

Dispelling the Myth of Product-Market Fit

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Purpose – We argue that the commonly-used concept of product-market fit is limited in that it implies that a (fixed) market exists and that therefore demand can be “discovered,” that value propositions exist independently of the institutional arrangements that shape both the perceptions of these value propositions and the business models that guide resource integration processes, and that the right objective in entering “the market” is to “succeed,” to rapidly achieve a high level of sales growth.

Design/Methodology/approach – Conceptual/theory development article with case examples.

Findings – Using a service ecosystems perspective, we propose an alternative conceptualization, employing a dynamic and interactive view of markets and an evolutionary view of generating a scalable market offering. In this view, the goal of the entrepreneur is not to “find” product-market fit, but rather to engage in institutional work processes to create institutional alignments among broad sets of actors. Viewed from this perspective, even the creation of a value proposition is not a unitary process but needs to consider that the actions of the entrepreneurs themselves are shaped by the institutional and technological building blocks of the service ecosystem and in turn shape the evolution of the service ecosystem.

Research limitations/implications (if applicable) – The value in this approach lies in dispelling the notion of searching for the right product, replacing it with a notion of institutional work processes that shape perceptions of value propositions, business models and markets. The objective function of the entrepreneur remains to achieve a scalable business, but the process of getting there we suggest is fundamentally different from the received seek-and-find process.

Practical implications (if applicable) – We replace the search process with a constructive process: a co-creative evolutionary process in which the various institutions in the market system are brought into alignment through experiments and adaptation in both demand and supply. This alters the goals and expectations of the entrepreneur from attempting to discover what already exists to influencing the evolution of the market to create a viable ecological niche.

Key words (max 5) service ecosystems; entrepreneurship; S-D logic, institutional work, market formation

Paper type – Conceptual paper / Research paper /