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## Article

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# Developing and Maintaining a Strong Corporate Culture, While Coping With a Workforce Growing Significantly: A Qualitative Analysis on Corporate Culture Development of Fast-Growing Start-Ups

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## Abstract

The development and maintenance of a strong corporate culture are crucial for the success of start-ups, especially during their founding and growth phases. While previous research emphasizes the founders' role in shaping corporate culture, the growth phase of start-ups in this context has hardly been explored. This study, based on 16 semistructured interviews with founders and managers of rapidly growing start-ups, provides new insights into corporate culture development and maintenance. The qualitative study reveals that various instruments play a vital role in shaping corporate culture during the founding and growth phases. Specifically, the founders' role model function, the definition of corporate values, recruiting, and events significantly impact this process. Additionally, the study highlights that start-ups actively and consciously strive to develop and maintain their corporate culture as the company expands in size. Given the numerous identified instruments for corporate culture development in start-ups, this work offers new insights into a relatively unexplored environment, serving as a foundation for further research. Furthermore, the practical implementation of these identified instruments is demonstrated, contributing to the practical value of this study.

**Keywords:** cultural development; organizational culture; rapid growth; start-ups

## 1. Introduction

*"Cultures are like precious and prized treasures when they are strong, healthy, and driving the right behaviors. They are among the greatest assets an organization can have. However, they are vulnerable assets that can be damaged or lost if leaders are not aware of their value and are not keeping watch over possible culture-changing practices, attitudes, threats, or events."*  
- Warrick (2017, p. 5)

According to the German Federal Ministry of Labor and Social Affairs (BMAS), corporate culture represents a significant potential for the success and competitiveness of companies in Germany. Thus, corporate culture and the associated employee commitment (O'Reilly, 1989, p. 17) also have a significant influence on the financial success of a company (Hauser et al., 2008, p. 29). Since corporate culture is seen as a driver for sustainable performance and competitiveness of companies, the topic has been in the focus of economic and

social considerations for several years (Hauser et al. 2008, p. 31; Sackmann 2017, p. 11). Generally, research has shown that corporate culture evolves through the personalities of organizational members over time (O'Reilly et al. 2014, p. 596; Schein 1983, p. 3) and the mutual experiences of learning, failures, and successes (O'Reilly 1989, p. 19; Schein 1983, pp. 15, 20). This is why the culture gives each company a distinctive character (Janičević 2011, p. 74; Schneider et al. 2013, p. 380; Willcoxson and Millett 2000, p. 93).

But what is the relevance of corporate culture, in particular for start-ups?

To compete with established competitors, start-ups need to be faster, more flexible, more innovative, and more efficient (Grossmann & Slotosch, 2015, p. 242). Even though they operate in an environment characterized by high uncertainty (Ouimet and Zarutskie 2014, p. 2; Sauermann 2018, p. 5) and have limited resources at their disposal (Katila et

al. 2012, p. 17; Reypens et al. 2020, p. 13), they have to retain the best employees, from whom above-average commitment is demanded. Achieving this requires an outstanding corporate culture and its communication (Grossmann & Slotosch, 2015, pp. 242-243). Cummings (2011) even sees the corporate culture as the “only sustainable competitive advantage” (p.1) of start-ups that is entirely in the founders’ control, which is why it has to be promoted and further developed within the firm.

Since the foundation of corporate culture is laid in the early days of a company, the founders are considered the most influential architects of the company’s culture (Schein 1983; Schein 2004, pp. 225-227). Through this influence, founders have a unique opportunity to shape and develop a corporate culture that reflects a set of values, beliefs, and principles that endorse and reinforce the company’s business purpose and strategy (Picken 2017, p. 8; Schein 1983, pp. 5-6). A lack of attention to the elements of creating and fostering a positive, strong corporate culture leads to a culture creating itself (Warrick, 2017, p. 9) and possibly a dysfunctional one accelerating a company’s failure (Picken, 2017, p. 3).

In academic research, mechanisms, and means by which entrepreneurs shape and influence corporate culture have been studied (O’Reilly et al., 2014; Schein, 2004; Zheng et al., 2009). Yet a holistic view from the founders’ perspective and the practical implementation of such mechanisms in a start-up context has not yet been sufficiently explored. Prior research has either focused only on individual mechanisms or taken a different research approach to identify them.

As the company ages and grows in personnel, the founders usually become less of a personal force; the trend is away from a sense of community to a more bureaucratic organization with one or more management levels that potentially care less about the original assumptions and values of the founders. This development is often feared by first-generation employees (Schein, 1983, pp. 23-26). According to Sackmann (2017, p. 26), especially rapid company growth poses not only particular challenges for areas such as logistics and operations but also for corporate culture. Company growth goes hand in hand with the need to integrate new employees into the corporate culture. A particular challenge in such a context is maintaining the specific corporate culture that contributed to the rapid growth and, if necessary, adapting it to the company with its increasing size and age. Therefore, it is essential to sustainably pass on the core of the corporate culture to the many new employees.

Despite the importance of corporate culture for start-ups, it frequently occurs that corporate culture is neglected during rapid growth and deprioritized alongside other growth challenges (Schmitt, 2018). This also seemed to have been the case with the direct bank N26, a German hyper-growth start-up founded in 2013, counting 1500 employees today (N26, 2022). In the last few years, negative headlines surrounding the start-up have increasingly emerged (Gründerszene, 2021). In 2019, the start-up gained three million new customers and tripled its headcount to 1500. However,

strong criticism was voiced regarding the start-up’s corporate culture, which was also reflected in high staff turnover and the demand for a works council, which the company’s management initially opposed (Gründerszene, 2021; Zacharakis, 2020). Although the company continues to be in an intense growth phase, requiring concomitant staff growth, the number of employees has decreased by more than 300 between 2020 and 2021 (Hunter, 2021). On employee review portals such as [kununu.com](https://www.kununu.com), the largest employer rating platform in the German-speaking area, the start-up is also given a recommendation score of 2.7 on a scale of 1 to 5. The rating considers the assessment of corporate culture since it is listed as an evaluation criterion alongside diversity, work environment, and career and salary. This value is lower than the banking industry average of 3.5. The contentment with the corporate culture amounts to 3.2 points (kununu, 2022a, 2022b).

Although corporate culture has been researched in various contexts over the past few decades, the start-up context, especially of fast-growing ones, has hardly been the focus of researchers, even though they have gained increasing attention in public in recent years (Crosby, 2018; Hoffman, 2017; McGregor & Doshi, 2015; Schmitt, 2018) and are considered the driving force for innovation and the engine of economic growth (Kollmann et al. 2021, p. 17; Minola et al. 2015, p. 5; Reypens et al. 2020, p. 3).

This work aims to fill this research gap by examining corporate culture in the context of fast-growing start-ups. In this area, a better understanding of how corporate culture is actively shaped and developed by founders and managers, especially in the growth stage. Furthermore, the derivation of concrete instruments, practices, and measures for founders and managers is necessary to preserve the corporate culture at its core in their fast-growing start-ups. From this, the following research question has been derived:

How can a start-up’s corporate culture be positively developed and maintained while coping with a workforce growing significantly?

To answer this research question and, more specifically, to understand the founders’ perspectives on how their start-up’s corporate culture is developed and maintained during rapid growth, semi-structured interviews were conducted in which sixteen founders and managers from fourteen fast-growing start-ups participated.

This thesis is structured as follows: The subsequent chapter provides an overview of the existing literature on corporate culture and puts it in the context of growth, followed by Schein’s theoretical framework on how founders embed their beliefs, values, and assumptions. In Chapter 3, the methodological approach of the thesis is consecutively described, followed by the findings of the interviews with the founders and managers of the start-ups in Chapter 4. In the next Chapter, the results are discussed, theoretical and practical implications are derived, and the limitations of this work and further areas of research are presented, leading to a conclusion in the last Chapter.

## 2. Theoretical Background on Corporate Culture

To elaborate on how corporate culture can be developed and maintained in a company's day-to-day operations, it is first necessary to understand the term corporate culture. To this end, the following sections explain what corporate culture means and its significance for companies. It will then be shown what influence the stages of founding and growth of a company's life cycle have on corporate culture. Finally, twelve mechanisms are presented according to Schein, through which corporate culture can be embedded and reinforced.

### 2.1. The Concept of Corporate Culture

The construct of corporate culture is a common concept in both practice and theory. It has already been studied by a wide array of theoretical interests with significant differences in the conceptual perspectives and methods used, from which a broad conceptual landscape and numerous academic debates have emerged over the last few decades (cf., Deal and Kennedy 1982; Hofstede 1991; Kotter and Heskett 1992; Martin 2002; Schein 1992; Schultz 1995; Trice and Beyer 1993). However, no consensus has been reached on its definition "given the vast array of approaches for conceptualizing and understanding culture" (Ehrhart et al., 2014, p. 130) and its multilayered and multidimensional nature, which is why the concept of (corporate) culture "remains an elusive and fuzzy concept" (Sathe, 1983, p. 6) for scholars and practitioners. Therefore, the following sections attempt to identify the most common approaches to defining corporate culture and distinguish it from the related construct of corporate climate.

#### 2.1.1. Delimitation of Corporate Culture from Corporate Climate

*Corporate culture* and *corporate climate* are often equated in everyday use or even used as substitutes in the context of social constructs in companies (Sackmann, 2017, p. 64). Corporate culture and corporate climate are, in fact, two different concepts that have different perspectives on organizational environments and cannot be substituted for each other (Denison 1996, p. 625; Glisson and James 2002, p. 625; Pettigrew 1990).

Similar to the case of corporate culture, there is an ongoing debate in academia about how to define *corporate climate* for a scientific investigation (Glisson and James 2002, pp. 767-768; Guion 1973, p. 121; Schneider et al. 2013, p. 362). One approach to defining corporate climate originates from James and colleagues (James 1982, p. 229; Jones and James 1979, p. 201): If there is agreement among "employees in a particular work unit (...) on their [individual] perceptions of the impact of their work environment, their shared perceptions can be aggregated to describe their [corporate] climate" (Glisson & James, 2002, p. 769). First coming into the focus of research in the 1960s and 70s, *corporate climate* has been studied primarily quantitatively with surveys, based on a psychological research approach. On the other hand,

*corporate culture* dominated research on the human organizational environment in the early 1980s with a sociological, anthropological, and mainly qualitative approach. *Climate* researchers have usually placed more emphasis on the situational perceptions of organizational members regarding observable policies, practices, procedures, and behaviors (Denison 1996, p. 622; Schneider et al. 2013, p. 362). Having referred to a snapshot, corporate climate is temporary, subjective, and more likely to be exposed to direct manipulation. On the other hand, *corporate culture* is rooted in the shared and partly subconscious value system and corporate history. It is collectively held, which is why it is considered more stable and less easily manipulated (Denison, 1996, p. 644). Once the corporate culture is deeply anchored in the behavior of employees, it can only be changed with great effort (Bryman 1986, p. 52; Ehrhart et al. 2014, p. 131; Schein 2004, p. 36).

#### 2.1.2. Definition of Corporate Culture

After the distinguishing characteristics between corporate culture and corporate climate have been pointed out in the previous section, the question remains open as to what exactly is meant by corporate culture.<sup>1</sup>

Due to the complexity of the multi-layered construct of corporate culture and different research approaches, this results in different definitions. O'Reilly and Chatman (1996) describe corporate culture as "a system of shared values that define what is important and norms that define appropriate attitudes and behaviors for organizational members how to feel and behave" (p. 160); Hofstede (1984) defines corporate culture as "the collective programming of the mind that distinguishes the members of one human group from another" (p. 25); Kobi and Wüthrich (1986, p. 23) describe corporate culture as the set of norms, values, and attitudes that shape the behavior of all employees and thus denotes the way a company approaches things and solves problems. Martin (2002) entitles corporate culture briefly as "how things are done around here" (p. 3). Edgar Schein provided one of the most frequently acknowledged definitions of corporate culture. He defines the construct as follows: corporate culture is "a pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel about those problems" (Schein, 2004, p. 17).

Despite the widely differing definitions of the corporate culture concept, individual aspects can be identified that have a common denominator, regardless of the researchers' theoretical orientation. Common to most definitions are the

<sup>1</sup> In literature, the terms corporate culture and organizational culture are used interchangeably. While organizations encompass all forms of organizations, corporates focus on for-profit companies. Since investigated start-ups in this study also pursue the latter, the term corporate culture is used in this thesis.



constructs “values” and “norms” as well as aspects of the cognitive level such as “basic assumptions”, “beliefs”, or “way of thinking” (Kaschube 1993, p. 97; Staehle 1999, p. 498).

### 2.1.3. Levels of Corporate Culture

In literature, corporate culture is usually understood as a multilevel concept whose levels differ in how accessible and visible cultural information is (Ehrhart et al., 2014, p. 291). The levels are roughly differentiated between how deeply culture is embedded in the psychology of members of an organization (cognitive elements, e.g., assumptions, values, norms, and attitudes) and to what extent the facets of culture are observable, particularly to outsiders (symbolic elements, e.g., language, behavior, artifacts) (Janićijević, 2011, pp. 72-73).

Beyond disciplinary boundaries, Edgar Schein's three-level model for classifying the concept of culture and the associated phenomena has widely found recognition and application. Schein (Schein, 2004, pp. 25-27), divides culture and its phenomena into three levels: *Artifacts*, *espoused values and beliefs*, and *underlying assumptions*:

(1) *Artifacts*, representing the outer layer, are objectively visible elements and tangible manifestations of a culture, but they are often ambiguous to interpret without a corporate context. It is the observable behavior of the people in a company or the visible results of their actions. Artifacts include, for example, communicative behavior, rituals, organizational structures, processes, and even more materialized elements such as dress code or the architecture and design of an office building. Even if outside observers are able to detect these artifacts of a company, conclusions of their deeper meaning cannot be drawn without insider knowledge.<sup>2</sup> The next level comprises (2) *espoused values and beliefs*, which is a declared set of values and norms that provide information about desired social behavior or how to conduct business in particular situations - what is right or wrong or appropriate or inappropriate. Those values and beliefs are not visible; however, they can be articulated. Yet, it may deviate from the actual lived reality of the company. The (3) *underlying assumptions* of organizational life correspond to culture's deepest layer and essence. They are difficult to articulate, intangible, and often understood only from an insider perspective. They are so deeply anchored that they have a decisive influence on the organizational members' perceptions, ways of thinking, and acting. Those assumptions are the “ultimate source of values and action” and are primarily “unconscious and taken-for-granted” (p. 26) and difficult to change (Schein, 2004, p. 26-35).

The three levels of corporate culture interact with each other. The artifacts and espoused values build on the basic assumptions of the company members and make them visible to the outside world. By making them visible, they, in

turn, also reinforce the basic assumptions of the individuals (Gontard, 2002, p. 27).

To preserve the differentiated nature of this work, it needs to be mentioned that other definitional approaches, which consider culture as something consisting of multiple layers of accessibility and visibility, mainly do not distinguish between the layers (2) and (3) of the three-layer concept of Schein. They tend to divide culture into two main layers. Hofstede et al. (1990) distinguish between the invisible shared (1) *values* that correspond to the core of culture and (2) *practices* that are visible to the observer, which includes symbols, heroes, and rituals. Symbols are visuals, objects, words, or gestures with a specific meaning within a given culture. Heroes are real or imagined people who possess valued characteristics and thus function as cultural role models. Rituals are socially essential activities “carried out for their own sake” (p. 291). Trice and Beyer (1984) describe two primary components of corporate culture: (1) its *substance*, meaning the “networks of ideologies, norms, and values” and (2) its *forms*, i.e., the practices through which these “meanings are expressed, affirmed and communicated to its members” (p. 654).

Despite the numerous possible interpretations of cultural layers, a common theme among all these definitional approaches is that corporate culture is built on values and beliefs shared by its members (Denison, 1996, p. 624). Even if Schein used the expression of “underlying assumptions” to express the core of corporate culture, he remarked that by “assumptions”, he describes what the majority of other culture scholars refer to as basic values and beliefs (Schein, 2004, p. 25). Considering this, it is reasonable to draw on the term “values and beliefs” most frequently used in culture literature to describe the core of corporate culture (Sackmann, 2017, p. 77). A second theme throughout all definitions is that there is a visible part to culture, whether they are called artifacts, practices, or forms. Therefore, these two elements are seen as the basic layer concept of this thesis.

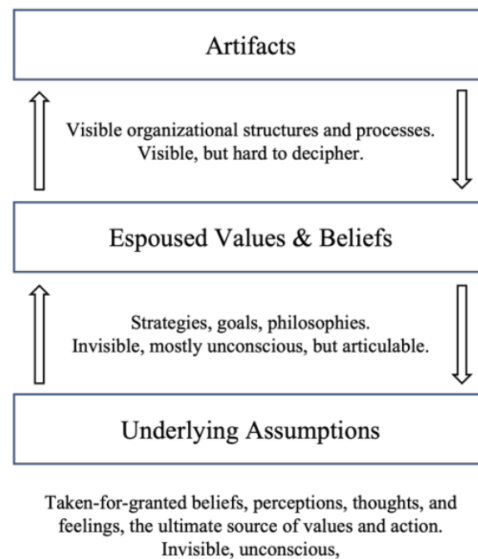
### 2.2. Relevance of a Strong Corporate Culture

Now that the general concept behind corporate culture has been explained in more detail, it remains to be clarified what a strong corporate culture means and why it is relevant to a business.

According to academic research, a strong corporate culture is defined as one whose underlying values and beliefs that define what is important are “widely shared and strongly held” by members of a company (O'Reilly & Chatman, 1996, p. 166). The more agreement and acceptance about values and beliefs prevail and permeate a company, the stronger a corporate culture can be considered to be (Eberhardt 2013, p. 10; Ehrhart et al. 2014, p. 173). Therefore, a corporate culture with more widely shared values and beliefs has a stronger influence on employee behavior and a more far-reaching impact (Sathe, 1983, pp. 12-13).<sup>3</sup>

<sup>2</sup> Schein cites the example of the pyramids, which were built by both the Egyptians and the Mayans, but whose meaning was different. While for some, it was a burial place, for others, it was both a burial place and a temple Schein (1992, p. 30).

<sup>3</sup> Values, norms, and practices that are not well understood, unclear, inconsistent, or not reinforced is referred to as having a weak culture. Because



**Figure 1:** Levels of Culture according to Schein  
(Source: Own illustration modified from Schein (1992, p. 30))

Sørensen (2002, pp. 6-7) summarizes the positive effects of a strong corporate culture that might lead to corporate effectiveness as follows:

A strong corporate culture has the critical consequence of increasing behavioral consistency among employees within a company. In this sense, corporate culture is an informal, social (1) *control mechanism*, influencing or even controlling employee behavior (O'Reilly, 1989, p. 11). In addition, it facilitates (2) *goal alignment* between the company and its members. It serves as a “vehicle for communicating and accomplishing organizational goals” (Ehrhart et al., 2014, p. 161). This means that employees know how to behave and how to deal with certain situations based on the common value system. If there is clarity about company goals and practices, employees tend to be more certain about the right course of action in unfamiliar situations and are able to respond appropriately. Aligning goals, in turn, also promotes (3) *coordination*, as there is less internal debate about the company's best interests (Crémer, 1993, pp. 15-17). Furthermore, strong cultures can increase employee (4) *motivation and commitment* if the “individual finds the values of the organization to be intrinsically rewarding and congruent with personal values” (O'Reilly, 1989, p. 18).

The fact that corporate culture has an influence on the above-mentioned aspects, Management literature implies that cultural strength enhances firm performance, i.e., the stronger the corporate culture, the more effectively a company operates (cf., Denison 1990; Denison and Mishra 1995; Kotter and Heskett 1992; Sørensen 2002; Waterman and Peters 1982).

### 2.3. Linkage between Corporate Culture and Growth

Since the focus of this master's thesis is on start-ups that are in the growth phase, it is necessary that the following section embeds corporate culture in this context.

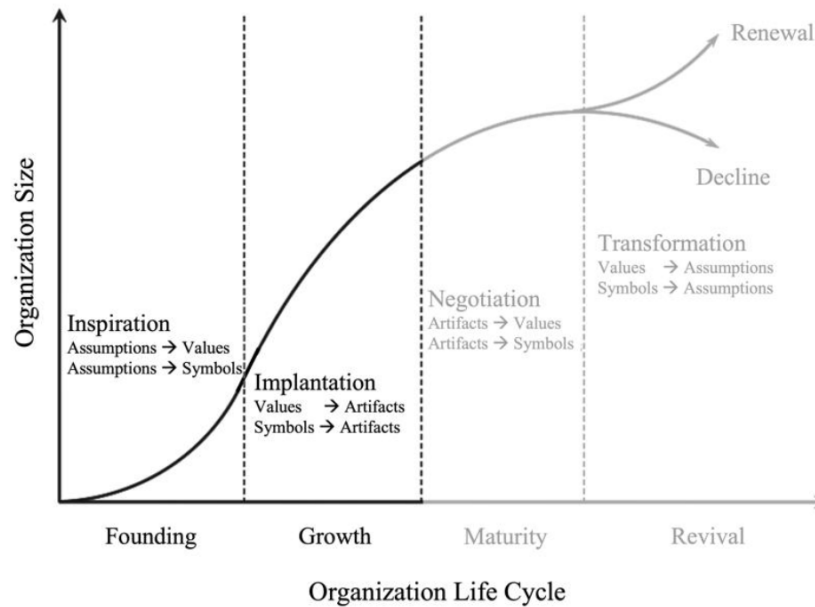
It is assumed that corporate culture evolves as the company develops, passing through different phases: Founding, Growth, Maturity, and Revival or Decline (Miller & Friesen, 1984, p. 1161). However, there are only a few studies that approach corporate culture from a dynamic perspective (cf., Hatch 1993; Schein 2004; Weeks and Galunic 2003; Zheng et al. 2009). According to Zheng et al. (2009, p. 158), who build their corporate culture evolution model on Miller and Friesen's (1984) conceptualization of the life cycle of an organization, the different phases of corporate development are accompanied by different corresponding cultural modes of action which is illustrated in Figure 2.

In the following sections, both the growth as well as the founding phase from Zheng and colleagues' model will be presented, as the latter is the relevant basis to reflect on how to develop but also to maintain corporate culture.

#### 2.3.1. Founding Phase

During the founding phase, the primary concern of a company is the survival of the organization in the face of external turbulence, which is why attention is primarily paid to funding and marketing concerns; the establishment of structures and formalities is secondary (Kazanjan & Drazin, 1989, pp. 1489-1500). In this phase, companies tend to use cultural mechanisms that focus on keeping their members together rather than dealing with internal conflicts, along with transmitting the cultural assumptions and intangible values of the founding members to the employees and creating a collective identity instead of implementing those cultural values into practices (Zheng et al., 2009, p. 159).

there are ambiguous expectations and inconsistent practices throughout the organization, weak cultures have less influence on employees' behavior. Because of this, weak cultures typically exhibit inferior performance than strong cultures (Eberhardt 2013, p. 10; Warrick 2017, p. 5).



**Figure 2:** Organizational Life Cycle and Dominant Cultural Modes  
(Source: Own illustration modified from Zheng et al. (2009, p. 159))

Zheng et al. (2009, pp. 159-160) postulate that in the founding phase the prevailing cultural mode is *inspiration*. By inspiration, they imply a cultural mode “that rallies organizational members through the leaders’ shaping or aligning with members’ values, beliefs, and aspirations” (p.160). This cultural mode is usually implemented through proactive manifestation and interpretation: the founders’ fundamental assumptions are translated into values and communicated to employees through the company’s vision and mission statements, inspirational stories about the company’s founding, and giving the assumptions symbolic representations. Typically, this cultural mode works in a direction from the founding members to the employees.

### 2.3.2. Growth Phase

Once a company has successfully overcome its early survival challenges, it enters the phase of emerging growth (Zheng et al., 2009, p. 161). In this phase, the company faces several other issues, such as stabilizing production, meeting increasing demand, and formalizing structure (Dodge & Robbins, 1992, pp. 27-34). The search for new opportunities and their expansion represents the central concern at this stage (Jawahar & McLaughlin, 2001, p. 407). To sustain and facilitate growth, bureaucratic structures are developed, procedures are formalized, and authority is delegated to mid-level managers (Miller & Friesen, 1984, p. 1161).

In line with the “changes in strategy and structure, the primary cultural needs of the [company] shift, from identity formation to the consolidation of newly established cultural values” (Zheng et al., 2009, p. 161). The corporate culture, which was initially characterized by the charismatic value system of the founding members, usually evolves into a functionally based culture that aims to permanently maintain

the corporate values, which in turn can align the members’ behavior toward the company’s mission (Wiener, 1988, pp. 537-539). Weeks and Galunic (2003, p. 1337) assume that the influence of founding members might still be strong but never guaranteed. They alone cannot ensure that specific values and assumptions continue to be effectively transmitted throughout the company during the further growth of the company. Instead, other cultural mechanisms have to be applied to attain that.

Zheng et al. (2009) refer to the dominant cultural mode in the growth phase as *implantation*: “Implantation refers to the process through which the cultural assumptions, values, and symbols that were diffused [in the founding phase] are implanted and embedded in a company in the form of organizational systems, structures, policies, rites and rituals, stories, and other tangible forms.” (p. 161). To embed values into tangible forms and give artifacts symbolic meaning, implantation primarily entails proactive realization and symbolization. Therefore, this phase offers other key organizational members the opportunity to develop and maintain the corporate culture consciously and proactively (Zheng et al., 2009, pp. 161-162).

In this context, Schein (2004) uses the term *embedding* to describe how founding members and managers teach employees how to perceive, think, feel, and behave. For this, he identifies several mechanisms that founders, and managers can use to embed cultural values and beliefs. They are based on the assumption that, in addition to founders, managers are likely to have a greater influence on the development and shaping of corporate culture than other members of an organization (Eberhardt, 2013, p. 17). These instruments are explored in more detail in the following Chapter 2.4.

## 2.4. Mechanisms to embed and transmit Corporate Culture

As stated above, existing literature indicates that founders take a central role in influencing culture shaping in the founding phase, but more through their own direct and partly unconscious actions. As the size of the firm grows, there is a need for embedding cultural mechanisms to develop and maintain the company's culture intentionally.

The "teaching" process is the basic process of embedding values and beliefs in an organization. But the central question is: how do founders and key managers get the group to do things a certain way in the first place (Schein, 1983, pp. 14-15)? There are hardly any studies in the existing literature dealing with the concrete means founders or managers have at their disposal to communicate their team their innermost beliefs and values (Schneider et al., 2013, pp. 371372). Schein (1983, 2004) has perhaps been the most specific and detailed in describing how founders and key managers can embed, articulate and reinforce their values and beliefs. He proposes twelve mechanisms, distinguishing between mechanisms for embedding (primary mechanisms, see Chapter 2.4.1) and mechanisms for articulating and reinforcing values and beliefs (secondary mechanisms, see Chapter 2.4.2). For the mechanisms to be effective, they have to be consistent, i.e., words and actions must be congruent. If incontinence prevails, there is a risk that employees will misinterpret or reinterpret incidents, which can lead to a greater variety of assumptions throughout the company (O'Reilly and Chatman 1996, p. 21; Schein 2004, pp. 246-254).

This chapter describes the mechanisms, according to Schein (1983, 2004), that founders and managers can utilize to embed and reinforce assumptions, values, and beliefs (Schein, 2004, p. 270). Figure 3 gives an overview of Schein's twelve mechanisms.

### 2.4.1. Primary Mechanisms

The six primary embedding mechanisms depicted in Figure 3 are the major mechanisms for founders and managers to "teach their organizations how to perceive, think, feel, and behave" (Schein, 2004, p. 246) based on their own foundational beliefs and assumptions. Assuming consistency, the mechanisms operate simultaneously, interactively to a varying extent, and "reinforce each other to make the total message more potent than individual components" Schein (1983, p. 16). These mechanisms are described in more detail below to demonstrate how founders and managers can embed their assumptions through their actions.

#### *What Leaders pay Attention to, measure, and control on a regular Basis*

This mechanism is generally about aspects to which a founder systematically pays special (no) attention and thereby expresses what is (not) important to the founder personally. This can be reflected in what is measured, controlled, and rewarded and what founders react to emotionally, for example, when specific values have been violated.

Through visible reactions from a founder, employees gradually adjust their behavior to what they believe they consider desirable behavior. Thus, the founder's basic assumptions are adopted over time if this behavior leads to the desired results (Schein, 2004, pp. 246-254).

#### *Deliberate Role Modeling, Teaching, and Coaching*

It is recognized in academia that the behavior of founders and managers, as perceived by employees, is a significant factor in shaping corporate culture (Bennis 1986, p. 64; Hofstede et al. 1990; Schein 1983; Trice and Beyer 1993; Tsui et al. 2006). Founders and managers are usually well aware that they act as role models through their own behavior, which helps to pass on their assumptions and values to employees. If a founder assumes that hierarchies should not play a crucial role in their company, this assumption can be expressed through dress, by the founder mingling with employees or situating himself with the rest of the workforce (Schein, 2004, p. 258).

Schein (2004) distinguishes between planned behavior in a staged environment and casual, informal behavior in everyday work situations. Staged environments are, for example, videos or speeches in which founders welcome new employees or outline their explicit philosophy. Casual role model behavior, such as dealing with a customer on the phone or with other employees, observed by employees and unconscious to the founder, is a more effective teaching mechanism than staged messages. If founders take on the role of a coach, instructing, correcting, or confirming their employees in their work, they simultaneously emphasize what is important to them and communicate their values more explicitly (Schein (2004, pp. 258-259).

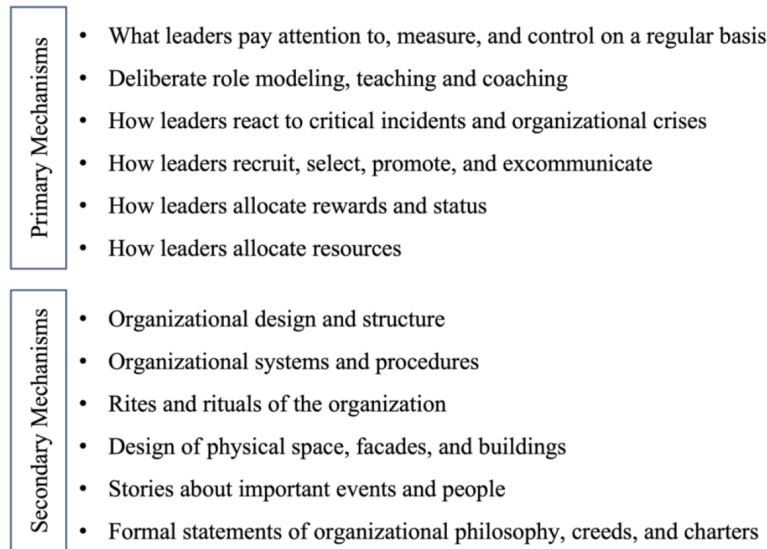
#### *Reaction to critical Incidents and Corporate Crises*

According to Schein, the way how founders and other managers deal with crises exposes critical underlying assumptions and creates new norms and values. Crises - the definition of which is a matter of perception - are particularly important for the creation and transmission of culture. The intense emotional engagement in such phases "increases the intensity of learning" (p.254) of values and assumptions. For example, if founders themselves or an employee make a wrong decision that costs the company a lot of money, dealing with such situations can reveal deep assumptions and provide opportunities where these assumptions form the basis for collective learning and thereby become solidified (Schein, 2004, pp. 254-255).

#### *Recruiting, Selection, Promotion, and Excommunication*

A very effective method of embedding assumptions and values is recruiting and selecting new employees who fit a particular "type of person" (Van Vianen, 2000, p. 145). This mechanism seems to be one of the more inconspicuous ones, as most founders and managers unconsciously recruit people





**Figure 3:** Mechanisms to embed beliefs, values, and assumptions  
(Source: Own illustration modified from Schein (2004, p. 246))

for “person-culture fit” - people who are similar in the assumptions, values, and beliefs of existing members (O’Reilly et al., 1991, p. 492). By hiring people who already align with the founders’ values, the founders directly reinforce the values they intend to embed. Thereby, the embedding process is facilitated (Schein, 2004, pp. 261-262). Chatman and Cha (2003, p. 26) recommend that when hiring new employees, greater weight should be given to a better fit with the corporate culture than existing skills as skills can be learned; a non-existent person-culture fit is more challenging to remedy.

Anchoring of values and beliefs also occurs through two other mechanisms, according to Schein (2004): internal promotion or firing and the criteria associated with them. Any change in employees and managers signals to other employees and managers what is desirable and not desirable behavior and what the company is looking for in its workforce (pp. 261-262). Thus, in the case of a promotion, it has to be questioned whether the person to be promoted represents the desired corporate culture (Sackmann, 2017, p. 268).

#### *Allocation of Rewards and Status*

Another powerful mechanism for founders and managers to communicate and manifest what they value is what they systematically reward (Drucker 1991; Kerr and Slocum Jr. 2005, p. 135). Employees learn what behavior is valued or undesirable internally through performance assessments, rewards, and conversations with their supervisors. As a result, not only the type of rewards are carriers of the corporate culture in the long run, but also the behavior they encourage. Therefore, if founders or managers want to ensure that their assumptions and values are learned and lived, care has to be taken that the respective rewards, and the status system align with those assumptions and values (Schein, 2004, p. 259). If, for example, a result orientation is to be rewarded,

in which it is primarily the result achieved that is of importance and not the time spent at the workplace, this should also be reflected in a correspondingly performance-oriented compensation system (Sackmann, 2017, p. 276).

#### *Allocation of Resources*

Another mechanism that reveals the assumptions and beliefs of founders is the use, distribution, and approval of budgets, as these exert profound influence on the choice of goals and, consequently, the means to achieve them. At the same time, such beliefs serve as decision criteria for what corporate resources should be used for and constrain decision-making by narrowing the perception of alternatives. But it is not just about what money is spent on, but how. For example, the belief in a particular system, such as a bottom-up entrepreneurial system, can be clearly illustrated through a resource allocation process: engineers and managers below managers are encouraged to create business plans and budgets, so they would not be dictated from above but only approved by managers (Schein, 2004, p. 257).

#### 2.4.2. Secondary Mechanisms

Unlike the primary mechanisms, the secondary ones, such as organizational structure, architecture, rituals, and formal statements, are focusing on reinforcing corporate culture. They only work when consistent with the primary mechanisms described earlier. What is learned informally at the beginning is now formalized (Schein, 2004, pp. 262-263).<sup>4</sup>

<sup>4</sup> Zheng et al. (2009, p. 168) refer to the mechanisms that transform values into artifacts and the symbolization of artifacts as “*implantation*,” which - as mentioned earlier - is especially important in the growth phase of a company.

### *Organizational Design and Structure*

Leading management academics such as Mintzberg (1979) have already shown how organizational structure and design can have a positive internal impact on members' thinking and behavior. The organization's design and structure determine the responsibilities within the company and regulate the division of labor, the formal information and communication channels, flow of authority and influence, and the form of cooperation. The founders' "deeply held assumptions about the task, the means to accomplish it, the nature of people, and the right kind of relationships to foster among people" (p. 264) can thus be embodied in the initial design of the organization and, if necessary, in regular restructuring. For instance, a decentralized organization is built if the founders assume that their employees are the experts and should make decisions themselves in their area of responsibility. It is designed to shift authority downward as much as possible (Schein, 2004, pp. 263-264).

### *Organizational Systems and Procedures*

Routines, procedures, and other recurring tasks not only guarantee effective work, but also provide structure and predictability to a company operating in a vague, ambiguous organizational world. The systems and procedures thus reduce ambiguity and anxiety among corporate members. Founders and managers can strengthen their assumptions by establishing these systems and "daily, weekly, monthly, quarterly, and annual cycles of routines" (p. 265) around them. This clarifies what they consider essential and what employees need to pay attention to, i.e., this mechanism formalizes the process of "systematically paying attention" (p. 265). An example of this mechanism is a founder who reinforces his belief that truth can be achieved through debate by creating and participating in various committees (Schein, 2004, pp. 264-265).

### *Rites and Rituals of the Organization*

Several cultural scholars regard organizational rites, rituals, and ceremonies as central to decoding and communicating cultural assumptions and maintaining established value systems (Trice and Beyer 1984, p. 656; Wiener 1988, p. 543). They combine diverse forms of cultural expression<sup>5</sup> into coherent cultural events with clearly delineated beginnings and endings. A classic integration rite that organizations frequently use is Company Christmas parties. They create, promote, and revive shared feelings that connect members and bind them to a social system (Trice & Beyer, 1984, pp. 654, 657). Another example is frequent off-site meetings with their own designations, locations and informal procedures (Schein, 2004, p. 267).

### *Design of Physical Space, Facades, and Buildings*

All visible features of the company encountered by customers, incoming employees, and visitors are included under the mechanism of physical design. Messages from founders can be derived from the physical environment, such as in the case of structures and procedures, if the physical design is explicitly controlled (Schein 2004, p. 267; Steele 1973). Such physical artifacts reflect and reinforce underlying assumptions about how work gets done and how relationships, interactions, and communication flows should be managed. Research shows that the physical environment can influence the thinking and actions of managers and employees and should therefore be considered accordingly regarding the desired type of corporate culture. If founders have a clear philosophy and style, these can be embodied in the visible manifestations of their company. For example, an open office concept can express assumptions about equality, honest and direct communication, and the importance of relationships (Schein, 2004, p. 267-268).

### *Stories about important Events and People*

As a young company and its group develop and build a history, part of that history transitions into stories about events and leadership (Allan et al., 2002; Martin & Powers, 1983). These stories not only reinforce the assumptions but are also taught to newcomers (Schein, 2004, p. 268).

Yet, it is often the case that the messages in the stories are highly distilled or even ambiguous and challenging to control. Thus, drawing correct conclusions from these stories is usually not possible without contextual knowledge. If values have first been anchored by primary mechanisms, these stories can serve to deepen and concretize that understanding of them. As with the mechanisms above, stories should not be used as the sole means of doing so (Schein, 2004, p. 268-269).

### *Formal statements of Organizational Philosophy, Creeds, and Charters*

Another mechanism of articulation and reinforcement of cultural elements Schein (2004) mentions are formal statements, "the attempt by the founders for managers to state explicitly what their values or assumptions are" (p. 269). Usually, these statements reveal and highlight only a small part of the assumptions held in the group, which can be articulated formally as well. They emphasize specific values from the founding team's point of view that should be followed in the organization and not forgotten. Amazon's twelve Leadership Principles provide an example of this (Amazon, 2019).

However, further literature points out that it is not only communication of formal statements from the management side that contributes to fostering an existing corporate culture. Culture is also communicated through good interpersonal relationships and teamwork (Willcoxson & Millett, 2000, p. 97). Furthermore, choosing appropriate commu-

<sup>5</sup> E.g., language, gestures, artifacts, symbols, settings, or ritualized behaviors.

nication systems and language to communicate in a way that is consistent with and regularly reinforces the corporate culture is another cultural lever (Men et al., 2018, p. 1).

In summary, primary mechanisms allow founders and managers to embed their assumptions and core values into the everyday life of their company if they are all compatible with each other. Secondary mechanisms are two-folded. Early in the growth phase of a company, messages conveyed through secondary mechanisms are “less powerful, more ambiguous, and more difficult to control” (p. 270). However, as the company matures and stabilizes, the secondary mechanisms become primary maintenance mechanisms (Schein, 2004, pp. 270-271).

### 3. Methodology

An initial review of the literature on corporate culture, its development from the founding phase to the growth phase and possible embedding instruments, and the identification of a research gap in the start-up context led to the derivation of the following “well-specified, if rather general, research question” (Gioia et al., 2013, p. 19):

*How can the corporate culture of a start-up be positively developed and maintained while coping with a workforce growing significantly?*

The methodology outlined below is intended to help fill this research gap by expanding knowledge on the above topic and answering the research question.

In the following chapters, the chosen research design is first explained, followed by the sampling strategy, explaining why and how the research samples were selected. Next, the data collection method is presented, concluding with a transparent description of the data analysis procedure.

#### 3.1. Research Design

This thesis's primary focus is to better understand how start-ups manage to develop and maintain their corporate culture while growing significantly in personnel. Given the limited academic background on corporate culture in fast-growing start-ups and how they deal with the topic, this study employs an exploratory *qualitative study design* to address and generate further insights on the research question (Janićijević 2011, p. 83; Mayring 2020, pp. 11-12).

The qualitative research approach is recommended for investigating insufficiently understood phenomena, as it is with corporate culture in the start-up context (Strauss & Corbin, 1998, p. 11). Compared to quantitative research, qualitative interviews often provide a deeper understanding of social phenomena such as individuals' experiences, perceptions, and beliefs (Neergaard & Leitch, 2015, p. 4). Thus, the chosen approach allows exploring corporate culture from an “insider perspective” expressed “in the language of the people and, thus, the firm” (Ehrhart et al., 2014, p. 142) and to describe the way the study participants understand, define,

act, and manage their everyday situations in their particular organizational environment (Miles et al., 2018, p. 25). Furthermore, this research design aims not to determine a quantitative specification of named aspects; instead, the discovery of these is in the focus, which are represented by a diverse group of people (Witt, 2001, pp. 5-7).

For this purpose, sixteen semi-structured interviews were conducted with founders and managers of fourteen fast-growing start-ups to reconstruct and evaluate their past cultural development measures and identify instruments that have contributed to maintaining their corporate culture.

#### 3.2. Sampling

Multiple cases of fast-growing German start-ups were sampled to investigate the research question. Start-ups are defined in this thesis according to the characteristics of Kollmann et al. (2021, p. 12): “Start-ups are younger than ten years, have a planned employee/revenue growth and/or are (highly) innovative in their products, services, business models and/or technologies”.

To capture an in-depth understanding of the corporate culture of the respective start-ups, interview partners were selected with regard to their knowledge of the start-up's culture, also called “knowledgeable agents” (Gioia et al., 2013, p. 17), as they are the ones “that are especially knowledgeable about or experienced with a phenomenon of interest” (Palinkas et al., 2013, p. 534). This primarily includes founders who had a decisive role in shaping and influencing the corporate culture from the beginning (Schein, 1983), followed by high-level managers (C-Level) or employees who are among the company's first employees and are dedicated to the topic of the corporate culture. Because of the different positions within the company, they might view corporate culture in slightly divergent ways. However, the critical factor for this thesis was that each could report on how culture was managed within their start-up.

The samples were selected in such a way that wide-ranging information could be obtained regarding the research question while still preserving a research focus. Thus, a combination of theoretical and purposeful sampling was chosen as the sampling strategy.

The sample was iteratively selected according to the *theoretical sampling* (Glaser & Strauss, 1967). Since the primary research focus is to capture instruments that helped start-ups develop and maintain their corporate culture, heterogeneous cases are considered during the sampling process “for the likelihood that they will offer theoretical insight” (Eisenhardt & Graebner, 2007, p. 27). This is intended to cover the subject area as broadly as possible, gather important common patterns across cases, and thus, increase the robustness of the studies' findings (Palinkas et al., 2013, p. 535).

Additionally, *purposeful sampling* was used to identify relevant and information-rich cases that express the research subject of interest in-depth (Patton 2002, p. 273; Yin 2009, p. 18).

The following criteria were considered when selecting the respective start-ups:

Firstly, the fulfillment of the provided definition of start-ups, according to Kollmann et al. (2021, p. 12). Secondly, registration of the company headquarters in Germany. This is because corporate cultures emerge in broader cultural contexts such as national or ethical groupings (Willcoxson & Millett, 2000, p. 92). Thirdly, employment of at least 100 people. This is because, at this size, employees typically no longer know each other by name, which is why further managerial actions may be required regarding corporate culture (Crosby, 2018; Lourenco, 2021; Valencia, 2019). Fourth, a personnel growth rate of at least 20% over the last two years. According to the definition of OECD, enterprises are considered high-growth enterprises if they show an average annual growth of more than 20% over three years, whereby growth can be measured not only by turnover but also by the number of employees (Eurostat-OECD, 2007, p. 61). Since the professional social network LinkedIn was primarily used as a source for the personnel growth rates, but only the growth rate over the last two years can be viewed there, the criteria period was consequently limited to two years. Lastly, the corporate culture rating on [kununu.com](https://www.kununu.com) is at least 4.0 out of 5.0. [Kununu.com](https://www.kununu.com) is Europe's leading platform for employer ratings and information on salary and corporate culture (kununu, 2022b). This criterion is intended to ensure more objectivity in assessing the "strength or attractiveness" of a start-up's corporate culture.

Initial research identified approximately 58 start-ups that met those predefined selection criteria in Germany, whereby no claim is made to completeness. From this initial funnel, fourteen start-ups were used as the data basis.

Geographically, the start-ups studied are located in Bavaria or Berlin. Most of the start-ups are founded in Munich. This is primarily due to the identification procedure used for the interview partners, based on the author's entrepreneurial network in Munich. Some contacts to interviewed representatives of start-ups could already be established via the network, allowing them to be contacted directly via Slack, LinkedIn, or email. In addition, some other interview partners who could not be reached through the network were also directly contacted via LinkedIn.

As there are no clear guidelines or specifications regarding the ideal number of interview partners (Guest et al., 2006, p. 59), interviews were conducted until the state of theoretical saturation occurred, which is described as the state at which no significant new information is gained through further interviews (Edwards & Holland, 2013, p. 65). In conducting this research, saturation occurred after the fourteenth start-up, as the marginal relevant information significantly decreased after this point.

### 3.3. Data Collection

Once the initial research question and sampling strategy are determined, a direction before and during fieldwork for how the information will be collected has to be determined (Witt, 2001, pp. 5-6).

As the objective of this study is to find out how start-ups manage to develop and maintain their corporate culture in

a rapid growth phase, the interview data outlined in Chapter 3.2 is used as the primary source of data "to obtain both retrospective and real-time accounts by those people experiencing the phenomenon of theoretical interest" (Gioia et al., 2013, p. 19).

In addition, to the interview data, secondary data were collected before and after the interviews to expand case knowledge and enable data triangulation (Eisenhardt 1989, pp. 537-538; Yin 2018, p. 15). The data triangulation is intended to capture initial information about the corporate cultures of the respective start-ups, if possible, facilitating higher quality conversations or validating findings from the interviews. These include company websites, LinkedIn posts targeting the corporate culture theme, and past online interviews with the founders in written form.

### Interview Design

The qualitative study data were mainly collected through semi-structured interviews that captured personal experiences, perceptions, self-reflection, and the explanations behind them regarding a specific problem (Adams 2015, p. 496; Witzel 2000, p. 1). The approach not only allows more flexibility to the interviewee's narrative mode but also to "follow wherever the informants lead us in the investigation of our guiding research question" (Gioia et al., 2013, p. 20). Besides, corresponding follow-up questions can be asked, which might yield unexpected results (Rubin & Rubin, 2011, p. 158). At the same time, sufficient comparability between the interviewees is ensured by predefined topic areas covered in the interview (Adams 2015, p. 493; Edwards and Holland 2013, p. 29).

For this purpose, an interview guide was created as a data collection tool, which can be divided into six thematic sections: A short introduction, which covered the purpose and goal of the study, set the initial atmosphere for the interview. Furthermore, the structure of the interview, anonymity of the data, the relevance of answering all questions reflectively and openly, and the reference to one's perception and experiences regarding their start-up were pointed out. To counteract another potential inhibition, it was stated that there were no right or wrong answers in the cultural context (Ehrhart et al., 2014, p. 153).

Regarding the narrative mode, open-ended and more generative questions were used in the following section, covering the topics of corporate culture more broadly (Strauss, 1987). This allowed the author to find out what the interviewees understood by corporate culture and which aspects they considered part of it, as approaches to culture management in organizations depend on the interviewee's conception of corporate culture (Willcoxson & Millett, 2000, p. 92). The focus was then directed in the fourth section to the past to find out how the founders approached the topic of corporate culture in the initial phase and which aspects have shaped it in a trendsetting manner. The fifth section dealt specifically with the growth phase and which instruments or measures they make use of, especially in scaling, to maintain the start-



up's culture. In the concluding sixth part, the interviewee was deliberately given time to reflect on any thoughts that remain open before the interviewer ends the interview with a word of thanks.

Particularly after the first interviews, the questions and possible improvements for the following interviews were reflected upon, which is why the interview guideline was iteratively adapted in the course of the research process according to the information obtained (Gioia et al., 2013, p. 19). The interview guide can be taken from Appendix A.

### *Interview Setting*

The interviews were conducted remotely between November 2021 and early January 2022, primarily using the telecommunication software Zoom. The remote interview setting, mainly entailed by the Covid-19 pandemic and the resulting contact restrictions, allowed for a more diverse sample, as the location of the interviewees was not a restraining factor. All interviews were conducted in German, the native language of the interviewees, to prevent potential language barriers (Welch & Piekkari, 2006, pp. 428-429). To report findings, only representative quotes were translated. Furthermore, all interviewees agreed to an audio and video recording under the condition of anonymity. Moreover, by emphasizing confidentiality and anonymity of the interviews at an early stage, it was possible to reduce the uncertainty and skepticism of some interviewees (Huber & Power, 1985, p. 176).

To determine the demographic data of the interviewee as well as facts about the start-up, a short questionnaire was sent to the interviewees beforehand. With the help of this questionnaire, it was possible to classify later and evaluate what was said and intended to facilitate the entry into the conversation (Witzel, 2000, pp. 3-4). The short questionnaire can be taken from Appendix A. Thus, the time involved in an interview could be reduced to the interview time itself and most essential questions, allowing even busy founders and managers to be recruited for an interview.

After the first two interviews, it became apparent that the topic of corporate culture might seem somewhat abstract to the interviewees and that reflection on past years might also require some time for consideration. Subsequently, some guiding questions were sent to the study participants in advance. This was intended to get the interviewees into the right frame of mind for the topic and set the basis for answering the questions in a more targeted manner. Furthermore, situational questions were additionally asked to capture concrete examples from everyday business life and thereby gain a deeper understanding of the instruments and practices used in the start-ups to develop and maintain culture.

### *Interview Data - Overview*

A total of sixteen semi-structured interviews within fourteen start-ups were conducted that met the selection criteria from Chapter 3.2. In two start-ups, two people agreed to

participate in the study.

The interviews varied between 28 and 75 minutes, with an average duration of 44 minutes, whereby the researcher's introductory words are not included in the recording but only started from the time of questioning. In one case, questions were answered in writing as a supplement to a previously conducted interview to gather some additional information in the case of company C10 (cf. Eisenhardt 1989, p. 539).

In nine of fourteen start-ups, a person from the founding team could be gathered for an interview. In two cases, the interviewees are assigned to the C-level, and in three others to a management position. Overall, the sample is dominated by male interviewees with a respective share of 69 percent. Table 1 gives an overview of the interviews conducted and the corresponding metrics. To maintain anonymity, the start-ups and interview participants were given designations. They were numbered consecutively according to Table 1; if the interviewee was a founder, an F was prefixed; if it was a manager, an M precedes the numbering; start-ups received the abbreviation C for company.

The interviews resulted in 658 minutes of recording and 261 pages of transcript. Filler words and potential grammatical errors are documented in the transcripts to preserve the integrity of the conversation (Döring & Bortz, 2016, p. 312). The transcripts of the conversations are attached in Appendix C.

### *3.4. Data Analysis*

For the analysis and evaluation of the collected data, the qualitative content analysis according to Mayring (2015) was conducted with the support of the software MAXQDA in software version 22.2.0, which is commonly used in qualitative content analyses (Kuckartz & Rädiker, 2010, p. 734).

The procedure for qualitative content analysis generally consists of two steps:

In a first step, categories inductively obtained from the material or deductively theory-based are assigned to individual text passages based on coding rules. In a second step, it is examined whether specific categories can be assigned to further text passages. Even though content analysis rules accompany the process, it is a qualitative-interpretative process, which is why latent meaning can also be captured (Mayring & Fenzl, 2019, p. 634).

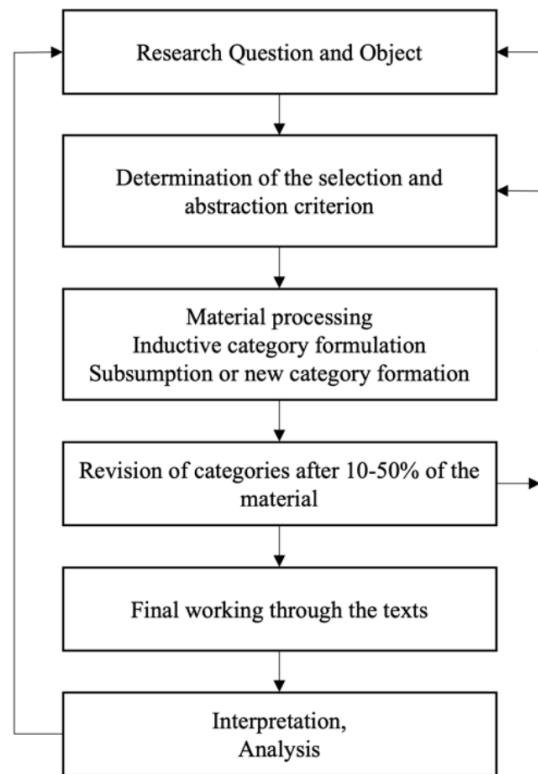
Since there are only limited findings on the research topic of this study in the context of fast-growing start-ups, the procedure of inductive category formation with the help of in vivo and descriptive coding approaches was chosen. Within the framework of qualitative content analysis, according to Mayring, inductive category formation starts from the text material, i.e., the categories are derived directly from the material (Mayring, 2015, pp. 85-86). Within Grounded Theory, this procedure is called "open coding" (Glaser & Strauss, 1967).

As previously indicated, inductive category formation is a rule-based procedure, which the researcher of this thesis followed. The process is illustrated in Figure 4.

Table 1: Overview Sample and Interviews (Source: Own illustration)

# Start-up	# Participant	Role	Gender	Founding Year	Company City	Company Industry	# of Employees	# of Employees (July)	Growth Rate within 2 years	Kununu Rating	Funding Phase	Date of Recording	Duration in minutes
C1	F1	Co-Founder: Software & Product	m	2019	Munich	IT & Services	> 100	> 150	888%	4,9	Seed	16.11.21	32
C2	F2	Co-Founder: COO	m	2019	Munich	Automotive	> 170	> 300	> 1000%	4,8	Series A, raising B	19.11.21	31
C3	F3	Founder: previous CEO	m	2014	Munich	Industrial Automation	> 230	> 270	20%	4,2	Post Series B	24.11.21	62
C4	M4	Head of Strategy & Business Development	w	2019	Berlin	IT & Services	> 200	> 500	> 1000%	4,3	Series A, raising B	30.11.21	34
C5	F5	Co-Founder: CTO, Managing Director	m	2017	Munich	E-Learning	> 500	> 700	> 1000%	4,8	Series A	30.11.21	47
C6	M6	Chief of Staff	m	2018	Ottobrunn	Aerospace	> 220	> 250	513%	4,8	Series B	02.12.21	57
C7	F7	Co-Founder: CTO	m	2013	Munich	IT & Services	> 240	> 300	32%	4,5	Series C, Late VC	03.12.21	48
C8	M8	Head of Organization & People	w	2016	Munich	Automotive	> 245	> 350	138%	4,4	IPO	06.12.21	48
C9	M9	Academy Manager	w	2016	Munich	Environmental Services (B2B)	> 300	> 340	69%	4,9	n.a.	08.12.21	75
C10	F10; M10	Founder: CEO; First Employee: Team Lead HR	m; w	2018	Munich	PropTech	> 100	> 150	173%	4,9	Series A, raising B	14.12.21 17.02.22	30; n.a.
C11	M11	COO	m	2014	Munich	IT & Services	> 330	> 400	55%	4,6	Series D	14.12.21	32
C12	F12	Founder: Managing Director	m	2017	Berlin	Healthcare/HealthTech	> 300	> 300	101%	4,1	Post Series B	15.12.21	53
C13	M13	CPO	w	2017	Munich	IT-Security /SaaS	> 180	> 200	106%	4,5	Series A, raising B	21.12.21	28
C14	F14a; F14b	Co-Founder: CTO; Co-Founder: CMO	m; m	2018	Munich	Food & Beverages	> 245	> 270	528%	4,6	Series B Late VC	7.1.21; 28.1.22	39 42

All data points except for the # of Employees (July) column were collected at the time of the interviews conducted. This column is intended to show a trend for the further growth of the start-ups and was collected at the end of July.



**Figure 4:** Process model of inductive category formation  
(Source: Own illustration modified from Mayring (2015, p. 86))

The initial research question and thus factors that have contributed to the development and maintenance of corporate culture served as the selection criterion, and the interview transcripts were used as the starting point for the category definition. The level of abstraction was initially kept very concrete to conclude the specific to general patterns in the text at a later stage. Then the first text passages were systematically worked through, and the first categories were formed. In the further course, it was decided whether the following text passages fall under an already created category (subsumption) or a new category had to be formed. As soon as a large part of the material had been worked through, the revision started, and the system of categories developed so far was iterated. Finally, all the material was revised, with the categories formed up to that point.

The result of the inductive process is a system of categories linked to concrete text passages. Subsequently, main categories were formed. This step was also carried out, taking into account theoretical considerations according to Schein from Chapter 2.4 (deductive). However, as can be seen from the category system, new main categories were also formed, or existing ones were adapted based on the results that were not apparent in Schein's mechanisms. The entire system of categories is attached to Appendix B.

#### 4. Findings

This study focuses on answering how start-ups manage to develop and maintain their corporate culture, even when the company is growing rapidly in terms of personnel. Based on the research methodology presented earlier, answers to the defined research question could be derived.

A wide range of instruments emerged from qualitative content analysis, 30 in total, which have contributed to corporate culture development and maintenance in the start-ups investigated. In the following, the term "instruments" refers to corporate guidelines, practices, measures, structures, and processes that have been utilized.

The results on the respective instruments, their meaning from the interviewees' point of view for their corporate culture, and concrete examples of use are presented below.

Since the interviewees repeatedly referenced the same instruments during the interview, the individual instruments are discussed in terms of the ten main categories formed, which are roughly based on the order of Schein's mechanisms rather than the thematic sections of the interview guide. As far as a statement about the relevance in the different life phases of the start-up was made, however, these are mentioned.

The resulting data structure is shown in Figure 5 and will be presented according to this order in the following chapters in detail.

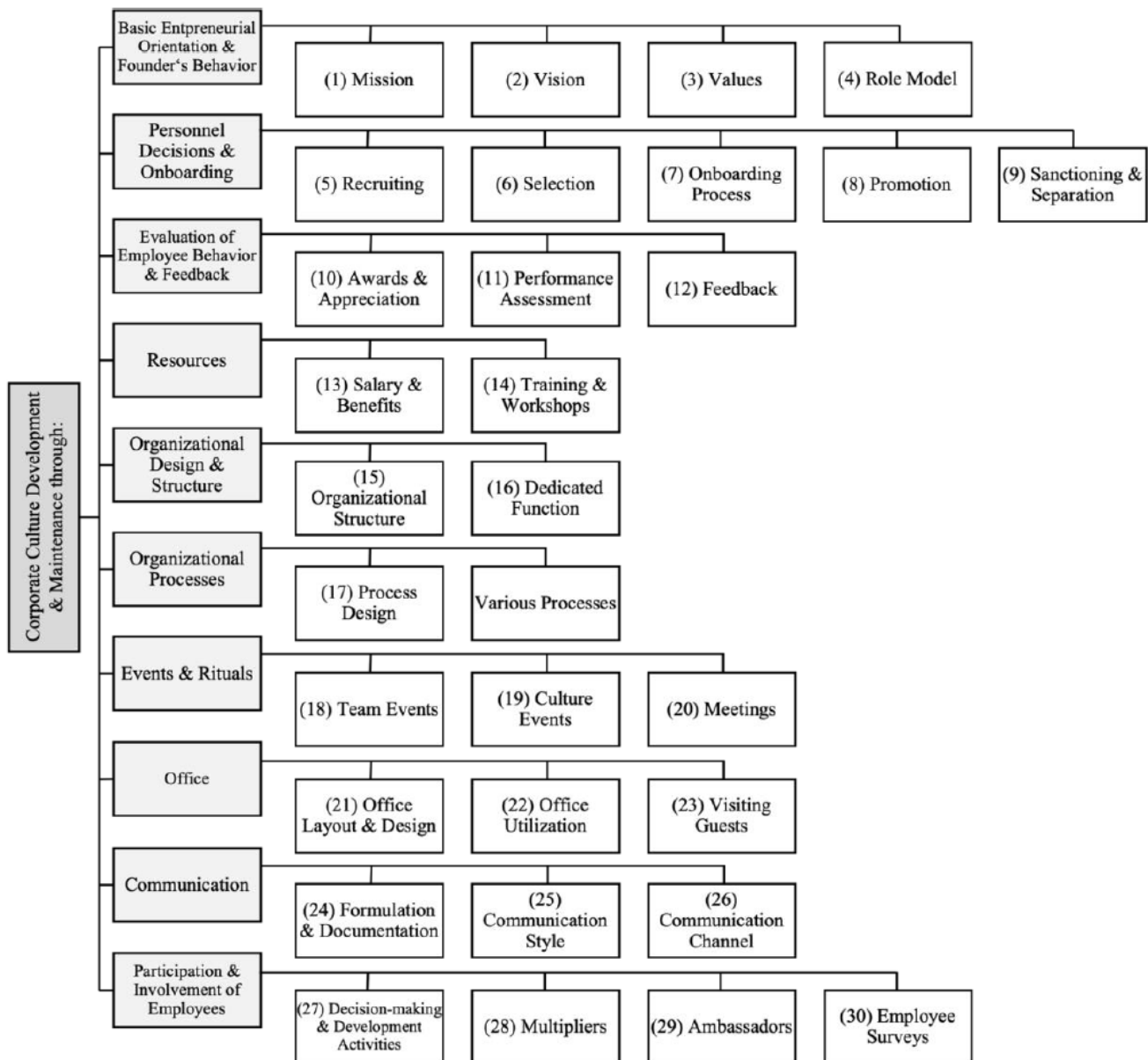


Figure 5: Instruments for Corporate Culture Development Maintenance - Overview (Source: Own illustration)

#### 4.1. Basic Entrepreneurial Orientation and Founders' Behavior

This chapter deals with the mission, vision, and corporate values of the start-ups as a basic entrepreneurial orientation, as well as the behavior of the founders in their function as role models for their employees.

Some of the interviewees described the start-up's (1) mission, which provides "the fundamental reason why an organization exists" (Pearce & David, 1987, p. 109), i.e., the corporate purpose, as a guiding component and carrier of their corporate culture. The reason, they argued, is that their missions already imply a value system:

"A lot of the founder's basic assumptions that are also explicit are all around our mission and the

SDGs, and I think there's such a general basic connection, and it's not questioned because most people come to [C9] because the mission was the deciding reason there, and the basic assumptions of our founders that attract people (...) which is why along with these basic assumptions the discourse is still happening. Otherwise, we would have lost our mission. I think that founding mission and vision was just such a strong pull factor [for our culture] that they (...) are still equally important." (M9)

Since the mission includes a concrete corporate purpose for which the members of a company strive, a certain basic bond is already created between them (M8; M9; M13).

A similar role, but less frequently addressed, is assigned



to the start-up's (2) vision by envisioning the kind of environment a company would like to "create within a broad time horizon and the underlying conditions" for achieving that vision (El-Namaki, 1992, p. 25):

"Our decisions are also very much vision-driven. (...) And that is also the unifying factor, that we all know very clearly what our goal is. And I think that is something that is also very clear to the new joiners from day one, which we also always get as feedback: Yes, we have a shared journey; we have a shared vision that we are working towards." (F12)

One study participant indicated that to build the foundation for a shared understanding of the vision among new employees, talking about the vision is part of the onboarding process (M11). Furthermore, another start-up introduced a "vision reminder" in a weekly meeting to anchor the vision with the existing team. The founders context-specifically address the vision and talk about it there (M8).

In addition, the vision and mission are partly seen as a key reason why people (would like to) work for the start-up in the first place (F5; M8; M9; M13).

Many of the interviewees referred in their definition of corporate culture to a value system that an organization is based on and with which the members of an organization informally agree (F2; M4; F5; M6; F7; M8; M9; M11). Even when they describe their own corporate culture, they usually refer to the start-up's (3) values (F3; F4; F7; M11; F12; M13). All of the start-ups studied had already been engaged in articulating corporate values, i.e., values, beliefs, and principles captured by verbal expressions, in part to express and communicate their implicit assumptions about the way the start-up should operate. Hence, some founders refer to these values as "guiding principles" (F7), "fundamentals" (M13), or "maxims for action" (F10) during the interviews.

For many start-ups, those values function as an important building block for initially setting the desired direction of the corporate culture and as a benchmark for establishing shared behavioral guidelines (F1; F2; M4; M8; F12; M13; F14a). A founder's following statement shows that the formulated corporate values serve internally as decision guidelines and are internally repeatedly referred to as a reference:

"Every project and goal must always be evaluated: is it aligned with our values? We also pay much attention to this in the formulation of goals, but also in the projects themselves, so that we say: to which corporate value does the project contribute?" (F14a)

Other managers in the sample attributed importance to the corporate values in challenging situations where a decision must be made, or an appropriate solution be found. Here, again, they are used as a reference point (M6; M9).

Except for C5, all of the start-ups have formalized these values in writing (more on this in Chapter 4.9), varying in

number from three to nine corporate values respectively guiding principles. They usually do not consist of one word (F1; E9) but rather an (imperative) superordinate action title (cf., F2; M6; F10) which is concretized and explained in another sentence. The use of less generic and abstract terms is intended to ensure that, on the one hand, there is less room for interpretation, and, on the other hand, these values can be operationalized in teachable and observable behaviors (F7; F10; M13).

Most founders tend to involve their employees in defining and developing company values and guiding principles, allowing them to view them as "*part of their own intellectual property (...) or their own DNA*" (M6) and accordingly endorse them in their daily actions (F7). This is done through workshops, qualitative interviews, company-wide surveys, or voting.<sup>6</sup> Once the values are written down, some start-ups review them over time to determine whether they are still applicable at the current stage and adjust their wording if necessary. This usually involves only a refinement of the wording regarding the current corporate context rather than formulating a new set of values (F3; F5; M9; F10; M13; F14a).

The corporate values are seen by many founders and managers as the core of the corporate culture, which must be preserved even during growth (F2; F3; M10; M11; M13; F14a; F14b).

Particularly in a start-up's initial phase, however, it does not play a major role in whether a value system has already been written down (F3; F5; M9). Instead, it is essential that the founding team consistently and continuously leads by example from the outset and takes on a (4) role model function, acting accordingly to its espoused values. That is because the employees observe how they communicate, behave and interact with people (F3; F7). Founders and managers referred to this practice as one of the most frequent, significant, and effective one in the cultural context (F1; F2; F3; F5; M6; F7; M8; F10; F12; M13; F14a). Especially in this early stage of a start-up, it is assumed by the interviewees that the founders greatly influence how things are done by (implicitly) exemplifying it themselves to their employees, thus primarily shaping the early corporate culture (F7; E10; F7; F12; F14a) and conveying their basic assumptions (F5; M6; F10; F12). This initial behavior has long-term effects, according to founder F7 and should not be underestimated:

"What you [as a founder] just exemplify there, the way you behave will be decisive for how the company will behave. If you say, 'Oh, come on, screw it, that one customer there, he's not that important, is he?' or 'Well, we don't have to be so strict about legal', then you always have to be aware that this behavior will shape the company

<sup>6</sup> Exemplary questions start-ups have asked their employees: What kind of culture do we want to have? What makes working at CX special for you? If you like it, why? What makes it stand out? What would be important to you when other people join that they know how work is done at CX? What are the most important values for you? (cf. F3; M9)

for many years to come because it is your basic attitude. And that's where you have to challenge yourself." (F7)

To act as a credible role model, consistency in all areas of action between what is said and what is done by the founder team is mandatory (M6; F10; F12). Only through this observable consistency, which is evident in their behavior, interactions with other colleagues, and communication internally and externally, do the corporate values attain authenticity (F5; M6; M13; F14b). For instance, one founder stated that if one as a founder has not behaved according to these values, one should make oneself vulnerable and admit the misconduct (F7).

Furthermore, the founders also have a role model function when they point out to their employees the right or wrong behavior in a certain situation which is rather a spontaneous reaction to an occurrence (F2; F3). At the same time, feedback as a management instrument (see Chapter 4.3) is used by all start-ups from an early stage on to regularly address the behavior of managers and employees consciously and more formally and to coach them if necessary.

By creating regular points of contact with the founding team, such as onboardings, training, meetings, and events, or through open office structures, some founders try to continue to provide visibility to their impact as cultural role models despite an increasing number of employees and thus fewer direct close personal interactions (F3; F5; M6; M9). Repeatedly, founders and managers referred to the aspect of the approachability of the founding and management team (F5; M6; M13; F14b).

Several founders reported that from the point at which management levels are established and direct founder contact with all employees is decreasing, it is of great importance to be a role model, especially for employees with management responsibility, so that they can act according to the founders' value system and pass it on to their team (F1; F2; F3; F10) since employees are guided by their supervisor's maxims for action (M10) and observe the behavior of their direct supervisors (F3; M10; M13). In this context, three of the founders emphasize that being a role model is seen as particularly critical for externally recruited managers who may already bring other types of cultural imprints from previous employments with them, as they, in turn, have a direct influence on their team members. For instance, this is not only to ensure that these managers exemplify the start-up's values to their employees but also to prevent undesirable cultural change (F5; M11).

#### 4.2. Personnel Decisions and Onboarding

In addition to the basic entrepreneurial orientation and behavior of the founders, data revealed that human resources processes as well as the onboarding process of new employees are key instruments in the development and maintenance of the respective cultures of the start-ups.

One of the most frequently mentioned instruments for shaping, developing, and maintaining corporate culture was

(5) **recruiting**. According to the interviewees, this primarily involves - alongside professional qualification - identifying a person-culture fit on the part of the company and the part of the applicant. Some of the founders and managers attributed exceptionally high importance to applicants' cultural fit, pointing out that applicants meeting the professional requirements but not the cultural ones were not hired (F5; M6; F7).

While in the early phase of the studied start-ups, decisions about new employees tended to be made based on the founder's gut feeling, with the rapidly increasing need for new employees, more structured and multi-stage procedures were introduced in the recruiting process at various start-ups. This is intended to recruit more systematically for a cultural fit.

Already during the initial contact between the applicant and the company, the applicant can get a first impression via the company websites of the start-ups, where usually the company's corporate values can be found or "people stories" (F5), which describe what it is like to work in the respective company. Start-ups C5 and C8, for instance, reported that they had recently revamped their website presence to communicate corporate culture aspects to potential job applicants early on and attract (culturally) appropriate candidates accordingly (F5; M8). The Team Lead Human Resources of start-up C10 emphasized that to maintain their corporate culture in hyper-growth, it is even essential that applicants are familiar with the start-up's values from the beginning, as this would allow them to decide if this is a culture they want to work in (M10).

When asked how the different start-ups determine a cultural fit, respondents mostly replied that involving multiple people in the recruiting process and getting to know each other can develop a good sense to evaluate whether an applicant is a cultural fit for the start-up. For this reason, the application process is typically multi-step for all start-ups and involves various employees to assess the applicants' fit with the corporate culture. For instance, several peer sessions and team interviews (M6; F14b), and a decision panel (M11) that decides whether to hire an applicant were mentioned. Moreover, C13 utilizes reference calls to confirm statements made by the applicant (M13). C3 has introduced an all-day experience day early on as a last recruiting process for full-time employees. The purpose of this day is for the applicant to experience the start-up's culture and for the team to find out whether there is a team and culture fit between them and the applicant. Thus, the team makes the final decision on whether to hire an applicant. F3 explained that it is feasible that the previous interviews with HR and the team lead were positive for the applicant, but the team decided against the candidate (F3).

In the interviews themselves, situational questions, for example, are aimed at verifying whether the candidate has acted and operated according to the start-up's values in previous employment and whether they support the start-up's corporate values (M4; F5; M9; M11).

There was agreement among the interviewees that corporate culture is a significant and fixed evaluation criterion in recruiting and is thus included in the candidate evaluation form or scorecard, for instance (F2; F7; M9; M11).

In all start-ups, up to a certain employee size, at least one of the founders was involved in the final recruiting interview, which is also seen as a kind of “*values interview*” (F10) or “*culture-fit interview*” (F5). At some point, however, some of the founders have withdrawn entirely from the recruiting process due to other obligations. In this regard, one of those founders reported the following:

“In fact, until recently, it was the norm that one of the founders must have interviewed every employee. In the meantime, I don’t interview everybody anymore, [but the hiring manager does]. (...) but there is much risk in that. At some point, I will realize that I should have done this for a longer time. But it’s always a question of prioritization.” (F7)

In fact, some of the founders of the sample attributed a particularly critical role to the staffing of HR positions, which are intended to assess cultural fit on behalf of the founders (F3; F7; F12). Nevertheless, even while growing rapidly, founders continue to be part of the final interview at nearly half of the start-ups (F1; F2; F3; M4; F5; F7; M13; F10), although in some cases only for management positions (F3; M4). As long as capacities allow the founders of C2, C10, and C13 aim to remain involved in the recruitment process of their employees while scaling.

When (6) **selecting** employees, a specific “*type of employee*” (F5) is sought, with the right “*mindset*” (M6; F7; M8), similar cultural perceptions (F1; F2; F7; M8), and which “*tick*” (F2) similarly to the founders. Accordingly, it could be observed in some of the interviews that, especially at the beginning of the ventures, friends and former colleagues were hired in which a cultural fit was seen by the founders, who in turn referred other employees (F1; F5; M6; M11). The Chief of Staff of C6 and COO of C11 attributed a significant contribution to how the corporate culture has evolved to these individuals through their shared history from a previous employment relationship. The two founders of start-up C15, on the other side, emphasized that it was crucial to fill the first position to be assigned with a People and Culture expert to have the appropriate expertise in-house from the outset to develop the type of corporate culture they were aiming for.

The interview data revealed that it is not a matter of selecting people who resemble the founders in their characters or traits but rather bring a similar set of principles and attitudes, and share the mission, thereby creating diversity in the workforce nonetheless (F2; F3; M8; F14b).

The responses of the founders and managers further indicated that, particularly regarding the rapid growth of the start-ups and the associated changes, the characteristic of willingness to change in a corporate context is sought in the employees:

“I think that the topic of hyper-growth requires a very special mindset. We have only hired people who are insanely willing and enthusiastic about change.” (M8)

Respondents explained that this is because start-ups are subject to constant change, which means that processes and structures are constantly changing internally, and adaptability is required accordingly (F1; F2; F3; M8; M9; M13).

Being very restrictive in selecting employees from the very beginning was seen as a prerequisite for shaping the desired type of corporate culture (F2; M4; F5; F7; M8) and fundamental to maintaining it (F2; M4; F5; M6; F7; M13). One interviewee pointed out that hiring the wrong person could “*quickly destroy the corporate culture*” (M4). A very restrictive selection approach must be maintained, even if the rapid growth is dominated by a high demand for new employees, to preserve the corporate culture at its core:

“Being very restrictive in the selection of employees is why we have managed to maintain the corporate culture.” (F2)

Almost half of the founders and managers analyzed in this study reported their (7) **onboarding process** as a particularly powerful instrument in preserving the start-up’s culture as it grows (F1; M6; M9; F10; M13; F14a). They described addressing their corporate culture there in various ways. In general, the onboarding is intended to help integrate new employees into the start-up’s culture more quickly.

Some of the founders and managers emphasized that as the number of employees grew, parts of the onboarding process had to be adapted and expanded and new formats introduced to ensure the successful onboarding of new employees during such rapid growth, also considering the remote-work context imposed by Covid-19 (M6; M9; M13).

Blueprints for different onboarding journeys, onboarding sessions, and onboarding classes were mentioned, for example, where new joiners are taught cultural elements <sup>7</sup>, and the introduction of buddy programs with at least one buddy per new joiner (M6; M9; F10; M13; F14a, F14b). In a buddy program, an experienced employee is assigned to help a new hire become socialized. The buddy shares his or her knowledge about the company, and specific questions about the culture can also be directed to the buddy. The buddy thus also serves to communicate the corporate culture explicitly and implicitly (Graybill et al., 2013, p. 203). The CPO of the fast-growing start-up C13 sees the advantage in onboarding classes that the newcomers gain a cross-departmental perspective, have direct points of contact, and possibly grow together as a group. Company C9, which already has several offices globally, initially holds a global “*Culture Onboarding*” to convey the idea “*We are one company, and we have one corporate culture*” (M9) to the new starters from the various

<sup>7</sup> For instance: How do we work? What is important to us? How do we deal with each other? (M10; M13)

offices. This is followed by an “Office Onboarding” that addresses local peculiarities.

Among start-ups, the onboarding process ranges from a few days, weeks to six months<sup>8</sup>, whereby some study participants emphasize the importance of in-person onboarding to help newcomers get a faster impression of the nature of the start-up’s culture (F2; M13; F14b). For example, the co-founder of start-up C2 explained that even if new employees start working remotely, the first two weeks are mandatory for them in the office, and again after six months (F2).

Parts of the onboarding process deal with the topic of corporate culture in a dedicated way, e.g., in the form of a culture day, culture sessions, and a core value training in which the issue of corporate culture is explicitly addressed and discussed.

A key component of onboarding that has usually been part of it since the early days of each start-up is the *founder touchpoint*, at least in one part of the onboarding process. The founders welcome the new joiners, tell the company history and founding story, present the corporate values and guiding principles, and explain what these mean specifically in the company context, how and why they were selected, and what is expected in this regard (F2; F3 M9; F10; M11; M13; M12). In some start-ups, such as C2, C7, and C9, care is also taken to establish a personal connection to the values, e.g., by asking which values the new employees identify with most and why or simply creating a platform for discourse about the corporate culture and values (F2; F7; M9). From the founders’ perspective, the onboarding process significantly contributes to conveying their basic assumptions (M4; M8; F10; M11; M13; F14a).

According to M13, it is essential to keep the founders as a central figure of the start-up’s culture involved in the onboarding process, even if the number of employees increases significantly. Correspondingly, the format of getting to know the founders of C14 has been adapted as the rapidly growing number of employees was no longer manageable with the previous format.

Instead of half an hour for each employee to get to know each founder, there is now a one-hour call with all newcomers per month with all members of the founding team.

The CPO of C13 reported, that she is currently working with one of the founders to redesign the onboarding process due to their rapid growth and reported the following:

“We want to double again next year. You can’t grow that fast without having a very strongly structured onboarding process, where exactly all these cultural elements are communicated uniformly and consistently: what do we stand for, what are our processes? (...) And of course

also so that employees can now be onboarded remotely. That was a huge challenge for all companies in 2020, because it’s quite normal to say, ‘Hey, we’re going out for a beer, here’s a coffee’. How do you manage that? I.e., you also have to go much more for such a visual language. You have to start doing video content. That means we are building a tool-supported, structured onboarding process to penetrate this (cultural) theme.” (M13)

This example summarized once again that as the number of employees increases, the onboarding process is adapted, and the need is seen to explicitly address the issue of corporate culture there.

Another measure to develop and foster corporate culture mentioned frequently by the respondents is the (8) **promotion** of early joiners, i.e., the first employees of a start-up (F3; F5; M6; F10; M11). One reason they referred to is not to lose the first employees in the long term since they are usually strong culture carriers and anchors in the eyes of the founders:

“We have always been fortunate enough to have had quite strong [cultural] anchors by splitting the early joiners into different leadership positions in different teams.” (M6)

Having early joiners in higher positions “*leads to a better communication of the culture because they have known the culture for longer. They will also tend to lead their team in this way.*” (F3)

The COO of C11 expressed the importance of the promotion as follows:

“Quite a few of the team leads and Head offs that we have in our company are employees who have been with us for a long time, have absorbed [the culture], were successful in their way, both in results and values, were [promoted] based on that. They then have a role model and spreading function throughout the organization.” (M11)

With the introduction of a management level, emphasis was placed on communicating to those managers that they also have a supporting role in transmitting the start-up’s culture. Employees who have been developed into managers thus also hold the responsibility of role models and act as multipliers of the corporate culture (F3; M6; M11). Furthermore, the COO of C11 stated in a previous interview that in his view promotions “*are [in general] one of the strongest culture-building signals for the organization about desired behaviors and results*” (Martinetti 2020, External Interview with M11 ). In addition, internal job postings are published internally first, giving existing employees the opportunity to apply for an open position before external applicants can do so (M11).

<sup>8</sup> The six-month onboarding process involves weekly sessions that new employees must attend a certain number of times. There, people deal with and discuss various aspects of the corporate culture. At the same time, the newcomer learns what is essential to the company in terms of working methods and mutual interaction. (M8)



This is countered by the (9) **sanctioning and separation** of employees who do not behave in accordance with the type of corporate culture the founders aspire to or who violate corporate values (F2, M13; F10; F14a; F14b).

Another reason that was observed from the interviews that can lead to the separation of employees in the context of corporate culture is when the company outgrows an employee (F5; M13; F14b), i.e., when the entrepreneurial changes associated with rapid growth of a start-up are not embraced and supported by an employee.

#### 4.3. Evaluation of Employee Behavior and Feedback

The evaluation of employee behavior in the form of appreciation, performance assessment, and feedback were also applied as instruments for culture development and maintenance.

Linking (10) **awards and appreciation** to the company's corporate values and the behavior founders are concerned with is another instrument that is used in many start-ups.

What was initially done informally, directly person-to-person, occurs at some start-ups in a more formal, systematic way after a few years and with a larger number of employees. Again, the start-ups' execution varies. For instance, two of the founders report how employees are praised in communication channels for their behavior in relation to the start-up's values, both by founders and other employees (F5; F7). At C5, there is even a designated "*appreciation channel*" on Slack, the internal communication tool. The idea is to praise the person who has exemplified a corporate value particularly well and thereby express appreciation for the behavior. At the same time, other colleagues are made aware of which behavior is highly valued in the company and how one has to behave to receive (public) recognition for it. In the same way, it is pointed out when a value has not been acted upon or should be observed in a given situation (e.g., the value "focus") (F7). Other founders in the sample also emphasize the exemplary behavior of their employees in meetings:

"What we focus on very strongly is simply showing recognition and appreciation for people (...) by actively highlighting people in larger meetings with reference to these values, where they have acted accordingly in the specific situation. I think that is very, very important for everyone individually." (F2)

In addition, four founders mentioned awards as a more formal type of recognition, which are handed over to employees on a (bi-)weekly or quarterly basis (F2; F10; F11; F12; F14a). This usually follows some sort of process that requires the employee to be nominated for the award. However, employees do not need to be nominated by the founders themselves or their respective supervisors; other employees can also nominate them. At C11, for example, a jury decides who ultimately receives this award, whereas at C14, the employees vote for the winner via an online voting tool.

Some founders and managers highlighted, when publicly awarding employees, the audience is told why this person won and how they behaved in a particular situation. This not only expresses appreciation to the winner but also serves as a "*signaling effect of what is desired here in the organization and what great effects it can have if you behave that way.*" (M11). Sharing the personal stories around each corporate value or principle conveys the meaning of those into the company. Start-up C15 also publishes in a LinkedIn post an example of an employee who received an award in the current week, which value he or she exemplified particularly well, and why<sup>9</sup>.

Numerous founders and managers also referred to (11) **performance assessment** as a very explicit instrument for maintaining their corporate culture as performance can be linked to the start-up's values there.

In semi-annual or annual performance reviews, in addition to the performance achieved, there is a review (of equal value) of how employees have lived and "*delivered*" (M13) on the corporate values "*so that everyone's behavior is repeatedly reflected against this canon of values*" (M13). Founders and managers outlined that specific situations are inquired in which individuals have behaved in accordance with the values in the work context; they are evaluated on the basis of these (M4; F7; M11; M13). As a result, "*alignment with the values is also linked to compensation and career progress*" (M11), and each employee is "*accountable*" (M13) in this regard. The extent to which employees pay attention to the corporate values is assessed at C13 from interns to high-level management (C-level). The founder F14a named the American human resource software BambooHR as a specific software tool for performance evaluation. On its website, the technology company BambooHR explicitly addresses the topic of performance management under the tab "culture" and states that performance management directly influences corporate culture (BambooHR, 2022).

Besides the performance assessment of employees, all start-ups from the selected sample build upon a distinct feedback culture. Systematic feedback collection on the company is discussed in Chapter 4.10 Active Participation and Involvement of Employees. This section deals with frequent bi-directional (12) **feedback** between employees of the same level and between employees and their superiors. The focus of this instrument is not on the assessment of an individual but on a regular exchange, which is intended to help promote desired behavior within the company, personnel development, and capturing employee concerns and worries and general suggestions for improvement. Accordingly, different methods of conducting feedback were mentioned: (annual) upward manager feedback (M11; M13), where supervisors receive feedback collected from their team members, peer feedback (F3; M11) between team members, (weekly, quarterly) one-on-one feedback between supervisors and their employees (F2; F10; M11), and retrospectives (F10). Likewise, feedback occurs in a more informal setting by directly

<sup>9</sup> An example can be taken from Appendix D.

pointing out situationally when an employee's behavior does not meet (cultural) expectations (F1; F2; F14). The different feedback methods communicate which behaviors are (not) desired<sup>10</sup>, whether employees act according to the corporate values, and what kind of corporate culture is aspired by the founders and managers (F2; F7; M11):

“We constantly have feedback, which practically also represents how we see ourselves and how we see the culture, that we have high standards for ourselves, but that we also want to help others to become better. And that's why we give and take feedback.” (M11)

#### 4.4. Resources

This section explains resources that are used in the development and maintenance of the company culture (training, workshops, and time and human resources) or reflect cultural values in the use of resources (salary and benefits).

Financial compensation, whether (13) salary or benefits, was cited as another example that is linked to company values (M11; F12; M13; F14a). At C12, the bonus system of the sales team reflects which behavior is desired:

“(…) In sales teams, where we naturally also have a certain competitive situation, and also honestly promote it, we also attach importance to (...) how our bonus system is designed. (...) For instance, if one of [the sales team members] is sick or on vacation, that people help each other out and support each other and don't go for the elbow mentality.” (F12)

If it is essential to one of the start-ups that all employees with the same job are treated equally, then the salaries are dynamically adjusted accordingly if the labor market demands increasing salaries and new employees receive a higher starting salary for this reason than employees who have been with the company for a more extended period (M11). The assumption of equality may also manifest in the non-existence of salary differentials between genders, as in C8. Therefore, in essence, compensation, on the one hand, is instrumentalized to influence the behavior of employees and, on the other hand, expresses the values and principles of the start-up.

Another instrument to convey what is important to the founding team and what kind of behavior is desired is (conceptual) (14) **training and workshops**. This more formal type of manifestation would be required in the case of rapid and continuous personnel growth and in the assumptions of doubling or even tripling within a year (M9).

Through training, learning development programs, and the associated financial and time investment, the start-up expresses what it considers important in terms of its corporate

culture (M8). Examples given are “*empathy communication*”, “*agile working*”, “*remote working*”, “*team effectiveness*” or “*self-leadership*” training (M8; M9). Accordingly, C9 has created an in-house training and learning offering designed by the internal learning and development team “*to develop the mindset and competencies needed to drive system-change for sustainability effectively*” (M9). Furthermore, to counteract a possible cultural decline due to rapid growth, a specific training was developed with more formal reference to their corporate culture (M9).

Especially importance is attributed to training for the management level (M6; M9; M11; F14b). Such training is supposed to be a particularly scalable and effective instrument since managers have a greater cultural impact merely by their position:

“By far the most scalable thing you can do (...): you have to make sure that the managers in individual teams [are well trained], know [what is important to us founders], how to communicate these values, what we expect from them, what kind of role model they should be, (...) to align them with our values.” (F14b)

In addition, training courses and workshops are also offered and conducted that directly address the corporate culture itself, some of which are already anchored in the onboarding process of many start-ups. These include training on the start-up's corporate values - “*What do they mean? How were they selected? What is expected of employees in this regard?*” (M11). Usually, training courses that do not directly deal with the company values are not conducted by the founders themselves. But according to M9, this would have the advantage that participants could learn directly from the founders and ask them more in-depth questions about the content. Such a format involving the founders could directly influence the “*next generation*” of new employees (M9).

#### 4.5. Organizational Design and Structure

Only a few start-ups initially associated (15) **organizational structure** and how the organization and teams are built as an influential instrument for shaping corporate culture (M9; F12; F14a; F14b). However, once the term was introduced into the conversation by the interviewer, this instrument was given substantial weight to influence the behavior and mindset of employees by the founders' assumptions and values about how to conduct things as the organizational structure reflects the way internal relationships and communication is managed, roles and power are allocated (F2; M6; F7; M8; F14a). For instance, at C9, a consultancy, a distinction is only made between associates and partners, which keeps the hierarchy level as low as possible. At C8, care was taken in the organizational structure to separate technical and disciplinary leadership, indicating how leadership is conceived within the start-up. Many start-ups studied hold the fundamental assumption that core competence resides in their employees, which is why decision-making power is

<sup>10</sup> “If you somehow have the feeling that people are not acting [in accordance with the company's values], you don't just let it go, but address it in our weekly one-on-one meetings, which always take place between employees and their supervisors.” (F2)

transferred as deeply as possible into the organization and responsibility is delegated (F1; F2; F5; F7; F14a). To maintain specific values in growth, such as the value of “Ownership”, the organizational structure at C15 was adapted accordingly.

One section of the interview dealt with whether there is a (16) **dedicated function** internally for the topic of corporate culture at the company size currently obtained. It was observed that there tends to be a consensus that the founding team bears the primary responsibility for the start-ups’ cultural topics, as it is “*possibly the most important job [of a founder]*” (F2; F10).

Nevertheless, many of these founders described that the shaping and implementation of development and maintenance activities are primarily assigned or located to a department such as People and Culture (F7; M10; M11; F12; M13; F14a). In other start-ups, there are institutions such as a global culture committee (M9), a culture club that every employee can join (M6), or a normative circle, which includes, for example, employees from the Human Resources and Legal departments, Agile Coaches and people elected by employees (M8), where corporate culture topics are talked about in a dedicated way. The founders may be represented in these institutional groupings, though (M8; M9).

The importance of a group of people dedicated to the topic of corporate culture from a particular company size - because it is a too “*important a topic*” and should not be a “*side topic*” in the eyes of many founders (F5; F7; F14a) - is also shown by the following quote:

“[Anne from the People Team] unfortunately left the company a few months ago (...). That’s why we have to anchor [the topic of corporate culture] more strongly again. Because if you have a person like her who also owns it, you also have an effect behind it. (...) But [aspects of corporate culture] will bleed if we don’t find someone who really takes it up again and sees it as a central task.” (F7)

The first employee at C15 was not only assigned to their People and Culture department, but the start-up generally followed the approach of “*really (...) investing in the People and Culture department*” (F14a) and assigning one HR Business Partner for every five to six managers since the management level was introduced. According to F14b, they assisted as a strategist in guiding the company through the various growth phases from ten to 200 employees and made this rapid growth within 18 months possible for the start-up in the first place. The founders have not encountered this staffing ratio in any start-up before (F14a; F14b).

Besides C1, the two hyper-growth start-ups C4 and C5, also plan to hire a person such as a Head of People and Culture (M4) full time due to the very rapid growth in personnel, who will be “*hired specifically to [further] build [C4’s] corporate culture*” (M4) or “*deal with the issue [more strategically]*” (F5).

#### 4.6. Organizational Processes

In general, the internal (17) **process design** as a cultural instrument was also given relevance that permanently recalls and positively reinforces the corporate culture (M11). The interviewees refer to specific management processes such as recruiting, onboarding, performance assessment, or feedback processes, which have already been discussed in previous chapters, or more general statements are made about management processes:

“In addition to these very obvious reinforcers of values, we also try to design internal management processes in such a way that we have the feeling that this is a coherent image [with our culture]. (...) And then to ensure that [the corporate culture] is always remembered and positively reinforced through practically sustainable, scalable processes, whether that’s through the annual reviews or value awards, but the most important thing, I think, is to pay attention to it in recruiting.” (M11)

With regard to growth, not only structures but also processes must be constantly reviewed and rethought in terms of their suitability (M6; M9).

#### 4.7. Events and Rituals

The reflections of the founders and managers showed that rituals, i.e., recurring events and activities, are particularly important for the development and maintenance of the start-up’s culture (F2; M6; M9; F10; F12; F14b). Ritualized activities are not unique to this chapter; for example, giving awards, which have already been addressed in a previous chapter, can also be considered ritualized activity. The focus of this chapter is on creating further regular points of contact between employees, where the corporate culture should not only be experienced by the individual but, in some instances, also explicitly talked about.

Various founders and managers attributed particular relevance in a cultural context to internally held (18) *events* that strengthen *team cohesion* and encourage exchange between employees on a regular basis (F5; M9). This is intended not only to counteract the anonymity that threatens with an increasing number of employees (M4; M11; F12) but also to reinforce the corporate culture by embracing and experiencing it there in a more informal setting (F2; M6; M10; F12; F14a). Creating emotional experiences through events promotes cohesion among employees and fosters behavioral patterns (F10; F14b). Besides, new shared company stories (M6; F10) are created that transmit the start-up’s values (F10).

Joint activities and teambuilding measures take place within or outside working hours. Especially in the initial phase of a start-up, such activities increasingly take place spontaneously and informally (F5; M6), i.e., in the form of spontaneous get-togethers after work in the office or outside

of it. Such activities as spending the evening together or going out to celebrate should not be underestimated, as “*they also imply cultural elements*” (M6).

As the number of employees increased, the various start-ups placed emphasis on initiating even more regular networking opportunities, both within teams, across teams, and as an entire company (F1; F2; M4; F5; F10; M11; F12; M13). Events outside of working hours tend to be based on voluntary participation, are less formal, and have no agenda. Examples that were mentioned among several other networking opportunities currently used by start-ups included (online) randomized coffee, breakfast or lunch dates (C4; C9; C10; C11; C12), speed dating (7 dates in 7 minutes) (C2), movie nights (C11), and joint sports activities (C11; C12). This also includes company parties such as Christmas parties, summer parties, etc. (C1-C14).

It is apparent from the interviews that during the Covid-19 pandemic and the accompanying contact restrictions, on-site events could only be replaced by remote events to a limited extent (F3; F5; M6). Nevertheless, it was important for the start-ups to develop online alternatives or other in-person formats, allowing smaller team sizes to gather. One digital format introduced during the pandemic and which has proven successful for some start-ups is the randomized coffee dates that take place online between (at least two) employees from different departments or locations (M4; M9; M10; M11).

A few start-ups also mentioned (19) **events** that are directly **dedicated to corporate culture** or events that explicitly address the start-up’s culture in sections, although these would only become relevant once the company reaches a certain size (F14b). In three cases, reference was made to the “All Company Culture Week” (#ACCW) of the German Unicorn start-up Personio, which already had over 750 employees at the time of this event. In summer 2021, the start-up invited all employees from across Europe to its Munich office “*to reaffirm [their] culture and grow together. #ACCW was designed as an opportunity for all Personios to come together, meet in person, and be fully immersed in what [they are] about and why [they] work the way [they] work.*” (Personio, 2021). In addition to many activities that made the corporate culture tangible<sup>11</sup>, the start-up’s culture was also explicitly discussed in a culture-focused Q&A session and the entire “Values Day”.

So far, only a minority of the start-ups from the sample have conducted a similar event on a smaller scale. The founders of C15 are currently planning to organize this type of event for its nearly 250 employees located in several countries as soon as the Covid-19 situation allows (F15b). C11 is also planning an event under the slogan “Culture Days” for its more than 330 employees. Besides, at C13, the entire company with its 180 employees is invited to a different location

once a year for one week to “*experience the cultural spirit*” (M13). Another founder considers the idea of such a culture week, as conducted by Personio, to be basically beneficial. However, the associated financial costs to bring all employees from the different locations together are too high in his opinion (F3).

Since its founding, C9 has held the C9-Day twice a year, a one to two-day strategy offsite to which all employees are invited to a single location to talk about the company’s mission, impact, projects, and culture.<sup>12</sup> However, this event is not solely for the purpose of addressing corporate culture. Instead, it is a platform that offers the opportunity to explicitly address corporate culture and bring all employees together in a ritualized way. This had already been done in the initial phase, which is why this format is seen as particularly relevant for developing the foundation for the desired corporate culture, according to M9, but also to later introduced cultural initiatives for maintaining it.

In addition, the analysis of the collected data revealed that recurring (20) **meetings** are an instrument for founders to express corporate culture explicitly in some instances or to make it more tangible by behavior and thus reinforce it. What initially required less explicit expression, as long as “*all employees still fit in one room*” (F2; F3; M8; F7), is seen as necessary as the number of employees increases. Company C2 shows a very straightforward way of addressing the topic explicitly in meetings at present:

“We always have our team weekly, once on Friday, where the whole company gets together, and we go through the updates of all departments. There it’s important to demonstrate the cultural matters again by highlighting people (...). We always discuss or talk about the company values for 10 to 15 minutes at the beginning of the meeting and then ask all the people to actively bring examples of this, so that we are not always the sole entertainers, but that the employees also bring examples of this. This also gets them used to somehow highlighting other people in front of the large group and addressing these values.” (F2)

This very detailed example shows that the corporate culture or formalized elements of it, as the start-up’s values, are, on the one hand, formally on the meeting agenda and, on the other hand, visibly exemplified for all employees. Other start-ups also try to link the company values with the topics of the meetings (F2; F12; M13), e.g., to illustrate the extent to which one of the topics being worked on at the moment pays off in terms of one of the company values (E13).

Praising exemplary behavior and allocation of value awards, which have already been discussed in more detail in Chapter 5.3, usually take place in the regular “*all-hands*” (M4; M11; F12; F14a) or “*town-hall*” meetings (F2; M9).

<sup>11</sup> One of the company’s values is social responsibility, which is why every employee has two paid days per year to get involved in a cause that is important to the employee. During one day of #ACCW, employees were able to work on an Impact Project.

<sup>12</sup> Since Covid-19, this event took place online.



This meeting format brings together all the employees and management of a company to present relevant updates and information, clarify related questions<sup>13</sup>, and address goals and corporate values. One of the start-ups with over 300 employees spread across different locations holds additional local town-hall meetings to share more specific information that pertains only to that location (M9).

In most of the start-ups in the sample, these types of meetings are held primarily remotely, weekly or bi-weekly, or monthly in the case of C9, with more than 300 employees. M13 believes that all-hands meetings should be held at least every two weeks. In another start-up where she previously worked, all-hands were held monthly, which she felt was insufficient.

Topics and the way they are presented in those meetings also reflect the founders' values. For example, "transparency" plays an essential role for many founders (F2; F5; M10; M11; M13; F14b), which is why they report on the "bad and good company news" (M11) in such meetings:

"We create value for our customers by bringing transparency into the [...] market, and we also believe that internal transparency builds culture and business. For example, in our bi-weekly all-hands meetings, we transparently share the most relevant business figures and give timely updates on good news and bad news. We believe that if everyone is aware of the objectives and challenges, we can source the creativity and knowledge of the entire company to get ahead." (Marinetti 2020, External Interview with M11)

The way meetings are generally held and are structured also reveals parts of the corporate culture. For example, one corporate value of start-up C3 is "use humor"; according to F3, it is "completely okay if jokes are made even in serious meetings, which is not planned, but simply arises situationally". On the other hand, in the case of C6, observers would quickly realize that the interaction between employees in meetings is very casual but also structured. However, these are not "fun meetings" (M6).

Other ritualized activities emerged from the interviews, such as sending postcards (M9; M10) or welcome and care packages (F1; F3; F10; M13) to employees. Since these rituals were not covered to the same extent in the interviews as the previously mentioned aspects, these points are mentioned for the sake of completeness but are not assigned equal relevance.

#### 4.8. Office

Whether their architecture, spatial design, or utilization, the offices were also regarded as a factor influencing corporate culture in the work environment by the founders and managers.

The fact that deliberate attention is paid to the (21) **office layout and design** so that the corporate values of the start-ups are made more visible as a result emerged only from a few interviews (F3; F5; M6). The aim is usually not to only put the corporate values on the walls (M6; F12) but to make them tangible or observable through the office layout and design. A significant corporate value at C3 is prototyping, which implies that "things are built" in their corporate context, and production is essential for the core business. For this reason, an office was deliberately chosen that does not separate production from the other departments but locates it on the same level as, for example, the engineering and sales departments. In addition, there is a large workshop so that tangible prototypes can be built directly during the generation of ideas if required. In general, different prototypes and hardware can be found throughout the entire office (F3).

If proximity to their employees is central to the founders, this was reflected by the fact that the founders do not have individual rooms but rather locate themselves together with their employees in the open workspace:

"People have already come into the office and asked us [founders] why we don't have our own individual rooms and sit in the open space. But that's a no-brainer for us, that we sit together with our employees, because that allows us to exchange a lot and because we also want to be close to the team and stay close." (F5)

A similar approach could be observed at C6. Such reflections indicated that the physical context also strongly influences the flow of information and communication and the interaction between employees.

According to two interviewees, the office should be designed in such a way that people feel like spending time there, which also promotes exchange again (F5; M13).

In addition to the office's design and layout, the (22) **office utilization** was also described as a possible instrument to strengthen the development of the corporate culture. Even though many of the start-ups are now pursuing a "remote-first"<sup>14</sup> mindset, which "emphasizes equality of access and ensures that there are no advantages or disadvantages to working remotely" (Gold, 2022)<sup>15</sup>, the majority of the interviewees emphasized that the office is still a central anchor

<sup>13</sup> C10-C13 use the "AMA" or "ask me anything" method in this context, which enables their employees to ask questions live during a meeting anonymously, which is necessary above a certain company size (F10; M11; F12; M13). In doing so, meeting participants can vote for questions relevant to them. The questions with the most votes are then answered directly live by the founders or management. Slido, a Q&A- and voting platform for meetings and events, was mentioned as a suitable tool for this method (M11; F12).

<sup>14</sup> Other designations: "remote-flex-policy" (M13), "digital-first" (F2). This development was mainly driven by Covid-19. However, this mindset does not imply remote only (F14b).

<sup>15</sup> "No matter where people are working from, they always have the same opportunity to participate in a meeting. (...) [That means] even if you are dialed in remotely, and several people are in the same room, everyone dials in with their own camera so that the person who is not in the office does not have the feeling of being the fifth wheel but can participate in the conversation just like everyone else." (F2).

point for gatherings, workshops, and management meetings. However, these meetings currently take place rather selectively and prospectively due to the continuing pandemic. On the other hand, other start-ups strive to remain an office-led company where the workplace serves in the work context and outside of actual working hours (F3; F5; F10; M13). The intention behind this is that the company members also have the possibility to exchange ideas in more informal settings and that corporate cohesion is strengthened (F2; F5; M6; M13). The example of F5 also illustrates this:

“We also have much space for leisure activities; there is a PlayStation, a couch area, table tennis, darts, and a pretty cool kitchen. And I think that’s also super important for the team culture. Of course, that’s more the leisure part and not the work part. But I think it’s important to have a workplace where people like to come and spend time.” (F5)

From the perspective of the founders F3 and F5, the corporate culture is difficult to grasp for people who are not in the office.

If several office locations already exist, founders and managers from the headquarters (23) visit them to convey to them “*how the company works*” and the desired corporate culture, but also to get an impression of how the location there is developing culturally (F2; F3; M4). Such visits were considered as a promotional practice, especially in the establishment phase of new offices (F2; M4). For this reason, members of the founding team at C2 regularly spend time in other offices. In the same way, employees of those offices are invited to the headquarters to gain an impression of how the working methods and culture are there. Despite the visits, there is no insistence on imposing the corporate culture of the headquarters one-to-one on the other offices.

Some freedom in cultural development is allowed in different locations as long as the core value set is the basis for it (F3; M9; M6).

#### 4.9. Communication

In addition, the interview data revealed that consistent and continuous communication about the start-up’s corporate culture and the way it is communicated have an influence on the development and maintenance of their corporate culture during growth. Three key aspects emerged from the interviews: Writing down and documenting corporate cultural mindsets, the communication style, and communication channels used by the respective start-ups.

One pillar of corporate culture communication is the (24) **written formulation and documentation** of cultural mindsets. In this context, in addition to the vision and mission statements, the corporate values in particular are used for communication in the start-ups to establish them as behavioral guidelines for the members of the company.

As mentioned in Chapter 4.1, all but one of the start-ups have written down values and/or the guiding principles derived from them. During the founding phase or the hiring

of the first employees within the first year, some start-ups had already formulated these (F2; F3; F10; F14a). In contrast, some other start-ups did not see the need to write down their corporate values or principles at the beginning because “*so much of it is taken for granted*” (E9), and they were already lived without putting them into explicit words (F3; M8). However, codification of those values and principles was usually undertaken once the workforce numbered 30 to 80 employees (F1; M4; F5; M6; M11; F12).

“I think that from a size of 30 or more employees, corporate culture has to be formalized. Before that, [founders and the very first team members] have a very strong informal work, and everyone kind of perceives the culture that way. But I believe that from 30 or 40 employees at the latest, it no longer works if you don’t formalize the culture and consciously implement it. Otherwise, I believe there will simply be a proliferation because this informal communication through a role model function, through perception, functions less and less because the touchpoints are becoming much fewer. And the larger the organization is, the more important these formal topics probably become to ensure scalability.” (M11)

All founders and managers agreed that writing down the corporate values and hanging them on the office’s walls is of little use if they are not lived (F3; M4; M8; F10; F14b). Albeit documenting and articulating these core values makes them visible to both management and employees, allowing them to be claimed for and used in discussions (M6; F10; F14a).

It was apparent from the data that acceptance of the value statements is strengthened when employees are engaged in the process of defining the core values. Involving employees can also ensure that these values adequately reflect how the company actually operates (F3; F7). Whether the entire company is consulted or (team) representatives are involved in the formulation process, varies (F1; M6; F11; M13; F14a). In the formulations, care was taken to ensure that the company’s canon of values is translated into concrete guiding principles or maxims for action rather than generally applicable buzzwords that leave too much room for interpretation (F7; M8; F10).

Once the values have been written down for the first time, they are reviewed at certain intervals to confirm that they are up to date and still suitable for the rapidly developing company and, if necessary, adapted to the current circumstances of the start-up (F3; M13; F14b). It is somewhat unusual for the corporate values and guidelines to deviate particularly strongly from the formulated initial versions. Instead, adjustments and refinements are usually made to the formulation over time.

In addition to corporate values and guidelines, documented cultural artifacts can also be found in articles in the founding convention, employee contracts, code of conducts, and policies (M4; M6; M8; M10; F14a). Managers at start-ups C4, C8, and C10 believed that implementing a code of

conduct and policies is necessary as the workforce grows rapidly and multiple locations are opened. The involvement of employees in developing a formulated code of conduct could be observed here as well. It conveys the culture, values, and general understanding of how work is done (M10).

The documentation for articulating corporate culture can be found at start-ups in employee handbooks, wikis, or intranets (F2; M6; F7; M9; M11; M12; M13).

The interviews repeatedly pointed out that the way of communicating, and thus the (25) *communication style*, contributed to the start-ups' ability to maintain a strong and positive corporate culture during rapid growth. There was frequent reference to *transparent communication* in this context (F3; F5; M10; F12; F14b). This concerns not only explanations of the cultural mindset of start-ups, but also company updates ("Where does the company stand, what successes and setbacks do we have? What is [the management team] currently thinking about?" (M13)).

To reduce uncertainty among employees during rapid growth or in the event of an upcoming major change for a start-up such as an IPO, as in the case of C8, the founders communicate transparently and continuously about these forthcoming changes and the reasons behind them in the sense of expectation management (F3; F5; F12). In a fast-changing environment in which start-ups find themselves, it is not only significant to provide information about upcoming changes and the reasons behind them, but also to engage in dialogue with their employees through various formats, to be approachable, to listen to them, and to capture any concerns and expectations (F3; F5; M6; M9; F11).

"We planned the division of the team a very long time ago and communicated to the team that we were planning to do this, obtained feedback well before we did it, and discussed potential problems or concerns with the team. That is actually the most important thing, that you get everyone involved and make transparent what you are planning and what growth means for the team in particular." (F5)

Next, there are the (26) **communication channels** used in the start-ups that shape their corporate culture and through which, from the respondents' point of view, the corporate culture is promoted in terms of maintenance. The communication channels have changed considerably over the growth phase as they no longer suited the size of the company (M3; F7; M8; M11; F12). The following focuses on the status quo.

Almost all respondents cited *face-to-face communication* as an effective communication channel to convey the start-ups' corporate values implicitly or explicitly, including meetings, events, informal gatherings (see Chapter 4.7), and feedback (see Chapter 4.3). Founder F10 and Chief of Staff M6 explained that, especially in an informal setting, there is an opportunity to listen to employees, seek feedback and address their concerns when needed. This communication

channel has been affected by the Covid-19 pandemic and, in the eyes of some interviewees, cannot be replaced by remote formats, or only to a limited extent (F1; F3; M6). Others, however, do not see remote communication caused by the pandemic as too much of an obstacle to their corporate culture. They have taken a digital approach from the earliest days and thus prior to the pandemic (F5; F14a).

All start-ups also use *instant messengers* as another internal communication channel. For instance, most start-ups use Slack, a web-based instant messaging service, for internal communication. It is also used to express corporate values in dedicated channels such as the "Thank You" or "Appreciation" channel (F5; M8). Another finding was that the more employees the start-up has, the more there is a need to communicate cultural content in visual language (M11; M13), i.e., through photos, videos, and for instance, GIFs, especially in increased remote context:

"What has been extremely helpful in the meantime are GIFs [that we created for each of our guiding principles]. Whenever someone has acted in the spirit of or against the guiding principles, we see people in the chats post the GIFs in and say 'great, yes, together we build [C7], you exemplified it well' or 'here's the reminder [for the guiding principle] focus.' It works very well, and it's always visible because of that. [...] and I honestly don't know how to get that into the real, physical communication world." (F7)

A particular advantage of using instant messengers is regarded as the fact that direct and situational reactions are made to messages (e.g., through GIFs and emojis), and interaction between employees is facilitated (F3; F7; F12).

Only a tiny proportion of communication still takes place via email in the start-ups (F2; F3; F10; M13). These are primarily important announcements or communication with external parties (M4; M6; M13). In start-up C14, emails are no longer used at all for internal communication: "*Internally, emails are banned, that's technologically totally outdated for internal communication.*" (F14b)

The communication channels and tools are adapted according to the size of the start-up, which in turn influences the corporate culture (F2). In general, it was emphasized that to maintain the corporate culture, it is essential to ensure structured communication (M9; F14a) across the board through the use of several communication channels and tools so that the relevant information is transported, and no information deficits arise (F2; M10; M11; M13; F12), e.g., All-hands meetings and Slack. The CPO of M13 underlined that consistent storytelling is required for all chosen communication channels and that internal communication should not deviate from external communication.

#### 4.10. Active Participation and Involvement of Employees

Finally, another lever for the development of a positive and strong corporate culture was seen in the active and con-

scious participation and involvement of (all) company members in the activities to build or maintain the culture. This is accompanied by (27) **decision-making and development activities** regarding the start-up's culture.

For many respondents, corporate culture is not something that the founders solely predefine, even if they lay the initial foundations for it (F1; F7; F14b); instead, it is a collective, ongoing creation. For this reason, employees from various interviewed start-ups were involved in actively and consciously shaping it at an early stage (F1; F3; F5; M6; M9; M11; F12). The process of defining and evaluating corporate values together with the start-ups' employees has already been addressed in Chapter 4.9.

Further, employees are encouraged to contribute their ideas for corporate events introduced in a previous chapter and plan them accordingly (F1; F3; F10; F12):

"To make the corporate culture tangible, we do a lot about events, and we pass the ball back and say, 'Hey, what would you like to have here as an event, and what should it be like? And do it yourself.' In other words, empower the people themselves to take the reins for it." (F1)

Beyond a specific company size, some start-ups have institutionalized cultural participation in the form of culture clubs (M6), committees (M9; M11), normative circles (M8), working groups (M9), or the like:

"We have an open participation culture. That means, on the one hand, you can join the culture club. If you simply say, I want to participate, you can join. [...] But the fact that this became a little more institutionalized with the culture club came about later." (M6)

"[The strategic off-site was] the trigger for many working groups that (...) [dealt with] how can we live [the corporate values] even better? So exactly these behavioral implications, (...) and then somehow such initiatives have developed." (M9)<sup>16</sup>

Participation in these is voluntary, and there are no direct extrinsic benefits for these employees who are members of such (M6). Additionally, above a specific company size, structures in the form of such institutionalized groupings for contributing ideas are seen as necessary to avoid duplication of effort (M9).

The view that every employee is a culture carrier and potential culture shaper, but above all, the founders and managers among them are the most influential, was shared by

most interviewees (F1; M6; F7; M9; M10; M11; F14b). This observation has already been partly addressed in Chapter 4.1. However, in the founders' view, the majority of the first employees (approx. 30-50) are especially strong (28) **culture multipliers** by their nature and as they have internalized the companies' culture for several years, which is why these - along with other factors - are also developed further in management positions (cf. Chapter 4.2):

"I think, [corporate culture] is very much communicated by those who have been there for a long time, (...) [who are] absolute culture carriers." (F3)

"The early joiners, in particular, are influential leaders in the culture. The first - I would say - 50 employees. (...) especially the people in leadership positions, have a powerful influence on how corporate culture actually is." (M6)

Besides the founders and early joiners, managers are generally seen as further multipliers of the corporate culture, given their position and role model function, regardless of how long they have belonged to the start-up (F2; F3; M6; M13; F14b).

These multipliers are needed because, above a specific size, it is no longer feasible to pass on the corporate culture directly to all employees oneself, argued the co-founder of C5.

In addition to these culture carriers who occupy their role rather implicitly, there are also appointed (29) **culture ambassadors**. These have primarily been elected and have the intrinsic need to address the corporate culture thematically, regardless of the length of time they have been with the start-up or their position:

"[The Ambassadors] are responsible for carrying the values into the company. (...) And it wasn't that we said we needed five people to be ambassadors, but rather who was up for it. And then we took precisely those people [that were elected into the culture team]. And for them, it is an intrinsic need to live by these [cultural] things and spread them further, so they don't get lost. Thus, they make sure, for example, that [corporate culture] is dealt with in onboarding [...]." (F7)

Employees who are part of a culture club or committee may be considered culture ambassadors, even if they do not have an official designation internally. This is based on the assumption that they also want to proactively participate in shaping and maintaining the corporate culture out of an intrinsic need.

Half of the respondents mentioned (30) **employee surveys** as another way to engage their employees in developing the start-up's culture (F1; F2; F5; M10; F12; M13; F14b). Those surveys are used to obtain input and feedback systematically, continuously, and anonymously from employees at

<sup>16</sup> This kind of translation work, translating core values into concrete behaviors and reflecting them in the respective development phase a start-up is currently in, emerged from several conversations. For example, the most important core value at start-up C8 is to protect the environment, which is why there is a "no flight" or "no print" policy, or only vegetarian catering.

certain intervals regarding company issues, but also to monitor the development of their culture. The survey intervals are decreased as the number of employees grows. This need to establish such a process was seen as a means of staying close to employees in a certain way and capturing every voice despite the increasing size of the workforce and the anonymity that goes with it (F12; M13; F14b). Formerly, the founders could gauge the workforce's mood by simply walking around the office and talking to a few individuals (M6; F12).

The questions in those surveys can directly or indirectly concern corporate culture. Various survey methods were mentioned in this regard: In addition to quarterly to annual company-wide and team-based surveys, through which employee satisfaction (e.g., eNPS - employee net promoter score), motivation, and engagement are to be captured via numerous questions, weekly to monthly pulse checks are used as well. Pulse checks are shorter employee surveys that measure ad hoc employee satisfaction or motivation and usually include repetitive questions. These surveys aim to listen to employees actively and measure cultural aspects, for example, how well the corporate values are lived from the employees' perspective and whether there are cultural differences between the teams or departments (M4; M9). By collecting the data, trends can be identified early, and, if necessary, appropriate measures and adjustments derived (F2; F14b). In addition to personal feedback, this type of feedback is also helpful in discovering barriers to growth and opportunities that may be perceived by employees (F5; F10; M8).

Besides internal data, external data is also collected to obtain a quantitative status quo picture of the start-up's culture. These sources include [kununu.com](https://www.kununu.com) and [glassdoor.de](https://www.glassdoor.de), both websites on which companies are anonymously rated by their former or current employees. One of the categories to be evaluated is "corporate culture" or "corporate culture and values".

"[It's important] that people can actively give feedback, in anonymized or non-anonymized form, depending on how they feel comfortable. [...] And [with such rapid growth], of course, you have to question things. We're just not 20 people anymore. With 250 people, we are a bit more anonymous. And you really have to take that on board and think about it very actively: What does the topic of ownership mean when you're 250 people vs. 20 people? And that is simply an ongoing process that we keep going. In that sense, each individual has a voice, and it's read. Kununu, glassdoor, name them all - we use all the data points to inform this topic of the corporate culture. [...] We also read these [comments on the rating portals] very actively and want to act accordingly." (F14b)

## 5. Discussion

The empirical study addresses the question of how start-ups develop and maintain their corporate culture even when they grow strongly in terms of personnel. For this purpose, in addition to analyzing existing literature, sixteen interviews with founders and managers were conducted, analyzed, and interpreted using qualitative content analysis. From the data, 30 instruments emerged, which relate to the cultural development and maintenance by the interviewees from diverse start-ups.

In the following, the insights gained through the interviews are summarized and interpreted holistically in Chapter 5.1, which focuses on the development and maintenance of a start-up's culture in the growth phase. This is followed by a reflection on the twelve mechanisms according to Schein and a discussion of the instruments that the founders and managers considered particularly relevant for maintaining their corporate culture despite rapid growth. Subsequently, the findings are placed in the context of the current research in Chapter 5.2. Finally, the limitations associated with this work are mentioned in Chapter 5.3, and possible future research fields are pointed out in Chapter 5.4.

### 5.1. Developing and Maintaining a Start-up's Culture - Summary of Key Insights

#### *Application of Instruments in the Different Life Stages*

Literature has shown that the formative phase of a company is primarily shaped by the founding team, which already brings and communicates an (implicit) set of values to the company through its behavior (Sackmann 2017, p. 315; Schein 1983). Another pillar of corporate culture is seen by some interviewees as the company's reason for existence (mission) together with its vision and values, which form the DNA of the culture (Jarnagin & Slocum, 2007, p. 292). They translate and disseminate the founding team's basic assumptions (Zheng et al., 2009, p. 160). According to these, the founders and management must live correspondingly as role models and align their behavior and decisions with the corporate values since their behavior is to be valued as symbolic actions (O'Reilly, 1989, p. 20). The importance of the role model function was also emphasized several times by the founders. Thus, the aspects labeled in this paper under Basic Entrepreneurial Orientation and the Founders' Behavior (Chapter 4.1) can be attributed to the cultural mode of *inspiration* of Zheng et al. (2009, p. 292) and shape the basic cultural direction. However, the interviewees regarded the Basic Entrepreneurial Orientation as a unifying force and the role of the founders as having a significant function in maintaining corporate culture in the growth phase even beyond the founding stage. As a result, it is still considered essential to foster particular points of contact with the founders to maintain the integrity of the company culture. These touchpoints are initiated during recruitment, onboarding, all-hands meet-



ings, and events, and thus in a staged environment (Schein, 2004, p. 258).

As start-ups progress into the growth phase, the corporate culture also evolves, which is why a different cultural mode becomes relevant (Zheng et al., 2009, p. 158). Based on the findings, it appeared that founders are confronted with the issue of their own corporate culture as soon as the first employees beyond the founding team join the company (F2; F3; F5; F7; M8; M9). Even if the culture was initially lived somewhat unconsciously and not actively shaped, but through interpersonal interactions, it became more critical with each employee beyond the founding team not to leave culture shaping to chance, and corporate values hung on walls but to consciously shape it (M10; M11). This implied utilizing instruments that supported the communication and implementation of the corporate values so that these become apparent and reinforced in everyday business (Jarnagin & Slocum, 2007; Schein, 2004).

An initial step in most start-ups was to write down the core values, making them directly accessible to employees. Even in start-ups such as C4 and C5, where corporate culture was deprioritized over other corporate issues in the early years, the feeling arose after a specific company size. It is essential to actively and consciously deal with their culture and its further development and thus to attach greater importance to it for the company's continued success (M4; F5). The founder of F5 had even expressed concerns that an earlier examination of the topic might have been necessary to maintain corporate culture in the desired direction. It can be concluded that addressing one's own corporate culture as early as possible can only be beneficial.

To achieve a more conscious and active shaping of the corporate culture and not to leave it to uncontrolled or even undesirable proliferation, as the number of employees increases rapidly, further instruments were selected and introduced to reinforce the start-ups' corporate values. This was accompanied with the establishment of processes and structures. It also goes hand in hand with the findings of the growth phase of Zheng et al. (2009, pp. 161-162) as well as Weeks and Galunic (2003, p. 1337), who assume that founders and corporate values alone cannot ensure that cultural modes of thought are effectively disseminated within the company; instead, they need to make use of other instruments accordingly. This was also evident in the start-ups, where more time and human resources were devoted to further shaping the corporate culture, and responsibilities were assigned to operationalize the corporate values.<sup>17</sup> For example, corporate values were integrated into processes such as recruiting, onboarding, or performance assessment and rituals such as giving awards for exemplary cultural behavior. This process by which cultural assumptions and values are embedded through "organizational systems, structures, poli-

cies, rites and rituals, stories, and other tangible forms" is what Zheng et al. (2009, p. 161) call the *implantation* mode. Due to their start-up's hyper-growth, interviewees pointed out that corporate culture is currently one of the top issues for the management team (M4; F5; F14b) and that there is a need to respond quickly to changes in the corporate environment by adapting processes and structures (M9; M13).

Although founders and managers significantly influence corporate culture and initiate appropriate measures to preserve their cultural mode of thought, the opinion prevailed that corporate culture cannot be prescribed purely top-down but should be co-designed by its employees. Interaction between the company members was seen as an essential and crucial factor in developing and maintaining the corporate culture. This was demonstrated by the initiation of numerous and regular meetings and gatherings of employees in various formats and the creation of corresponding platforms for active and conscious co-creation. Culture clubs or working groups dedicated to corporate culture were mentioned as examples. Instruments and formats that promote dialog between management and employees (e.g., feedback, discourse on corporate culture in onboarding) also gave the impression that the claim is not to carve corporate culture in stone but instead to capture voices from within the company and, if necessary, make adjustments in the implementation and further development of corporate culture. By actively involving employees, the prevailing culture may also be perceived as corporate culture and not as the founders' culture, which leads to consensus and a culture employees want to nurture and maintain together.

Further, successfully developing and maintaining a corporate culture is about "walking the talk". That is, translating corporate values into artifacts and actions visible to employees and deriving appropriate measures from them. One of C12's corporate values was "We believe in the power of health". Accordingly, sports classes were also offered to employees (F12). Such translation work gives authenticity to the corporate culture and creates a framework for living the corporate values. The realization of the start-ups' values and reinforcement of them in artifacts can be seen as the "proactive realization and symbolization" of the *implantation* mode, according to Zheng et al. (2009, p. 162).

At the same time, the research results showed that "talking the talk" was also practiced to a great extent in the start-ups studied, i.e., repeatedly pointing out the importance of the corporate culture. In weekly all-hands meetings, for example, time was allocated to talk about corporate values. Frequently talking about them may only have a reinforcing effect if "walking the talk" can already be observed. Therefore, the example of Personio's Culture Week can only have an impact if the majority of the corporate culture is already being lived and the values are also translated into action as part of this event. In this way, corporate culture can be experienced by the participants and is not just talked about and preached. Under this premise, an event in the name of corporate culture might indeed be culture reinforcing.

The study also showed that rapid growth creates a need

<sup>17</sup> In an experiment, Brown (2018, p. 190) found that only about ten percent of the organizations studied have operationalized their values into teachable and observable behaviors to train employees and influence accountability.

among the founders to express corporate culture in numbers and monitor it somehow, as the points of interaction between the founders and the numerous employees were no longer possible to the same extent as in the founding phase. One instrument mentioned for this purpose was the performance assessment, which evaluates how much an employee has delivered on the company's values. In addition, company surveys are conducted at regular intervals, which were considered as a trend indicator for changes in the corporate culture.

#### *Schein's Twelve Mechanisms - the Right Framework for Start-ups?*

In the following, the findings are related to Schein's twelve mechanisms and reflected upon.

First, not every single instrument can be assigned to just one mechanism, which is partly because some of the mechanisms cannot be clearly distinguished from each other or leave room for interpretation, such as "What leaders pay attention to", since it "can mean anything" (Schein, 2004, p. 247), on which leaders systematically pay attention to.

Further, Schein derived his findings on the twelve mechanisms by which founders and managers embed and reinforce corporate culture, consciously and unconsciously, based on a clinical study (Schein, 2004, p. 60). Thereby, drawing on his observations in various companies, he identified areas of influence on culture rather than practicable instruments from a founder's or manager's perspective.

Besides, Schein's research focused on the underlying basic assumptions, which tend to be unconscious, taken for granted, and difficult to grasp. Due to the characteristics of these basic underlying assumptions and the chosen research design, the focus of the data obtained in this study was rather on the articulated corporate values, which were seen by the interviewees as the basis for culture work, in addition to the observable behavior of management. From the data collected, it became apparent that, due to their rapid growth, start-ups strive to communicate very clearly to their employees how their corporate culture is to be understood and are less likely to rely solely on implicit actions that require initial deciphering. This can be explained by the fact that in many instruments mentioned, the corporate values have explicitly been implemented in several procedures.

The assumption that the observable behavior of founders and managers is seen as the most important instrument for culture development rather than documented cultural target statements or how offices are designed could be confirmed. It was repeatedly emphasized by the interviewees how important it was to have the right managers acting in the founders' interests and that all other instruments and measures must be consistent and present a uniform picture in this regard. This is in line with Schein's theory (2004, pp. 262-263).

Besides, Schein states that the primary mechanisms transmit clear messages, whereas the secondary mechanisms are ambiguous, less influential, and serve to strengthen the culture when they are consistent with the primary mechanisms. The latter become primary mechanisms only when the or-

ganization matures and stabilizes. However, this study has shown that some processes (e.g., onboarding, performance assessment, training, and workshops) that can be attributed to Schein's "organizational systems and procedures" convey clear messages in practice. The same holds true for stories shared in onboarding and assigning value awards. Moreover, the start-ups studied pay attention to the use of secondary mechanisms early in the growth phase. To establish a strong culture, this research recommends that these mechanisms should not be regarded as secondary but instead be applied as early as possible.

According to Schein, the socialization process of new employees is primarily embedded in daily work routines, which is why he does not perceive the need to teach new joiners about critical cultural assumptions explicitly (Schein, 2004, p. 262). The emphasis placed on the initial onboarding and training of new employees by interviewees challenges this assumption, possibly due to the rapid growth of start-ups and the need for explicit communication about their corporate culture.

Looking at Schein's instruments gives further the impression that shaping and influencing corporate culture rests solely with the founders and (later) the managers. The significance of employee co-creation is largely neglected in Schein's instruments. The interviews indicated that, from the founders' perspective, culture is formed top-down to a certain extent, and the impact gradient on it also runs accordingly. Nevertheless, the qualitative research underlined the importance of actively involving employees in the co-design and development of a strong corporate culture in start-ups. In this respect, the participative aspect should also be reflected in several instruments. Furthermore, the way start-ups communicate (open and transparent) and the explicit positioning of corporate culture in communication (e.g., meetings, onboarding, feedback) were attributed high significance in the interviews for developing and maintaining corporate culture. Therefore, the mechanism "Formal Statements" of Schein was subordinated to the instrument of "Communication" in this study.

The aspects listed above show that Schein's mechanisms may not be framed for the context of fast-growing start-ups, but rather for corporates growing steadily and slowly in a less volatile environment. Therefore, more research from the start-up and management perspective is needed to provide founders and managers with instruments to support corporate culture development and maintenance during stages of fast growth.

#### *Key Instruments for Developing and Maintaining a Corporate Culture*

Finally, the three instruments that the founders and managers considered most significant in the development and maintenance of the start-ups' culture - apart from their role model function are briefly examined.

The founders and managers saw the corporate *values* as the core and constant of the corporate culture, whether writ-

ten down or not. The fact that corporate values represent the central element of corporate culture is also reflected in literature (cf. Hofstede et al. 1990; Schein 2004; Trice and Beyer 1984).

The majority of interviewees considered the formulation and codification of core values particularly helpful, as it was regarded as an integral part of their corporate culture and governance. Parts of the founders' basic assumptions were explicitly expressed through an initial formulation, reducing room for interpretation and making the corporate culture's postulated core accessible to employees. They determined what every employee should strive for, how to interact with each other, and how to conduct business. In addition, it became apparent that these serve as a reference point in introducing and elaborating further cultural instruments to foster corporate culture, such as onboarding, performance assessment, or employee surveys. Thus, formulating the values is incumbent on a reinforcing mechanism to the extent that they are consistent with lived values (Schein, 2004, p. 262).

Even though the corporate values of the start-ups have hardly been changed over the further course of time, it tends to be considered essential to reflect on them in the context of experienceability during the various growth phases of the start-ups and to adapt or introduce instruments of cultural development and maintenance accordingly.

Founders and managers placed significant importance on *recruiting* to influence the desired corporate culture. Recruiting has already been discussed frequently in existing literature as a central instrument for culture development (cf. Chatman and Cha (2003), Sackmann (2017), Wiener (1988), and Willcoxson and Millett (2000)). Since the founders had direct influence over whom they hired into the company, this was considered as an essential driver in shaping, developing, and maintaining their culture. Based on the findings, most founders and managers hired and selected candidates who appeared to fit their culture, reinforcing certain aspects of the existing culture (Chatman & Cha, 2003, p. 26). Contrary to O'Reilly et al. (1991), start-ups tried to pursue this systematically and deliberately at a very early stage to reinforce the corporate culture. This is sought through an extensive application process, including several organizational members and evaluation criteria to test whether an applicant fits the start-up's culture. In start-ups, the founders still assessed the culture fit of applicants, which they claimed has a higher priority than technical fit. However, this was usually no longer possible with rapid personnel growth due to other obligations of the founders.

From the interviews, it emerged that the first employees made a significant contribution to preserving the corporate culture during rapid growth, as they are implicit culture carriers and further transmit the corporate culture into the company in the spirit of the founders; also, when introducing a management level from the role of a manager. In the case of rapid growth, it is therefore not only a matter of attracting new employees but also of retaining and leveraging existing ones in the company; otherwise, critical cultural multipliers of the founders may be lost. This is characterized by

personal development measures and expression of appreciation towards employees (e.g., promotion, feedback, rewards, etc.).

Lastly, several cultural scholars consider corporate *rituals and events* central to transmitting cultural assumptions and maintaining established value systems (Schein 2004, pp. 266-267; Trice and Beyer 1984, pp. 654-655; Wiener 1988, p. 543). Numerous interviewees also affirmed this, who increasingly referred to the events and informal gatherings that took place regularly and intended to strengthen team cohesion and a sense of connectedness, enabling exchange and experiencing cultural values (O'Reilly 1989, p. 20; Trice and Beyer 1984, p. 657). The resulting interpersonal relationships strengthened the existing corporate culture and integrate new members (Willcoxson & Millett, 2000, p. 97). However, such events can be seen less as a control instrument for desired behavior, in contrast to performance assessment, for example, because they are subject to their own momentum.

## 5.2. Theoretical and Practical Implications

Firstly, this study is an exploratory attempt to investigate the crucial but largely unexplored topic of corporate culture, particularly the development and maintenance of it in a high-growth start-up context. The role of founders in the emergence and development of corporate cultures is already recognized by scholars (Sackmann 2017, p. 76; Schein 1983, p. 1; Schneider et al. 2013, pp. 371-372) and has also been emphasized in this paper several times. However, research on measures and practices for start-ups growing rapidly in terms of personnel that contribute to the development and maintenance of their culture is sparse. By focusing specifically on the instrumental level for culture development, a contribution is made to filling this research gap.

Secondly, previous research has suggested that different cultural modes exist in the founding and growth stages to address organizational needs (Zheng et al., 2009, p. 158). The analysis of the interview data revealed that during the founding phase, the vision, mission, and the founders' behavior are the primary culture-shaping elements (*inspiration mode*). Yet, this study has shown that the recruitment and selection of the first employees was also a key factor during the founding phase. In the (rapid) growth phase, start-ups dealt more actively and consciously with their corporate cultures (*implantation mode*). This was also reflected in the utilization of additional instruments introduced in this phase to mainly translate the start-ups' values into artifacts and desired behaviors and thus maintain the cultural core of the start-ups. Hence, the dynamic view on culture in this work is supported by this study (Weeks & Galunic, 2003, p. 1344) and that different cultural modes emerge at a start-up's founding and growth phase (Zheng et al., 2009, p. 158). However, this work has also shown that the inspiration mode continues to appear important in the growth phase, and the implantation mode is already considered by some start-ups when they have a relatively small workforce.

Thirdly, while the existing literature deals predominantly with generic instruments and perspectives for action for the management of corporate culture, this thesis has drawn from today's start-up context, which instruments have made a significant contribution to the development and maintenance of corporate culture and how they are implemented in practice. It became apparent from this study that the implementation of utilized instruments is continuously subject to an iteration process and adapted according to the current needs of the respective start-up (Does the format of the chosen instrument still fit, does it still fulfill its purpose with the current number of employees, are new formats needed if necessary?). Thus, this work has additionally shown that the instruments within the growth phase are subject to their own dynamics due to the rapid increase in the number of employees of the start-ups and the accompanying cultural needs of the company.

Not all start-ups studied applied all the instruments explored in this thesis. By considering the culture development instruments given in this paper, founders can intentionally and holistically develop a strong culture from day one, hence gaining efficiency advantages over entrepreneurs who only gradually realize the importance of culture. The practical implementation examples of the instruments provide start-ups with a more general orientation framework for developing and maintaining an effective culture, which, however, requires adaptation to individual needs. In this context, the core values should be the starting point for all development measures and the implementation of instruments.

### 5.3. Limitations

Even though initial implications for developing and maintaining a strong corporate culture in start-ups could be derived from the data in this thesis, the following limitations of the underlying methodological approach should also be considered when interpreting the results.

Firstly, qualitative research relies heavily on the researcher's subjective judgment and interpretation, especially in the cultural context. Researchers usually take an observational and interpretive role in studying corporate culture, which is why it cannot be studied without absolute objectivity (Schein, 2004, p. 51). The detailed category system tries to preserve the higher-level perspective and prevents the interpretive bias of the researcher to some extent. In addition, a detailed description of the research process (cf. Chapter 3) helps to make the procedure transparent to third parties and somehow reproducible through the utilization of the category system (Mayring, 2015, pp. 123-125). To further reduce intersubjectivity and promote discussion of perspectives, it is advisable to include at least a second researcher in subsequent studies (Gioia et al., 2013, p. 19).

Secondly, even though sixteen interviews provided rich answers to the research question and numerous culture development and maintenance instruments could be identified, the number of the sample is limited in its scope to draw generalized conclusions. Therefore, the instruments obtained should not be considered complete or definitive; instead, they should be seen as a decent selection to develop and

maintain a strong corporate culture in fast-growing start-ups, obtained through a rather small sample of start-ups. Therefore, future research should consider a larger sample and add quantitative methods to validate the findings, which may strengthen the results or lead to further new insights and a more comprehensive and complex understanding of the chosen corporate culture instruments (Ehrhart et al., 2014, p. 143). In addition, it could be quantitatively verified what influence the collected instruments have individually on the development and maintenance of a strong corporate culture (Janićijević, 2011, pp. 83-84, 93).

Additionally, a prevalent shortcoming in interview situations is the recall bias, i.e., past events may not be remembered (correctly) at the time of the interview, or incidents may be given more or less importance in retrospect than originally (Beckett et al., 2001, p. 619). While some narratives refer to the present and short-term past, questions were also asked about the early days of the start-ups, making them more susceptible to retrospective bias. Hence, a more detailed analysis is needed to verify which key moments in culture development took place, when and with which intention, e.g., the writing down of core values respectively corporate principles or the introduction of a cultural institution such as a Culture Committee, which deal strategically with the start-up's culture. More insights can be gained from conducting a long-term study, i.e., from the time of founding to a particular growth in personnel, whereby several data points are collected (Ehrhart et al., 2014, p. 141). Thus, an evolutionary process can be illustrated more accurately, and insights into the dynamic view of culture in the context of personnel growth can be promoted.

Other limitations go hand in hand with the interview situation as such. Even though confidentiality and anonymity of what was said were indicated at the beginning of the interviews, it is possible that interviewees may not have revealed all aspects of the truth to an external researcher and may have concealed information they were reluctant to disclose or put themselves and their company in a positive light (Ehrhart et al. 2014, p. 292; Podsakoff and Organ 1986, p. 535). The actual observable behavior may therefore differ from the reported behavior (Baron & Hannan, 2002, p. 29). Thus, the extent to which corporate culture was actually considered in the introduction and design of all instruments such as team events, organizational structure, process design, etc., cannot be demonstrated. This could be counteracted by interviewing additional employees in critical positions.

Lastly, in this study, corporate culture was usually examined from the perspective of one founder or one manager who was among the first employees of the start-ups, which is why the narratives are mainly based on a person's testimony in this study. In two start-ups, data was collected from two people, whereby different insights could be generated. Depending on the functional orientation within one's own company, the interviewees may have unconsciously steered the focus towards a particular company area and thus instruments utilized there. Therefore, the founders' and managers' viewpoints are regarded as personal opinions on the



subject rather than generally accepted statements. In some instances, even contradictory statements were made. For this reason, it would be advisable to collect more data from various employees of the start-ups and include C-level, middle management to team members in the data collection to improve the validity of the results and to obtain a more comprehensive overview of different instruments and practices for developing and maintaining corporate cultures in start-ups (Podsakoff & Organ, 1986, p. 542).

#### 5.4. Future Research

This study represents an initial exploratory approach to developing and maintaining corporate culture in start-ups at the instrumental level. Based on the results of this study and associated limitations, recommendations for further research can be derived as follows.

This study examined fast-growing start-ups that are considered culturally attractive, which is why further research is needed to also focus on start-ups that have lost attractiveness in terms of their corporate culture during rapid growth. Empirically collected data could yield further implications for the management of corporate culture and underline the importance of specific instruments and practices to avoid a negative trend in the corporate culture.

Further, hyper-growth start-ups with an average staff growth rate of more than 150 % over five years could be studied (Minola et al., 2015, p. 6). While the growth rates of some start-ups indicate hyper-growth, not all have reached a company age of five years. The extent to which the identified instruments for culture development and maintenance are effective in the long term due to further personnel growth, or the extent to which they are adapted, remains to be investigated. Besides, future research might focus on the impact of individual instruments on culture development and maintenance.

Secondly, several start-ups studied grew especially rapidly during the global Covid-19 pandemic, in which businesses had to adapt to a fully remote mode of work intermediately. This study was not conducted with a focus on the impact of the global pandemic on corporate cultures (Spicer, 2020, p. 1738). Therefore, another area of research is the impact of the pandemic on the strength of a start-up's culture. Accordingly, it remains to be explored how implementing the instruments discussed in this study for developing and maintaining corporate cultures in start-ups will adapt again after the pandemic and in further growth. The pandemic also raises the question of how strong corporate cultures can be developed in start-ups that pursue a purely remote strategy and intend to do so in the future.

Since only the perspective of managers and founders was examined in this study, it would be beneficial also to survey a significant number of employees to examine which instruments are perceived by them at all and, from their point of view, have contributed significantly to the development and maintenance of their strong corporate culture. Including the perspectives of employees, the effectiveness of specific instruments such as events under a cultural motto, visits to other

offices, employee surveys, or the awarding of value awards in all-hands meetings could be examined.

Finally, the topic of corporate values opened up another future research stream, as the interviewees also considered these to be an essential core of their corporate culture. However, as can be seen from the results, the stage of the start-ups varied in the stage of their lifecycles at which they had codified their corporate values. This can be a starting point for further research to determine if it has any impact on the company, whether the founding members already formulated the start-up's corporate values at the time of the founding or if they were the outcome of a company-wide process (few years) later. Research on this would provide further implications for management.

## 6. Conclusion

A great number of research results make apparent that developing a strong corporate culture can be essential to the success of companies and the well-being of their employees and conversely, that neglecting corporate culture can entail many costs for both companies and their employees (Warrick, 2017, p. 6) as demonstrated by the introductory example of N26. Start-ups, in particular, need a strong corporate culture to overcome the hurdles they face in their early and growth stages to prevail against competitors and to survive in the long run (Grossmann & Slotosch, 2015, p. 243).

There is a multitude of definitions of corporate culture and approaches to analyze, influence it consciously or unconsciously, or shape it purposefully. Furthermore, it was shown that corporate culture is not something static but evolves with the life cycles of a company. The culture of a start-up is no exception and is subject to even greater dynamics in its environment (Grossmann and Slotosch 2015, p.242; Ries 2011, p. 27). However, start-ups have hardly been the subject of research in the context of corporate culture.

The aim of this thesis was to show how start-ups approach the topic of corporate culture, develop, and maintain it during rapid growth. Therefore, a qualitative research approach was chosen to address the following research question: *How can the corporate culture of a start-up be positively developed and maintained while coping with a workforce growing significantly?* The focus of the research was on instruments that contributed to corporate culture development and maintenance in start-ups.

The findings indicate that start-ups, due to their rapid growth in personnel, rather see the need to create an environment in which the shaping and development of their corporate culture can take place consciously and actively. In addition to the vision and mission of the start-ups, active corporate culture formation starts with the definition of the company's values, which can be found as a common thread in various culture development and maintenance instruments as growth continues.

The larger the workforce gets, the more important it becomes to explicitly express the corporate culture and to introduce measures that allow the culture to be preserved at



its core, i.e., to maintain corporate values in the long term and to sustain them through the reflected use of appropriate instruments.

Even though the term corporate culture is a vague concept for many founders and managers that is difficult to put into words, this work has nevertheless shown that a large intersection of instruments used emerges among the various start-ups. Nevertheless, the instruments can only serve as a guiding framework, as the implementation of these differs in part among the start-ups and depends on their targeted corporate values.

Furthermore, it was shown that the implementation of the instruments is subject to a continuous adaptation process to adjust them according to the growing workforce of the company. At the same time, it became apparent that in addition to the role model function of the founders and managers, recruiting and various event formats but above all the defined corporate values, are assigned a significant contribution to the maintenance of corporate culture of start-ups in the growth phase.

By conducting a long-term study from the founding phase to the growth phase, a more accurate determination of the initial use and significance of the numerous instruments obtained in this study would be facilitated, as well as the requirements for these instruments that accompany rapid growth. Surveying employees of different ranks could also lead to further valuable insights.

Since corporate culture can be an essential factor for a company's competitiveness, especially for start-ups, this thesis contributed to creating awareness of it on a practical and scientific side, providing founders with a structured overview of instruments to develop and maintain their start-up's culture.

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