The Contribution of Innovation to Startups for Market Creation

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ABSTRACT

This article examined how the innovation in startups contributes to the creation of markets. The constructs “Strategies for the creation of markets” and “Innovation” were covered in the theoretical framework. The scope of the research was startups and the specific objectives sought to analyze how innovation occurs and verifying the creation of the market through their innovation. The method of research was the qualitative exploratory, and data collection was performed by means of a structured script. Ten startup founders were interviewed and it was used the content analysis technique for data analysis. This article has shown that startups, even using an existing business model, innovate in the segment or the way they deliver their products, thus generating a value innovation and this is often caused by the ability to feel the pain of consumer. Some limitations were found in the research, such as the limited data on Brazilian startups, which already indicates a path for future research, as well as seeking to understand the functioning of the organizational structure of these companies, which still need to be better studied.

KEYWORDS

Innovation, Market Creation, Startup, Strategy.

RESUMO

Este artigo analisou como a inovação nas startups contribui para a criação de mercados. Os constructos “Estratégias para a criação de mercados” e “Inovação” foram abordados no referencial teórico. O âmbito da pesquisa foram startups e os objetivos específicos buscaram analisar como a inovação ocorre e identificar as ferramentas que estas empresas utilizam, além de verificar a criação de mercado por meio de sua inovação. O método de pesquisa foi o qualitativo, de caráter descritivo e exploratório, e a coleta dos dados foi realizada por meio de um roteiro estruturado. Foram entrevistados dez fundadores de startups, e estão com pelo menos um produto no mercado. Este artigo mostrou que as startups, mesmo utilizando um modelo de negócio já existente, inovam no segmento ou na forma de entrega de seus produtos, gerando assim uma inovação de valor e muitas vezes é causada pela capacidade de sentir a dor do consumidor. Algumas limitações foram encontradas na pesquisa, como os dados limitados sobre startups brasileiras, que já indicam um caminho para pesquisas futuras, bem como buscar compreender o funcionamento da estrutura organizacional dessas empresas, que podem ser mais bem estudadas.
1 Introduction

The evolution of the concept and application of strategy in organizations is analogous to changes that occur in the market because the need for adaptation that companies have become a survival necessity for companies that wish to remain alive in the market. Many times, these changes directly affect a market, by either modifying or creating a new one (WOERTER; ROPER, 2010; SILVA; DACORSO, 2013).

Aslam et al (2020) write that the business environment is increasingly dynamic and competitive in order to deal with this scenario and companies now depend more than ever on innovation to survive and obtain average results.

One factor that contributes to companies developing markets is innovation, a theme that broke out with Joseph A. Schumpeter in 1939, in his work entitled “The Theory of Economic Development”, in which he mentions that innovation arises from the entrepreneur (the protagonist of the economic change) and not just from the wishes and needs of consumers.

More contemporary innovation authors such as Joe Tidd and John Bessant (2015) demonstrate the relationship between innovation and the creation of new markets, explaining that, regardless of the technological, social or marketing conditions involved, the source for creating and maintaining a market tends to belong to organizations that continually innovate. The authors also work on innovation as a systemic process and not something casual or accidental.

In this sense, Christensen et al (2019) write that innovation has the potential to create markets or make it efficient and sustainable in the market in which it is inserted. When innovation is disruptive, a new market is created, as it causes a rupture in the existing status quo. The authors reinforce the link between innovation and strategy for market creation.

The link between strategy and innovation concepts is also present in the works of Michael Porter, who in his 1979 article “How competitive forces shape strategy” wrote that strategy has to be aware of changing conditions and a company can achieve an advantage through innovation. Accordingly, Montgomery et al. (1998) cited that some innovations create competitive advantage by perceiving an entirely new market opportunity or serving a market segment that others have overlooked.

Harrison (2005) also helps to study innovation and strategy, when writes about differentiation be related to the creative capacity of the organization, so that consumers notice value in the products. In this sense, the concept of Value Innovation brought by Kim and Mauborgne (1997; 2019) is also relevant because the authors address that to be a value innovation, it is necessary for it to be differentiated to the point of developing one new market.

Studies by Choi, Anh and Woo (2020) demonstrate that new entrants (including startups) that use innovation as a strategy create niches and, through their scalability, the niche becomes a new market, with high returns for companies.

Ries (2011) wrote about the role of the entrepreneur that aim to transform an idea into a new product or service and, for this, create a startup, which according to the author, is a company in the embryonic phase and in process of implementation and organization of their operations, many still do not have complex processes and their agility is one of its virtues.

In addition, Graham (2005) mentions that startups are companies designed to grow rapidly due to their innovation and potential for market gain. Understanding how agility and its development happen and the participation of innovation strategy is one of the focus of this study. In Brazil, the number of growth startups is evident, as shown by Brazilian Association of Startups (ABStartups) database that shows an average growth between 2015 and 2019 of 26.75% per year. The startups have little structure and existing studies of innovation study the already established phenomenon, but few seek to understand the design of these strategies and their potential to develop a market. With this, the question of research of this study is: How innovation contribute to the creation of markets on startups?

In order to contribute to the academic production on the lines of strategy, market development and innovation, this study aims: Identify how innovation contributes to startup market creation. In parallel, some specific objectives also emerge, from which: (a) Analyze how innovation occurs in startups; (b) Verify market creation through innovation strategies.

2 Theoretical Framework:
2.1 Market Creation Strategy

The concept of Strategy in the Management began to be debated in the late 1940, but very before that, the concept of strategy was written in a treaty military during the fourth century BC called "The Art of War", of Sun Tzu, which is a reference in concepts such as discipline, preparation and planning. It is considered the precursor work of organizational strategy studies (MINTZBERG, 2004).

However, a systematic study of the consumer market began in the 1960s. For Chandler (1962), the setting of long-term goals and targets by organizations and the allocation of the resources needed to achieve them in an organized and with planning and strategy.

Company growth, according to Chandler (1962), can happen through three strategies: 1) expansion of the company through its existing product lines to the same type of customers; 2) search for new markets and new sources of supply; 3) opening new markets by developing a wide range of new products for different types of customers.

The till the end of the 1950s the logic was that by practicing low prices, the company gained market share, but to Ansoff (1965), customers stopped searching products with best price, because other deciding factors emerged as: personal characteristics, cultural, status and other attributes related to the purchase decision.

By focusing on corporate expansion and diversification, Ansoff (1965) studies complemented strategic planning with a market-driven focus. With this, the author developed “Product x Market Matrix”, today known as “Ansoff Matrix”, which describes the different strategies for the performance of products (existing and new) in markets (existing and new).

The author writes that for marketing existing products in established markets, the strategy is market penetration. For the launch of new products in these same markets, is the development of products to which it is a strategy often used by companies already established and who wish to maintain their advantage in the market in which they operate.

However, to explore a new market through existing products, the organization's efforts will be to develop a market, that if the resembles the work positioning products. For a new product to reach a new market, it is necessary to use the diversification strategy, which has a greater challenge, given that the efforts needed to be higher, to include a new product in a nonexistent market (ANSOFF, 1965).

The approach of the external environment has become part of the strategic planning and the differentiation products/services is established as a strategy important competitive, which overlapped the traditional, which was based on cost and training price (SANCHES, 2013).

For Porter (1979), the definition of strategies have the objective of creating a position favorable for the company successfully face the stress of competitive and, thus, get a higher return on investment. Accordingly, Dierickx and Cool (1987), cited this strategy as an ability to provide the consumers a high perceived value.

According to Porter (1996), a strategic advantage is obtained by the company's positioning in the industrial structure and its influence on the market. To be successful, companies develop three types of generic strategies: 1) cost leadership; 2) differentiation; 3) focusing.

The focus on differentiation, according to Porter (1996), is conditioned to the value created by the company and captured by consumers. Cost leadership, on the other hand, has its emphasis on the pursuit of profit maximization by reducing production costs, an internal look at the organization. Focusing, on the other hand, is related to companies that seek specific segments of activity, making their products / services unique in the market in which it operates.

Kim and Mauborgne (1997) developed the concept of “Value Innovation”, which adds knowledge as key success factor for innovation.

With this, the strategy does not focus on resources or capabilities, but on the knowledge that the company acquires and makes it able to develop new markets, because knowledge is linked to the behavior of consumption. However, the studies by Barney and Hesterly (2007) are that companies must leave the “bloody competition” by creating products that are unique, add value and are perceived by consumers in the segment in which it operates.

In relation to Porter (1989) studies, the pursuit of differentiation also relates to the focus of value innovation by Kim and Mauborgne (1997), but while for Porter (1989), the firm must choose...
between differentiation or cost leadership, for Kim and Mauborgne (1997), differentiation will make the profits made by the new market created will minimize the costs of the organization.

The importance of technology for market creation is cited by Kim and Mauborgne (2019) when the authors write that technology accelerates the disruption process and this is determinately for the creation of a new market. However, the authors call attention to the fact that this causes social damage, such as the reduction of job vacancies.

The more authors current and also relevant for this study, they have their focus in the technology market, they are Eisenmann, Parker and Alstyne (2006) who wrote “Strategy for Two-Sided Markets”, article that outlines a new look for the strategy focused in “business platforms".

Eisenmann, Parker and Alstyne (2006) reported that the platforms companies are characterized by having to develop strategies for both public (sellers and buyers) and for this reason are called companies of two-sided markets. The market developed by these companies includes this new type of trading, in which individuals interact through a technological platform and many of these are or have been startups.

In this sense, Cho, Ahn and Woo (2020) write that the innovation strategy that startups use can exploit disruptive innovation to design a more effective entry strategy and gain market leadership, which is why they reinforce the importance of oriented product design to the needs of consumers.

Therefore, when there are several products on the market, even if they are from the same company, competition between them must also be considered. If there is competition within a single manufacturer, it is necessary to analyze whether this market is new or just a segment. For startups, this does not happen very often, as these nascent companies have only one or a few services offered (CHO, AHN and WOO, 2020).

Christensen et al (2019) argue in their article how innovation and market creation drive growth and economic development, looking for new ways to produce with less resources and increase profitability through cost reduction. Thus, we can see that the creation of an emerging market is an essential issue for companies that wish to obtain a competitive advantage and that can achieve it through innovation.

The authors cite examples of blockchain technology that starts as something for a segment, but today it is already a new market created through this innovation in bank transactions and file transfers. This created a new market because its innovation reduces costs and gains security in internet transactions (CHRISTENSEN et al, 2019).

Market creation is an important strategy construct and some authors also analyze it from the perspective of business models, which is very much in line with this research. In this sense, Shiavi and Behr (2018) analyze that technology has an important impact on the disruption of business models, which is linked to the creation of a new market and innovation.

This research shows that within the Business Strategy, market creation is approached by several authors and works that show large and small companies, but that specifically for startups there is no work analyzing how this occurs with this organizational profile.

2.2. Innovation

Since Joseph Schumpeter (1939) in his book Business Cycles, the topic of innovation has begun to be discussed at the economic and organizational levels. In this work, Schumpeter (1939, p. 84) describes innovation as “the creation of a new production function. This covers the case of a new commodity as well as a new form of organization, such as a merger, the market creation and so on”.

For Christensen et al (2019) the word “innovation” is routinely overused and misunderstood. Thus, the authors define it as a change in the process by which an organization transforms work, capital, materials or information into higher value products and services. By definition, innovation does not require high technology or something completely new and, therefore, is different from invention. From the point of view of economic development, innovations can create or develop markets.

Schumpeter (1939; 1961) stressed the importance of the entrepreneur as the agent of change and created the concept of “creative destruction” as a consequence of an innovation. Even in his “Theory of Economic Development” he quotes the greats companies, the bureaucratization of the innovation activity, making it a task internalized in its R&D (Research and Development), replaces the individual momentum of the entrepreneur in search of the new, due to routine actions of teams specially
allocated for the pursuit of innovation. For the author, the breaking of the status quo is a prime factor of innovation.

Dosi (1982) broadened the scope of innovation by integrating the concept of technological trajectory as a source of discontinuities and the emergence of a new paradigm. For the author, explanations of the innovative process and, in particular, those that generate value in the market are inadequate to explain the emergence of new technological paradigms. For Freeman (1982), innovation is turning opportunities into new products and deploying them so that everyone can have access.

Another author who follows the Schumpeterian line is Afuah (1998), which defined innovation as the combination of the invention and marketing, using of new knowledge to offer a new product that there is consumer acceptance. In this same sense, innovation, Schiavi and Behr (2018) is an initiative, modest or revolutionary, which appears as a novelty for the company and the market, and that has the potential to bring her economic results for the organization.

In addition, Tidd and Bessant (2015) write that the purpose of innovation is not only to create something new, but also to capture value from them, whether it be business success, cost savings, market share and even a change in the world. Thus, it is important to note that currently the meaning of innovation goes beyond just creation of a new product/service, but not the search for greater productivity and performance.

Although innovation is associated with relevant technological advances in products or processes, the vast majority of these are based on the accumulation of incremental evolutions (ZILBER et al., 2008). Studies of Afuah (1998) also defines m to incremental innovation as part of the existing knowledge that is required to offer a new product.

According to Tidd and Bessant (2015), there are four types of innovation: 1) product innovation: changes in what a company offers; 2) process innovation: changes in the way products are created and delivered; 3) innovation position: changes in the context in which products are introduced (market); 4) paradigm innovation: Changes in the underlying mental models that drive what the company does.

With these types of innovation identified by the Oslo Manual (2005) and Tidd and Bessant (2015), it is possible to observe that the dimensions allow a better analysis of innovation. In this sense, Christensen (2001) writes that companies are prepared to deal with incremental innovations, as these, besides being more common, aim to reach already known and exploited markets.

The disruptive innovations develop a new market and this is an important point for this study, which aims to understand with the innovation develops a market. Importantly, disruptive innovation differs from radical, as disruptive innovations, according to Christensen (2001), affect the product life cycle and competitive dynamics. These products tend to be simpler, cheaper and more reliable and convenient than those on the market. Thus, we can conclude that all disruptive innovation is radical, but the opposite is not a rule, because there are radical innovations that are not disruptive, but also have their impact on the market (SCHIAVI; BEHR, 2018).

This type of innovation is in line with the studies by Kim and Mauborgne (1997) on value innovation, as both are characterized by the creation of new markets, which cannot be easily analyzed. Suppliers and customers should discover them together (CHRISTENSEN, 2001). Both authors cite that business strategy must be focused on innovation to achieve above average results, generating return on investment.

The same authors analyze that innovation is an important factor for the growth of organizations and, consequently, of the economy. But, many times, for this to happen, there is a need for disruption, a change in existing standards and this happens through innovation (KIM and MAUBORGNE, 2019; CHRISTENSEN, 2019).

Some authors have sought to transform the innovation process into an institutionalized system and can therefore be considered complex. It involves many variables, technical properties and interactions that are not always perfectly understood (SILIPRANDI, 2010). For Pavitt (2003), the innovation process should help the company to coordinate and integrate its expertise and enable it to learn under conditions of pressure and uncertainty.

Clark and Wheelwright (1993) introduced the “Innovation Development Funnel” model that describes the pursuit of innovation generation in three steps: 1) Idea generation and concept development: the stage at which ideas are conceived or a need is identified; 2) Details of the
proposal and project: information gathering and research in relation to preconceived ideas; 3) Development of the idea and focused on the project: Structuring and selection of the best idea for the conception of innovation.

Clark and Wheelwright (1993) developed this funnel with the primary purpose of guiding the activities of outside agents and organizations in search of new creations. According to the authors, the dynamics of this model are interactive between the areas involved and the creation flow enables feedback, revision and recreation whenever necessary.

Importantly, Clark and Wheelwright (1993) funnel is the basis for the innovation process of Tidd and Bessant (2015), who cite that the understanding of innovation management has evolved and, therefore, the elaboration of a process contributes in a better understanding of everything involved in creating an innovation.

The model of the innovation process Tidd e Bessant (2015) is composed of four steps: 1) Search for opportunities to innovate; 2) Selection of what to do and why; 3) Implementation of innovation; 4) Value capture of innovation.

Even as Tidd and Bessant (2015), other authors write that innovation be a strategic process for companies to compete in very dynamic environments, helping them to adopt innovation as intrinsic to the organization, capable of creating new products, services and processes. (AFUAH, 1998; HAMEL; PRAHALAD, 2005; ZILBER et al., 2008).

In the study by Kava and Didonet (2019) the role of innovation as an influencer of organizational performance and its impact on the market was evidenced in research in medium-sized companies in the food industry in Brazil. This research is in line with the studies of Yoshikuni et al (2018) and Martins and Zilber (2019) that demonstrate the importance of innovation strategies for organizational performance.

Innovation as a source of differentiation is highlighted in the studies by Martins and Zilber (2019), which mention how companies in the e-marketplace segment use innovation to obtain competitive advantage. The same occurred in the research by Yoshikuni et al (2018) who performed this analysis in IT companies. As already described in this work, market creation is also a strategy for obtaining competitive advantage (PORTER, 1996; (DULLIUS and SCHAEFFER, 2016).

It is important to highlight that this article seeks to analyze how innovation occurs in startups and also to verify the creation of the market due to innovation in startups. For this reason, the next topic will address the scope of the research.

3 Search Scope: Startup

The term startup gained popularity with the advent of the Internet, which stimulated the advancement of technology companies in the midways of 1990s (SANCHES, 2013). In addition, the author mentions that, normally, these companies are technology-based and have an entrepreneurial spirit and seek an innovative business model. In addition, exists an several examples of startups that have grown and today are considered large companies, for example, Google, Facebook, Twitter and Amazon.

Startups are new companies considered largely technology-based, that possess at least one disruptive innovation as the basis for your competitive strategy (DULLIUS; SCHAEFFER, 2016). For Blank (2007), startup is a company looking for a scalable, recurring and profitable business model. According to the author, startups are born of entrepreneurial ideas in a creative and innovative context, aiming to solve a real problem, using a business model that is profitable and scalable.

According to Graham (2005), the startups are innovative enterprises with growth potential in major business identifiers to be new segments market and explore ideas never previously tested. In addition, Blank (2007) writes that many have not started marketing their products on a large scale but are already working with your MVP (Minimum Viable Product) or in the final process deployment and market launch.

According to Sutton (2000), some characteristics are inherent to startups, including: 1) Little accumulated experience; 2) Limited resources; 3) Multiple market influences (other companies, investors); 4) Technologies and dynamic markets. The author also cites the need for rapid adaptation as a relevant factor for these companies and therefore many do not have well-structured processes and structure. Accordingly, Nardes and Miranda (2014) write that experimentation prevails rather than thorough planning in startups. This is because in a dynamic environment of extreme uncertainty, companies

cannot waste time.

According to D'Avino et al. (2015), startups have always played an important role in the economy, but, at the current juncture, their relevance has increased significantly. However, statistics show that startups have an extremely high mortality rate, often due to lack of strategic planning, inefficient allocation of resources or misconceptions in marketing investments.

Ries (2011) write that business strategy is fundamental to help managers clearly identify the hypotheses generated for the growth of their business. With this, the research to be developed in this study, will seek to identify which strategies startups use, analyze how innovation happens in these companies and verify the market creation through these strategies.

Traditional companies seek to make a detailed business plan, analyzing the technical, economic and financial viability and then put it into execution. In startups, the initial phase of the process is basically defined as trial and error, in other words, the entrepreneur has the idea and goes to the field to verify if his hypothesis has market acceptance.

This makes startups have greater uncertainty about the business model, at least in the early years of operation, generating an undefined market position in the search for new niches (DULLIUS; SCHAEFFER, 2016). The launch of a new product in an unexplored or nonexistent market is covered in Kim and Mauborgne (1997) value innovation and Christensen (2001) disruptive innovation.

In this sense, Ries (2011) presents the concept of Lean Startup, writing that startups should seek validation of their assumptions, first, by getting validated learning from customers, creating as quickly as possible a product for which customers will pay. Accordingly, Nardes and Miranda (2014) mention that startups are shrouded in doubt, so the sooner she learns, the faster she will be able to improve her processes and products.

In the Lean Startup, Ries (2011) describes a cycle that you can see the few steps from idea to market application and learning from experience. The pillars of this are: Build, Measure and Learn. On build the prototype is developed and already created metrics for the tests that will be made on the second pillar that is measure, when the data will be analysis and goes to the stage of learning, where you made the choice between “pivot” or persevere (RIES, 2011).

4 Methodology

This exploratory study is descriptive paradigm, considering that the goal is to understand a phenomenon, seek patterns and generate meanings inductively (CRESWELL, 2010). Wolcott (1994) points out that the qualitative method is largely descriptive because the researcher makes an analysis of his observations based on data, including the description of a person or a scenario.

Therefore, the research method of this work is qualitative, which, according to Godoy (1995) is the best that can be understood in the context in which it occurs and of which it is part, and should be performed in an integrated perspective. To this end, the researcher goes to the field seeking to capture the phenomenon under study, from the perspective of the people involved, considering the relevant points of view.

According to Malhotra (2012), qualitative research is a methodology based on perceptions and the search for understanding the context of the research problem. Accordingly, Creswell (2010) writes that in the method qualitative the researcher describes a research problem that can be better understood to explore a concept or phenomenon. The author also mentions that exploratory qualitative research is one in which the researcher uses it to explore a topic when the variables or scope is still poorly understood.

The described qualitative research, according to Marconi and Lakatos (2003) is directed to the observation of facts to register them, analyze to them, classified to them and interpret to them without the interference of the author in the data. Accordingly, Gil (2002) mentions that the descriptive research aims to describe characteristics of a given population, phenomenon or relationship between variables. One of its strongest features is the presence of standardized methods for data collection.

For Vergara (2000), data collection is a fundamental part of the research and lists the main existing types, which are: bibliographic research, documentary research, field research through interview. In this sense, this study brings field research through interview as a procedure for data collection.

The data analysis process involves several steps to obtain meaning in the collected data.
In this sense, a relevant method is the analysis of content, which according to Bardin (2010), refers to a set of technical appreciation of the communications in order to obtain indicators, by means of systematic procedures and description of the objectives of the content of messages that allow knowledge of the reception conditions of these messages.

Accordingly, Godoy (1995) and Mozzato and Grzybovski (2011) write that the use of content analysis provides three basic phases: pre-analysis, exploration of material and processing of the results. In this model, the pre-analysis is identified as an organization phase, in which the scope of the research is established and the “floating reading” is done.

The exploration of the material is the second stage that consists of the exploration of all the captured content and the definition of the categories (coding system) and the third stage is the treatment of the results in which the research findings are worked, tabulating the data and highlighting the information to be analyzed in this moment in which the researcher will make their inferential interpretations. In this sense, Flick (2012) mentions that the process of data analysis involves a great effort of the researcher to obtain meaning in relation to the collected data.

Bardin (2010) complements that content analysis seeks to know what is behind the words that are spoken, which contributes to a deeper understanding of the subject studied. In the Bardin (2010) content analysis process, the pre-analysis, material exploration and results analysis steps are well defined. For this to happen, author writes the main drivers of the content analysis work, which is: Preparation, Encoding, Record Units, Meaning Unit, Categorization and Inference.

Preparation: aims to organize the material, operationalizing and systematizing the initial ideas.

Coding: it is the stage in which the collected data are systematically transformed and aggregated into recording units, which allow a description of the characteristics of the content.

Registration Units: their main characteristic is to represent the main terms in cuttings at the semantic level, which can be of variable nature and dimensions.

Meaning Unit: after a thematic analysis occurred with the formation of the registration units, the researcher seeks to discover the “nuclei of meaning” that make up the communication. Its frequency of appearance can mean something to contribute to the achievement of the defined objective.

Categorization: is the classification of elements that make up a set of units of meaning. The categories are brands that bring together a group of elements under a generic title, realized because of the common characteristics between the elements.

Inference: in this step, the researcher's intellectual operation takes place to reach conclusions based on previous knowledge. There are specific inferences, which are answers to direct questions and general inferences that occur when one wants to verify the existence of a causal relationship.

With this, the data analysis will be designed to capture the information of the interviewed startups, through its founders, of how innovation happens and whether it contributes to the creation of a new market, thus achieving a new look at how innovation happens in startups and how market creation is impacted.

The collection and analysis of data is a fundamental part of qualitative research and must be guided by scientific research and the content analysis process proposed by Bardin (2010) contributes to the objectives of this study to be achieved.

4.1. Research Sample

The interviews were conducted with ten founders of startups, chosen for convenience and accessibility, within the given universe and already explained in this paper. According to Creswell (2010), convenience sampling is used in cases in which subjects are naturally characterized and grouped, causing the researcher to filter only according to the properties defined within the scope of his research scope.

Between the months of April and May 2019 the interviews were conducted, six (6) in person and four (4) by videoconference with Skype, enabling the participation of companies from different cities. All interviews were recorded using a digital tape recorder and then transcribed in full. In order to validate the script, as well as for a first recognition of the field was conducted a pilot interview with startup “S1”.

To know the different characteristics of respondents, such as academic background and
startups such as phase, revenue, number of employees, city, sector and year of foundation, Table 1 is presented:

<table>
<thead>
<tr>
<th>Code</th>
<th>Star</th>
<th>Sector</th>
<th>Main City</th>
<th>Employees</th>
<th>Phase</th>
</tr>
</thead>
<tbody>
<tr>
<td>I1</td>
<td>S1</td>
<td>Mobility</td>
<td>Sao Paulo</td>
<td>3</td>
<td>Operation</td>
</tr>
<tr>
<td>I2</td>
<td>S2</td>
<td>Internet</td>
<td>Curitiba</td>
<td>16</td>
<td>Operation</td>
</tr>
<tr>
<td>I3</td>
<td>S3</td>
<td>Logistics</td>
<td>Curitiba</td>
<td>16</td>
<td>Traction</td>
</tr>
<tr>
<td>I4</td>
<td>S4</td>
<td>Human Resources</td>
<td>Sao Paulo</td>
<td>9</td>
<td>Operation</td>
</tr>
<tr>
<td>I5</td>
<td>S5</td>
<td>Development</td>
<td>Porto Alegre</td>
<td>35</td>
<td>Operation</td>
</tr>
<tr>
<td>I6</td>
<td>S6</td>
<td>Urbanism</td>
<td>Sao Paulo</td>
<td>5</td>
<td>Traction</td>
</tr>
<tr>
<td>I7</td>
<td>S7</td>
<td>Financial</td>
<td>Sao Paulo</td>
<td>4</td>
<td>Traction</td>
</tr>
<tr>
<td>I8</td>
<td>S8</td>
<td>Services</td>
<td>Sao Paulo</td>
<td>2</td>
<td>Traction</td>
</tr>
<tr>
<td>I9</td>
<td>S9</td>
<td>Human Resources</td>
<td>Sao Paulo</td>
<td>10</td>
<td>Traction</td>
</tr>
<tr>
<td>I10</td>
<td>S10</td>
<td>Technolog y</td>
<td>Belo Horizonte</td>
<td>13</td>
<td>Operation</td>
</tr>
</tbody>
</table>

Source: Prepared by the author.

From the profile of respondents, it is interesting to note that the sample had startups based in four different Brazilian capitals, demonstrating a heterogeneity and greater wealth in the defined cut. The industry also reinforces the diversity of field research. Regarding the phase, it is possible to observe a balance in which five startups from each phase were interviewed.

5 Analysis

After realization of interviews and made transcription, it is used the technique of analysis of content (Bardin, 2010) and the software ATLAS.ti, version 8.2, for the identification of reporting units through one detailed reading.

To determine the search record units, a detailed reading was taken and using ATLAS.ti was identify with words that were cited at least 15 times and the term "market" was the one that had the most occurrences in the search with 215 apparitions. Another word worth mentioning is "platform" that appeared 86 times. Added to these, in a broader field, the words “products”, “startup”, “model” and “innovation” also had relevance (all with more than 50 citations) and demonstrate the context in which the interviews were inserted.

The categorization process is a process of data reduction, as they represent the result of an effort to synthesize a communication, in addition to having objectivity and consistency with the constructs presented in the study (BARDIN, 2010). In this paper, the categories have been named as factors. Table 2 “Units of Meaning and Categorization” illustrates the formation of factors that was aligned with the research objectives.

<table>
<thead>
<tr>
<th>Meaning Unit</th>
<th>Factor</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation Process</td>
<td>UM 01</td>
<td></td>
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<tr>
<td>New technology</td>
<td>UM 02</td>
<td></td>
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<tr>
<td>Change Achievement</td>
<td>UM 03, Occurrence of innovation</td>
<td>FT 01</td>
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</table>
connected RU with the creation of a new product.

The first analysis shows that startups observe an unmet need of certain niche of market for the realization of innovation. This occurs also through improvements in services that have large bottlenecks as the sector of logistics, urban mobility and recruitment and selection, which were cited in the interviews.

The importance of this observation of the market for the generation of innovation is evident in excerpt from the interviews who quote customer feedback as a source of information for innovation is another relevant finding of this research that listed 5 (five) founders who quote research with their customers as being fundamental to the development of new products or implementation of improvements, which can be incremental innovations. This reinforces the importance that startups give to the market and how listening to customers is an important source of information for companies, as present in the studies by Rothwell (1992) and Siliprandi (2010).

It is interesting to note that even though all startups are platforms, they have different types of innovation and different characteristics in this business model. This makes the research sample enriched by different forms of innovation, with 3 (three) being process, 3 (three) position, 2 (two) paradigm and 2 (two) product/service.

Chesbrough (2003) and Tidd and Bessant (2015) cite that the type of innovation is not essential in the search for value creation and this is verified through the results that demonstrate the existence of a relationship between the type of innovation and its impact in the market, but rather that regardless of the way in which the company manages its innovation, this can be a factor in market development.

With this, we can analyze how innovation occurs in startups through the factor “Occurrence of Innovation” that addressed the importance of the market and feedbacks for the creation of an innovation and demonstrated that, even using similar business models (based on a platform, in this case), the type of innovation can vary in each strategy adopted. This is in line with the fifth generation of Rothwell’s (1992) innovation model, called “System integration and networking”, which cites flexible and customized processes, in addition to the concept of continuous innovation, as shown in Chart 2.

It was also possible to analyze that the occurrence of innovation in startups starts with the will of the founder to break the barrier of the status quo in a determined need that he observed and is in line with Schumpeter (1939) when the author mentions the “impetus of the entrepreneur” as a trigger for your desire to get something new or ahead of your time. The ability to make changes is also evident in these companies, which facilitates the occurrence of innovation, as mentioned by Pavitt (2003).

5.2. FT02 – Market Creation Potential

In order to verify the creation of the market through the innovation strategies in startups, UM05 “New Market” used registration units that relate to novelty and the market. UM06 "Differentiation" addressed the UMs that cited the way in which marketing was changed and UM07 "New Segment" to the different audience that their products/services are inserted in. Finally, UM08 “Market Transformation” addressed changes in the place where exchanges take place.

The clarity of units of meaning (UM) becomes relevant due to the fact that both creation and market development are related to a new niche that products/services can generate and that according to Kim and Mauborgne (2019) are highly profitable because there is no competition and what the authors call “blue oceans”.

Henderson (1989) points out that companies must seek to differentiate themselves in their market, in order to survive. Relating the research to the studies of Ahn (2002), it is possible to identify the potential of market creation existing in 8 (eight) platform startups through their innovation strategies, which represents an expressive number.

Of the 10 (ten) startups analyzed, 6 (six) have the potential to develop a market without creating a technology, 3 (three) developed a market based on technological innovation and only 1 (one) that their innovation did not create a market and is based on expanding the market, using new technology.

It is possible to observe that startups have a great potential for creating the market in view of characteristics such as risk propensity when facing an environment of extreme uncertainties, which is an unknown market, and Blank (2007) cites it as being inherent to startups. Some excerpts from the
interviews are possible to identify how the innovations of these companies have the potential to explore a non-existent market.

It is important to note that the interviewees cite the potential for market creation through transformation and / or differentiation, which Day and Wensley (1998) and Aaker (2007) cite as a source for the organization's success. Another point is that looking for a new segment can become a new market, as it has characteristics that enhance the creation of the market (MONTGOMERY et al., 1998; DOUGHERTY, 1990).

Therefore, the potential for market creation through innovation strategies is possible, considering that startups use agile methodologies and are able to modify their business model easily and therefore are more exposed to the risks of developing a market that does not yet have relevance.

This feature so that startups are scalable and different from other small companies, because in a short time they can explore a segment that only has a potential such as the cases of Uber and Airbnb, whose innovations have changed the transport and accommodation market, respectively.

5.3. FT03 – Deploying Innovation in a Market

The last factor found in this research addresses aspects of the general objective of this work and had three units of meaning. Four startups demonstrated that they were successful in the market due to their innovations and are able to measure this based on user feedback, market research and increased sales.

A highlight point was that the word “value” was the second most cited expression in this factor. The importance of customers / users in this market acceptance process was also another interesting observation that reinforces the characteristics of listening to customers (receiving feedback) mentioned in item 5.2.1.

The excerpts from the interviews highlighted in the factor “Implementation of an innovation in a market” demonstrate that they are aligned with the concepts of Graham (2005), who writes that startups obtain growth in large proportions even with little maturity and these are measured by the results above average. This is in line with the focus on developing markets that appear in the startups surveyed in this study.

It was found that innovation strategies contribute to the development of markets and the factor "Implementation of innovation in a market" verified success in 4 (four) interviewed startups. This number can be considered low, however it is important to highlight 5 (five) companies are still in the traction phase, so the interviewees comment that they cannot prove that their impact on the market, as they are in the process of validating their product (RIES, 2014).

Therefore, 4 (four) of the 5 (five) startups that are in the operation phase revealed that their innovation strategies enabled the development of a market, which enables them to obtain an advantage for creating value (PORTER, 1989; MCGRATH, 1996). They are also aligned with Kim and Mauborgne (2019) through the concept of “value innovation”. Due to these characteristics, added to the previous factors (FT01 and FT02), it is possible to infer that the strategies contribute to the development of the market through the way in which innovation occurs, making great use of market information and customer feedback (FT01), and also because they have the potential to create a market, as explained in FT03.

6 Conclusion

This study aimed to answer the following proposed research: How innovation contribute to the creation of markets on startups? For this, a general goal and two specific have been developed trying to find a reset for this concern.

The theoretical framework was based on the concepts of Innovation, Strategy and Market Creation to understand the constructs that are linked to the research problem. The scope chosen was startups, a field still little explored and with great potential for studies, due to the growth of companies of this type.

A qualitative, descriptive and exploratory research was conducted through interviews with ten founders of startups and the content analysis method (BARDIN, 2010) was chosen for data appreciation.

Based on the categories created for content analysis, Table 5 presents the link between the objectives of this paper and the factors that were relevant to the conclusions and scope of the objectives of this study.

**Table 5. Units of Meaning and Categorization**
The first factor “Occurrence of innovation” (FT01) explained how innovation occurs in startups, with some points to be highlighted because they are very present in the interviewed founders speech as the impetus in the search for the new and the concept of “creative destruction” as a consequence of an innovation (SCHUMPETER, 1939). Another point highlighted was the importance of the market for innovation (ANSOFF, 1965), as well as customer feedback, which are recurrent because they create a minimum viable product (MVP) to validate their ideas (RIES, 2011).

The “Potential for Market Creation” factor (FT02) highlights aspects inherent in startup innovations to verify market creation through innovation strategies which was confirmed by analyzing used products by companies, which are operating in non-existent or new markets that were occasioned by differentiation with the aim of above-average search (ANSOFF, 1965; PORTER, 1979; KIM and MAUBORGNE, 1997). A relationship between the potential for market creation by a new technology was analyzed based on the studies by Aaker (2007) and the results pointed out for most startups that have market potential without a new technology.

As a complement to the analysis, the factor “innovation deployment in a market” (FT03) also demonstrated some startups, even using an existing business model, innovating in segment or delivery mode of products, generating value innovation (KIM; MAUBORGNE, 1997). A word "value" was very representative in FT03, demonstrating that market acceptance through innovation strategies only occurs when value is perceived by customers.

The process of selection and retention of innovation happens through the identification of opportunities, which were also observed in research, both in the market search and through customer feedback. Companies seek to meet a market need by creating new ways to provide a service or by creating a new product (TIDD; BESSANT, 2015). So, innovation at startups contribute to creating market the way that innovations happen, the value of innovation that is generated by feedback from customers, which collaborate even for the creation of a new market.

### 7 Implications and Further Research

Some limitations were found in the survey, as the few data on startups in Brazil, which already indicates a path for future research, and seek to understand the functioning of the organizational structure of these companies, which still need be better studies.

With the studies presented, it is not possible to formulate complete inferences, due to the limited number of companies interviewed, so that this theme still needs more work to expand the research so that a more generalist analysis is possible.

The integration between academy and startups presents a great opportunity for mutual learning. On the one hand, startups could go deeper into studies and authors that analyze aspects inherent to strategy formulation, innovation and market development, expanding the range of authors and works that can contribute to the creation of these companies, given that many interviewees confirm that they are based on current authors, leaving a gap for other knowledge studied especially in postgraduate courses and that may be applicable to their business models.

The academy also has a lot to gain by
approaching startups and seeking to understand their culture, strategies and capabilities that are changing the way organizations operate, including large corporations that seek to implement tactics used by startups. The great agility of these startups, combined with the bold and risk-prone profile identified in the founders interviewed, are characteristics that lead us to believe that a new generation of managers and leaders will change the way they manage and administer resources because collaboration and cooperation are traces profile of these founders and, consequently, of all employees of the startup.

7 References

Flick, Uwe (2012). Introduction to research methodology: a guide for beginners. I think Publisher.


