



# European Forum on Paradox and Pluralism

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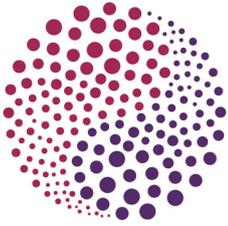
# Dangerously in Love? The case of FAB

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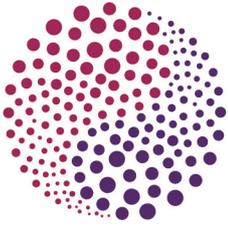
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## THE CASE

The road from identifying a business opportunity or market need until its implementation requires extraordinary drive and persistence. An essential ingredient in this process, at least in the early stages, is the entrepreneurs' belief in the potential of the business opportunity. At some extent it is necessary for entrepreneurs to feel self-meaning in the venture to be created. This experience is commonly described as entrepreneurial passion. Passion, which derives from entrepreneurs' personal values and identity, anchors initial decisions about how implement the new business. Key activities like the design of the products/services to be delivered, what features these products/services should have, the partnerships to be established or even the strategy to introduce the value proposition in the market are, at the inception, thought out and performed according the entrepreneurs' desires and dreams. If there's no self-meaning at the inception, business ideas hardly will emerge.

Entrepreneurial passion is a necessary ingredient to boost entrepreneurs' effort during the tough process of implementing a venture. It is associated with higher drive and persistence in the face of the many setbacks inherent to the entrepreneurial process. However, as time passes, it is critical for founders to gain acceptance and legitimacy from the markets. Customers need also to found self-meaning in the company's value proposition. Otherwise the product/service is likely to be seen as valueless, which is reflected in a poor sale performance from the venture and possibly its failure. As described by O'Neil and Ucbasaran (2016), entrepreneurs inevitably get trapped in the need to balance "What matters to me vs what matters to them".

Take the example of FAB, the e-commerce marketplace for selling a wide range of products to people on the basis of daily design inspiration. The company founded by Jason Goldberg and Bradford Shellhammer in 2011 rapid reached popularity among design enthusiasts. Within a month of its launch, FAB had more than 350,000 members



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and it was processing more than 1,000 orders each day. Its membership was growing at a rate of about 5,000 new members per day.

FAB acted as a curator of products characterized by “great design”. What qualified for that categorization was determined by Bradford Shellhammer’s taste and design sensibility. All the pieces available in FAB’s marketplace were chosen by Shellhammer.

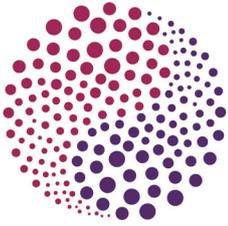
On October 11<sup>th</sup> of 2013, FAB’s CEO Jason Goldberg announced to FAB’s executives that the company was about to change radically. FAB, a company that had been valued at \$900 million just three months previously, needed to fire two-thirds its workforce. Among the several reasons pointed out by Goldberg, one of them was stressed vehemently “[In the past two years] we spent \$200M and we have not proven that we know precisely what our customers want to buy.”

The case of FAB raises a number of interesting questions:

- How does entrepreneurial passion affect company’s success?
- How founders satisfy both their personal and customer needs at the same time?
- At the organizational level, what the advantages and disadvantages of putting customers *on board* during the product-market fit process? And at the individual level (for founders)?
- Should entrepreneurs always pivot their value proposition?
- What are the limits of passion and rationality?

### Useful Sources:

*Business Insider* (2015). THE TECH 'TITANIC': How red-hot startup Fab raised \$330 million and then went bust. February 6



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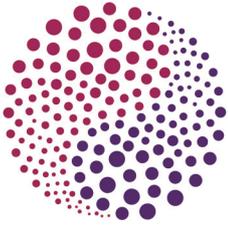
*The Wall Street Journal* (2014). How an Entrepreneur's Passion Can Destroy a Startup. August 25.

O'Neil, I. & Ucbasaran, D. (2016). 'Balancing "what matters to me" with "what matters to them": Exploring the legitimation process of environmental entrepreneurs'. *Journal of Business Venturing*, 31, 133–52.

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## About the Author:

*Aníbal López* is an Assistant Professor Adjunct at Nova School Business and Economics. His research focuses on the applied psychology of entrepreneurship specially on how entrepreneurs react and take-action over entrepreneurial obstacles, and also on how HR practices sustain new ventures high-growth. He is also interested in social exchanges at the workplace, especially on employees' submissiveness behaviors and organizational inclusion climate.



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## TEACHING NOTE

The case discusses the challenges that entrepreneurs' face in satisfying their personal aspirations and creating a successful business. Indeed, the case can be used to illustrate:

- The journey towards venture implementation and its inherent tensions, i.e. what type of tensions entrepreneurs experience when implementing their business aspirations and their road to market success. Taking a process and temporal approach students should identify the tensions associated with each stage of the Customer Development Process
- Specifically, the tensions that emerge from the clash between passion and rationality. Students should identify the benefits and the negative consequences of entrepreneurial passion and rationality, and how the venture creation process should be tempered with both

### Areas:

Entrepreneurship, business failure

### Keywords:

Entrepreneurship, successful ventures, entrepreneurial passion, rationality