

A Work Project, presented as part of the requirements for the Award of a Master's degree in  
Management from the Nova School of Business and Economics.

PRESERVING CULTURE IN GROWING ENTREPRENEURIAL COMPANIES. A  
QUALITATIVE STUDY ON GERMAN STARTUPS. - PREVENTING SILOS AND  
ENHANCING COHESION THROUGH LEADERSHIP.

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## Abstract

This study examines how organizational culture is preserved as startups scale, focusing on cultural alignment, leadership, employee engagement, and scaling processes in the German entrepreneurial ecosystem. Through qualitative interviews at five startups, the study uncovers strategies for integrating core values into hiring, leadership, and remote and hybrid workplaces. Findings highlight the importance of transparent leadership, structured onboarding, and inclusive rituals for sustaining cohesive identities. The resulting framework addresses evolving complexities and bridges theory with practices. This study offers actionable insights for startup founders and human-resource professionals seeking to maintain cultural coherence and performance in dynamic, high-growth environments.

Keywords: organisational culture, cultural alignment, organisational structure, cultural preservation, organizational adaptation, employee engagement, remote work dynamics, employee integration, leadership, leadership style, feedback culture, growth startup, cultural growth, cultural scalability

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# **1. Introduction (Group)**

## **1.1. Research Topic**

Preserving organisational culture in growing entrepreneurial businesses is an essential component of long-term success. Known for their rapid innovation and adaptability, startups thrive in dynamic and high-growth environments where cohesive cultural values provide the foundation for navigating market uncertainties and sustaining competitive advantage (Barney 1986). However, as startups scale, the alignment of their cultural values, leadership practices and employee engagement become increasingly complex (Desantola et al. 2017). This complexity often leads to cultural fragmentation, reduced employee engagement, and loss of organisational identity. Preserving a startup's core values during periods of rapid expansion is not only critical for fostering resilience and cohesion, but also a strategic imperative for sustaining performance in highly volatile markets (Baron and Hannan 2002). Through an interdisciplinary lens, the research integrates perspectives from organisational behaviour, human resource management and entrepreneurship to address the complexities of sustaining culture in startups.

This work project focuses on understanding how startups can effectively preserve their organisational culture as they grow, with an emphasis on the German entrepreneurial ecosystem. By examining the strategies that startups use to align cultural values, foster employee engagement, and adapt leadership practices, this research aims to provide insights into maintaining a strong organisational identity during phases of growth.

## **1.2. Problem Definition and Research Gap**

Organisational culture is widely recognised as a critical factor in driving cohesion, innovation and resilience, particularly in high-growth environments. However, research on startups has largely focused on innovation, scalability, and financial performance, with limited

attention paid to how culture evolves and is sustained during periods of scaling (Magalhães 2019). Many existing studies treat culture as a static construct and fail to consider the dynamic challenges associated with rapid growth, such as cultural fragmentation, misalignment, and declining employee engagement (Desantola et al. 2017).

While leadership and employee engagement are recognised as essential in shaping culture, their specific role in maintaining alignment during growth remains under-theorised (Barrington 2021). This gap is particularly important in the context of startups, where minimal formalisation, decentralised structures and rapid decision-making create unique vulnerabilities. As startups scale, they face the dual challenge of preserving their core cultural identity while adapting to the operational complexities of growth, a tension that has not been adequately addressed in the existing literature (Desantola et al. 2017).

Moreover, much of the research on organisational culture and leadership focuses on large, established organisations, with limited relevance to the unique dynamics of startups. Startups operate under unique constraints such as resource constraints, growth trajectories, and remote working environments that require context-specific strategies for cultural alignment and cohesion (Raj et al. 2023). These complexities are compounded by the increasing prevalence of remote working models, which disrupt traditional mechanisms of cultural transmission and engagement.

This work project aims to address these research gaps by exploring how startups integrate cultural alignment, leadership practices, and employee engagement to preserve their identity as they scale. By focusing on the German Startup ecosystem, this work project provides context-specific insights into the strategies and challenges faced by growing entrepreneurial firms. Using a qualitative research approach, the project aims to bridge the gap between theoretical frameworks and practical applications, providing actionable insights into how culture can be preserved in growing entrepreneurial environments.

### **1.3. Research Question**

This work project seeks to answer the following overarching research question (RQ): How can culture be preserved in growing entrepreneurial companies?

To address this central question, the research explores four sub-questions:

**RQ 1.** How can organisations effectively establish, maintain, and address challenges in cultural alignment to enhance organisational identity and performance?

**RQ 2.** What is the role of leadership practices in preventing organisational silos and strengthening organisational cohesion in rapidly growing startup companies?

**RQ 3.** How can startups optimise employee engagement and foster a strong sense of belonging among employees in both remote and in-office work environments?

**RQ 4.** How do startups preserve and adapt their core cultural values during scaling up?

These questions aim to uncover the mechanisms and strategies that enable startups to maintain a cohesive cultural foundation while adapting to the demands of rapid growth.

### **1.4. Purpose and Relevance**

The purpose of this research is to investigate how startups can sustain their organisational culture while scaling, with a focus on cultural alignment, leadership practices, and employee engagement. By exploring these interconnected aspects, this work project provides actionable insights for entrepreneurs and human resource professionals navigating the complexities of high-growth environments. The findings contribute to academic literature by addressing gaps in research on culture preservation during scaling, offering a dynamic perspective that reflects the realities of entrepreneurial contexts.

This research is particularly relevant for the German entrepreneurial ecosystem, where startups play a vital role in driving economic growth and innovation. By examining the interplay of cultural alignment, leadership, employee engagement, and scaling, this work project provides a framework for preserving organisational culture amidst rapid expansion. Using a metaphorical house model, the study contextualises best practices and challenges unique to this ecosystem, ensuring practical applicability. These findings are intended not only to guide researchers but also to assist practitioners in balancing growth with cultural coherence, fostering long-term organisational success in Germany's evolving startup environment.

## **2. Literature Review (Group)**

The purpose of this literature review is to provide a comprehensive understanding of the core issues addressed in this work project, particularly focusing on the challenges and strategies involved in balancing growth with the preservation of foundational values in growing startups, structured around two key themes: the concept of startups and organisational culture. The first section examines the defining characteristics of startups across different stages of growth. It highlights the role of employee engagement and leadership in fostering alignment and resilience. The second section focuses on organisational culture, using Schein's (2010) model to explore its layers from artifacts to deep-seated assumptions. It explores the alignment of culture and values in start-ups, risks such as rigidity and loss of diversity, and the impact of remote working on cohesion and adaptability. Taken together, these themes provide insights into how startups sustain success in dynamic environments.

## **2.1. Startups**

### ***2.1.1. Definition of Startups***

Startups are distinguished by their innovative potential, scalability, and inherent risk, setting them apart from traditional small businesses or mature enterprises (Magalhães 2019). While the current research provides a variety of approaches to define startups, core attributes consistently identified include innovation, scalability, adaptability, risk tolerance, and a unique organisational culture.

At the heart of a startup's identity lies its focus on developing novel ideas, products or processes aimed at disrupting existing markets (Magalhães 2019). This drive to innovate feeds into Schumpeter (1950) theory of "creative destruction", where emerging ventures challenge incumbent companies and, in doing so, propel economic progress. Unlike small businesses that typically address established market needs, startups generate value by creating groundbreaking solutions or even entirely new markets (Zaborowski 2009).

A defining feature of startups in their pursuit of rapid growth through scalable business models. The ability to grow without a proportional increase in costs sets them apart from other businesses (Magalhães 2019). Rather than focusing on steady, localised development, startups leverage technology and digital tools to accelerate their journey, often aiming to scale quickly through investor networks, which provide access to crucial venture capital (Shapira 2008).

However, this relentless drive for opportunity is accompanied by significant risk. Startups operate in environments marked by high uncertainty, with untested markets and emerging technologies providing both opportunities and challenges (Sadeghi 2008). The higher-than-usual risk brings along a greater likelihood of failure, but it also offers the flexibility to pursue bold innovations that established companies might avoid. A tolerance for failure is built into the startup culture, where setbacks are seen as learning experiences rather than defeats (Magalhães 2019).

The culture within a startup further supports its ambitious goals, with an emphasis on innovation, rapid experimentation, and flat organisational structures (Magalhães 2019). This culture fosters a unique environment of collaboration, creativity, and adaptability, all essential qualities for success in the early stages of a business (Marullo et al. 2018). By embracing a growth-oriented mindset, startups create an atmosphere that values resilience, trust, and collaboration. Experts such as Dorf and Blank (2020) suggest that these flat structures facilitate faster decision-making and cross-functional teamwork, curbing bureaucracy and allowing for rapid adjustments to emerging customer demands.

Together, these core attributes, innovation, scalability, risk tolerance, and a dynamic organisational culture, contribute to the distinctive nature of startups. Understanding how these qualities evolve and are shaped by the different stages of growth is crucial to grasping both the challenges and opportunities these companies face as they mature.

### ***2.1.2. Startup Stages***

Startup growth is a complex and adaptive process, often categorised into sequential stages with distinct organisational needs and challenges. Traditional frameworks, like Schein's (1984) focus on cultural foundations, highlight how early-stage development impacts a company's ability to scale. However, stage-based models have been critiqued for oversimplifying the diverse trajectories startups may follow, especially in how they adapt to evolving market demands and internal shifts (Cameron 2006). Furthermore, the literature on scaling entrepreneurial ventures presents two contrasting narratives, the endurance of organisational features and the dynamic changes that occur during growth (Desantola et al. 2017). These narratives explore classic and contemporary perspectives on startup growth, examining the challenges inherent in each stage and critiquing the limitations of rigid stage categorisation. Taken together, these perspectives illustrate that understanding startup growth

requires balancing the recognition of enduring elements with an appreciation for the fluid and evolving nature of organisational development.

**Classic Models and Frameworks.** Widely recognised frameworks, such as Lewis and Churchill's (1983) *Five Stages of Small Business Growth*, existence, survival, success, take-off, and resource maturity, outline the progression of small businesses through structural and managerial evolution. These stages emphasise challenges like resource acquisition and management development, with company culture playing a crucial role in shaping adaptability and innovation (Ravasi and Schultz 1993).

Similarly, Greiner's (1998) *Evolution and Revolution Model* describes organisational growth as alternating phases of expansion and crisis, requiring adjustments in leadership and coordination. Cultural shifts during these transitions influence morale and cohesion, emphasising the need for adaptable leadership (Kotter 2008). Models by Scott and Bruce (1987), as well as Fondas and Denison (1991) further emphasise the interplay between management changes and cultural alignment during growth phases.

It is within this context of established frameworks that the literature on scaling entrepreneurial ventures offers richer insight. Here, the two narratives, one of endurance and one of transformation, interact closely with the classic stage-based models. Some studies underscore organisational inertia and path dependence, suggesting that early cultural and structural patterns may endure even as a startup grows (Weber 1946; Stinchcombe 1965). Others highlight growth-induced shifts, including changes in organisational structure, alterations in decision-making hierarchies, and evolving team dynamics (Greiner 1998; Kazanjian 1988). For example, Desantola et al. (2017) pinpoint growth as a critical juncture where complexity increases, forcing startups to reconsider their original designs and to address cultural and structural tensions.

Building on these insights, contemporary approaches, such as Blank's (2020) *Lean Startup Methodology*, critique the linear, stage-based model. They encourage a culture of iterative learning and continuous customer feedback rather than a rigid progression through predefined phases. By fostering rapid experimentation and responsive adaptation (Eisenmann 2012), these newer frameworks incorporate both stability and change, bridging the divide between enduring organisational elements and the fluid transformation that drive long-term success.

**Challenges Faced During Growth Stages.** Startups face stage-specific challenges, such as technological and market uncertainties during early phases. Kazanjian's (1988) *four-stage model for technology startups*, conception, commercialisation, growth, and stability, links these phases to issues like funding, scaling, and complexity management. Strong organisational cultures that encourage risk-taking and resilience are critical during these stages (Baron and Hannan 2002).

**Organisational Design.** Early-stage ventures often operate with minimal role specialisation and centralised decision-making (Mintzberg, 1979). However, as they grow, they experience pressures to create functional divisions and integrate efforts across expanded teams (Blau 1970; Chandler 1962). Classic studies argue that scaling ventures inevitably adopt bureaucratic structures to manage task complexity and ensure efficiency (Desantola et al. 2017). Life-cycle perspectives propose that growth triggers periodic crises, necessitating formalisation and professionalisation to navigate the next phase. These changes underline the adaptability required for ventures to sustain growth while maintaining alignment with their core mission.

**Team Composition and Growth.** Growth often demands shifts in team composition within scaling ventures. The endurance narrative emphasises how founding team characteristics, such as prior experience and network connections, continue to influence venture outcomes, even after new hires join (Beckman and Irvine Diane Burton 2010; Eisenhardt and

Schoonhoven 1978). Yet, the change narrative highlights how scaling often necessitates professionalisation, replacing founders with experienced executives to meet evolving organisational needs (Wasserman 2017; Hellmann and Puri 2002). This transition can create tension, as incoming teams balance the legacy of the founders while driving changes to support the venture's growth objectives.

***Cultural Evolution.*** Organisational culture in entrepreneurial ventures is both a stabilising force and a potential barrier to growth. Founders often instil a set of cultural values that guide early operations but may resist adaptation during scaling (Baron and Hannan 2002). Desantola et al. (2017) argue that scaling requires balancing cultural continuity with openness to change. Cultural transformation can be driven by external pressures, such as investor demands or market shifts, which compel ventures to adopt new practices and norms. Institutional theory further suggests that ventures often align cultural changes with the expectations of key stakeholders to secure resources and legitimacy (DiMaggio and Powell 2010; Meyer and Rowan 1977). High-growth companies must establish systems to support scalability, balancing founder-driven values with more formalised practices (Zott and Huy 2016). Lumpkin and Dess (2001) highlight the importance of entrepreneurial orientation and external factors in shaping growth, while Ireland, Covin, and Kuratko (2009) emphasise the role of entrepreneurial culture in sustaining agility.

However, not all startups follow linear growth trajectories. Bhide (2000) argues that growth depends on factors like competitive landscapes and innovation cycles, with adaptability and cultural flexibility being critical (Chatman and Cha 2003).

***Alternative Perspectives on Startup Growth.*** Stage-based growth models have been critiqued for their rigidity. Garnsey et al. (2003) note that fixed stages oversimplify diverse startup paths, while Mckelvie and Wiklund (2010) suggest focusing on growth modes like organic growth or acquisitions rather than sequences. Particularly high-growth startups defy

categorisation through such frameworks, requiring rapid adaptability and continuous reinvention, supported by cultures of learning and innovation. (Davila, Foster, and Jia 2010; Gibson and Birkinshaw, 2004).

Similarly, Stinchcombe (1965) as well as Hannan and Freeman (1984), highlight how path dependence constrains choices, contrasting with the dynamic scaling processes that demand balancing stability with transformation.

Alternative approaches emphasise that growth is neither linear nor uniform. Gilbert, McDougall, and Audretsch (2006) argue that growth depends on internal resources and external conditions, while Autio and Rannikko (2016) highlight the role of policy interventions in fostering high-growth entrepreneurship. Learning-oriented cultures enhance adaptability to external opportunities (Zahra 2004), while balancing core values and structural adaptations is essential for sustained growth (O'Reilly and Tushman 2013). This approach aligns with the concept of ambidexterity, where organisations simultaneously explore new opportunities while refining existing competencies.

### ***2.1.3. Employee Engagement and Paradoxes in Startups***

Employee engagement is a critical determinant of organisational success, characterised by employees' emotional investment in their work and the organisation. It includes vigour, commitment and absorption, leading to outcomes such as increased productivity, resilience and innovation (Schaufeli et al. 2002). Engaged employees demonstrate a willingness to go beyond basic job requirements, which is particularly important in startups, where organisational success often depends on a small, dedicated workforce.

In startups, employee engagement is uniquely influenced by the dynamic and resource-constrained environment. These organisations rely heavily on the commitment and creativity of their employees to navigate uncertainty, adapt to rapid change, and contribute to growth. Key drivers of engagement include flat hierarchies, autonomy and an entrepreneurial spirit. These

are closely aligned with intrinsic motivators such as purpose and mastery and create opportunities for employees to feel deeply connected to their work (Deci and Ryan 1985).

In addition, cultural practices such as rituals, events and celebrations play an important role in strengthening employee engagement in startups. Team-building routines such as pre-meeting rituals and post-project celebrations increase team cohesion and satisfaction, while informal gatherings foster stronger interpersonal relationships and morale (Smith and Besharov 2019; Allen and Rogelberg 2013). Such practices not only boost employee morale, but also contribute to cultural cohesion, which is crucial in startups to align employees with the organisation's vision and values.

However, engagement in startups also faces unique challenges. High workloads, scarce resources and the pressures of rapid scaling can lead to burnout, which reduces employees' emotional and physical well-being (Bakker and Demerouti 2007). Furthermore, the very cultural flexibility that drives engagement in the early stages of a startup can lead to confusion or frustration as the organisation grows. (Minbaeva, Rabbiosi, and Stahl 2018). To address these issues, startups must strike a balance between fostering an inspiring, high-performance culture and implementing support systems that promote work-life balance and resilience.

#### ***2.1.4. Cultural Paradoxes in Organisational Dynamics***

Cultural paradoxes are tensions that arise when global frameworks intersect with local cultural practices, creating competing demands across dimensions such as belonging and organising. These paradoxes are particularly pronounced in diverse organisational contexts and inter-organisational partnerships, where cultural differences challenge the integration of norms, practices and knowledge systems.

**Paradoxes of Belonging.** Employees often face tensions between their individual identities and collective organisational goals, particularly in culturally diverse settings where global frameworks may conflict with local norms (Jarzabkowski, Lê, and Van de Ven 2013).

For example, collectivist values that emphasise community engagement often clash with individualistic, results-oriented practices (Smith and Lewis 2011). Successfully managing these tensions requires fostering an inclusive environment that respects and integrates diverse identities.

**Organisational paradoxes.** These tensions arise when organisations balance centralised control with the autonomy needed for local adaptability. Standardised frameworks, often rooted in Western practices, can marginalise relational and tacit knowledge that is central to local contexts (Jarzabkowski, Lê, and Van de Ven 2013). Hybrid approaches that balance global standards with local needs are critical to resolving these conflicts (Smith and Lewis 2011).

**Exploration and Exploitation.** Exploration and exploitation, a duality identified by (March 1991), is critical to engagement strategies. Exploration focuses on innovation and adaptability, while exploitation focuses on efficiency and stability. Organisations face challenges in balancing these, particularly as engagement practices such as rituals and benefits evolve. Startups must navigate this tension to maintain dynamic engagement strategies that meet both immediate and future needs (Lannon and Walsh 2020). Effective engagement strategies therefore require ongoing reflection and adaptation to ensure that cultural artefacts are aligned with organisational values and the evolving needs of employees.

### ***2.1.5. Leadership in Startups***

Leadership has been widely studied, leading to countless definitions and perspectives. Bennis and Townsend (1995) identified 650 definitions, and Volckmann (2012) later suggested this number might now exceed 1,400, reflecting leadership's complexity and the continuous effort to define it. Nevertheless, it is essential to highlight that the concept of leadership in the literature exhibits distinct characteristics, including its nature as a process, its reliance on various influences, its contextual dependency, the necessity of follower acceptance, and its

ultimate purpose of achieving shared goals (Kellerman 2014; Stogdill 1950; Williams et al. 1962; J. Kotter 1988; Bernard M. Bass 1995). These findings are succinctly captured in Silva (2016) widely accepted definition: “*Leadership is the process of interactive influence that occurs when, in a given context, some people accept someone as their leader to achieve common goals*” (Silva 2016, p.3).

**Leadership Challenges in Startups.** The context in which leadership occurs plays a crucial role, as highlighted by Silva (2016). While traditional leadership literature focuses mostly on corporations, *Entrepreneurial Leadership* offers insights into the dynamic context of startups. Zaech and Baldegger (2017) explored the link between startup success and leadership styles, using Bass and Avolio (1995) widely recognised *Full Range Leadership Framework* (Appendix A, Figure 1).

Their findings reveal that *Transformational Leadership* by founder-CEOs positively impacts startup performance. This leadership style fosters growth through role modelling, vision communication, intellectual stimulation, as well as higher involvement and control. Conversely, transactional and *Laissez-Faire* leadership styles show no direct positive effects on startup performance, underscoring their limited applicability in the dynamic environments startups face (Zaech and Baldegger 2017).

Startups’ unique challenges, such as resource constraints, high uncertainty, and a lack of established structures, demand active and forward-thinking leadership approaches. Leadership effectiveness in this context depends not only on the style employed but also on factors such as the startup’s size and stage of development. In smaller, less formalised startups, *Transformational Leadership*, with its emphasis on involvement and control over trust-based mechanisms, is particularly critical, enabling founder-CEOs to drive growth and adaptability (Lumineau et al. 2024; Bachmann and Zahler 2006; Zaech and Baldegger 2017).

*Servant Leadership*, as examined by Parris and Peachey (2013), also offers relevant insights for startups, particularly in addressing the balance between trust and control. This leadership approach emphasises prioritising the needs of employees, fostering psychological safety, and creating a supportive environment. Such principles are especially relevant in smaller startups where the personal influence of founders is more pronounced, helping to cultivate strong cultural alignment and cohesion. *Servant Leadership's* focus on empathy and shared purpose complements the vision-driven aspects of *Transformational Leadership* while adding a people-centric dimension to leadership practices in dynamic startup environments.

Ravet-Brown, Furtner, and Kallmuenzer (2024) agree with Zaech and Baldegger's (2017) findings, but see *Entrepreneurial Leadership* as a whole new category that shares significant traits with *Transformational Leadership* but demonstrates unique contributions to entrepreneurial contexts. These contributions are defined by Shiferaw, Birbirs, and Werke (2023) as innovation-driven, risk-taking, and goal-oriented, inspiring teams through vision and adaptability. Unlike *Transformational Leadership*, *Entrepreneurial Leadership* stands out with its distinct focus on opportunity-seeking and driving entrepreneurial innovation, while also influencing the ability of learning within an organisation and the organisational culture (Appendix A, Figure 2) (Roomi and Harrison 2011; Renko et al. 2015)

**Hierarchy.** Entrepreneurial leadership strongly supports the development of what is often referred to in the literature as a flat hierarchy. As companies grow, these flat structures naturally evolve into more moderate hierarchies over time. Flat hierarchies, as described by Lee (2022), encourage collaboration and rapid decision-making but may lead to inefficiencies as organisations scale. Moderate hierarchies, on the other hand, provide clarity and structure, enabling better coordination in larger teams while maintaining elements of accessibility and inclusivity (Lee 2022; Lumineau et al. 2024).

Collaboration across all organisational levels enhances approachability and cultivates a transparent feedback culture, which is essential for organisational learning and alignment. This collaborative environment ensures feedback is not only constructive but also deeply rooted in the organisation's shared values, fostering trust and continuous improvement (Mineo 2014; Crossley et al. 2024). Structured systems, such as regular feedback, provide consistency and clarity in performance evaluations, as noted by Lumineau et al. (2024).

However, rigid feedback mechanisms can have unintended consequences. Mineo (2014) highlights that overly formalised systems may feel burdensome and erode trust if not implemented thoughtfully (Crossley et al. 2024). This perspective aligns with Lee (2022) findings, which advocate for balancing structured feedback with informal, real-time communication to maintain engagement and adaptability (Lee 2022).

#### ***2.1.6. Conclusion Startups***

Startups are dynamic organisations defined by their innovative potential, scalability and high-risk environments that set them apart from traditional businesses. Their growth depends on developing disruptive ideas and leveraging scalable models while navigating significant uncertainties and fostering unique, collaborative cultures. As startups progress through different stages of growth, they face challenges in scaling operations, evolving organisational structures and maintaining alignment with their core values. Employee engagement becomes a critical factor, as dedicated teams drive creativity and resilience. Leadership plays a key role in addressing these challenges, with transformational and entrepreneurial leadership styles fostering adaptability, vision and cultural cohesion.

## 2.2. Organisational Culture

### 2.2.1. Definition of Organisational Culture

Organisational culture has been a central topic in management and organisational studies, often described as the social glue that binds employees together (Schein 1984). This chapter explores how beliefs, norms, and practices within organisations are shaped by underlying values and how these cultural attributes contribute to a company's operational effectiveness and adaptability. In the context of growing startups, the challenge lies not only in fostering a strong culture but also in ensuring that this culture aligns with core values to preserve the organisation's identity as it scales rapidly (Men, Ji, and Chen 2019). Just as organisational values provide a stable set of principles, culture brings these values to life in the form of shared practices and behaviours (Denison and Mishra 1995). Therefore, understanding the intricate relationship between organisational values and culture is essential to grasp how organisations navigate change and sustain competitive advantage (Hofstede et al. 1990).

In organisational contexts, culture encapsulates the underlying values, assumptions, and norms shared by members of an organisation that shape decision-making and behaviour (Schein 2010). For startups, which often experience rapid changes in structure and size, a strong and adaptive culture rooted in core values is essential for sustaining the organisation's identity and guiding decision-making processes throughout the scaling process (Lunenburg 2011). The concept gained prominence during the 1980s *corporate-culture boom*, driven by scholars like Ouchi's (1981) *Theory Z* and Deal and Kennedy's (1982) *Corporate Cultures*. These two books popularised the work project on organisational culture and theorists began to research the construct. Theorists started to acknowledge that cultures were real and that organisations have personalities similar to people (Lunenburg 2011). Organisations can take on different forms as being flexible or rigid, versus innovative or conservative.

As Schein (1984) puts it, culture refers to shared beliefs, values, norms, and practices that influence how individuals within an organisation interact and execute tasks. This view is particularly relevant for startups, where the alignment of culture and values can significantly impact scalability and the preservation of core identity during growth (Schein 2010). Organisational culture has been recognised as a key determinant of an organisation's success or failure (Hofstede et al. 1990) It governs behaviour through formal and informal rules, constituting “*a system of shared values and beliefs that produces norms of behaviour*” (Koberg and Chusmir 1987, p.397).

### ***2.2.2. Schein`s Pyramid of Organisational Culture***

Edgar Schein`s (1984) Pyramid of Organisational Culture is a widely recognised model that explains how culture functions within organisations (Appendix A, Figure 3). He distinguished between observable and unobservable elements of culture and sees the two main purposes in external adaption and internal integration (Schein 2010). Schein divided organisational culture into three layers: artifacts, espoused beliefs and values, and basic underlying assumptions. These layers illustrate the visible and invisible components of culture and their role in shaping organisational behaviour.

**Artifacts.** Artifacts represent the most visible and observable aspects of organisational culture, and include structures and processes, and detected behaviours as the communication style. Heskett (2012) defines artifacts as icons, stories, and rituals to show people what an organisation stands for. These tangible manifestations reflect deeper cultural elements but do not always reveal the underlying beliefs and values (Schein 1984). However, artifacts can be misleading if interpreted without understanding the organisation`s deeper cultural elements. For startups, artifacts often include unique practices and rituals that embody the company`s spirit, helping communicate its values as the organisation scales. These elements play a vital role in maintaining cultural continuity amid rapid growth (Heskett 2012).

**Espoused Beliefs and Values.** The second layer comprises the stated values and principles that an organisation promotes, often reflected in mission statements and corporate philosophies. Beliefs and values create norms that can predict organisational behaviour (Turlais and Dubkevics 2017). While espoused values, such as integrity and teamwork, indicate what the organisation claims to value, they may not always align with actual behaviours (Schein 1984). Discrepancies between espoused values and daily practices can lead to cultural dissonance, undermining trust and cohesion within the organisation. This layer directly connects to the concept of organisational values discussed in the next section, highlighting that values are a key driver of cultural practices and behaviours. However, discrepancies between espoused values and actual practices can lead to cultural dissonance, highlighting the importance of aligning stated values with daily behaviours (Turlais and Dubkevics 2017). Successful startups ensure that these values are consistently reinforced across the organisation to maintain their core identity during periods of expansion.

**Basic Assumptions.** At the deepest level of Schein's (2010) are basic underlying assumptions, unconscious beliefs about fundamental aspects of life, such as human nature and organisational purpose. These assumptions guide behaviour within the organisation, often non-confrontable and nondebatable. Basic assumptions influence all levels of organisational culture and are difficult to change because they are embedded in collective organisational thinking (Hatch and Schultz 2002). *"The power of culture comes about through the fact that the assumptions are shared and, therefore, mutually reinforced"* (Schein 2010, p.31). These assumptions are shaped by core values, illustrating the foundational role values play in forming the deepest elements of culture (Schein 2010). For startups, these basic assumptions often stem from the founders' vision and early cultural foundations. As the company scales, maintaining these core assumptions becomes challenging but is crucial for preserving the startup's core identity and unique culture (Schein 2010).

In Schein's (2010) model, values are the driving force behind cultural development, connecting observable artifacts to deeper, unspoken assumptions. Interplay between these layers indicates that organisational culture is fundamentally rooted in the organisation's values, aligning observable behaviours with underlying principles.

### ***2.2.3. Organisational Culture in Startups***

**Relevance of Schein's Model for Startups.** Schein's (2010) is particularly relevant to startups, which often face the challenge of building a cohesive culture while managing rapid growth and uncertainty. In early-stage companies, founders' values and basic assumptions play a crucial role in shaping the organisation's culture. However, as startups scale, there is a risk of cultural fragmentation, where different parts of the organisation operate according to conflicting assumptions and values (Men, Ji, and Chen 2019). To avoid this, startups need to maintain coherence across all three levels of culture: artifacts, espoused beliefs, and basic assumptions.

Cultural alignment ensures that the organisational culture supports strategic objectives and sustains cohesion across the company. As Sakhrekar et al. (2021) suggests, startups must build a culture flexible enough to adapt to changing business conditions while preserving their core identity. Maintaining alignment between artifacts, espoused values, and basic assumptions helps startups retain their unique culture and competitive advantage as they grow.

**The Role of Values in Startups.** Organisational values are fundamental to shaping culture, behaviour, and strategic direction. In startups, these values often reflect the founder's vision, serving as guiding principles that anchor the organisation during rapid expansion. Values provide a stable framework for decision-making, while culture brings them to life through shared behaviours and practices, fostering cohesion and long-term success. (Weiss, Osborne, and Gaebler 1995) described values as a corporate compass, guiding organisations through crises and growth by embedding them into operational frameworks. By ensuring core

values align with actions, companies can demonstrate resilience and clarity during challenging times.

Schein's (2010) emphasis on values as a central component of culture aligns with the critical role they play in startups. Values not only guide behaviour but also connect visible elements like artifacts to the underlying assumptions that define an organisation's identity. Collins and Porras (1996) argued that core values are enduring and form the foundation of visionary companies, providing stability and adaptability. For startups, this balance is critical: preserving values enables innovation while maintaining foundational identity. During periods of transformation, deeply embedded values act as a glue, ensuring consistency in decision-making and behaviour. This adaptability ensures startups can pursue new opportunities without losing their cultural roots.

Bourne and Jenkins (2013) further highlighted that values are not static, existing in forms such as espoused, attributed, shared, and aspirational. Startups must align these forms as they scale, avoiding misalignment that can lead to confusion and mistrust. When values evolve thoughtfully, they strengthen culture and foster long-term success. Anwar and Hasnu (2013) also emphasised that values provide a moral and ethical framework for decision-making, clarifying an organisation's purpose and guiding it toward sustainable growth.

In growing startups, aligning values with culture is crucial for navigating rapid changes while preserving core identity. Embedded values act as a stabilising force, fostering trust, cohesion, and adaptability, which are essential for sustaining growth and long-term success. This alignment, as emphasised by Schein's (2010) model, enables startups to balance the need for flexibility and innovation with the stability required for cohesion and resilience.

#### ***2.2.4. The Risks of Strong Organisational Culture***

Adaptability is crucial for startups operating in uncertain environments, where rapid pivots are essential for survival (Barney 1986). While shared assumptions, values, and practices

can provide direction, they may also lead to rigidity as the culture solidifies (Schein 1984). A strong culture fosters cohesion but can limit agility, particularly when founders overly adhere to their vision, impeding necessary shifts (Barney 1986). Over time, such cultures may regulate behaviours and stifle innovative thinking, which is critical especially during early-stage experimentation (Alvesson and Willmott 2002).

However, strong organisational cultures can also unintentionally suppress diversity of thought, which is crucial for innovation and problem-solving (Harrison and Klein 2007). High cohesion in startups often emphasises similarity, reducing diverse perspectives and limiting agility in addressing challenges. Identity regulation within strong cultures can further suppress individuality, hindering fresh thinking needed for evolving needs (Alvesson and Willmott 2002). While fostering *cultural fit* helps build collaboration, it risks creating homogeneity, marginalising differing voices, and undermining the potential of diverse ideas (Chatman and O'Reilly 2016).

Startups depend on agility and experimentation, but as their cultures solidify, they risk becoming attached to the status quo, making it difficult to adapt to market or technological shifts (Linnenluecke and Griffiths 2010). Strong cultures, while fostering alignment, can lead to *cultural lock-in*, hindering the flexibility needed for survival (Martin 1992). As Linnenluecke and Griffiths (2010) point out, this rigidity becomes especially problematic when external disruptions, such as technological advancements or changing customer needs, demand a rapid response, leaving startups vulnerable to stagnation if they fail to evolve.

To mitigate this, startups can balance cohesion and adaptability by fostering cultures that evolve over time. (Schein 1984) emphasises that culture is dynamic, allowing startups to align on shared goals while staying open to change. Developing *adaptive capacity* through continuous learning, experimentation, and feedback enables agility without losing purpose (Barney 1986). Harrison and Klein (2007) highlight that embracing diversity in perspectives,

backgrounds, and cognitive styles drives innovation. Startups should prioritise inclusivity over uniformity, as diversity offers a critical competitive edge.

### **2.2.5. Remote Work and Its Impact on Organisational Culture**

The rapid adoption of remote work, accelerated by the COVID-19 pandemic, has transformed organisational culture, reshaping traditional work models and redefining employee interactions and values. This shift, initially driven by health considerations, has led to a broader re-evaluation of organisational priorities, values, and management practices. A growing body of literature examines the impact of remote work on organisational culture, exploring both the benefits and challenges associated with this transition.

**Redefining Core Values.** Remote work has required organisations to reassess their core values, emphasising flexibility, autonomy, and employee well-being over traditional in-office norms. This shift necessitates trust and confidence in employees' self-management abilities, as work shifts from being presence-based to outcome-focused (Bilderback and Kilpatrick 2024). Trust has emerged as a cornerstone value, enabling managers to rely on employees' integrity and productivity without direct supervision. Autonomy has become crucial, empowering employees to manage their tasks and schedules in ways that foster job satisfaction and engagement (Raj et al. 2023).

As traditional office norms diminish, organisations are increasingly focusing on employee well-being by implementing policies and support systems to counteract the isolation and stress associated with remote work. This focus on well-being aligns with an employee-centric approach to management, which, Ferrara et al. (2022) suggest, could become a permanent feature of organisational culture post-pandemic.

**The Role of Informal Groups and Social Interactions.** Informal groups, which play a vital role in fostering solidarity, creativity, and informal learning within organisations, have been disrupted by the transition to remote work. Physical proximity, often a catalyst for

spontaneous interactions and knowledge sharing, has been replaced by virtual communication, which lacks the ease of organic connections in physical workspaces (Bilderback and Kilpatrick 2024). The absence of casual face-to-face interactions, such as those around coffee machines or in break rooms, diminishes the formation of social bonds, potentially impacting employee morale and organisational cohesion.

To address this gap, organisations are investing in digital tools and virtual team-building activities that aim to recreate the essence of informal groups in a remote setting. For instance, informal video calls, messaging platforms, and social events once or twice a year are being used to facilitate interpersonal connections and maintain the sense of belonging that is often compromised in remote environments (Ferrara et al. 2022).

### ***2.2.6. Conclusion Organisational Culture***

Organisational culture comprises the shared values, beliefs and practices that guide behaviour and decision-making, acting as the social glue within organisations. For startups, culture is essential for maintaining identity and fostering adaptability during rapid growth. Schein's (2010) model highlights the layers of culture, artefacts, espoused beliefs and values and basic assumptions, and emphasises the alignment of these elements to balance innovation and cohesion. While strong cultures promote unity, they also risk rigidity, *cultural lock-in*, and reduced diversity, which can stifle creativity and adaptability. Startups need to build adaptive cultures that embrace inclusivity, learning and flexibility. The shift to remote work has changed cultural dynamics, emphasising trust and well-being but disrupting informal interactions that are critical for cohesion. By effectively managing these dynamics, startups can sustain growth, foster innovation, and maintain their core identity in an evolving environment.

### 3. Methodology (Group)

#### 3.1. Choice of Methodology

This work project seeks to explore how the core identity and mission of startups are preserved during various growth stages, with a particular focus on how perceptions of this preservation differ across different employment levels (founders, tenured employees, and new employees). The goal is to understand how startups can maintain their core identity while scaling. To accomplish this, a qualitative research approach was chosen, utilising semi-structured interviews with employees from five startups at different growth stages.

A qualitative approach was selected because it allows for in-depth exploration of participants' lived experiences, beliefs, perceptions, and meanings attached to specific phenomena (Shakman et al. 2017). This method is well-suited to answer the RQs, which focus on understanding the how and why behind organisational processes and experiences, rather than testing predefined hypotheses (Shakman et al. 2017). It provides the flexibility necessary for investigating the subjective and context-specific nature of startup culture and identity preservation.

The work project is grounded in interpretivism, a philosophical paradigm that emphasises understanding the world through the subjective experiences of individuals (Cohen, Manion, and Morrison 2002). This approach ensures that complex social phenomena are captured holistically, prioritising depth and context over quantifiable metrics (Goldkuhl 2012). Grounded theory is particularly valuable for exploring under-researched phenomena, allowing researchers to develop context-specific insights directly from the data (Makri and Neely 2021). However, while grounded theory provides flexibility and depth, this work project adopted Mayring's (2014) *Qualitative Content Analysis* to achieve a balance between structured deductive coding and the inductive identification of emergent themes, especially influencing

the development of the interview guide based on pre-study emergent data. The chosen approach aligns with the work project's aim to explore both predefined RQs and unexpected findings within the context of startup growth.

### **3.2. Procedure for Data Collection**

A qualitative multi-case study design was employed, focusing on five startups at different growth stages from different industries to examine how core values and organisational identity are preserved during scaling. The use of multiple case studies across various industries enables comparative analysis and pattern identification, thereby enhancing the robustness of findings (Gustafsson 2017). Data were collected through semi-structured interviews conducted between October 7, 2024, and November 14, 2024, in both German and English. Participants were informed about the purpose of the work project, and consent was obtained for recording. The interviews were transcribed in the original language of the interview (German or English), providing a comprehensive and authentic data set for analysis.

The interview format was semi-structured, guided by a predetermined interview guide (Appendix B, Table 1; Appendix B, Table 2). This format was chosen for its balance of structure and flexibility, allowing for standardised questions while permitting follow-up queries based on the participants' responses (Mashuri et al. 2022). Rubin and Rubin (2005) emphasise that a semi-structured approach allows the researcher to adapt the interview process dynamically, encouraging participants to share their expertise and experiences more freely.

### **3.3. Interviews**

Two interview guides were carefully developed to ensure consistency across all interviews, covering essential topics such as company values, feedback culture, and the challenges of growth carefully developed from they already framed RQs (Mashuri et al. 2022). One guide was developed specifically for the founders of the chosen startups (Appendix B,

Table 1) and the second guide was adapted slightly based on the role of the participant (e.g., tenured employee, new joiner) to capture specific nuances relevant to their position within the company (Appendix B, Table 2). To validate the clarity and functionality of the guide, a pilot interview was conducted with a sample founder. The ultimate goal was to gain a deep and complete understanding of interviewees' values, beliefs, experiences, etc. (Majid et al. 2017).

### **3.3.1. Startup Selection**

The five startups A, H, L, S, and N were selected based on a combination of growth stage and industry diversity, closely aligned with the RQs. Growth stage and industry diversity were considered critical to capturing a wide range of challenges and opportunities faced by startups. These criteria were further refined through opportunities accessed through our personal network, ensuring engagement with relevant and impactful organisations. Drawing on Churchill and Lewis (1983) framework of the *Five Stages of Small Business Growth*, this work project aimed to include startups at different stages of development, from small ventures dealing with resource acquisition to larger ventures managing scaling and operational challenges. To ensure representation and relevance, startups were prioritised that reflected diverse perspectives, while remaining consistent with the scope and focus of the work project. The startups were selected based on their growth stage and industry diversity to enhance the generalisability of the findings. The selection process involved leveraging the researcher's professional network and reaching out to potential participants based on predefined criteria.

In the early-stage category, Startup L exemplifies the cultural characteristics of a young, dynamic team that is operating fully remote, requiring a culture that promotes agility, creativity, and rapid iteration. Founded in 2020, Startup L offers an AI-powered platform that enables businesses to automate repetitive workflows without needing extensive technical expertise. The startup provides tools for automating tasks like document classification and image tagging, thus supporting productivity in small and medium-sized companies (Levity n.d.; Futureen 2024).

At a more intermediate stage, Startup H and Startup S reflect the growth dynamics of mid-sized startups. Startup H is a beverage startup focused on producing clean, functional energy drinks. Founded in Munich, Startup H has seen rising popularity and is leveraging e-commerce to reach a young, dynamic market in Germany. As the company scales rapidly, Startup H is evolving from a small team into a structured organisation with a workforce of 60, now managing revenues at a drastic growth rate. This stage often demands balancing a startup mentality with structured processes to support sustainable growth (Escárzaga 2024; HOLY n.d.). Similarly, Startup S, a SaaS procurement platform founded in 2020, has recently scaled operations beyond its Cologne headquarters. The company focuses on helping enterprises optimise their software procurement by consolidating and negotiating SaaS contracts. In 2023, it raised a Series B round to expand in the U.S. and Europe and acquired a Dutch company to enhance its procurement capabilities, which requires a balance between maintaining its innovative culture and formalising operational frameworks (Allen 2022; Escárzaga 2023).

Finally, Startup A and Startup N represent later-stage startups that have established a strong market presence. Startup A, founded in 2012 and now a *Unicorn*, has grown to become a leading digital marketplace for hearing aids. Originally based in Berlin, Startup A connects hearing-impaired customers with high-quality audiological care and hearing solutions through a customer-centric online platform. As a mature organisation, it faces the cultural challenge of preserving the values and innovative drive of its early days while managing a larger workforce and broader operational scope (Pitchbook 2024; Sivantos 2018). Startup N, a Berlin-based company, has developed within a niche market for end-of-life financial management, focusing on refining digital solutions to meet specialised client needs. Recently, Startup N has gained attention for streamlining and digitising complex processes around death and estate management, positioning itself as a leader in this emerging market. Having been founded in 2016, Startup N is currently on the brink of becoming profitable (Ksienrzyk 2018; November

n.d.). While differing in team sizes and revenues, both companies illustrate the cultural shifts that accompany more matured companies, emphasising the need for cohesive communication and strategic vision to align expanded operations with founding principles.

### ***3.3.2. Interview Partners***

Within each startup, three participants (one founder, one tenured employee, and one new employee) were identified, facilitating cross-role comparisons and enriching the understanding of how core identity is perceived and preserved at different hierarchical and tenure levels. An exception was made for one early-stage start-up where only the founder was interviewed. This decision was based on the fact that there were no differentiating factors between tenured and new employees based on our pre-defined criteria. In addition, the founder was considered to be able to provide valuable insights into the organisation's identity and challenges, which compensated for the lack of additional perspectives in this case. The participant structure is as follows:

- **Founders:** Representing the origin and vision of the startup's core values.
- **Tenured Employees:** Long-standing team members who have been with the company for over a year, providing valuable insights into the evolution and preservation of the organisation's core values. Particular attention was given to selecting tenured employees who joined during the startup's early stages to ensure a comprehensive perspective on its full development cycle.
- **New Employees:** Recently hired individuals who have been with the company for less than a year, bringing a fresh outlook on how the startup's identity is conveyed through the hiring process and onboarding experience.

### 3.4. Data Structure and Analysis

The analysis of the interview data followed the principles of Mayring's *Qualitative Content Analysis*, an established method for systematically analysing qualitative data. Mayring's approach is particularly well-suited for this work project as it provides a clear framework for both deductive (theory-driven) and inductive (data-driven) coding, allowing for a nuanced and comprehensive examination of complex phenomena (Mayring 2014).

Mayring's (2014) methodology is rooted in the need to make qualitative data systematically analysable while maintaining its richness and contextual depth. It bridges the gap between qualitative interpretation and systematic, reproducible analysis, making it ideal for exploring how startups preserve their core identity and mission across different growth stages. While grounded theory focuses heavily on emergent coding and the generation of new theories, this work project adopts Mayring's approach to combine theory-driven deductive coding with an openness to emergent, inductively derived themes, reflecting an influence of grounded theory principles (Mayring 2014).

The data analysis followed a qualitative content analysis approach using MAXQDA, a widely recognised software for qualitative research (MAXQDA 2024). MAXQDA enables systematic coding and analysis of large volumes of text data, providing a robust framework for managing complex qualitative datasets (MAXQDA 2024). The analysis process was guided by Mayring's (2014) content analysis methodology, incorporating both deductive and inductive coding strategies.

The analysis involved the following steps:

- 1. Initiating Text Work:** Key text passages were highlighted for their relevance to the RQs.
- 2. Development of Deductive Codes:** Initial codes were derived from the theoretical framework and interview guide.

- 3. Inductive Coding:** New codes emerged inductively based on the data, allowing the identification of themes not previously anticipated.
- 4. Comprehensive Coding with Codebook:** The entire dataset was analysed using a finalised codebook, comprising four main codes (Cultural Alignment, Leadership, Employee Engagement, Changing Culture and Growth) and multiple subcodes (Appendix C).
- 5. Analysis and Presentation of Findings:** The findings were analysed based on the main codes and subcodes, with quantification employed where relevant to illustrate relationships and magnitudes.

### **3.5. Trustworthiness of the Data**

The trustworthiness of the methodology of this work project is ensured by adhering to established criteria of qualitative research. Credibility is enhanced through the use of triangulation by including different participant perspectives (founders, long-term employees and new employees), a pilot-tested interview guide and extended engagement with the data. Ethical considerations were rigorously followed, including ensuring the anonymity of participants and obtaining informed consent. Reliability is supported by a systematic coding framework using Mayring's Qualitative Content Analysis and MAXQDA software and by keeping a detailed log of the research process (Mayring 2014; MAXQDA 2024). Transferability is achieved through the targeted selection of startups in different growth phases and industries as well as through extensive contextual descriptions. Finally, confirmability is enhanced through reflective practices, validation of transcripts by participants and minimisation of bias in data interpretation. These measures ensure the overall reliability and applicability of the results of the work project.

## 4. Findings (Individual)

The following section delves into the critical challenge of preserving culture in growing entrepreneurial companies, with a specific focus on German startups. Drawing from qualitative research across several startups, this section explores how these organisations address the interplay of cultural alignment, leadership, employee engagement, and scaling. Organisational culture serves as the backbone of identity, performance, and cohesion, yet its preservation becomes increasingly complex as startups navigate growth, remote work dynamics, and the challenges of scaling.

### 4.1. Findings Leadership (Felix Oliver Herborn – 58319)

This section delves into the multifaceted role of leadership in shaping organisational dynamics, particularly its impact on fostering cohesion and mitigating the formation of silos in startups. The findings explore key leadership dimensions, including the influence of leadership on culture, the adoption of diverse leadership styles, and the critical interplay between trust and control. By analysing these aspects, the findings highlight how leadership practices evolve to address the challenges of growth, maintain alignment across teams, and adapt hierarchical structures to meet the unique demands of rapidly scaling startups. In this section, it's important to note that employees mainly referred to the founders when talking about leadership.

#### 4.1.1. Leadership Shaping Startup Culture

Leadership serves as the cornerstone of cultural development in startups, particularly during the critical early stages of growth. Leaders significantly influence how cultural values are defined, communicated, and reinforced, shaping the norms that guide collaboration and interaction across the organisation. As one employee from Startup S succinctly put it, *“Leadership does matter for the company culture [...] if everyone you are working with has*

*different ways of working, it will clash. So the leadership has to match the company culture”* [Transcript 12].

**Leadership in Small Startups.** Nevertheless, Leadership is preserved very differently depending on in the size of the startup. In smaller startups such as Startup L and medium-sized ones like Startup S the influence of leadership is immediate and highly visible. Employees consistently emphasised the critical role of leadership in aligning with and reinforcing the startup's evolving culture. To ensure the culture resonates throughout the organisation, they recognised leadership as a foundational pillar. As one employee from Startup S noted, *“Super important, right? It just comes down from them, it cascades down”* [Transcript 11]. This cascading effect highlights the significant importance of leadership, especially in smaller organisations where the visibility of founders is heightened. This is echoed in the statement of an employee from Startup S, underlining the role of Leadership and their direct influence on how employees behave in Startups: *“They are at the very top, and their behavior is then mirrored by the employees quickly”* [Transcript 11].

**Leadership in Small Startups.** As startups scale, the symbolic role of leadership becomes increasingly significant. While the influence of leadership and leading by example remains strong in larger startup structures, the cascading effect is still highly recognised even in big startups, like an employee stresses *“the fish rots from the head down”* [Transcript 3]. The cascading effect remains strong, but the way it flows and influences employees evolves with scaling. As organisations grow and leadership visibility naturally lessens, its influence shines through the significant decisions made and their ripple effects across the company. An employee from Startup A captured this perfectly: *“Leadership has a big influence, both through the decisions they make and through the example they set”* [Transcript 2]. By consistently aligning decisions and behaviour with cultural values, leaders ensure cohesion even as the organisation grows in size and complexity.

#### ***4.1.2. Leadership Attributes Driving Startup Success***

Based on the findings Leadership attributes emerged as a critical factor in shaping how startups navigate challenges, align steams, and maintain cultural cohesion. The interviews revealed diverse leadership approaches categorised into four key themes: Approachability, Proactivity, Transparency, Challenging Old Patterns, and Inclusion. These attributes, while varied, share a common goal of fostering collaboration and preventing siloed behaviours.

**Approachability.** Approachability was consistently highlighted as a key leadership trait, particularly in small to medium-sized startups like in Startup N. Leaders who remained accessible and maintained open communication fostered a relaxed and transparent atmosphere. An employee from Startup N described this atmosphere as “*relaxed,*” [Transcript 8] emphasising that “*people feel comfortable approaching anyone*” [Transcript 8]. The use of first names, informal gatherings, and easy access to leadership helped minimise hierarchical barriers. The importance of remaining “*human*” [Transcript 7] in interactions was also emphasised. The founder of Startup N explained, “*you have to remain human. And that has a lot to do with explaining what’s going on*” [Transcript 7]. By maintaining this personal connection, leaders created a sense of psychological safety, encouraging employees to share concerns and collaborate without fear of judgment.

**Proactivity.** Proactive leadership was another vital attribute, particularly in startups navigating uncertainty or rapid growth. Leaders who anticipated challenges and addressed them pre-emptively were better able to maintain alignment and morale. The founder of Startup N stressed the importance of communicating “*proactively*” [Transcript 7] by acknowledging potential concerns and providing clarity early. Similarly, at Startup H, interviewees actively monitored team dynamics and addressed potential discontent before it escalated. This approach ensured that small issues did not grow into significant structural challenges, reinforcing a culture of continuous improvement.

**Transparency.** Transparency consistently emerged as a key leadership attribute, often demonstrated through informal or formal feedback. Employees and leaders across all startups emphasised that feedback, was most impactful when delivered transparently and directly. At Startup S, the concept of “*Radical Candor*” [Transcript 11] was embraced, encouraging both honesty and empathy. An employee explained, “*We are trained to give feedback directly but not to be hurtful,*” [Transcript 11] adding that direct feedback is “*super important*” [Transcript 11] for personal and professional growth. The founder of Startup N reinforced this by stating, “*Immediate feedback is the most important thing,*” [Transcript 7] emphasising that transparency in feedback builds trust and alignment within teams. This approach ensured that employees felt valued and understood, fostering a culture of openness that reduced misunderstandings and prevented barriers. Transparency was also linked to emotional resilience. At Startup S, an employee highlighted the importance of receiving and giving constructive criticism without personalising it, noting, “*It’s important that people are open to criticism and don’t take factual feedback personally*” [Transcript 12]. This balance between candor and care was vital in maintaining trust within diverse teams.

**Challenging Old Patterns.** The ability to challenge established norms and encourage innovative thinking was a defining attribute of effective leadership in startups. At Startup H, the founder emphasised the importance of challenging inherited practices, stating, “*When employees come from hyped startups, they often say, ‘We did it like this.’ But we always encourage them to rethink those patterns*” [Transcript 4]. Similarly, the founder of Startup A highlighted the importance of not settling for past failures, explaining, “*No, just because it didn’t work last time in a highly dynamic environment doesn’t mean it won’t work now*” [Transcript 1]. This adaptability allowed the organisation to tailor solutions to its unique needs while questioning the status quo, fostering a culture of innovation and continuous improvement.

**Inclusion.** Inclusive leadership emerged as a critical factor in fostering shared ownership and alignment. At Startup N, transparency is a cornerstone of the culture, with leaders openly sharing numbers and company goals. An employee noted, “*Transparency is also a big part of our culture*” [Transcript 8] and highlighted how employees were involved in recruitment decisions for leadership roles. Startup H also prioritised inclusion, extending it to strategic decisions. Employees appreciated the transparency regarding investor updates and company trajectory. One participant explained, “*the future is communicated quite transparently, including where we’re heading*” [Transcript 6]. This approach ensured employees felt connected to the organisation’s goals. However, some leaders acknowledged the limits of inclusion. At Startup S, the founder warned against excessive transparency, noting, “*what you don’t want is the ‘salami tactic,’ where you let one person go and then ten more a week later because that creates real fear*” [Transcript 10]. This highlights the need for leaders to balance openness with discretion, carefully considering the startup’s context to determine when inclusion is appropriate and when it is not.

#### ***4.1.3. Navigating Growth with Trust and Control***

The balance between trust and control emerged as a pivotal theme across the startups studied, reflecting the challenges leaders face in empowering employees while ensuring alignment and accountability. While startups of all sizes grappled with this tension, the approach to managing it varied depending on the stage of growth and organisational complexity.

**Leadership Built on Trust.** Trust served as a cornerstone for collaboration and innovation, particularly in startups where autonomy and accountability were key drivers of success. At Startup A, the largest organisation explored, the founder emphasised the importance of independence paired with a shared mindset, stating, “*It’s crucial that people act independently yet aligned with the same mindset and optimisation logic*” [Transcript 1]. This

approach fostered accountability and empowered employees to make decisions without constant oversight. Even within a larger context, trust was seen as a way to navigate ambiguity. The founder described how employees operated in an *“uncoordinated yet coordinated”* [Transcript 1] manner, ensuring alignment with organisational goals despite the absence of rigid processes. At Startup L, trust was further reinforced by hiring individuals who naturally took initiative and ownership. The founder highlighted the importance of this characteristic, stating, *“We need people who take responsibility, tackle problems, and initiate new projects on their own”* [Transcript 13]. These examples underscore the role of trust in fostering a proactive and empowered workforce.

**Scaling with Control Mechanisms.** As startups grow, the dynamics of trust inevitably shift, and leaders are tasked with implementing control mechanisms to maintain alignment. At Startup A, the founder explained the challenges of scaling trust in larger groups, noting, *“In a more anonymous, larger group, unconditional trust is not necessarily naturally given [...] you have to find ways to break these boundaries and promote people getting in touch with each other”* [Transcript 1]. This highlights the need for structured efforts, such as fostering cross-functional collaboration and encouraging open communication, to sustain trust within a growing organisation. Startup A also employed AI tools for performance evaluations, demonstrating a *“brutally tough”* [Transcript 1] results-driven focus. However, the founder acknowledged the importance of balancing these controls with trust, particularly in roles that rely on creativity and technical expertise. To further maintain alignment, leaders emphasised the role of middle managers as cultural carriers. Training these managers to *“coach the coach”* [Transcript 1] became essential in preserving trust and culture as the organisation scaled.

**Balancing Trust and Control.** Effective leadership lies in skilfully balancing trust and control. At Startup A, the founder underscored the importance of trusting project teams, stating, *“You have to have trust that the other project teams working on other topics are also doing a*

*good job*” [Transcript 1]. This trust minimised the need for micromanagement, enabling teams to focus on innovation and execution. Transparency also played a critical role in maintaining this balance. Leaders who clearly communicated priorities reinforced trust and alignment. At Startup H, for example, an article titled *“Don’t fuck up the culture”* [Transcript 6] was shared company-wide, underscoring the importance of preserving trust and cultural values. However, leaders recognised the risks of overemphasising control, which could undermine trust. As the founder of Startup A aptly put it, *“You have to make trust a topic”* [Transcript 1] a conscious effort to prioritise trust even amidst the challenges of scaling. By navigating the interplay between trust and control, startups can empower their teams while ensuring alignment and cohesion, adapting to the complexities of growth without losing their core values.

#### ***4.1.4. Adapting Hierarchies in Startup Growth***

Hierarchy plays a pivotal role in startups, evolving as organisations scale. Flat hierarchies are often favoured in smaller and medium-sized startups for their ability to promote collaboration and agility, while moderate hierarchies in larger organisations provide structure and clarity to manage complexity. Tailoring hierarchical structures to the organisation’s needs emerged as a consistent theme across the interviews.

**Flat Hierarchies for Agility.** In smaller startups like Startup L and medium-sized ones such as Startup S and Startup H, flat hierarchies facilitate open communication and rapid decision-making. Employees emphasised the accessibility of leaders and the absence of rigid structures. At Startup A, an employee described the continuation of a flat approach even within a large organisation: *“There’s no big corner office for the bosses [...] everything happens on equal footing”* [Transcript 2]. This accessibility fosters collaboration and ensures that employees across levels feel empowered to share ideas. Flat hierarchies are also tied to cultural inclusivity and informality. The founder of Startup A reflected on the informal dynamics of flat hierarchies, stating, *“it has a lot to do with how you meet at the coffee machine and how every*

*opinion counts*” [Transcript 1]. At Startup A, the absence of a formal organisational chart was perceived as a way to prevent silos and encourage organic communication. One employee remarked, “*What surprised me here is the lack of silo thinking despite the size, over 1,000 employees*” [Transcript 2]. This flexibility helps preserve the agility of smaller startups even as organisations grow.

**Moderate Hierarchies for Clarity.** As startups like Startup A and Startup N scale, moderate hierarchies become essential to provide structure while retaining some accessibility of flat hierarchies. At Startup N, an employee observed, “*we’re still in close contact across hierarchical levels, and there aren’t too many layers*” [Transcript 8]. This balance ensures clear communication while preserving agility in decision-making. Leaders in larger organisations emphasised the importance of a top-down approach to maintain alignment. The founder of Startup N stated, “*culture is always top-down, quite strongly with us*” [Transcript 7]. The findings reveal notable differences in how startups of varying sizes approach hierarchy. Startup A, the largest organisation studied, showcases a balanced structure where hierarchical elements coexist with a strong emphasis on approachability, even during scaling. In contrast, Startup N relies heavily on a top-down culture to ensure alignment. Despite these differing approaches, both startups effectively avoid silo thinking, fostering open and collaborative environments that enable their teams to remain cohesive and focused on shared objectives.

## **5. Discussion (Individual & Group)**

This discussion addresses the research questions guiding the study, synthesising findings from qualitative data and theoretical frameworks to provide a nuanced understanding of key organisational challenges and strategies. It explores how startups manage the four pillars of cultural alignment, leadership, employee engagement, and scaling, which are critical to maintaining cohesion, fostering adaptability, and driving success during periods of rapid

growth. Central to this discussion is the House of Startup Culture framework, which conceptualises the interplay of four interrelated pillars that collectively support the preservation and evolution of organisational culture during rapid growth. By integrating theoretical insights with practical applications, the discussion offers actionable recommendations for strengthening these pillars and maintaining organisational identity within the complexities of scaling.

## **5.1. Leadership** (Felix Oliver Herborn – 58319)

This section of the work project explores the RQ: *What is the role of leadership practices in preventing organisational silos and strengthening organisational cohesion in rapidly growing startup companies?* Drawing on the findings and aligning them with the existing literature, this section critically examines how leadership practices shape startup culture, drive success, balance trust and control, and adapt hierarchies during growth. It also identifies novel insights that extend beyond current theoretical frameworks.

### ***5.1.1. Leadership Shaping Startup Culture***

Leadership in startups, as revealed by the findings, is pivotal in cultivating organisational culture, especially during the early stages of growth. Leaders act as cultural architects, cascading values and behaviours throughout the organisation. This aligns with Silva's (2016) definition of leadership as a process of interactive influence guided by shared goals, while also resonating with Bourne and Jenkins' (2013) emphasis on the dynamic nature of organisational values.

Notably, the findings underscore the symbolic and cascading influence of leadership, particularly in larger startups, where direct interactions diminish but decisions continue to shape organisational norms. This nuance aligns partially with the Transformational Leadership style described by Zaech and Baldegger (2017), where founder-CEOs inspire and guide through vision and role modeling. However, it also reflects elements of entrepreneurial leadership, as

highlighted by Shiferaw, Birbirsa, and Werke (2023), particularly in its adaptability and focus on fostering innovation-driven cultures.

While transformational and entrepreneurial leadership models provide useful frameworks, the findings also reveal limitations. For example, in larger startups, leadership's impact increasingly stems from strategic decisions rather than direct influence, a dynamic not fully captured by these models. This suggests that leadership in scaling startups may represent a hybrid approach, blending transformational, entrepreneurial, and situational leadership traits to address evolving challenges.

### ***5.1.2. Leadership Attributes Driving Startup Success***

The findings identified key leadership attributes, such as approachability, proactivity, transparency, challenging old patterns, and inclusion, that contribute to startup success. These attributes reflect an adaptive and context-sensitive leadership style, aligning with entrepreneurial leadership's focus on opportunity-seeking and vision (Shiferaw, Birbirsa, and Werke 2023) and elements of transformational leadership's emphasis on fostering collaboration and innovation (Zaech and Baldegger 2017).

Transparency emerged as particularly critical, promoting trust and alignment across teams. This resonates with servant leadership's emphasis on empathy and openness, where leaders prioritise psychological safety and trust-building (Parris and Peachey 2013). For instance, the adoption of "*Radical Candor*" [Transcript 11], where honesty is tempered with care, reflects servant leadership principles that ensure employees feel valued and respected. However, as the findings suggest, excessive transparency may provoke fear and instability during times of uncertainty, challenging its universal benefit.

Proactivity, another essential attribute, aligns with Crossley et al. (2024) view of core values as guiding principles in times of ambiguity. By anticipating challenges and fostering continuous improvement, leaders ensure that startups remain agile and resilient in dynamic

environments. This proactive approach also complements the entrepreneurial leadership model by emphasizing adaptability and forward-thinking strategies.

### ***5.1.3. Navigating Growth with Trust and Control***

Balancing trust and control are a central theme in startup leadership, reflecting the tension between empowering employees and maintaining alignment. Trust, as described in the findings, fosters autonomy and accountability, echoing Collins and Porras (1996) and Bachmann and Zaheer (2006) emphasis on preserving core values while adapting strategies during growth.

The findings reveal that as startups grow, implementing control mechanisms such as performance evaluations becomes essential for maintaining cohesion. While these mechanisms enhance accountability, they may also risk undermining trust if perceived as overly rigid. This duality mirrors the challenges identified in entrepreneurial leadership, where leaders must balance creativity and discipline to sustain innovation (Shiferaw, Birbirs, and Werke 2023; Bourne and Jenkins 2013). The findings further highlight the role of middle managers as cultural carriers, a concept supported by Bourne and Jenkins (2013) framework on shared and attributed values. By equipping middle managers with coaching skills, startups can preserve trust and cohesion, even as organisational complexity increases.

### ***5.1.4. Adapting Hierarchies in Startup Growth***

Hierarchy adaptation is another critical leadership challenge in startups. The findings suggest that flat hierarchies, prevalent in smaller startups, promote collaboration and agility, aligning with Lee (2022) emphasis on rapid decision-making in flat structures. As startups grow, moderate hierarchies emerge to provide clarity and structure, a transition supported by Collins and Porras (1996) concept of preserving the core while stimulating progress. However, the findings reveal a unique dimension: some larger startups maintain informal structures, such

as avoiding formal organisational charts, to foster inclusivity and prevent silos. This deliberate informality challenges traditional hierarchical models and underscores the importance of context-sensitive leadership. Such practices reflect entrepreneurial leadership's adaptability while integrating elements of transformational leadership's focus on cultural cohesion.

This section of the work project addresses the RQ by showing how leadership prevents silos and strengthens cohesion in startups through shaping culture, balancing trust, and aligning values. Combining transformational, entrepreneurial, and servant leadership provides vision, adaptability, and trust, ensuring collaboration and unity during growth.

## **5.2. Conceptualising Insights (Group)**

Building upon the previously established pillars of cultural alignment, leadership, employee engagement, and scaling, preserving organisational culture in entrepreneurial companies as they expand is a complex challenge requiring a dynamic interplay of Leadership, Employee Engagement, Cultural Alignment, and Scaling. These four elements are interdependent and collectively form the foundation for maintaining a cohesive culture amidst rapid growth. Drawing on the metaphor of a house, *Leadership* serves as the foundation, *Employee Engagement* forms the walls and interior structure, *Cultural Alignment* represents the roof, and *Scaling* acts as the external scaffolding supporting expansion (Figure 1). The four elements of the framework are deeply interconnected, with dynamic interactions shaping the organisation's ability to preserve its culture while scaling. Leadership drives cultural alignment by modelling values and setting behavioural norms, which in turn foster employee engagement. Engaged employees act as ambassadors of the organisation's culture, reinforcing alignment and cohesion. Scaling introduces new challenges that test the resilience of these interactions, requiring adaptive strategies to maintain balance and stability. However, deficiencies in one pillar can disrupt the others. Misaligned cultural values can weaken employee engagement, diminishing trust in leadership and hampering efforts to scale effectively. Similarly, leadership

gaps can hinder cultural alignment and disengage employees, amplifying challenges as the organisation grows. This interdependence highlights the need to strengthen each pillar to sustain cultural integrity during expansion.

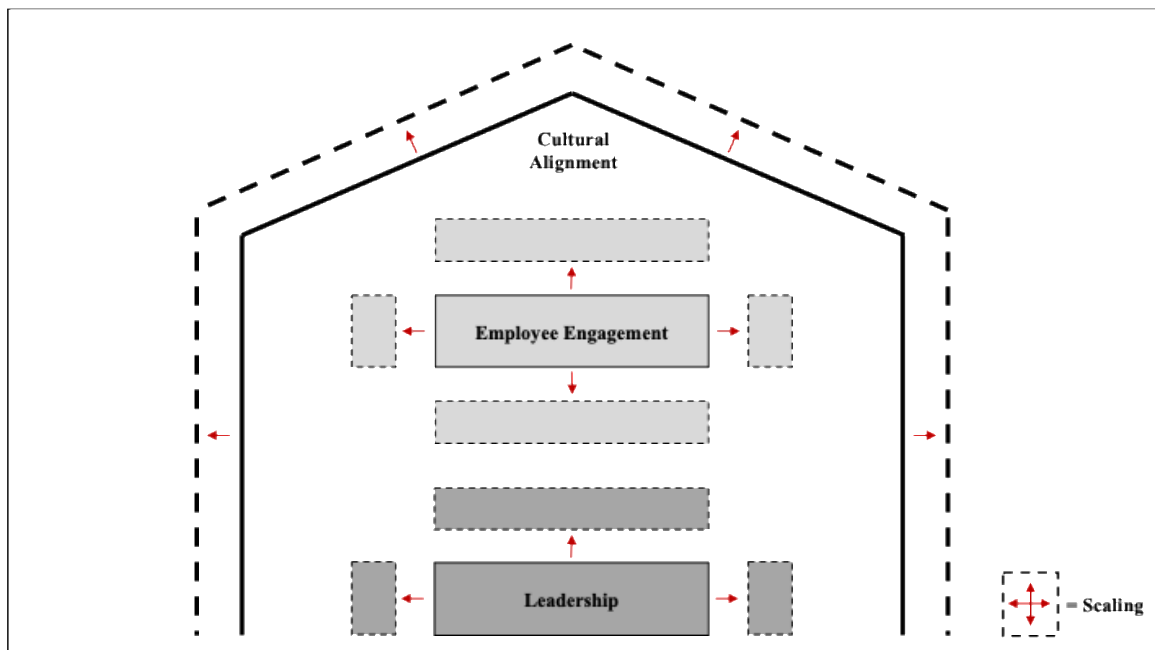


Figure 1. *The House of Startup Culture*

### 5.2.1. *Leadership as the Foundation*

Leadership underpins the entire framework *The House of Startup Culture*, setting the tone for driving engagement, organisational culture, and adapting to the demands of scaling (Figure 1). As the foundation, leadership plays a critical role in ensuring that all other elements remain cohesive and functional. Leaders are not only responsible for articulating and modelling organisational values but also for embedding these values into daily operations, fostering alignment across the organisation. Transformational leadership, as observed in several startups, empowers teams by fostering resilience and adaptability in the face of rapid growth. By integrating principles of servant leadership, such as prioritizing employee well-being and building trust, and entrepreneurial leadership, which drives innovation and proactivity, leaders ensure that organizations remain both agile and grounded in their values. This combination

inspires teams to internalize these values, align with the company's mission, and effectively navigate the challenges of fast-paced environments.

Effective leadership also directly impacts employee engagement. Leaders who embody the company's values and maintain open lines of communication inspire trust and motivate employees to internalise these values. However, the work project highlighted risks associated with misalignment between leadership behaviour and organisational values. At Startup N, for example, some leaders struggled to articulate the organisation's core values, which risked creating a disconnect between espoused values and enacted behaviours. This underscores the importance of leaders not only promoting organisational values but actively embedding them into decision-making processes.

As startups scale, leadership must adopt flexibility in approaches to navigate new organisational complexities. The work project found that this often requires restructuring and expanding leadership teams, delegating responsibilities, and maintaining a clear vision. The concept of "coaching the coach," observed in several startups, highlights the importance of equipping leaders with the skills to manage growth while preserving cultural cohesion. At Startup S, for instance, a multi-layered interview process ensured that leadership remained aligned with the company's values, even as the organisation expanded rapidly.

### ***5.2.2. Employee Engagement as the Internal Structure***

Employee engagement represents the internal structure of the framework, acting as both a reflection of the organisation's culture and a key driver of cohesion and adaptability (Figure 1). Engaged employees embody the organisation's values, ensuring their dissemination across teams and creating a cohesive cultural environment. The work project revealed how structured onboarding and feedback mechanisms, such as those implemented at Startup N, can reinforce engagement and embed cultural practices from the outset.

Engagement is particularly critical during periods of scaling, as it helps employees remain connected to the organisation's mission and values despite the complexities of growth. At Startup H, team rituals and bonding activities reinforced a sense of shared identity and motivation, mitigating the risks of fragmentation often associated with rapid expansion. However, disengagement, particularly stemming from misaligned hires or insufficient leadership attention, can undermine team cohesion and productivity. This was evident at Startup S, where cultural misalignment among new hires disrupted trust and collaboration.

Leadership plays a central role in fostering employee engagement. Flat hierarchies and transparent communication, such as those observed at Startup L, were shown to empower employees and sustain engagement even in resource-constrained environments. However, the findings also emphasised the importance of balancing autonomy with structured support systems to prevent burnout and disengagement.

### ***5.2.3. Cultural Alignment as the Roof***

Cultural alignment serves as the roof of the framework, unifying the organisation under shared values and guiding behaviours across all levels (Figure 1). It provides a stabilising force during periods of growth and change, ensuring that decision-making and interactions remain consistent with the organisation's core identity. Startups such as Startup A demonstrated how adherence to core values, even at short-term costs, can reinforce alignment and trust within teams.

The work project found that cultural alignment is both foundational and dynamic. While it provides a framework for cohesion, it must remain flexible to adapt to the organisation's evolving needs. However, excessive rigidity can hinder innovation and adaptability, a risk that was explored through the concept of *cultural lock-in*. Startups must balance cultural continuity

with openness to new ideas, ensuring that their cultural framework evolves alongside organisational growth.

Misalignments in cultural alignment can have significant consequences, as seen in the hiring of “competent jerks” at Startup A, where technically skilled individuals with poor cultural fit eroded trust and cohesion. This highlights the importance of robust hiring and onboarding processes to ensure that new hires align with organisational values. Startups like Startup N mitigated these risks through structured onboarding programmes that emphasised cultural integration and alignment from the outset.

#### ***5.2.4. Scaling as the Framework for Expansion***

Scaling represents the scaffolding that supports the organisation’s growth, introducing new complexities that directly impact leadership, engagement, and alignment (Figure 1). As startups expand, they must adapt their structures and practices to manage increased operational demands while preserving their cultural identity. Effective scaling requires careful planning and execution, as well as a deep understanding of how growth impacts the organisation’s existing dynamics.

The work project highlighted the critical role of leadership in navigating scaling challenges. Leaders must balance the need for strategic oversight with operational adaptability, expanding their teams and delegating responsibilities while maintaining cultural cohesion. At Startup N, for example, leadership development and structural adaptation were essential for managing growth without compromising the organisation’s core values.

Scaling also presents challenges for employee engagement. The introduction of new teams and processes can disrupt existing dynamics, leading to disengagement or cultural fragmentation. Structured onboarding and feedback mechanisms, such as those implemented at Startup N, were shown to mitigate these risks by ensuring that new hires align with the organisation’s values and practices. Additionally, cultural alignment serves as a stabilising

force during scaling, reducing resistance to change and fostering resilience across the organisation.

However, the work project also emphasised the importance of adapting cultural practices to reflect the organisation's growing size and diversity. Failing to adapt the "cultural roof" to organisational growth risks creating dissonance and fragmentation, as observed in cases of rapid expansion at Startup S. Startups must therefore ensure that their cultural frameworks evolve in tandem with their scaling efforts to maintain alignment and cohesion.

In conclusion, preserving organisational culture in entrepreneurial companies as they expand is a complex yet critical endeavour, anchored by the interdependence of leadership, employee engagement, cultural alignment, and scaling. Each pillar plays a distinct yet interconnected role, with leadership providing the foundation, engagement forming the internal structure, cultural alignment serving as the unifying roof, and scaling acting as the scaffolding for growth. The findings underscore that deficiencies in one pillar can disrupt others, jeopardising cultural cohesion and organisational stability. To navigate these challenges, startups must foster adaptable leadership, maintain robust employee engagement, uphold cultural alignment, and implement strategic scaling practices. By ensuring each pillar is strong and dynamic, organisations can sustain their cultural identity while adapting to the demands of growth, securing a foundation for long-term success.

## **6. Conclusion (Group)**

This work project set out to explore the complex relationship between cultural alignment, leadership, employee engagement and scaling in startups within the German entrepreneurial ecosystem. The findings underscore the critical importance of maintaining a startup's core identity while navigating the complexities of rapid growth. By highlighting the

interdependence of these elements, the research highlights actionable strategies for fostering organisational cohesion, sustaining performance, and promoting long-term success.

At the core of the findings is the emergence of cultural alignment as a dynamic and foundational pillar that influences and is influenced by leadership and employee engagement. Effective leadership practices, including transparent communication, inclusive decision-making and adaptive strategies, act as catalysts for cultural continuity and cohesion. Similarly, employee engagement, reinforced by structured rituals, onboarding and consistent feedback mechanisms, drives alignment and strengthens a sense of belonging. These interrelated elements become even more critical as startups scale, balancing the demands of growth with the need to preserve their cultural DNA.

For startup founders and human resource practitioners, the research offers practical insights into designing cultural practices that align with an organisation's values and growth journey. Strategies such as leadership-led cultural reinforcement, balancing trust and control, ensuring strategic cultural fit in hiring, and fostering inclusivity through engagement initiatives are critical to mitigating risks during scaling. By embedding feedback systems that combine structure and flexibility, startups can maintain cohesion while adapting to their evolving needs.

From an academic perspective, this study contributes to the discourse on organisational culture by highlighting its dynamic nature and its role as a stabilising force during growth. The findings fill gaps in the understanding of the interplay between leadership and engagement in maintaining cultural continuity. In doing so, the research provides valuable insights for startups to build resilient, values-driven organisations that are positioned for sustainable success in competitive environments.

A notable aspect of this research is the exploration of the link between employee engagement and cultural paradoxes. Startups, like culturally diverse organisations, must navigate competing demands such as individual versus collective goals, global versus local

priorities, and exploration versus exploitation. Successfully managing these tensions is essential to fostering alignment, cohesion and adaptability. Culturally sensitive leadership that engages employees in meaningful and inclusive practices can help resolve these paradoxes and create environments that thrive on diversity and collaboration. The ability to reconcile these paradoxes not only promotes cultural cohesion but also strengthens a startup's ability to innovate and scale effectively.

Future studies could build on these findings by examining the long-term impact of cultural strategies or exploring how startups in different sectors and ecosystems address these challenges. Such research would provide deeper insights into the creation of adaptive, culture-driven organisations capable of sustaining success in an increasingly complex entrepreneurial landscape.

## **7. Limitations and Suggestions for Future Research (Group)**

This research provides valuable insights into how growing startups preserve their company cultures, yet several limitations must be acknowledged for a balanced interpretation of the findings. A key limitation lies in the study's focus on German-founded ventures. While this approach allowed for an in-depth analysis within a specific national context, it raises questions about the transferability of the findings. Startups in other cultural, regulatory, and economic environments may face distinct challenges and opportunities. Future research should broaden the scope by incorporating diverse industries and geographically varied samples to distinguish cultural dynamics that are universal from those that are context-dependent, thereby offering a more globally relevant perspective.

Another limitation concerns the developmental stages of the startups analysed. Although the research included ventures at varying phases of growth, it did not systematically differentiate cultural strategies between early, intermediate, and advanced stages of scaling.

This lack of specificity limits the understanding of how cultural practices emerge, strengthen, or evolve over time. Future studies could adopt a structured, longitudinal approach to examine whether tactics that support young startups remain effective as they grow in size and complexity or if entirely new interventions become necessary as organizations mature.

The methodology also presented certain constraints. Relying heavily on qualitative data from founders and employees provided rich, narrative-driven insights into lived experiences, but this approach introduces subjectivity and limits the generalizability of the findings. Integrating more objective data sources, such as surveys, performance metrics, and behavioural analytics, could help align anecdotal evidence with quantitative indicators, offering a more holistic understanding of how cultural factors correlate with organizational outcomes.

The proposed framework for preserving organizational culture during startup expansion also has its limitations. It is inherently qualitative and context-dependent, relying heavily on interview insights that may not be generalizable across all industries or regions. Additionally, while the framework highlights the complex relationships between its four pillars, leadership, employee engagement, cultural alignment, and scaling, it does not fully account for other external or internal factors that may also influence startup culture. Moreover, while the metaphor of a house is useful for illustration, it may oversimplify the dynamic and fluid nature of organizational culture, which often requires iterative and adaptive approaches. Future research should refine this conceptualization by incorporating longitudinal studies and quantitative analyses to enhance its robustness and applicability.

Finally, this research did not fully account for the implications of evolving work arrangements, such as remote and hybrid models, on cultural preservation. As distributed and multinational teams become increasingly common, it is essential to explore how leadership interventions and culturally cohesive practices fare in these settings. A deeper longitudinal examination could reveal how cultural values, leadership styles, and engagement strategies

adapt-or fail to adapt-over time. Identifying best practices for sustaining cultural alignment across borders and time zones remains a timely and meaningful area of inquiry. By addressing these limitations and pursuing these suggestions, future research can provide a deeper, more nuanced understanding of how startups can effectively preserve and adapt their organisational cultures during growth and beyond.

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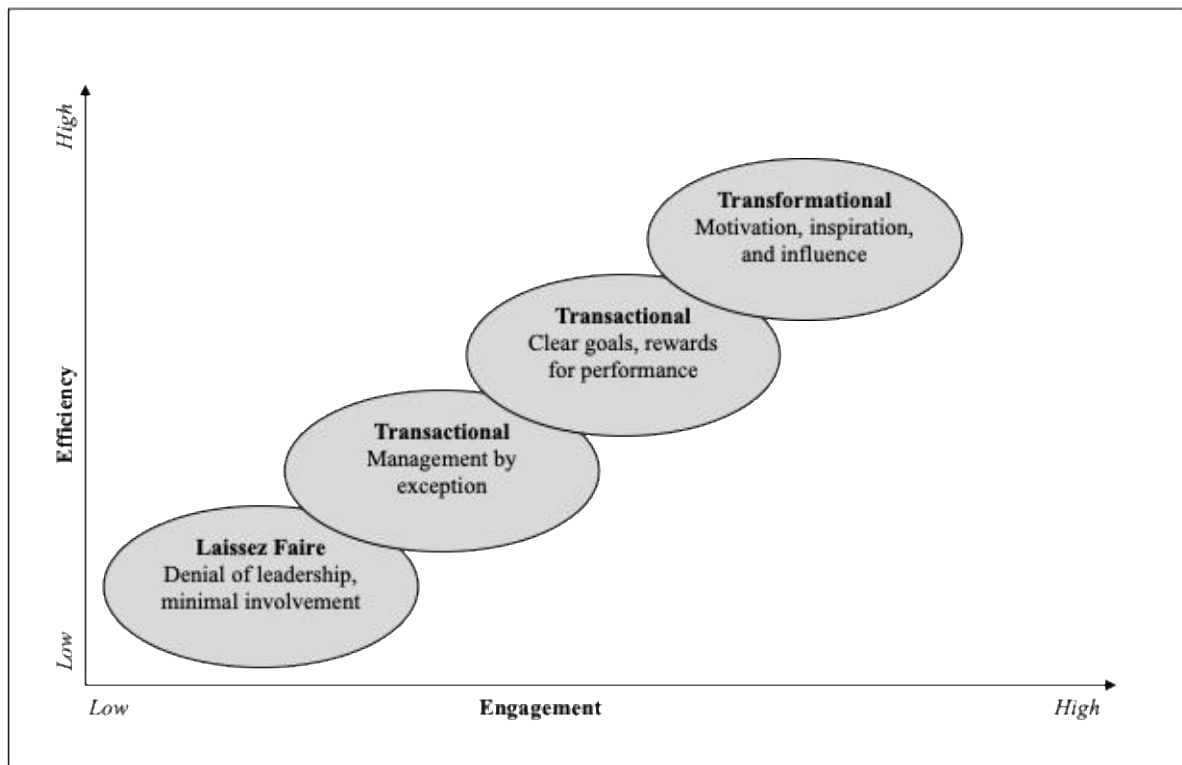
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## Appendices

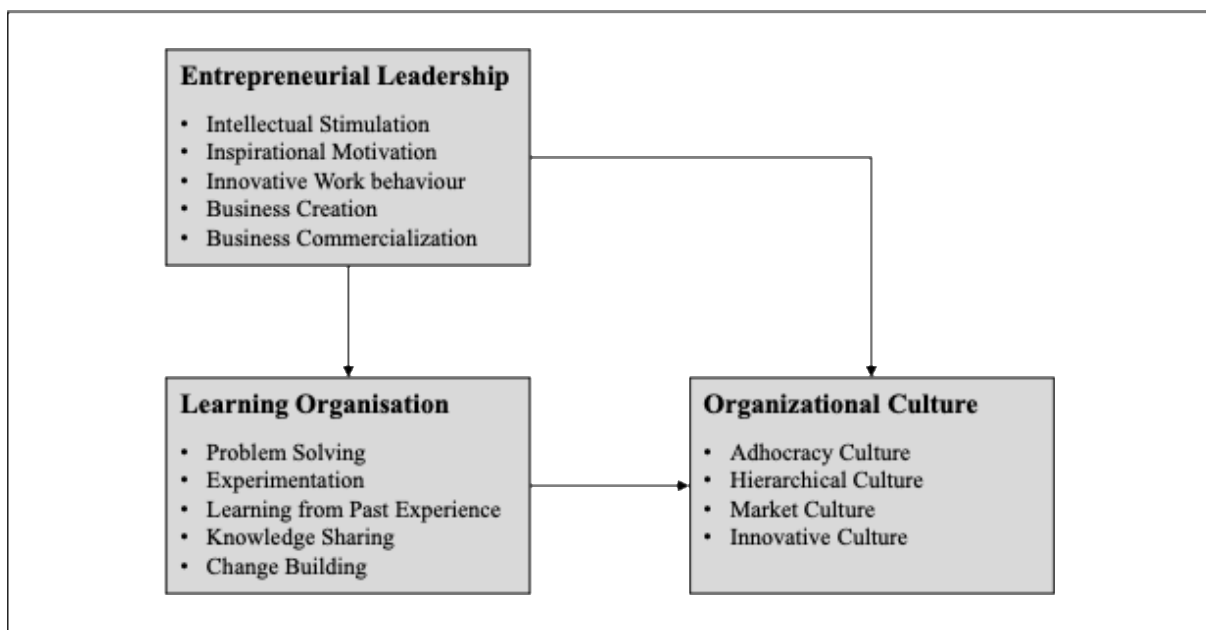
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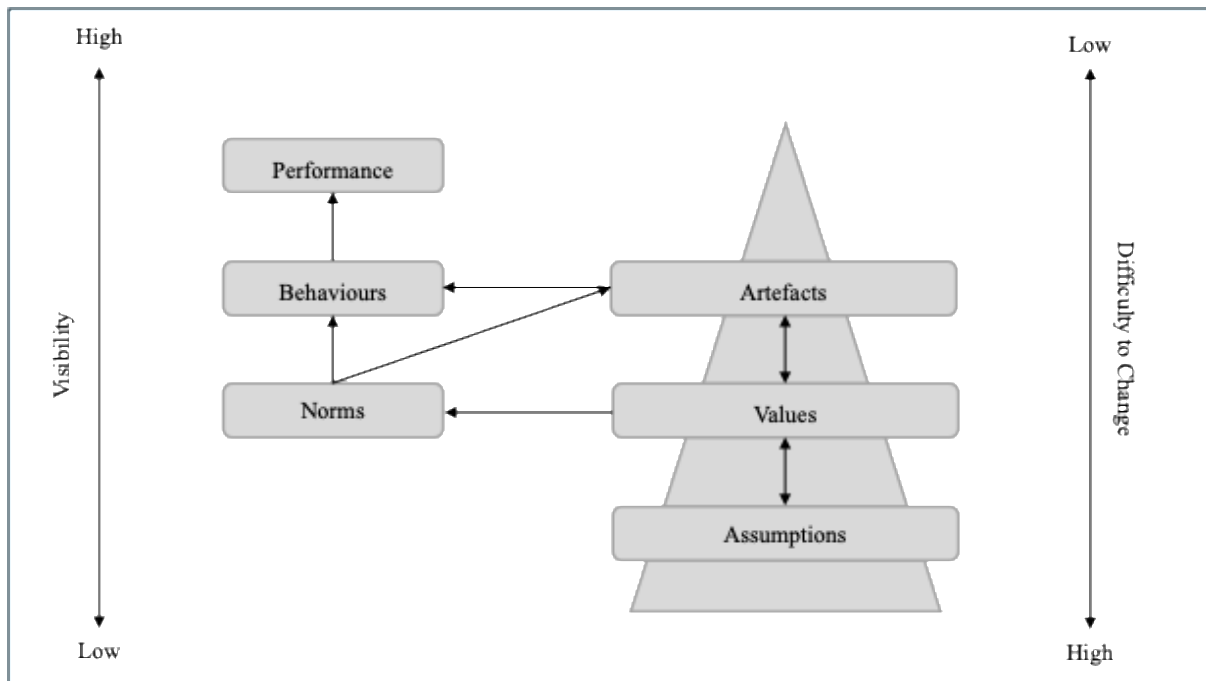
## Appendix A: Content related Figures



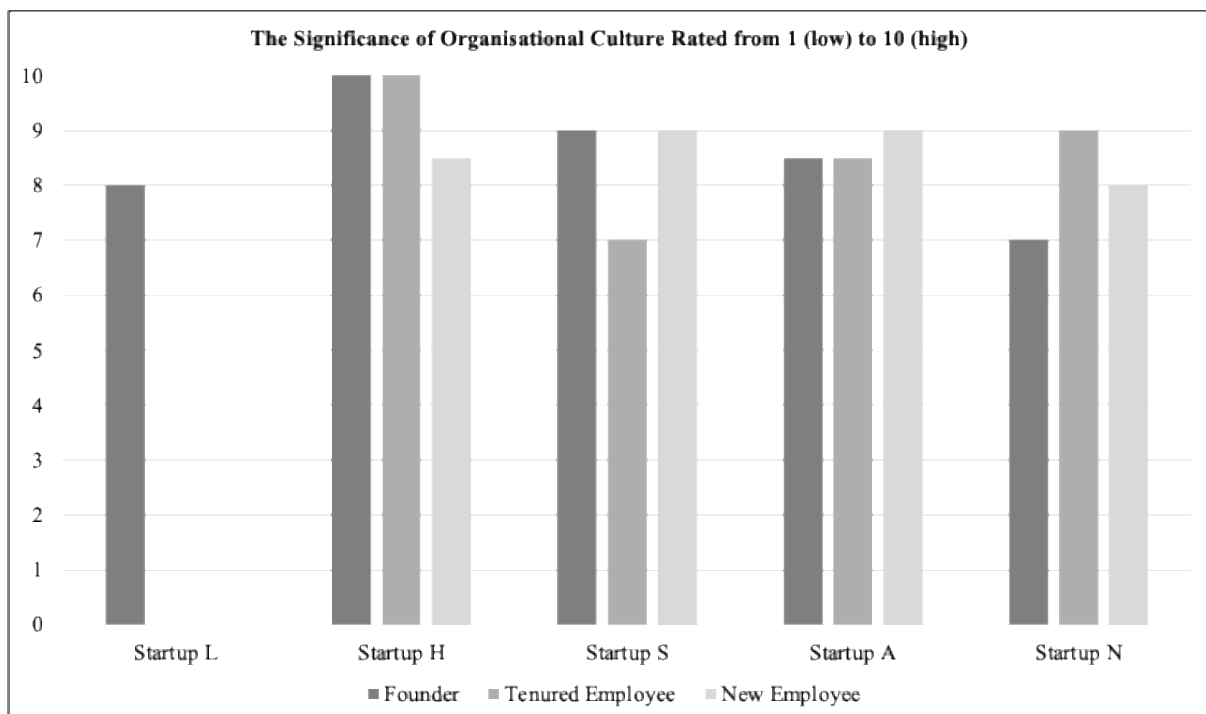
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Appendix A, Figure 4. Interviewees' ratings of importance of organisational culture on a scale from 1 (low) to 10 (high)



*Appendix A, Figure 5. Employee characteristics valued by interviewees in new hires (font size represents the amount of mentions of the respective characteristics)*

## Appendix B: Interview Guide

Appendix B, Table 1: Interview Guide Founder

<b>Introduction and background</b>
• What is your current role?
• Number of employees?
• Growth phase?
<b>Core identity</b>
• What is your corporate culture in general?
○ Mission, vision, values covered?
• How would you describe the corporate culture at xxx?
• How important do you think corporate culture is at the moment? (Scaling 1-10)
• Are there measures to promote corporate culture?
○ Events, trainings, workshops, incentives, benefits, rituals
○ Informal / Formal
<b>Leadership and responsibility</b>
• What role does leadership play for you in the context of corporate culture?
• What is your feedback culture like?
• What role does leadership play in promoting and upholding the core values within the company?
<b>Employees</b>
• What three qualities characterise a good employee for you?
○ (performance vs. cultural fit)
• Are the desired characteristics checked in the hiring process? If so, how?
• Did the first employees you hired have a long-term impact on the company culture?
○ (How long have your employees been with you on average?)
○ (What is your turnover like?)
<b>Balance between growth and values</b>
• Have there been any changes in the corporate culture that you have particularly noticed?
○ Conscious / Unconscious
○ Future Plan --> Is change planned? At what point?

Appendix B, Table 2: Interview Guide Employee

<b>Introduction and background</b>
<ul style="list-style-type: none"> <li>• What is your current role?</li> </ul>
<ul style="list-style-type: none"> <li>• How long have you been employed at xxx and what made you choose to work there?</li> </ul>
<ul style="list-style-type: none"> <li>• Are you part of a specific team and if so, how large is the team?</li> </ul>
<b>Core identity</b>
<ul style="list-style-type: none"> <li>• What is your corporate culture in general? <ul style="list-style-type: none"> <li>○ Mission, vision, values covered?</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• How would you describe the corporate culture at xxx?</li> </ul>
<ul style="list-style-type: none"> <li>• How important do you think corporate culture is at the moment? (Scaling 1-10)</li> </ul>
<ul style="list-style-type: none"> <li>• Are there measures to promote corporate culture and how effective do you think they are? <ul style="list-style-type: none"> <li>○ Events, trainings, workshops, incentives, benefits, rituals</li> <li>○ Informal / Formal</li> </ul> </li> </ul>
<b>Leadership and responsibility</b>
<ul style="list-style-type: none"> <li>• What role does leadership play for you in the context of corporate culture? <ul style="list-style-type: none"> <li>○ Relating to your leader</li> <li>○ Relating to you as a leader (if applicable)</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• What is your feedback culture like? <ul style="list-style-type: none"> <li>○ Do you feel like you are in the position to influence the culture at xxx to some extent?</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• What role does leadership play in promoting and upholding the core values within the company?</li> </ul>
<b>Employees</b>
<ul style="list-style-type: none"> <li>• What three qualities characterise a good colleague for you from the perspective of your current role? <ul style="list-style-type: none"> <li>○ (performance vs. cultural fit)</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Are these characteristics checked in the hiring process judging from your personal experience? If so, how?</li> </ul>
<ul style="list-style-type: none"> <li>• Besides your general tasks and responsibilities, how important is the overall success of xxx to you?</li> </ul>
<b>Balance between growth and values</b>
<ul style="list-style-type: none"> <li>• Have there been any changes in the corporate culture that you have particularly noticed? <ul style="list-style-type: none"> <li>○ Conscious / Unconscious</li> <li>○ Future Plan → How much information do you have from your current perspective?</li> </ul> </li> </ul>

## Appendix C: MAXQDA Coding System

Codes	Count
Codes	718
Introduction	89
Cultural Alignment	352
Leadership	131
Employee Engagement	66
Changing Culture and Growth	78
Company Culture	2

Appendix C, Figure 1. Holistic Coding System

Codes	Count
Codes	718
Introduction	0
Core Values	59
Key Characteristics Company Culture	30
Company Culture	0
Cultural Alignment	352
Leadership	131
Employee Engagement	66
Changing Culture and Growth	78
Company Culture	2

Appendix C, Figure 2. Introduction Coding System

Code	Count
<b>Codes</b>	<b>718</b>
Introduction	89
<b>Cultural Alignment</b>	<b>1</b>
Cultural Alignment Overall	95
Embedding Cultural Alignment	164
Challenges and Risks of Cultural Alignment	72
Disconnect Between Culture & Identity	20
Generating & Maintaining Cultural Alignment	0
Cultural Misalignment	0
Leadership	131
Employee Engagement	66
Changing Culture and Growth	78
Company Culture	2

Appendix C, Figure 3. Cultural Alignment Coding System

Code	Count
<b>Codes</b>	<b>718</b>
Introduction	89
Cultural Alignment	352
<b>Leadership</b>	<b>0</b>
Organisational Structure	10
Feedback Culture	49
Leadership Style	69
Employee Autonomy and Trust	3
Hierarchy	0
Employee Engagement	66
Changing Culture and Growth	78
Company Culture	2

Appendix C, Figure 4. Leadership Coding System

Codes		718
>	Introduction	89
>	Cultural Alignment	352
>	Leadership	131
∨	Employee Engagement	0
>	Remote Work	18
	"A start-up is a family"	3
	Office culture	7
	Office Expansion	6
>	Employee Engagement (Events, Rituals,...) ...	32
>	2.1 Remote Work	0
>	2.2 Office culture	0
>	2.3 Employee Strategies	0
>	Changing Culture and Growth	78
	Company Culture	2

Appendix C, Figure 5. Employee Engagement Coding System

Codes		718
>	Introduction	89
>	Cultural Alignment	352
>	Leadership	131
>	Employee Engagement	66
∨	Changing Culture and Growth	0
	Future Plans	3
>	Cultural Shift	18
	Impact of Longstanding Employees	7
>	Growth Challenges	50
	Company Culture	2

Appendix C, Figure 6. Changing Culture and Growth Coding System