Effectuation in Entrepreneurship, a Case Study of Bonusbox

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Abstract

Title: “Effectuation in Entrepreneurship, a Case Study of Bonusbox”

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Keywords: Effectuation in Entrepreneurship, tech startups, social media, social commerce, Berlin

Purpose - This study provides an updated understanding of effectuation in the new tech startup era of social commerce; specifically, it answered two questions: (1) How does a social commerce startup entrepreneur make decisions? (2) Why is it successful so far?

Importance - It aims to contribute to the academic research on social commerce startup education.

Methodology - Using a single case in-depth study, followed closely by the theory of effectuation in comparison with causation, to determine the behaviors of the observed.

Limitation - The analysis provides detailed insight into these perspectives and suggestions for future research. Further studies on startup companies backed up with different sources and examinations on several startups together over a longer period of time are recommended to draw comparisons.

Keywords - Effectuation in Entrepreneurship, tech startups, social media, social commerce, Berlin
Acknowledgement

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To all my family and friends, who have inspired through success and hardships, thank you so much.

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1. Introduction

“Entrepreneurship is the ability to create and build something from practically nothing. It is initiating, doing, achieving, and building an enterprise or organisation, rather than just watching, analysing or describing one. It is the knack for sensing an opportunity where others see chaos, contradiction and confusion.”

- Timmons (1989, p. 1)

The principle of neoclassical economics is assumed rationality; Up until a decade ago, the main stream of entrepreneurial research, was based on rational decision model, with assumption of individuals engaging in rational goal driven behaviors when pursuing entrepreneurial opportunities (Bird, 1989).

Such decision making logic is causation, described by Sarasvathy (2001, 2008), a traditional perspective on entrepreneurship. An entrepreneur decides a predetermined goal, then selects means to achieve the goal. It is to assume that the market was predictable to a degree, therefore, under such assumption, the ones that are able to predict the market the best could generate more opportunities and competitive advantages.

However, researches have suggested that human beings are in general not strictly rational, and their rationality is limited by cognitive abilities (Simon, 1959).

In 2001, Sarasvathy introduced the concept of effectuation in entrepreneurship, which is opposed to the causal model based on neoclassical economics. Effectuation through business examples and realistic thought experiments were illustrated. At the same time, as a science itself, effectuation intended to answer the question ‘what makes entrepreneurs entrepreneurial, the difference of risk taking behaviors among entrepreneurs and employees’. Aspiring entrepreneurs from a MBA classroom with background in causal reasoning were taught to begin with a set of goal, then try to predict the future in order to reach it. When effectuation applied, they would begin with a set of means, seek control an unpredictable future, goals will gradually emerge (Sarasvathy, 2001).

Over the years, there are few other theoretical perspectives being introduced and discussed with regarding to entrepreneurial logic and behavior, such as entrepreneurial bricolage (Baker & Nelson, 2005), the user entrepreneurship (Shah & Tripsas, 2007), and the creation perspective (Alvarez & Barney, 2007). While it might be worth including all existing theories for this study; on the other hand, effectuation theory has been most widely cited than any
other alternatives, and holds more promise both theoretically and practically as it suggests individual’s possible actions in situations where causal assumptions are not met (Chandler et al., 2011). Despite this, effectuation research had not grown more quickly than it should have; Chandler et al. (2011) also suggested prioritizing extended research concerning the different circumstances influencing the decision-making approaches.

Social commerce by definition means conducting ecommerce through social media (Liang et al., 2011). In the last decade, we have seen rapid development in social media, such as Facebook, Twitter, which had dramatically changed the structure of the web (Lai & Turban, 2008). As of 2013, there are approximately 1 billion Facebook users; the number of social media based startups has been and is still growing rapidly, this phenomenon has brought the traditional social commerce into ecommerce, resulted in added value for customers and improved marketing strategies (Liang & Turban, 2011).

To my best knowledge, there’s no current in depth study on decision making logic of a successful social commerce startup entrepreneur.

The purpose of the thesis is to provide an updated understanding of effectuation in the new social commerce era, the comparison between logic of prediction and logic of non-predictive control; furthermore among thousands of tech startups, what makes this one successful? It also aims to contribute to the academic research on social commerce startup education.

Hence, the research questions are:

*How does a social commerce startup entrepreneur make decisions?*

*Why is it successful so far?*
2. Literature review

2.1. The startup entrepreneur

Why entrepreneurship? Almost three decades ago, Shapero (1985) raised the question. The entrepreneurial scene at that time was booming all around the world, not only in Europe and America, but also in East Asia. It seems to offer something of greater importance than governments and corporations. ‘For communities and for society, entrepreneurship provides the means for achieving level of diversity, innovation, and independent decision making required for survival, development and freedom’ (Shapero, 1985). While analyzing entrepreneurs worldwide, Shapero (1985) emphasized on the word ‘control’, in his context, it’s ‘control over one’s own life’ and ‘entrepreneurs made the decision to take control’. In addition, the freedom, creativity and independence became some of the major driven force and motivation for entrepreneurs; entrepreneurship itself alone benefits organizations and societies. It is considered to be a human development process, which offers opportunities, self-expression, diversity and dynamics to the world (Shapero, 1985).

The word entrepreneurship in English is derived from French verb “entreprendre”, which means to participate or undertake, therefore, an entrepreneur is there to make things happen (Kirby, 2004). Lessem (1986) suggested that an entrepreneur possess certain characteristic traits such as:

1. **Risk-taking ability.** Koh (1996) found that entrepreneurs are better at coping with ambiguity and uncertainty than non-entrepreneurs.

2. **Need for achievement.** McClelland (1961) suggested that entrepreneurs are driven by the prospect of achievements, hence, became their motivation.

3. **Locus of control.** Rotter (1966) pointed that with higher internal locus control of entrepreneurs, it is believed that achievement and success of a goal depend on their own characteristics and behaviors.

4. **Desire for autonomy.** The sense of control further pushes their pursuit for individualism and freedom more than general public (Cromie, 2000).

5. **Creativity and opportunism.** Timmons (1989) suggested that entrepreneurs are more creative than others; they aim to challenge existing assumptions, create new ideas and foresee opportunities.
6. *Intuition*. Carland (1982) found that entrepreneurs are more intuitive than rational, more holism and synthesis than already-set structures and rules.

2.2. **Social commerce today**

Social commerce is a revolution that built on ecommerce, while ecommerce is solely catalog based; social commerce is a combination of e market and social places for cooperation (Marsden, 2009a; Khoury et al., 2008). Nutley (2010) defined Social Commerce as a type of internet based social media that enables selling, buying, comparing, curating, sharing products and services on online market places and communities. It became a phenomenon since 2005; both consumers and firms benefit as consumers receive informed decisions from both parties, especially reviews and recommendations by other consumers who already purchased the products (Curty & Zhang, 2011). Marsden (2010) suggested that social commerce is monetized by helping people to connect their usual merchants or by guiding people to purchase where they usually connect.

Social media giant Facebook is considered to be a good source of traffic, since there are ratings and reviews available from customers’ participation; it is also the central of social commerce scene (Stephen & Toubia, 2010). What makes social commerce a truly phenomenon is because of people, as they are the reasons for socialization, commerce, technological advancement, information creation and use (Zhang & Benjamin, 2007). The recent trends oversee continuous development on the people dimension; personal interests are taken into account in addition to their social network (Malik, 2011).

2.3. **Success vs. failure, intelligence from a cognitive perspective**

Cooper et al., (1989) founded that the failure rate of startups is significant from their study, as more than half of them vanished within a few years of being funded. Shepperd et al. (1996) pointed out entrepreneurs in a sense suffer from optimistic bias, since they believe the likelihood of succeeding is higher than objective data suggests. This may explain why most new startups fail within a few years. At the same time, some of them became enormously successful. Baron (2004) raised the questions of the factors that allow some entrepreneurs to be more successful than the others. There are indeed many, such as environmental influences, governmental policies, freedom of the market, state of economy in both national and international scales; also within themselves, decisions making and actions based on cognitive factors.
Sternberg (2004) defined success intelligence as ‘the ability to succeed in life, according to one’s own conception of success, within one’s environmental context’. Once strength and weakness is identified, by either correcting or compensating them, through adapting, shaping and selecting environments, success is achievable. He identified practical intelligence as being different from academic intelligence, since some entrepreneurs would rather play their own rules than someone else’s. The most important intelligence for entrepreneur is successful intelligence, which consists of analytical, creative and practical intelligence. This can be developed through good use of experiences their experiences.

Baron & Markman (2000) studied how intellectual attributes varies between non-entrepreneurs and entrepreneurs, and between the successful entrepreneurs and those who are not so. Interestingly, their finding suggested that successful entrepreneurs scored higher on social competence than the unsuccessful ones; especially social perception, which determines accuracy in perceiving others, this allows them to less likely fail to foresee, the unexpected consequences of their actions.

2.4. Risk perceptions and success

‘Risk aversion is a psychological factor that determines the choice to become self-employed’ (Ekelund et at., 2005).

In 1979, Daniel Kahneman and Amos Tversky published the Prospect Theory, which distinguishes two phases in the choice process: a phase of framing and editing followed by a phase of evaluation (Kahneman and Tversky, 1979). They examined the causes of loss aversion based on such theory, and risk averse and risk seeking as corresponds to positive and negative statements. It is shown that choices framed as losses are often perceived as risk seeking, while choices framed as gains are often perceived as risk averse.

On further development of this theory into an entrepreneurship perspective, Baron (2004) suggests that prospect theory calls attention to cognitive factors that can influence the decision of becoming an entrepreneur, as they have tendencies of framing situations in terms of losses, since the possibilities of economic losses are considered if they forfeit an opportunity and
continue working as an employee within organizations; therefore, the choices are perceived as risk seeking.

Cramer et al (2002) conducted an empirical test to exam the risk attitude that affects individuals’ decisions into entrepreneurial positions. The data set was employed from ‘Brabant survey’ – a labour market history of approximately 1700 individuals who had been either employed or self-employed all their life in The Netherlands, results suggest that ‘entrepreneurship is indeed discouraged by the individual degree of risk aversion’ (Cramer et al., 2002).

Mauro & Musumeci (2011) stated that risk-attitude determines individual’s occupational choices. In addition, variability in income streams is linked to degrees of risk aversion. For example, entrepreneurship should be preferred by those with lower risk aversion. A survey was conducted to investigate whether employees in a fixed income jobs exhibit higher risk aversion than employees with variable income jobs. Data was collected from 258 respondents in Italy; results strongly support this hypothesis.

Sarasvathy et al. (1996) in their publishing ‘Perceiving and managing business risks: differences between entrepreneurs and bankers’, argued that ‘Entrepreneurs accept risk as given and focus on controlling the outcomes at any given level of risk’; they also frame their problem spaces with personal values and assume greater personal responsibility for the outcomes. However, Bankers focus on target outcomes- attempting to control risk within structured problem spaces and avoiding situations where they risk higher levels of personal responsibility. In another way, the success of entrepreneurs is immensely tied to the way of risk perception and management.

Kahneman & Lovallo (1994) suggests that those who chose to become entrepreneurs tend to underestimate the risks of starting new ventures, although they do not have a higher overall propensity for risk when comparing to the others. Simon et al., (2000) suggested that contrasting of risks distinguishes the cognitive process of successful and unsuccessful entrepreneurs.

Baron (2004) concluded the importance of effective decision making by entrepreneurs in regards to risks involved, in determining the success of new ventures. Forlani & Mullins
(2000) found that entrepreneurs prefer to accept risk when it is only accompanied by a relatively restricted range of predicted outcomes. We can relate these findings to affordable loss in effectuation theory, as entrepreneurs are to accept risk based on the maximum affordable loss (Sarasvathy, 2001).

2.5. Causation vs. Effectuation
By looking into general meanings of these two words, causation simply means the action of causing, and anything that produces an effect; while effectuation means to cause to happen. If causation is going from left to right, then by definition, effectuation is going in the opposite direction.

To generally introduce and illustrate these two concepts into practice, ‘Curry in a hurry’, an imaginary Indian restaurant as an example of entrepreneurial decision making principles was explained by Sarasvathy (2001). In this example, the differences between causation and effectuation are examined and evaluated.

First, let’s take a look at if causation is used as a startup process:

Begin with a given goal, in this case, a successful Indian restaurant. Then followed by what our marketing literature taught us as the traditional STP – segmentation, targeting and positioning process. Such process would involve considerable amounts of time and analytical effort, such as questionnaires need to be conducted by other companies, investigations of similar restaurants, designing of sales and marketing campaigns. Without a doubt, it would require large amount of timing and monetary resources both for research and implementation of such strategies before the restaurant even starts.

Now, here comes the effectuation process:

Begin with a set of given means, the entrepreneur would have to figure out what she knows, who she knows…etc. By using the given means to create effects, she would begin to convince an established restaurant to become a strategic partner or by doing just enough market research to convince a financier to invest the money needed to start the restaurant. Or she can start by selling lunch to her office colleagues. Overtime, she might develop enough customer bases to start her own restaurant. After a few weeks of trying to build the lunch business, she might discover that people who said they enjoyed her food did not really enjoy it as they did her quirky personality and conversation, particularly her rather unusual life perceptions. The
imaginary entrepreneur might now decide to give up the lunch business and start writing a book, going on the lecture circuit and eventually building a business in the motivational consulting industries.

Table 1 Comparison between Causation and Effectuation (Sarasvathy, 2001)

<table>
<thead>
<tr>
<th>Causation</th>
<th>Effectuation</th>
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<tbody>
<tr>
<td>Beginning with a given goal</td>
<td>Beginning with a set of given means</td>
</tr>
<tr>
<td>Focusing on expected returns</td>
<td>Focusing on affordable loss</td>
</tr>
<tr>
<td>Emphasizing competitive analysis</td>
<td>Emphasizing strategic alliances and pre commitments</td>
</tr>
<tr>
<td>Exploiting preexisting knowledge</td>
<td>Leveraging environmental contingencies</td>
</tr>
<tr>
<td>Trying to predict the future</td>
<td>Seeking to control an unpredictable future</td>
</tr>
</tbody>
</table>

From ‘The science of artificial’ by simon (1981), Sarasvathy (2001) induced effectuation theory based upon uncertainty (Knight, 1921). The entrepreneur is someone who ‘seeks to shape the future of her product, firm and market in conjunction with her partners and through her own actions’ (Read et al., 2009).

In a nutshell, causation focuses on the predictable aspects of an uncertain future while effectuation focuses on the controllable aspects of an unpredictable future. This is to say that the substantial differences between these two lies on the underlying logic, as causation is ‘to the extent we can predict the future, we can control it’, whereas effectuation is ‘to the extent we can control the future, we do not to predict it’ (Sarasvathy, 2001).

To further compare the two decision making logics in practice, I shall investigate them one by one.

2.6. Causation
Sarasvathy (2001) defined ‘causation processes take a particular effect as given and focus on selecting between means to create that effect’. Gartner (1985) described a new venture creation process with predictive theory, it can be concluded the steps below:

1. Identify an opportunity for a new product or market
2. Conduct market analysis and competitive analysis
3. Write a business plan
4. Trying to acquire resources and stakeholders
5. Change the plan when environment changes, therefore, plans to adapt the changes
Segmentation as commonly taught in marketing literatures is the targeting and positioning process. This can be also categorized as a predictive goal driven causal process, as it consists of: Define the market, create market segments, evaluate the segments for viability, construct segment profiles, evaluate the attractiveness of each segment, select target markets, develop positioning strategy, develop and implement the marketing mix, review performance.

Clearly, we can see that the causation process starts with planning, ends with adapting. The planning is in fact a helpful tool to align a firm’s operations within its environment despite difficulty in prediction (Hough & White, 2003).

2.7. Effectuation

2.7.1. The principles of examining decision making logic
Dew et al. (2009) compared the fundamental differences between the two approaches.
Effectuation is concluded as creative, goal-oriented, affordable loss, partnership and leverages, while causation is concluded as predictive, goal-oriented, expected return, competitive analysis, avoid. Chandler et al. (2011) stated four principles on effectuation, they are: pre-commitments, experimentation, affordable loss, flexibility; while the causation model consists of pre-commitments only.

In a nutshell, the principles of effectuation according to Chandler et al. (2011) and Dew et al. (2009) are:

Means-driven:
Starting by examining what means do we have, consider means such as who I am, who do I know and what do I know as inventories and assets. Then work within these means to create a goal. Goal will change as means change to adapt to any unpredicted and uncertain situations.

Pre-commitments:
Building partnerships instead of competitions, as relationships generate opportunities. Find out who are the ones that could create them for you. Collaborating with people who can complement the skills needed, and co-create the product together.

Experimentation:
Future is perceived as non-predictive; therefore, short term experiments created opportunities to offsets any surprise that comes along. Surprise can also be beneficial; it creates direction changing, unexpected and exciting plans, produces flexible products and business models.

Affordable loss:
How much can we afford to fail? Focus on the downside potential, trial and errors, learning, and improvement while doing. The amount of investment is determined by how much the stakeholders can lose.

2.7.2. Effectuation and Uncertainty
Knight (1921) stated that uncertainty is fundamental to entrepreneurship. In relation to differences within such underlying logic, it is thus worth mentioning decision making under uncertainties. There have been many literatures on such topic, as it has been fascinating and applicable under different fields of studies, which includes those that stated reasons for investing in technologies of predictions in order to gain control over outcomes. Raiffa (1970) suggested that such literatures were in fact identifications of technologically based estimations and analysis to develop accurate predictions of the future.

Goodie (2003) defined control as ‘the characteristic of probability alterability’, which involved ‘seeking favorable outcomes by altering probabilities in event spaces and by actions that construct entirely new event spaces’ (Dew et al., 2009).

For this reason, Dew et al. (2009) highlighted three types of uncertainty conceptualized by Knight (1921), which are, known distributions and unknown draws, unknown distributions and unknown draws, non-existent distributions; moreover, it suggested that the appropriate technology of decision making depends on the original decision problem, thus to deliver the technology of non-predictive control which was mentioned by Sarasvathy (2001), who argued that effectual logic is likely to be more effective in settings characterized by greater level of uncertainty.

Adaptation research argues that in dynamic and uncertain situations planning slows adaptation and that comprehensive planning can actually blind the organization to important changes in its environment (Mintzberg, 1990; Schoemaker, 1993). Hough & White (2003), in an
experimental design with 219 participants making 400 decisions, reported that a more comprehensive rational decision approach only enhanced decision quality in certain, rather than uncertain situations.

Therefore, the rational decision approach does not correspond to the unpredictable future. Sarasvathy et al.,(2006) discussed effectuation as a transformative approach to strategic decision making and deciding what to do next when faced with an uncertain situation, and effectuation as appropriate not only for new ventures but for established firms as well. (Alvarez & Barney, 2005) stated that effectuation provides heuristic specifically intended for uncertainty, an environment in which many entrepreneurs operate.

2.8. The Blooming of Effectuation

2.8.1. Affordable loss and risk taking
Risk is a central entrepreneurial issue, there has been ongoing debates regarding to entrepreneurial risk propensity (Steward & Roth, 2004). Since affordable loss is one of the components of effectuation theory as opposite to expected return in the causation model (Sarasvathy, 2001), when further explaining the implication of effectuation, Sarasvathy (2003) pointed that, due to the nature of effectuation, which lies within the logic of control, in turn, can reduce the initial investments to the minimum. This cannot reduce the probability of failure; it does reduce the cost of failure.

This brings us back to what had been mentioned at 1.2, the ‘Curry in a hurry’ example. Clearly, the causation method requires more investment before the business even starts; does it provide more certainty of success to the entrepreneur? Maybe, but it is a matter of randomness and luck.

Many entrepreneurs face such problems, especially when it is new products entering a brand new market – the suicide quadrant.
Clearly, by using causal rationality, the advanced estimation of cost, markets demands and manufacture productions pushes the entrepreneur to the suicide quadrant, since there is so basis for risk taking. It became a choice of risk taking into the unknown. While ‘effectuation is a process of generating the alternatives, and simultaneously discovering and assessing desirable and undesirable qualities of several possible ends’. Entrepreneurs would start with maximum amount they could afford to lose, then take risks within such range, it is in turn to avoid unaffordable risk taking (Sarasvathy, 2003).

In addition, Sarasvathy (2001) pointed that the effectuation process in entrepreneurship allows more flexibility since entrepreneurs start with a generalized aspiration and then attempt to satisfy that aspiration using the resources they have at their immediate disposal; by applying effectuation they are able to ‘take advantages of environmental contingencies as they rise, and learn as they go’. 

**Figure 1 the Suicide Quadrant (Sarasvathy, 2003)**

**Figure 2 Affordable loss determines the level of risk taking (Sarasvathy, 2003)**
Furthermore, from the logic of prediction to the logic of control, Brettel et al. (2012) moved the effectuation theory from entrepreneurial level to R&D research, to examine and identify performance-enhancing measures. This study shows that effectuation has already applied in R&D context, as it is focused on ‘specific means driven’.
3. Methodology

3.1. An explanatory single case study

The research methodology in this thesis will be a single case study, as qualitative case study provides tools to study complex phenomenon within their context (Yin, 2003). Feagin et al., (1991) stated that Case study is an ideal methodology when a holistic, in-depth investigation is needed. Yin (2003) suggested that a case study design is suitable when:

1. The study focuses on ‘how’ and ‘why’ type questions.
2. Behavior of those involved in the study cannot be manipulated.
3. The contextual conditions need to be covered because they are relevant to the phenomenon of the study.
4. There aren’t any clear boundaries between the phenomenon and context.

As mentioned earlier on, the center of the research topic is ‘How does a social commerce startup entrepreneur make decisions? Why is it successful?’ A case study is chosen because the case was the decision making logic of an entrepreneur. The case cannot be considered without context, Bonusbox in Berlin, Germany. It was in the setting that the decision making logic was developed (Baxter & Jack, 2008).

Baxter & Jack (2008) emphasized on the issue of over broad questions and objectives that are associated with a case study, and suggested that by placing boundaries, such as binding a case by time and place, time and activity, or by definition and context, can overcome such problem. In this study, the boundaries will be established as it is carried out in the office of Bonusbox, Berlin, October to November 2013; the company would have been established for 2 years and 4 months. Bonusbox is chosen due to its initially success in funding, reasonable revenue predictability and profit enough to continue with growth.

Yin (2003) described different types of case study, explanatory, exploratory and descriptive. As this case is to seek to answer a question that sought to explain the presumed types of decision making logics, which would have been too complex for survey or experimental strategies, therefore, the case study type is explanatory. Since the entrepreneur of Bonusbox to be studied is in a unique situation, therefore, a single case study is considered (Yin, 2003).
3.2. Why Bonusbox? How was the case selected?

Bonusbox was not chosen randomly.

Gerring & Seawright (2008) demonstrated techniques of choosing a case. It is that ‘case selection in case study research has same twin objectives as random sampling; that is, one desires (1) a representative sample and (2) useful variation on the dimensions of theoretical interest’. If the case was randomly chosen, so is the result. The choice of case depends on the dimensions within theoretically specified population of interest. Seven case study types were defined, they are: typical, diverse, extreme, deviant, influential, most similar, most different (Gerring & Seawright, 2008).

A typical case is ‘well explained by an existing model’ (Gerring & Seawright, 2008); Avery et al., (2011) suggested that ‘sampling a ‘deviant’ or ‘atypical’ case may however prove even more informative, potentially enabling the researcher to identify causal processes, generate hypotheses and development theory’. In this study, therefore, an atypical case was chosen, as it cannot yet be explained by an existing model, and we need to investigate the causal relationship and develop better theory.

The importance of onsite access as a central consideration was also addressed by Avery et al., (2010), it is that the researcher should access to everything that constitutes the chosen unit of analysis for this study. Knowledge of the research site and cooperative work with the people onsite is also crucial (Avery et al., 2010).

Initially, a friend of mine who works at an equity fund firm for startups introduced me to few companies that fit into the research criteria, which is ‘success in initial funding, reasonable revenue predictability and profit enough to continue with growth, preferably within the tech sector’. Bonusbox was chosen due to the additional reasons below:

1. It became Germany’s biggest online bonus program with a short period of time; it is also market leader in both Germany and Brazil with over 3 million members and 1200 merchants.
2. Continued investments from venture capitals and angel investors which indicate the level of confidence; moreover, commitments from stakeholders.
3. Paul Gebhardt, the CEO and co-founder has a solid background in financial economics and is expert in examining different business models, and is on the way to
obtain a PhD in this field. Therefore, the type of the business is directly linked to his previous knowledge; in other words, he knows exactly what he's doing.

3.3. Validity of the study

Validity is necessary in any types of academic study. Flyvbjerg (2006) criticized the conventional misunderstanding on the validity of a case study, as traditionally it is believed that the absence of hypothesis and control from such study is perceived as of no scientific value, it is illusory upon analysis (Campbell & Stanley, 1966).

Flyvbjerg (2006) argued that ‘the case study is a necessary and sufficient method for certain important research tasks in social sciences, and it is a method that holds up well when compared to other methods in the gamut of social science research methodology’. In comparison between case study and large samples, Beveridge (1951) observed that intense observation had generated more discoveries. Flyvbjerg (2001) further argued that when studying human affairs, ‘there appears to exist only context-dependent knowledge, which thus presently rules out the possibility of epistemic theoretical construction, and that predictive theory does not exist in social science, ‘Predictive theories and universals cannot be found in the study of human affairs. Concrete, context-dependent knowledge is therefore more valuable than the vain search for predictive theories and universals’.

When selecting a specific case, Flyvbjerg (2006) suggested ways to look for a critical case, since there’s no universal definition, therefore, by searching for cases that are most likely or least likely to confirm propositions and hypothesis. In this study, the research task is to analyze the decision making logic of an entrepreneur, a unique person in a unique setting. The entrepreneur and Bonusbox are thought to be most likely to answer my research question due to its success in funding, reasonable revenue generating, and grown to be the biggest bonus program in Germany; it is thus demonstrated to be a critical case. A critical case is strategically important in relation to a general problem without being an extreme case, such as Freud’s ‘Wolf-man’, and the various perspectives and conclusions obtained from such case would provide unique and valuable information (Flyvbjerg, 2006).

To summarize, although traditionally quantitative methodology is better appreciated and thought to be more valid than qualitative case study, due to the reasons above, a single case
3.4. Case Description – Bonusbox, a customer loyalty program on social commerce
- Transferring an existing business model into a social commerce format

Bonusbox was founded by Paul Gebhardt and two other co-founders in the spring of 2011, is currently the largest shopping rewards and online loyalty network for the German market. Their mission is to integrate all online shops in Germany. The business is also operated in Brazil; at the end of October 2013, the US site was launched.

It is the first and only online rewards program in Germany in competition with other traditional rewards programs, such as ‘payback’. The application exists within Facebook, the largest social media website of the moment, this assists in capturing interested users; approximately 4 million people have signed up for the application so far and it is still rapidly growing.

The head office is located in Berlin, Germany, currently there are 19 employees; rapid expansion has led to more job opportunities for talents. One of the co-founders left in September 2013; the current two CEOs are Paul Gebhardt and Alexander Kilian who is responsible for the Brazilian market only. The management team also consists of Jan Riethmayer who is the Chief Technical Officer.

With solid post graduate background in financial economics and professional background in investment banking, Paul discovered inefficiency in the market and decided to do something about it. Bonusbox is currently intergraded with approximately 100 small to medium sized shops in Germany, they are aiming to sign up with large sized shops at the beginning of 2014 once the technology is more advanced. Bonusbox works like this:

When a customer made a purchase through one of their shops, points were automatically collected; she can then redeem the points for cash vouchers.

Bonusbox has a proven track of records in helping merchants build and maintain long term customer relationships with increased basket values, purchase rates, reduced returns and increased brand awareness.
While it is commonly known that approximately 60-70% of all tech startups in Germany survive for the first three years; the eventual failure rate for startups which received at least $1 million venture funding is 75%, furthermore, if failure is defined by failing to see the projected return on investment, then more than 95% of startups fail, according to a new research by Harvard Business School’s Shikhar Ghosh (Blank, 2013). Therefore, the odds of success are not on their side statistically speaking.

It is perhaps still at its first three glorious years; not only Bonusbox succeed initially, but also it continues growing rapidly to capture overseas markets since 2011. The main brain behind Bonusbox – Paul and his decision making logic would make an interesting study along with people who directly influence him, such as the CTO, product manager and business development manager. By examining the reasons behind its success, it aims to contribute to the existing entrepreneurial decision making literature and startup education.

3.5. Data Collection
Yin (1994) stated that data collection is a design issue which is to enhance both internal and external validity and external reliability. Therefore, it should not be treated as isolation from other aspects of the research study.

Six primary sources of evidence for case study were identified by Yin (1994), they are: documentation, archival records, interviews, direct observations, participant observation, and physical artifacts. For this study, I’ve chosen documentation, interviews, and direct observations as sources of evidence; it was carried out within a 4 weeks period during October and November 2013.

Documentation: It consists of business plan, company architecture, organizational chart, agendas (recorded team meetings) and emails.

My first day of research at Bonusbox started with a Monday team meeting, followed by department team meetings. From the information given at the team meetings, I was able to gain insights into the business and generate interview questions for staff members. However, it is essential to gain good understanding of how the company is organized and runs before any further interviews and direct observations. I was able to obtain required documents from the CTO to fill my knowledge gap.
Interviews: First the staff, then the CEO. CEOs are extremely busy people, it is often difficult to get hold of them for longer periods of time, therefore, in order to conduct accurate and efficient interviews with Paul, I interviewed his staff members first.

Below is the interview guide for staff members:

1. Job title and date of joining the company.
2. Previous educational and professional background.
3. Could you please describe a typical day of your job?
4. What has changed since you joined the company?
5. Where is this business heading to in the near future in your opinion?
6. What influence do you have on Paul’s decision making?
7. What do you think of Paul as a leader?

Upon finishing interviewing all the staff members, I found the CTO, product manager and business intelligence analyst the greatest influences on Paul’s decision making. Therefore, I interviewed them extensively in between interviews with Paul to increase data reliability.

The majorities of the interviews were with Paul and guided by Differences between Predictive and Effectual Thought (Sarasvathy & Dew, 2005a). We first focused on bringing his previous experiences into current startup project; he talked about life as a student and early professional careers within investment banking, followed by the startup story of Bonusbox. Interview questions were guided by:

1. View of the future, to predict or seek control within the unpredictable
2. Basis for taking actions
3. Perceptions of risks and resources from all aspects
4. Commitments from the others
5. How to deal with surprises

Direct Observations: I often sat down with staff members and observed how they interacted with each other and Paul, what tasks were given by Paul which reflected his decision making on the progress of the business. The staff members would describe to me why they were given such tasks and the purpose.
4. Results

4.1. Why Entrepreneurship? The story of Paul Gebhardt

‘I enjoy the freedom and it is fun,’ said Paul.

- Characteristics

Paul is one of the co-founders and CEO of Bonusbox. He grew up in an entrepreneurial environment with family members being business owners. As a child, hearing about entrepreneurial discussions over family get-togethers had shaped him tremendously. His first entrepreneurial encounter was when he was doing A-levels at high school, at the age of 16. While most of his friends and classmates at that time were participating in typical student jobs, he started and operated a profitable printing business with his friend. ‘I really enjoyed being on my own, even though there are risks involved, such as making a loss after all the money invested, it was fun,’ Paul commented.

Paul obtained a Masters degree in financial economics eventually at Maastricht University. Economics was attractive to him at the beginning since it was business related, then naturally it progressed to econometrics. During the undergraduate and graduate years, he worked as analysts at few large investment Banks, such as Rothschild Investment Bank, Waterland Private Equity Investments, Quoniam Asset Management. Upon graduation, a choice must be made either by continuing a career within investment banking or pursuing a PhD at Otto Beisheim School of Management. He stated that ‘I knew that going back to investment banking was not what I wanted, however, doing a PhD will give me enough time to do something else on the side, such as looking into different business models and studying them extensively’.

PhD research study helped preparing Paul’s entrepreneurial future. ‘An entrepreneurial project is similar to a PhD project; you need to conduct your own research and experiments to conclude a finding. However, unlike a PhD project, if no finding was found, then no money was made in a business,’ said he. He also gained strong presentation and teaching skills while guiding undergraduates, this furthers skills on mentoring his employees in a professional environment.

Paul mentioned that one of the biggest motivations for entrepreneurship is freedom, if it was for the money, he would have gone back to investment banking. Even if the company fails in
worst case scenario, he still would not go back to employment, but try another entrepreneurial project; short term personal financial difficulty resulted by failure can be resolved by his family members. As the company is backed up by several investors, his own financial risk is greatly reduced in case of failure, but he does care about his employees and their future. Many of the employees told me that they feel confident about Paul’s leadership skills and current growth of the company.

Success Intelligence

Being an entrepreneur allows Paul to utilize his social, practical and academic intelligence; it creates self-development opportunities which are not available elsewhere. He thoughtfully commented that ‘It is much easier for a startup to achieve something much greater in two or three years’ time, because no matter how much of a genius you are, it is never possible to be promoted into CEO straight away in a corporate’.

Social Intelligence

While interviewing Paul’s employees, from the ones that joined the earliest to the newly employed, they told me something in common, ‘Paul is a very down to earth, open minded person with a good heart’. He tries to abolish hierarchy in this company to create more self-development opportunities, open communication in a friendly atmosphere also improves work efficiency, ‘I would like every staff member here to feel like this is also their own company,’ said Paul. Team buildings and company events are happening often to strengthen relationships between employees. ‘The working atmosphere here is very positive; Paul tends to hire people that can relate well to each other’, staff at the sales department told me. No one in the management team tends to act as if they are above anyone, and encouragement is the key to create a healthy working attitude. Therefore, so far, staff retention rate is at an excellent level, everyone is happy about their job without any intentions to leave.

Practical Intelligence

Hiring staff is one of the most difficult areas for startups. More often, startups tend to make mistakes by hiring ‘proven people’ due to successful funding. However, Paul does not necessarily believe so. He and his direct influence Jan the CTO, made most early hiring decisions together. The first tech employee they hired happened to be someone smart but
without any relevant experiences; he was hired due to his practical problem solving intelligence. Eventually, he turned out to be the best tech employee.

Paul believes in quality over quantity, the downside of working for corporates became inspirations towards his unique management style. Often it is not about how good you are but time spent working each day that generates further promotional opportunity within a corporate; therefore, he allows flexibility among his employees, no one needs to start working exactly at 9am for example and sometimes even working in the café might result in better productivity.

Academic Intelligence

PhD students are those who obtained distinctions previously from graduate studies. Without a doubt, Paul’s dedication to academic success, scientific research, teaching and innovation are highly recognized. Such intelligence is built through his life time studying, and continuous self-improvement.

4.2. The environment of Bonusbox

- Berlin, the Silicon Allee

An affordable European capital city with fantastic café, restaurants and night life, Berlin is truly a hipster. Located at Schönhauser Allee, the premise of Bonusbox is on the edge between Prenzlauer Berg and Pankow, the former East Germany. 15 years old, Prenzlauer Berg was still a cheaper area filled with students flat; today, it became the centre of Tech startups and home to the IT elite. Entrepreneurs, the creative, young IT expats, venture capital firms, Berlin is the hottest startup city in Europe.

- Business environment

Bonusbox is operated in a rapid changing environment. Just over 10 years ago, social media was unheard of. However, in recent years, advancements in the ICT industry have created large numbers of new concepts and products, such as smart phones and tablets. The birth of Facebook opened a new chapter of possibilities to online businesses, app developers, and digital marketing specialists, created new business ideas and employment opportunities. ‘The Facebook will go on for quite some years,’ said Paul. The number of social media based
startups is steadily increasing, who would have thought before Facebook. ‘In the future, social commerce will become the norm, as most businesses will be operating in a online social based environment, the word social will slowly disappear, just like the booming of e commerce in the late 90s’.

Social commerce certainty has changed the way how online retail operates. However, Bonusbox is trying not to rely on Facebook solely as an operating platform. ‘Having to go through Bonusbox app on Facebook before shopping is not a natural setting; usually customers would collect points at the checkout, not beforehand,’ said product manager Giuseppe. Transactions on Facebook only is unlikely to retain enormous opportunities in the near future, rather, it is the social network built within the brand itself that will increase brand awareness and customer loyalty. Therefore, Bonusbox has fully integrated with their merchants, created a natural setting of points collecting; customers no longer need to access through Facebook before shopping.

- Limitations

While Bonusbox is trying to integrate as many merchants as possible, there are limitations on which type of merchants that are allowed to acquire. For example, it is forbidden to earn loyalty points from book selling in Germany, as every new book has a fixed price, therefore, the list of bookshops will have to be forgone. As with any loyalty program, there is minimum length of expiring dates on the points gained; in Germany, it is currently 3 years, which means redemption must be available all time within the 3 years period; therefore, it is not an option to gain more revenue from expired points within a short period of time.

Data privacy is of great concern in Germany; data of German customers must be kept within Germany, which is quite tricky for cloud hosting. On top of this, it is not allowed to share company data with a third party, ‘we don’t want to end up being perceived only as a data company,’ said Paul. There are similar traditional businesses that have had data privacy issues, it has negative effects on their public image and relations.

Every country has its own legal limitations on the business operational environment, however, by expanding the business into other countries, such as brazil, where for example no tax is charged on displaying ads, and the USA, where different legislations and larger markets are available to utilize the business model and capture more users, the company has the potential to generate more revenues and increase market shares in the long run.
4.3. Significant Events and Decision Making Logic

4.3.1. Chapter one: 2011

- The vision of Bonusbox is to help online merchants to retain their customers

![Figure 3 First Stage of Effectuation](image)

When there’s inefficiency in the market, a business opportunity rises. There are quite few loyalty programs available for traditional shops that had been operated for some decades, such as payback. With the advancements in technology over the last decade, more people have started using smartphones, and more businesses are now established online; When Paul, Alex and Robert realized their knowledge and network can potentially fill a gap in the loyalty program for online shops, Bonusbox was then founded in the spring of 2011.

- Funding of Bonusbox

Paul and co-founders managed to squeeze out some personal savings and obtained a small bank loan in order to get the process started. Business plan was written for the purpose of acquiring credit and investment. He said ‘Write down the business plan from scratch; see where it all leads to, when more information comes, then remodel the business again.’

Initially, the Facebook application was designed by a third party, unfortunately it ended up without much success as it did not fulfill their requirements. When Jan Riethmayer joined Bonusbox as the CTO (Chief Technical Officer), he started to implement new strategies and redesigned the Facebook application, the first goal achieved. Their pitch to the first venture capital – Wellington partners, was successful. Fortunately, like any other already successful tech startup businesses, the potential impact of the business on the current and future markets
and individual talents of the management team were what interested the investors, not only the financial forecast.

- Direct Influence, the CTO

Jan is also considered as one of the co-founders of Bonusbox that has significant influence on decision making of Paul. Jan has vast experiences as a CTO, in hiring developers, and had been involved in running a few businesses previously to Bonusbox; he knows how difficult the startup phase can be. Setting up the initial infrastructure, establish the workflow, and hiring new tech staff were difficult. Paul hired Jan with a much above industry salary in order to keep this unique talent.

With adequate initial investment, and four people in the management team, knowledge, skills and resources are combined; a goal was generated – to create an online loyalty program on a social platform, in other words, a big data company for ecommerce loyalty.

![Second Stage of Effectuation](image.png)

Connecting Merchants (shops) and Members (customers)

However, there is a problem. Customers won’t buy if there are no shops, similarly, shops won’t integrate if there are no customers. To solve this problem, the CTO implemented the affiliate network strategy; this allowed Bonusbox to acquire large numbers of merchants immediately to start attracting customers. However, the affiliate network became a defocus rather than a steady progress, it became a waste time and money as it does not fit into the original vision which is to increase customer retention, large amount money was spent on marketing, far greater than the value generated. In the long run, a business model that is
purely based on affiliate network without a solid product will not be able to produce adequate value, to interest future investors and acquire new funds.

Nevertheless, when a great number of customers were achieved and signed up through affiliate network, they started approaching merchants again, this time with an integrating application. However, another problem was soon discovered, most merchants were skeptical of installing as the complete integration process could take up to two days, too long, too risky.

Jan quickly came up with a better version of the integrating application which only takes 5 minutes to install, which are found to be acceptable among most merchants. After many trials and errors, and experiments, finally, a new goal was achieved, Bonusbox launched in Germany and Brazil at the same time. It became a big data company for ecommerce loyalty.

Figure 5 Third Stage of Effectuation

4.3.2. Chapter Two: 2012
- The Brazilian Fraud

July 2012, Bonusbox was fully established and the sales started to increase steadily. August and September were the months to celebrate as sales increased by 400%. However ‘The internet is a big place full of fraud,’ said Paul. There will always be people using false identities to complete online purchases, it has happened to many online shops before, and it happened to Bonusbox.

‘We underestimated the probability of fraud within a loyalty program,’ said Paul. ‘Why would people trick us? However, it seems like any type of Internet fraud is possible in Latin America.’ While there was a 1400% increase in gross sales during Oct 2012, it was far too good to be true. A large percentage of the sales turned out to be fraudulent, from Brazil. ‘How did they manage to get into our system and trick us?’

Soon, two major issues were discovered, and solutions immediately followed. First, Fake Facebook profiles allowed fraudsters to gain illegitimate points through business policy loopholes; compulsory email confirmation would solve the problem. While points were
gained and issued straight away upon on purchasing previously, problems occurred when customers return the goods but still keep the points; in this case, it created a large loss of revenue. The second problem can be solved by issuing points only after completion of the purchase, which means it can be from 14 days up to one month depending on the return policy.

Surprising is good, these unexpected events were transferred into opportunities to improve the product features and model, it became better and more secure.

4.3.3. Chapter Three: Continuous commitments and funding

- You invest in Bonusbox is because you trust them

Bonusbox’s management team, employees, merchants, customers and investors must engage and articulate their mission, value, visions to ensure continuous development, obtaining both short and long term success.

August 2011, Bonusbox embarked on a journey of the future success. ‘The change of company’s direction is determined by the amount of funds we have access to,’ said Paul. In December 2011, a more significant investment was received; the business was ready to take off. The inflow of funds allows management team to make faster decision on hiring talented staff. All employees at Bonusbox are paid at an above market salary; this creates more commitments, in the long run increases productivity and staff retention. Funding is the vital nutrients for startups in order to operate smoothly and grow stronger.

Commitments from investors are just another indication of sound decision making from the management team. ‘When more money is invested in us, that means we must have been doing something right, investors have confidence in our product and people’ Paul commented.

While many startup entrepreneurs are working towards a common goal – going public, especially if they are backed up by venture capitalists. However, the probability of achieving this is rather low, especially in Europe. In Paul’s opinion, IPO (initial public offering) is merely another way to acquire capital rather than exit, from large numbers of investors. He stated that ‘It is more efficient and less expensive to raise a large sum from one investor rather than from many of them, at least, in Europe it is the case.’
When raising money, the first question to negotiate is usually how much percentage of shares are they willing to give out to the investors. This concerns many aspects of the business, such as control of decision-making, cost of the shares, and employees’ benefits. It is a difficult decision to make with each round of funding.

While concentrating on solving the potential issues, it could also defocus the business. At the same time, the quality of staff to hire should not be affected by the amount of available funds, only the quantity. Employing high quality staff means that Bonusbox aims to hire ‘Interesting characters, who are intelligent and have potential to grow and develop within the company’.

Customers are happy with their bonus points, merchants are retaining more customers, employees enjoy an increased job satisfaction, and these are the results of commitments from investors, which generated more commitments from the other stakeholders.

**Figure 6 Final Stage of Effectuation**

**4.4. Paul’s risk taking**

*Boys tend to have a higher degree of risk taking than girls*

As suggested by the prospect theory, risk taking/averse depends on how the question is framed. This would initially be more of a concern to the investors rather than Bonusbox. Venture capitalists usually establish a portfolio, which contains a group of startup companies. Out of those companies, few will be operating steadily, a few will fail, one or two could be cashed up, but the overall utility should be positive. However, under prospect theory,
investors usually end up cashing out of companies too fast and delaying on selling failed companies to avoid the negative utility of a prospect loss.

This, however, does not really impact on Paul’s decision making. The company is mostly backed by venture capitalists and business angels. Paul’s personal financial risk is minimum, his only concern is regarding to employee’s welfare and future. To him, his employees are the greatest assets. A few employees from Bonusbox had previously worked for one or more startup companies, in their opinions, this startup is like no other, they expressed great confidence in the business itself and sound decision making of the management team. Other startup fails are usually due to one of the reasons, funding and management; incompetent management will bury the business regardless of funding. With Bonusbox, adequate funding allows the management to hire more quality employees. Open communication encourages each member to express their opinions and address issues at a timely manner.

Oct 2013, Bonusbox was launched in the US, same principal as for the German and Brazilian market, initial affiliate model then integrations, this process will be completed by talented sales staff. Expansion means success, at the same time there are risks involved. But Paul is confident that after all the previous trials and errors, the next stage of expansion will be more stable and secure. With each round of funding, they are able to recruit more sales people to capture the international market within a shortened period of time.

Paul’s level of risk taking is determined by affordable loss, the only thing he would lose is his staff, therefore, by paying them at an above market salary and recruiting more to take on increased tasks and responsibilities will ensure continuous growth and stability within the company.

Figure 7 Paul's Affordable loss determines the level of risk taking
4.5. Conclusion of decision making logic

To answer the first research question: *How does a social commerce startup entrepreneur make decisions?*

Bonusbox is operated in a rapid changing environment, therefore, any decision making must be quick and flexible to adapt to changes in technology, legal requirements and government policies.

By looking at the key principles of each decision making logic, Paul’s decision making logic which also reflects the decision making of the management team is indeed effectuation. This is explained by applying evidence on each principle.

**Means-driven:**

Paul and his co-founders started with a vision, which is a business model that helps online merchants to retain their customers. This vision became the guiding spirit of the company, whatever business model and goals are to achieve, it follows. There were no initial goals or product, no segmentation, targeting and position process. ‘*The product we have today is totally different than what was written on the initial business plan,*’ said Paul, this indicates that the decision making logic was clearly means-driven.

Over time, they hired an extraordinary CTO, who made most of the hiring decisions for the Tech department; then it came to the investors, more funds acquired, more staff hired, new goals were generated. When problems occurred as the current business model was not working optimally, they started looking for alternatives, a landing page at the checkout of an online shop is more appealing and natural than going through Facebook application, slowly but surely they are transforming the business to fit into the original vision. ‘*We do not know what our goal is, we just keep on improving and changing our product when new information and resources become available,*’ said the product manager.

**Experimentation:**

Started with three co-founders working closely, experimented with a Facebook application built by a third party, then the CTO built another app. Experimentation, again with business models and processes that did not work, before finding a model that truly fits and works. After two years of trials and errors the product was finally at a stage of completion.
Expected returns and financial projects were more valid when applying for a bank loan. The venture capitalists and business angels are interested in the idea itself and they are investing in a collaborated team. If Paul and co-founders strictly followed a precisely written business plan at the beginning, and agreed on the affiliate model is the one to go for, this is what could happen.

![Figure 8 The Suicide Quadrant if followed by Causation](image)

By changing goals while adapting to new situations, the affiliate model was barely a bridge to the final product that was launched.

Pre-commitments:

*I only hire people who are more intelligent than me,* said Paul. It essentially means that he only hires people with complementary skills and assets that will allow better engagement and more co-created opportunities. One of the greatest influences on Paul’s decision making – the CTO commented that *Trust is the key on hiring and keeping people.* Many employees commented that they have faith and trust in their management, are confident with their roles on progressing and expanding the business daily.

Trust is also vital among stakeholders, investors must have faith in where they are putting their money, and they need to trust on the decision making of the entire team; merchants will rely on the product to generate profits and retain customers. Sales teams at Bonusbox are expanding rapidly, sales people are also responsible for building and maintaining
relationships with merchants; after all, great relationships between stakeholders along with trust will encourage commitments at a higher level to ensure success of the business.

Affordable loss:

How much can Paul afford to lose, and other staff within Bonusbox, along with investors? Initially, it is a critical question prior to investment for the investors. As it is mainly backed up by venture capitals, each step of decision making is only executed after rounds of investments. Therefore, the financial part of the question is to the investors. With every experiment taken, a level of affordable loss must be determined in order to keep the progress and acquire new funds. Therefore, the affordable loss is broken into small steps rather than looking into the far future, with each of these small steps carefully monitored and calculated. Investors would never gamble on injecting funds all at once, the expected return theory is thus invalid.

Paul’s affordable loss, similarly, the affordable loss at management level, is their employees. It is reflected positively with Paul’s opinions on the possibility of future IPOs, to him, it is just another source of funding rather than an exit. He cares deeply about his employees as they are his greatest assets, therefore, by keeping them motivated with adequate incentives, this in turn increases staff retention rate. The CTO also mentioned they carefully calculate how much they could afford to lose at each experiment, there’s a limit and time on each round, prolonged experiment would result in unnecessary loss and driven the company into trouble. Uncertainty certainty exists in every area of business; however, by making controlled small bets, one can minimize the cost of failure and continue on the road of success.

4.6. The Success of Bonusbox

To answer the second research question: Why is it successful so far?

Freedom is the guidance, Trust is the virtue.

Every day, there are many startups are built, but at the same time, many fail. This failure is usually a result of lack of funding or an incompetent management team. Evidenced by the staff that was interviewed who had previously worked for other startups that eventually failed, ‘I have many responsibilities in life, normally people in my situation would go for big
corporate jobs that feel more secure. However, after working for two failed startups previously, this one is different; the management team is superb, understanding and efficient, they trust us on a job well done; there are no hierarchies in the company, everyone is treated as equal, no one has left yet, we are only getting more and more people every day, it is a very positive environment and I feel very secure here,’ said one of the Tech staff.

Paul has a very unique character, freedom is vital to him. He would never consider any types of employment even in the case of failure; instead, he will start a new project again. Recognition of achievements, control of own projects, play by his own rules are these that can never been achieved through regular employment.

Not every academic genius can make a great business man. Academic intelligence can surely help to analyze and build a plausible business model; however, it is the practical and social intelligence that glues the rest together. Luckily, Paul is competent in all, so are his direct influences. Together, Bonusbox consists of a flexible product that can adapt to any changes and a team that collaborates well together. This is what attracted investors who built long term trust within.

While things might change in a few years’ time down the road, just like the 75% failure rate on all venture backed startups eventually (Blank, 2013); we cannot say it will be more likely to fail as no one is able to predict the future, too many internal and environmental factors to be determined.

In short, why is it successful so far?

Success in funding and great management: without funding, there won’t be any progress, without great management; there won’t be talented staff hires who eventually becomes part of a great team. As the central of management, Paul is a true leader, driven by passion on achievements, his actions speak for themselves. Freedom is the guidance of his professional life, trust is the virtue for living; the rest comes along.
5. Limitations and suggestion for future research

As a single case study, there are limitations that need to be discussed. The study was carried out in Berlin, Germany, one of the biggest tech startup hotspot in the world, crowded by the young, intelligent, well-educated and entrepreneurial minded, the environment itself has created an attraction for opportunities, especially within the social commerce industry. Bonusbox is mainly backed up by venture capitals and angel investors; therefore, the risk taking level and decision making logic would be different if it was backed up by other sources of funding, as such bank credit, personal servings, and lately, crowd funding; especially for startups operating with less geographic advantages, or within places where it is difficult to obtain venture capitals. Therefore, it will be worthwhile examining the differences between the decision making logic among startups with different funding resources, which would potentially impact on the affordable loss, experiments, trials and errors, decisions on hiring, expanding.

While we cannot gamble on luck, it is mostly agreeable that luck without a doubt plays an important role on success. The right place, right time with the right people, Bonusbox was born in a fairly stable economic environment without any significant national competitions, Paul was lucky enough to find a competent and talented CTO to construct the essentials. It will however, result in a complete different scenario if a business was built right before a major financial crisis, or a competitor happened to have obtained more funds. Therefore, it will be more conclusive to exam and compare several similar startups together over a longer period of time, this would eliminate survival bias.
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