which enables startups to adapt and prevail during storms or in the face of obstacles. As Dweck (2016) said, "individuals with a growth mindset tend to worry less about looking smart and put more energy into learning" (p.10). Through learning, startups can strengthen their capabilities and improve their strategies. According to our study, the key is for the entire company to embrace the growth mindset.

Our results seem consistent with Dweck (2016) who found that startups adopting the growth mindset encourage risk-taking and learning from failures. Besides a growth mindset, a team must be aligned and not work in silos to allow innovation and growth. Team alignment is possible when there is a sense of community and support within the startup. Culture and support motivate teams to collaborate and build relationships (Picken, 2017). Surprisingly, we found that building a strong support culture promotes team members to become entrepreneurs. Almost all our

informants that are founders worked in other successful startups before founding their own. The most striking observation was that the startups they once worked in helped them find connections and access resources.

Lastly, it is up to founders to identify the gaps in the team. Furthermore, founders sometimes need to step back from certain activities and let the experts handle them since ego is very dangerous. Our findings align with past literature on the notion of overconfidence (Hogarth & Karelaia 2012; Invernizzi et al. 2016; Malmendier & Tate 2015; Ucbasaran et al., 2010). Overconfidence in entrepreneurship is mainly described as an entrepreneur's inflated belief in his abilities and overestimated positive outcomes based on their decisions (Szerb & Vörös, 2021). We see this in several cases where the entrepreneur initially has a "bias to build for themselves," which leads to superficial growth or losses of resources (e.g., capital and time). However, in our study, the entrepreneurs' mistakes due to overconfidence were a part of their hard-learned lessons and allowed them to eventually hire at their pitfalls. Unlike the literature, our finding suggests that entrepreneurs with a growth mindset can learn to re-think their expectations for the best of their startups. Accordingly, our analysis indicates that hiring at pitfalls and the growth mindset plays a vital role in team and leadership (Please refer to Figure 6.1).

6.1.3 Sustainable Growth Hacking Momentum (RQ.3)

How can startups achieve sustainable growth through "growth hacking" while co-creating value with different ecosystem actors (e.g., universities, government, and investors)?

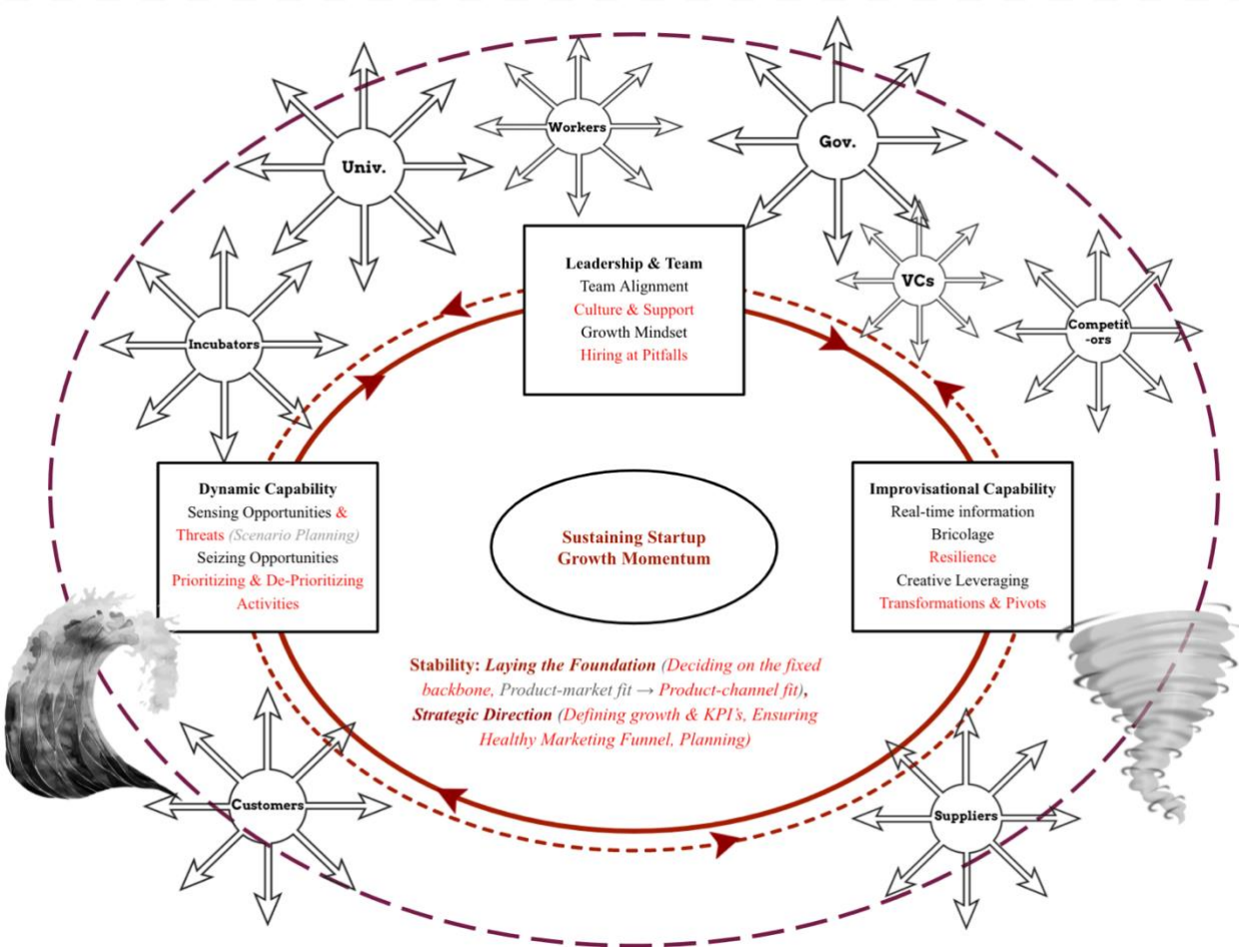
We uncovered that through the "macroeconomic perspective", growth hacking has the potential to lead to sustainable growth (C2). The most striking result to emerge from the data set is that the means of growth hacking is irrelevant, as long as disproportional results occur. By means, we are referring to the resources and tools used. However, contrary to some previous literature, we do not define growth hacking as a set of cross-disciplinary skills such as marketing

and engineering (Bohnsack et al., 2019). Our findings corroborate Sabry's (2021) claim that growth hacking is about using "fewer resources to get more out of what you are doing to get disproportionate results" (p.4). To achieve exponential growth, through growth hacking startups learned how to double down on winners, utilize data, allocate their resources, and even creatively leverage the entrepreneurial ecosystem.

Interestingly, we learned that creative leveraging and bricolage are not bound by the resources or capabilities an organization has on hand. Value co-creation and benefiting different actors in the ecosystem can allow startups to unlock new opportunities and growth hacks (Please refer to Figure 6.1). These results reflect those of Ng and Vargo (2018), who argue that value should not be viewed as "something created by a single actor (i.e., firm)" but instead as a "co-creative endeavor" (p.518). Acting as one coherent body and co-creating value among actors will not only help startups seize opportunities, strengthen their *improvisational capabilities*, and reach sustainable exponential growth but also allow them to drive ecosystem growth.

Furthermore, to maximize the value created for actors, startups should optimize the entire marketing funnel, not just one area. Making sure the marketing funnel is healthy will increase customer satisfaction and retention, resulting in more opportunities for suppliers, positive returns to investors, and profit to the startup. This finding contradicts previous studies that have suggested that the funnel is sequential (Croll & Yoskovitz, 2013) or that the focus should be on specific areas (Conway & Hemphill, 2019). In essence, value creation is a dynamic, evolving, and complex structure, this is why Ng and Vargo (2018) and Maglio and Spohrer (2008) refer to it as value-creating constellations or systems. Startups and actors can learn to adapt to changes, enhance their *capabilities* and aim for longevity through the service-dominant logic.

Figure 6.1: The Constellations to Sustain Startup Growth Momentum



Source: Author's elaboration

6.2 Theoretical Implications

The contribution of this paper is threefold. In contrast to past entrepreneurship literature (Farhana & Swietlicki, 2020; Korper et al., 2020; Ôndas, 2021; Teece et al., 2016; Rashid & Rattan, 2020), this paper takes a meso-level perspective, allowing us to understand the context surrounding startups (Lütjen et al., 2019; Ng & Vargo, 2018). First, the conceptual model extends our understanding in entrepreneurship of the capabilities and factors that come to play in sustaining startup momentum. The startup momentum is based on the equilibrium of the evolution of these three constellations: *Stability, Agility,* and *Leadership & Team*. These constellations are

interconnected and possible by adopting a *service-dominant logic,* which involves co-creating value across different actors to achieve sustainable growth momentum for the startup and the entrepreneurial ecosystem (Vargo & Lusch, 2014). Nonetheless, we also included *stability* in our edited conceptual framework depicted in Figure 6.1 above. Without it the startup will get lost without a destination until it runs out of fuel (i.e., resources).

Second, our study extends the current literature on dynamic and improvisational capabilities by suggesting that prioritizing should be added as a category in *dynamic capabilities*. At the same time, the *transforming* category could be more applicable in *improvisational* instead of *dynamic capabilities*. Depending on environmental turbulence, further distinction on when transforming applies and whether it falls under *dynamic and improvisational capabilities*, or both should be considered.

Third, this study sheds new light on how to adopt growth hacking to achieve sustainable growth. Our findings suggest that growth hacking concerns creatively leveraging resources (including efforts) to achieve more significant results (e.g., profits, ROI, increasing percent conversion rate). Furthermore, this study contributes towards the operationalization of growth hacking and the marketing funnel (e.g., introducing re-activation to the Pirate Metrics); highlighting new additions for the marketing field or research. Together, these findings call for further investigations into the link between growth hacking, team and leadership, *dynamic and improvisational capabilities*, and strategy.

6.3 Managerial Implications

This study has practical implications, predominantly for key startup actors such as founders and growth hackers. Understanding the capabilities and mindset that the startup needs to venture into their growth journey will help founders lay the foundation*, sense, seize and prioritize*

opportunities, adopt growth hacking strategies, and learn how to creatively leverage their resources in the face of challenges to sustain their momentum. Based on our findings, we developed ten pointers for startups to consider that may help them identify blindspots and sustain their growth. Here they are:

1. *Slow and Steady Wins the Race (Stability).* Before growth, startups need to ensure that a foundation is established; this includes and is not limited to: finding product-market fit and product-channel fit, ensuring supply can fulfill demand through strengthening operations or choosing a solid backbone relevant to the business, establishing clear communication channels to enhance team alignment, and pulling in the right resources be it talent, investment or technology.
2. *Beware of Growth on Cocaine (Stability).* A spike in growth is very dangerous and is often not sustainable. Growth shortcuts do more harm than good because they come at a sacrifice of quality and delivery. As Eisenmann (2021) claims, entrepreneurs have a bias for action, which often leads them to take fast decisions without considering the implication on quality and reputation. Hence, we discovered that to sustain growth, the startup should improve its customer experience and value creation. As one informant put it, *"you look at the rising horizon... if you move slow enough, in the beginning, the momentum will pick up at its own speed, growth will kick in on its own"* (C5).
3. *Don't blindly imitate hacks (Organizational Agility).* Based on our findings, growth hacking should be tailored to the startup. Startups can also creatively leverage their network and support to achieve growth.
4. *Validated Learning is Key (Agility).* Some of our cases fell victim to "the bias of building products for themselves" (C3) rather than for their customers. As a result, growth was

delayed. Accordingly, our findings suggest that startups should actively validate learning, experiment, and seek customer feedback.

5. *Retention is cheaper than acquisition (The Marketing Funnel).* Several of our informants explain how many startups are blinded by increasing acquisition when it is cheaper to retain customers than it is to acquire new ones. Based on this, startups should work on customer satisfaction and experience to increase retention.
6. *Optimize the entire funnel (The Marketing Funnel).* Our study indicates that it is better to work on the different funnel parts in parallel. This allows startups to develop a plan and avoid overlooking any part. For instance, we found that startups tend to focus on acquisition without considering monetization, resulting in long-term adverse effects.
7. *Data is gold (Technology).* To handle obstacles and unexpected events in the market, we found that startups should utilize real-time information. This involves data analysis, business intelligence, and automation. The key is to ensure the team can filter through the abundance of data and develop insights that align with the company goal.
8. *Investment is the boost a startup needs to grow (Entrepreneurial Ecosystem).* We uncovered that startups often fear investment because it may result in the loss of control or in debt. However, we found that when investment is allocated for laying the foundation, it contributes to sustaining growth momentum. It also creates a safety buffer for startups during storms.
9. *Pick your investors, like you pick your partners (Entrepreneurial Ecosystem).* Investors impact the way the business is done. According to our findings, selecting an investor that aligns with the startup's goal and organizational style is more important than an investor that offers more capital.

10. *Don't work in silos, whether inside the organization or the ecosystem (Team & Leadership).* Our findings suggest that no person or business is an island; support, teamwork, and communication are required to achieve sustainable growth. Additionally, it is essential that startups hire at their pitfalls, seek experts, and not be blinded by ego.

Chapter 7

Limitation and Future Research

Despite the notable implications of this study, there are still some limitations. Firstly, data collection for the case studies was conducted in a short period due to time constraints. Consequently, the study is limited regarding exploring dynamic concepts such as the effect of environmental turbulence on growth and providing insight into cause-and-effect relationships. Therefore, the present study could be enriched through a longitudinal research design, allowing better links between causalities of *dynamic capabilities, improvisational capabilities*, growth hacking, strategy, the ecosystem, and startup growth (Korper et al., 2020).

Secondly, the generalizability of this study is limited since data collection only took place in one geographic region being, the emerging economy context of Egypt. Although Egypt was selected because it is in the growth stage and is currently in the midst of various storms such as the recession, pandemic, and increasing rate of innovation, our study does not depict the current challenges other startups face in the growth stage in other regions. Accordingly, future research should address different emerging economies. Further, a comparative study between emerging and developing economies could be beneficial to understand the differences and similarities between contexts taking into consideration the actors' specific influence (e.g., incubators, universities, government, & culture) on startup growth.

Thirdly, we examined startup growth across various industries, which might have led us to overlook some intrinsic differences between industries and different sectors. For instance, transportation tech startups are operations heavy while fintech startups require strong software development; the challenges and constraints in each might vary as well as the capabilities and

stability requirements. A distinction across various industries should be made to increase the generalizability of this study. The comparisons can be further broken down based on sector, whether a business is a Business to Business (B2B), Business to Customer (B2C), or a platform firm that acts as a middleman between suppliers and buyers (Fehrer et al., 2018).

Fourthly, due to the ecosystem complexity, externalities might change the ecosystem beyond the control of the focal actors in a startup (Nenonen et al., 2018). Hence, a promising future research avenue is to differentiate between internal (e.g., team communication & operations capacity) and external challenges (e.g., recession, pandemic & increase in competition) startups face during growth. Furthermore, future studies can increase the scope of the research and measure how different actors in the ecosystem play a role in the startup's success or failure. For instance, researchers can further explore how incumbent firms that transitioned from startups to businesses offer support to entrepreneurs through knowledge transfer and networks.

Fifthly, future research can address the surprising findings in this study. The first is building on Teece's (2016) efforts by examining whether prioritization should be included as a dynamic capabilities category. Distinguishing between prioritization and seizing can open the door to a new avenue of research that bridges the theory and practice divide. The second exploration should be regarding transformation and pivoting, where researchers identify when and how transformation can occur during varying turbulence levels and if transformation is more relevant as a category in improvisational capabilities. The third future avenue brought to our attention from our findings on the marketing funnel is to address the intersection between marketing and service-dominant logic. This entails understanding how the marketing funnel varies depending on the perspective of value and even reimagining popular marketing conventions such as branding through the service-dominant logic.

Lastly, this research has developed some questions in need of further investigation:

1. How do we measure sustainable growth in startups by funding received, team size, market share, valuation, years of survival, profits, or an overall score? Should the measures vary per industry?
2. How can startups identify the optimum balance between agility and stability? Is there a benchmark?

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Appendices

Appendix A: RiseUp Participant Observation Talks & Workshops

#	Type	Speaker Info	Name	Description
1	Workshop	MIKE QUINN Co-Founder & CEO at Boost	Falling To Win: Hard-earned lessons for a purpose-driven startup	Mike tells an honest and vulnerable story about what he learned from his biggest failures, and how he harnessed them to launch a new pan-African startup remotely during COVID
2	Workshop	ASHRAF SHETA CEO AT Ashraf Sheta for Consultancy and Training & Professor of Entrepreneurship	From Ideator to CEO Exploring the Mindset Development	A description of the journey of entrepreneur from the idea phase till reaching the CEO phase, with all of the obstacles and the changes in the mindset orientation
3	Talk	NADER SABRY Founder, Keynote Speaker, Author of Growth Thinking & Ready Set Growth Hack	Growth Strategies for Startups	Discuss growth hacking strategies, and how many startups search for the silver bullet and fail to sustain their growth in the long run.
4	Talk	AHMED MOHAMED ELMURTADA Managing Partner AT 249Startups AHMED MOHAMED MOHAMED NOUH Founder And COO AT Capiter Startup	Emerging B2B markets	This talk discusses the emerging opportunities in the B2B sector and the changes in the economy.
5	Talk	MIRNA ARIF General Manager AT Microsoft Egypt ZEINA MANDOUR General Manager AT The Cairo Angels	Scaling your Tech Startup	The different skills needed to effectively scale and integrate technology.
6	Talk	AYMAN ISMAIL Founding Director of AUC Venture Lab and AUC Angels & Abdul Latif Jameel Endowed Chair of Entrepreneurship and Associate Professor at AUC School of Business AT The American University in Cairo LOULOU KHAZEN Entrepreneur, Podcaster, Angel Investor AT Kickstart Ventures	Roadmap to the top: How to scale your business and avoid failure	Talk about common startup challenges and failures we can learn from and ways to avoid them.

7	Panel	SANDRA REDA FARID CEO of Acumen Consulting Egypt, Economic Advisor to the Minister of Tourism & Antiquities, and Adjunct Professor Economics at AUC	Surviving the recession	Do and Donts for Scaling Up during the recession.
8	Panel	AMEER SHERIF Founder and Chairman AT BasharSoft (Wuzzuf & Forasna) HEBA ALI Managing Director AT Endeavor TAREK FAHIM Managing Partner AT Endure Capital AYMAN ISMAIL Founding Director of AUC Venture Lab and AUC Angels & Abdul Latif Jameel Endowed Chair of Entrepreneurship and Associate Professor at AUC School of Business AT The American University in Cairo	Current State of The Entrepreneurial Ecosystems	This talk is on everything related to the Egyptian Ecosystem including how it evolved, grew changed and the new opportunities and threats that are appearing in it.
9	Panel	OMAR HESHAM HAGRASS Co-Founder & CEO AT Trella HADEER SHALABY Managing Director AT Talabat AMIR ALLAM Founder & CEO AT ElMenus KHALED ELSAYED METWALLY Sr. Regional Sales Director, Africa AT Swvl HAITHAM ESSAM ISMAIL General Manager AT Careem Egypt KARIMA EL-HAKIM Ecosystem and Venture Builder AT Fawry	The World of Mass: Mobility as a Service	A panel that discusses the future of mobility in this entrepreneurial ecosystem and the technology requirements to sustain a business and grow. It also briefly touches on the need for strong operations and logistics for lasting growth.
10	Panel	LAILA HASSAN Venture Partner AT 500 Global & General Partner AT Algebra Ventures MAHMOUD IBRAHIM CEO AT Homzmart AMIR BARSOUM Founder and CEO AT Vezeeta MOHAMED EZZAT CEO AT Bosta	Unicorn Vs. Unicamels	This talk discusses the difference between unicorns and unicamels, and how the ecosystem does not just need speed but also quality for it to grow as a whole.

Appendix B: Interview Guide

Background, History, Organization, and Industry

1) Tell me a bit about yourself.
2) What made you want to start your own company? /What made you want to work in/with this startup?
3) Tell me more about your startup.
    a) What's your vision for the future?
    b) What is your team dynamic like?
    c) Industry perception? Fast pace, slow, dynamic stable, competitive

Understanding Growth

4) How do you define growth?
    a) How about successful growth in terms of strategy and KPIs
5) What measure do you use to determine whether you meet your growth objectives?
6) Is speed important for you? In terms of being ahead of the competition.
7) Walk me through your growth journey how you went from ideation to growth/the current stage you are in.
8) How do you identify opportunities?
    a) What made you determine that this is the right opportunity for your startups?
    b) What action did you take to capture this opportunity
    c) can you give me an example of how you were able to seize this opportunity
9) What are some obstacles you faced while trying to grow your business?
    a) Tell me more about how you were able to overcome these obstacles.
    b) What do you think are the internal factors/external factors that may block you (or restrain) you and your team from growth?
10) Do you face any challenges sustaining/maintaining your growth? Like what?
11) Did you receive any support during the growth stage? From whom? Can you give me a few examples?

Improvisation and bricolage

12) How did you deal with unforeseen events such as COVID-19?
    a) What resources helped you the most?
    b) How do you manage the crisis?
13) Imagine there is a technology breakdown such as when Facebook wasn't working what would you do or how did you react
14) Do you feel the need to improvise/ in what way?
15) Did you feel any pressure to grow fast? In what way?

Growth Hacking

16) Have you heard of growth hacking or growth marketing?
    a) What does growth hacking and/or growth marketing mean to you?
    b) Where did you first hear about it?
17) What are some resources you use to understand and implement growth hacking or growth marketing?
    a) Do incubators help? In what way?

18) Do you use growth hacking tools and strategies? If yes, can you share with me some strategies you adopted?
    a) What are the tools you used for implementing X strategy?
    b) Do you have a growth hacking team, or someone explicitly hired for it?
    c) How do you choose between different growth strategies?
    d) Why did you pick this tool/technique/strategy?
19) Tell me about your growth hacking process; what steps do you take to develop a plan.
20) What benefits and challenges did your startup face through adopting growth hacking/marketing?
    a) Can you elaborate on how you overcame those challenges?
    b) Did this benefit help you in the long run? In what way?
21) Can you tell me more about how you were or weren't able to maintain the growth you achieved?
22) Rank the following based on which is most important to you: acquisition (getting new customers), monetization (making money), and retention (getting customers to re-use)?

Lean/Agile Startup

23) Have you based your business development on hypotheses?
    a) If yes, tell us how you did that!
        i) How did you test the hypotheses?
    b) If not, why didn't you set up hypotheses?
24) Have you built and used an MVP?
    a) If yes, tell us about that experience!
    b) If not, how come you didn't build and use an MVP?
25) Have you pivoted (changed direction) your idea?
    a) If yes, tell us about that experience?
    b) Did that affect your growth plans?

Concluding questions

26) If you were to look back on the experience you've gained from founding/working in a startup- is there anything you would have done differently?
27) What are some tips and advice would you like to share for other startups regarding growth and marketing strategies?
28) What are the main pitfalls or blindspots in growth that startups need to look out for?
29) Is there anything you'd like to add that we haven't covered so far?

Appendix C: Within-Case Analysis

Case	Stability	Agility	Team & Leadership	Entrepreneurial Ecosystem
C1	○ Set their strategic direction early on. ○ Define growth as "moving economies forward." ○ Realize that operations are their backbone. ○ Measure growth through ROI and profit. ○ Work on enhancing their operations and making sure that supply can fulfill demand. ○ Follow the startup pyramid in planning and add product-channel fit: i. Product-market fit (Digitizing the truck industry) ii. Product-channel fit (Search Engine Optimization and Targeted marketing on Facebook) iii. Transition to growth (Buying new trucks and best-in-class supply chain set-up where logistics providers, and truckers are all in sync. iv. Growth (increasing ROI, and the positive impact on the economy) ○ Adopt contingency & scenario planning, for when trucks go missing, or they lose contact with drivers, or when accidents occur.	○ Enhance their dynamic capabilities through digitization and continuous feedback loops, which allowed them to sense an opportunity in an industry that was thought to be "antiquated." ○ Believe that their ability to sense opportunities, and threats allowed them to reach, raise awareness and on-board customers. ○ Highlight how vital it is to prioritize between opportunities and deprioritize activities based on resource availability, for instance they stopped providing their service for SME's and focused on FMCG's during the pandemic. ○ Explain the importance of validated learning in prioritizing opportunities, for example they found that deliveries are better made in early morning to help customers restock before the start of the day. ○ Invest in tools that can help them communicate and perform data analysis, such as Tableau and Salesforce. ○ Utilize real-time information to be more agile and flexible to changes in market. ○ Creatively leverage the resources on hand. For instance, they re-allocate employees to be on-ground when there are emergencies or tech challenges. ○ Pull in resources for growth (bricolage), such as employee expertise,	○ Emphasize the importance of having an aligned team. ○ Believe that continuous feedback loops are required to maintain team communication. ○ Explain how it is dangerous for teams to work in silos, because that may lead to miscommunication and misalignment. ○ Allocate growth team to be responsible in aligning all the teams together and making sure everyone is prepared for growth. ○ Actively try to strengthen team and individual abilities so that, everyone can improvise if needed and "move things along smoothly." ○ Explained how the pandemic "increased resilience" and helped them appreciate each member of the team more. ○ Build trust in core values where they offer teammates *"psychological safety to take risks around their team members" and "feel confident that no one on the team will embarrass or punish anyone else for admitting a mistake, asking a question, or offering a new idea."* ○ Ensure team diversity where some team members speak with carries all day long, to make sure they are all	○ Operate in highly turbulent environment consisting of storms such as truck breakdowns, the pandemic and technology malfunction. ○ Constrained by suppliers. ○ Believe the future is more tech-oriented and digitized, thud, rely on technology to make changes. For instance, they created a one stop "truck stop" and are pushing transactions to being cashless in Egypt and they automatically upload proof of delivery via app. ○ Leverage the support from the ecosystem to further their growth, especially suppliers and investors. ○ Discusses the importance of selecting the right investor that aligns with company goals. ○ Believe that trust drives the business forward in the ecosystem. ○ Provide employment opportunities to

	○ Prefer the term growth marketing more than growth hacking. ○ Set KPIs throughout the marketing funnel to enable to measure if they reached their objectives. E.g., Acquisitions the number of customers and drivers they onboard; Activation's conversation rate and number of transactions competed; retention number or repeat customers.	data analysis, truck slot allocation, drivers and so on.	set up, while some are working backend on their computer to align everything, and others are running around in the streets guarantee supply is met.	support the local economy.
C2	○ Set their strategy initially as organic growth and laying the foundation, followed by aggressive growth. ○ Measured growth by return on investment (ROI) and the percentage of payments made per year through their platform. ○ Conducted market research for a year and a half to identify product-market fit. ○ Recommend building to scale and not addressing a small niche if the goal is exponential growth. ○ There main channels for providing their service are schools and the government. ○ Argue that startups fail because they try to scale too fast without a solid base, such as a platform that can secure money transfer. ○ Believe that growth hacking is a mindset, that involves finding the smartest way to grow, in their case it was through strategic partnerships. ○ Discuss the different stages in the marketing funnel, and how it is important to make sure equal attention is allocated in each phase, because	○ Actively scan the market for opportunities and listened to feedback, for instance they found that customers in public schools respond better to instructions in Arabic. ○ Realize that timing is essential in capturing opportunities, because when they tried to launch during the school year, they discovered that a payment method was already established ○ Select the opportunities that enable them to differentiate themselves from other fintech companies, such as approaching schools and entities rather than individual customers. ○ Prioritize opportunities based on outcomes (e.g., customer acquisitions numbers, profits, etc.). ○ Built an interface/infrastructure that allows the business to listen to customer feedback and add features accordingly. ○ Advise startups not to be defensive about their products and understand the market is very fragile and needs strong sensing capabilities. ○ Constantly come up with out-of-the box solutions	○ Prefer having a small, specialized team. ○ Discuss how it is important to hire at pitfalls and put ego aside. ○ Hire growth analysts to help prioritize initiatives based on business needs and requirement and understand the key drivers and metrics to draw insights and make recommendations that will help the company grow and scale effectively. ○ Believe that a successful entrepreneur is resilient, persistent, and patient. ○ Highlight that's growth is a mindset. ○ Value team members that learn and improve. ○ Ensure that founders are involved in various activities	○ Emphasize the importance of creating value for the entire ecosystem & working together to reach objectives. ○ View competitors as enablers rather than threats, partner up with them to create win-win situations. ○ View the pandemic as an opportunity. ○ Provide growth hacking session to universities to support rising talents. ○ Believe that startups should not put-off investments since capital enables growth. ○ Operate in a moderately turbulent environment (i.e., waves). ○ Share how they were able to grow through thinking from "a macroeconomic perspective". ○ Discuss how incubators are currently focused early-stage startups, but there

	they are all interconnected. o Share that actual growth requires a sustainable outlook, or else it is superficial growth. o Discuss the importance of setting KPIs and identifying the value chain of the startup. o Planned their growth journey and each milestone from the start and stuck to it.	and creatively leverage resources and the ecosystem by establishing partnerships. o Realize that errors and mistakes made in targeting are a single for transformations (e.g., targeted training facilities, but realized it was not profitable and that they will spread themselves thin, accordingly they pivoted from this idea)	and are more hands-on.	are limited resources for startups in the growth stage.
C3	o Believe that strategy and long-term vision are basis for growth. o Measured growth by the number of customers subscribing to their offerings. o Discovered product-market fit through customer discovery. o Explain the importance of identifying the right product-channel fit, which for them is hacker news, and blog posts. o Believe that a base should be build but with room for flexibility in features and customizable additions. o Established a healthy funnel to enable them to perform their growth hacking strategies. o Believe that many startups fall victims to "quick hacks" and explain how it is important to have a forward-looking perspective to growth. o Advice startups to think about a monetization plan, from the start, so not to get stuck later. Since they got stuck after two years of customer acquisitions and couldn't monetize. As a result, they lost many customers and had to target a different group of people to make profits.	o Emphasize the importance of learning through feedback to identify opportunities. They gained feedback through surveys in exchange for features and user testing focus groups. o Followed the lean methodology early on to build an MVP and iterate based on feedback. For instance, through validated learning they discovered that users l their phone's to vibrate when an error is detected. o Prioritized certain features in their application, that allowed them to reach product-market fit and scale. o Apply to various competitions and incubators (e.g., YC combinator) to help them gain resources (monetary) to seize opportunities. o Constantly scan the market for opportunities and to get support, to help them become a unicorn. o Rely heavily on real-time information, to be agile, such as SalesForce. o Argue that the core to growth hacking is experimentation because it allows startups to select the most appropriate hack	o Empowers their teams, by providing them a space to share their learning and growth. o Explain that the team members are the drivers of growth o Explain the importance of hiring the right people, and not because someone did growth in one startup does it mean they can perform growth in another o Believe that is okay to fail. o choose people to join the startup that have a growth mindset. o Define growth mindset as being eager to learn and help the company grow successfully. o Discuss the problems associated with working in Silos, especially for product teams	o View the pandemic as an opportunity. o Seek support from experts, and different actors within the ecosystem, especially the university to hire talents and interns. o Operate in a moderately turbulent environment (i.e., waves). o Discuss the importance of choosing the right investor. o Share how valuable it is to join incubators and competitions, to learn and create networks. o Explain the innovation helps the ecosystem as a whole grow.

		that complements their business. o Explain that improvisation relies on how resources are employed. o Believe the creativity is vital to innovate, survive, and deal with challenges.		
C4	o Believe it is important to take actions based on strategic direction to avoid resource loss. o Measured growth by the number of orders fulfilled through their application. o Emphasize the importance of having a solid backbone including, supply, resources, team, and know-how before growth take-off. o Think that planning is not as important as being agile and taking quick actions in response to the market. o Believe that growth is problem solving when issues occur in the industry and with their stakeholders. o Measure growth by the impact it creates on the ecosystem. o Introduce the phase of re-activating customers when they churn to the marketing funnel. o Learn about growth hacking from successful companies, such as Dropbox and Airbnb. However, do not imitate them. o Claim that the key to achieve sustainable growth through growth hacking is to ensure a positive experience and maintaining an overall healthy funnel.	o Founded by serial entrepreneurs which all realized the value of identifying the right opportunities to scale and create an impact. o Transform problems in the entrepreneurial ecosystem into opportunities. Namely, they found a solution to solve supply chain inefficiencies in Egypt. o Leverage the ecosystem built by local banks and financial institutions to reach SME's and seize the opportunity. o Use Tableau, and Business intelligence tools such as SCRUM & SQL. o Discuss how a startup needs to be selective with projects they undertake, based on their resource availability. o Primarily, focused on customer acquisition but shifted their focus to retention to avoid potential threats o Discovered that it is crucial to be more efficient during turbulent environments like the pandemic. o Creatively pool their resources to deal with changes, and obstacles.	o Believe that their biggest asset is their team. o Hired individuals specifically for growth hacking team. o Pause activities during turbulence to ensure their team's safety, because they understood that without their team, they won't be able to capture future opportunities. o Involves serial entrepreneurs. o Attracted a global team to share their expertise and help the business scale. o Achieve "traction across the board" through having a strong team in each part of the company (e.g., warehouses, delivery, etc.).	o Utilize business intelligence and automation, to predict storms. o Believe that the ecosystem is working towards a common goal and hence all actors should work together. o Operate in a highly turbulent environment. o Constrained by suppliers. o Accommodate less tech savvy actors, by offering them one-on-one training. o Leverage the support from the ecosystem to further their growth. For instance, join partner with other startups to share expertise and knowledge resources.
C5	o Put effort in developing their operations, before taking growth decisions. o Measured growth by bus occupancy levels, and each region, based on	o Explain that learning is through experimentation and constantly iterating to satisfy customers and suppliers.	o Founded by individuals that worked in another successful ride-hailing startup	o Discuss how incubators, and universities helped them network and build to scale.

	similar industry benchmarks and ROI. o Underwent hyperlocal targeting as a strategy to increase bus efficiency and increase utilization. o Realize that on-demand busses are counter-intuitive because occupancy rates are not stable and that model is hard to predict and sustain, while there are other ride hailing companies focused on providing such service. o Initially, wasted time & resources building offerings that they thought the customers and suppliers would want, based on their preferences, instead of listening to the market. o Set their strategy to solve a big problem for commuters and provide sustainably mobility for emerging economies. o Took their time to understand the industry dynamic. o Focused their effort during the pandemic on building a stronger foundation to later capture opportunities. o Believe growth hacking is useful to maximize the value of resources o Gather data from acquisition in the marketing funnel to plan on how to reach other customers. o Explain the importance of quality and delivery for the prolonged growth of a startup. o Elaborate on how pricing is a targeting tool that helps them implement their growth hacks.	o Argue that *planning* is not possible, & that improvisation is required. o Use salesforce, SQL, HubSpot, & Marketo. o Master how to mobilize resources efficiently by strengthening dynamic capability and ensuring it is in line with strategic direction. o Deprioritized activities during the pandemic to save resources. o Share how automation and data allows them to improvise. o Realized a huge gap (opportunity) in the market to facilitate commute. o Explain how improvisational capabilities are vital for survival, especially on a daily base. o Efficiently seize opportunities and maximize asset utilization, through creative leveraging of insights they gather from real-time information. o Share that the pandemic stirred the company to innovate and think creatively. o Explain the importance of taking the time to learn how to "improvise smartly," to maintain their growth momentum later. o Creatively leverage technology, such as performing hyperlocal targeting.	o Believe in the growth mindset, where they are "either hungry or food" in the marketplace. o Introduce the term "Organizational Growth Hacks" where all the business is built to serve growth o Require the team to understand data and coding, thus they only hire tech savvy individuals. o Have a more organic business structure. o Believe in the power of now: *"if it's not today, we wasted a day."* o Split teams by different under different strategic business units (SBU). o Support team members in their own startup endeavors. o Show resilience and better teamwork during the pandemic. o Share a unified vision. o Speak the language of numbers where all employees understand data analytics. o View team-members as co-founder, and hence ask them to act like it and share openly their ideas.	o Leverage the support from the ecosystem to further their growth. For instance, they partnered up with incumbent firms to provide them with transport to work. o Discuss the different types of investors and how to handle each. o Shares that they constantly try to maximize the value for all actors. o Operate in a highly turbulent environment. (i.e., storms). o Constrained by suppliers. o Seek capital investments to lay their foundation. o Rely on technology to provide customers with real time information, optimal bus times, simplified access, easy payment, and location tracking.

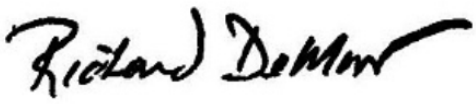
Appendix D: Ethics Certificate Principal Investigator

CERTIFICATION OF ETHICAL ACCEPTABILITY
FOR RESEARCH INVOLVING HUMAN SUBJECTS

Name of Applicant:	Nada Elbarkouky
Department:	John Molson School of Business\Marketing
Agency:	N/A
Title of Project:	The Blindspot of Growth Hacking
Certification Number:	30015684

Valid From: November 02, 2021 To: November 01, 2022

The members of the University Human Research Ethics Committee have examined the application for a grant to support the above-named project, and consider the experimental procedures, as outlined by the applicant, to be acceptable on ethical grounds for research involving human subjects.



Dr. Richard DeMont, Chair, University Human Research Ethics Committee