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The Founder-Firm Disparity

Using the Theory of Effectuation to Explain why Founders Leave their Firms

Abstract

Both Effectuation and Entrepreneurial Exit theories are in nascent states. This means there are many gaps that need filling, ideas to be expanded upon and theories to be tested. This thesis fills a gap in these theories by taking Effectuation theory and making a first attempt at explaining Founder Exit, a part of Entrepreneurial Exit, with it. Two case companies working in the Swedish online retail industry were chosen for this study due to their similar beginnings, similar-looking growth curves and yet their dissimilar endings, with one firm's founders selling their shares and leaving and the others staying to continue the adventure. Effectuation theory predicted that founders were likely to leave because their growing firms would build big company structures, creating a culture clash between founder and firm. This clash was seen to be very present and has been coined the "Founder-Firm Disparity". Effectuation is therefore shown to be a good theory for explaining Founder Exit from successful firms.

Key words: Effectuation, Causation, Entrepreneurship, Entrepreneurial Exit, Founder Exit.

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1 Introduction

1.1 Background

For many years the field of entrepreneurship has focused predominantly on the behaviour and decision-making processes of entrepreneurs during the start-up phases of the firms they start (Wennberg, 2008; DeTienne & Chandler, 2010). Yet the reasons for why entrepreneurs leave these firms they themselves helped create have been little researched. Only recently has a growing body of research on Entrepreneurial Exit emerged (Wennberg, 2009). So far this research has focused on several aspects such as firm performance (Wennberg, 2009), experience of the entrepreneur (DeTienne & Cardon, 2012; Boeker & Karichalil, 2002), or clarifying the concept of Entrepreneurial Exit (Wennberg, 2008). Moreover, some research focuses on how the private motivations of entrepreneurs at the initial stages of starting a new venture might influence an intended exit strategy. DeTienne & Chandler (2010) for instance describe how both motivation and venture development processes will impact the mode of Entrepreneurial Exit, implying that exit is the result of voluntary action. However, there is a lack of research into what happens further down the road of an entrepreneurial venture when the exit becomes imminent. Are the motives of an entrepreneur during their development of an exit strategy still the same as during the beginning stages of the company? Are there any emotional factors involved? Is the departure voluntary?

In order to address the above questions, a flexible approach that takes the entrepreneur's changing goals into consideration is needed. One such approach is Sarasvathy's ground breaking theory on effectuation. Effectuation is described as a logic of non-predictive control, as a means by which decisions are made based on what means are available. As such, effectuation stands in stark contrast to rational choice, which is based on the logic of prediction and referred to by Sarasvathy as "causation" (Sarasvathy, 2001). Given that the logic of effectuation is based on a "yet-to-be-made" future (Politis & Gabrielsson, 2006, p.3) or an "unplanned" future, it seems plausible that the effectual entrepreneur might not have a clearly defined exit strategy or not even an exit intention when in the start-up phases of a new venture. However, many entrepreneurs still leave their firms at some point, often when their firm is at its most successful, and with the firm continuing to operate even without them at the helm (Read & Sarasvathy, 2003). It is this apparent paradox that this dissertation aims to investigate.

1.2 Purpose and Research Question

Even though Entrepreneurial Exit research has been increasing over the past years, the body of Entrepreneurial Exit research is still in a nascent state (Wennberg, 2009). Several authors within entrepreneurship literature have focused on exploring the various exit routes available to entrepreneurs (Wennberg et al., 2010) and how the experience of the entrepreneur as well as their initial motivations for starting a new company influence the choice of exit strategy (DeTienne & Cardon, 2012; Boeker & Karichalil, 2002). There is however a lack of research investigating the individual motivations for Entrepreneurial Exit (Boeker & Karichalil, 2002). We continue to lack especially empirical evidence regarding how individual entrepreneurs view Entrepreneurial Exit and we know little about how the effectuation decision logic and the experienced entrepreneurs' preference

for effectuation might affect their decision to leave their firms. Even less is known about the motives for why entrepreneurs would want to leave their successful firms.

The aim of this thesis is to contribute to the existing body of Entrepreneurial Exit and Effectuation literature by filling this theoretical gap. This paper therefore sets out to analyse the following research question:

Why do founders leave their *successful* firms?

This paradoxical situation raises additional questions, such as: “To what extent is an exit voluntary?” and this in turn prompts a further question, namely: “What are the individual motivations and even emotional factors contributing to an exit?” In order to answer the research question and its sub-questions, I shall explore how effectuation theories, normally used in firm start-up literature, could be used to explain the individual motives leading to Entrepreneurial Exit, or more specifically to Founder Exit. This study contributes to the field of entrepreneurship research, as it combines two areas of entrepreneurship research, namely Effectuation and Entrepreneurial Exit, using the former to explain the latter. Moreover, as most research so far has been of a conceptual nature, this study will make use of empirical research methods in order to strengthen the findings and resulting conclusions. Understanding founders’ personal motivations for leaving their firms is highly important in order to advance the Entrepreneurial Exit literature, not only would an answer to my research question complement existing literature on Entrepreneurial Exit, but it would also provide a further dimension for effectuation theorists. Moreover, this paper could provide a platform upon which to build further research into what really goes on when and why founders decide to leave the successful firms they themselves started from scratch.

1.3 Structure

The study opens with the literature review and theoretical framework, describing relevant theories and the underlying standpoints of the thesis. Next, in chapter 3, the methodology used is described. This section will cover the research approach, case selection and presentation, data documentation, as well as the method for data coding and the analysis. The findings resulting from the empirical research will be analysed in chapter 4. Chapter 5 will attempt to link the findings of the empirical research back to the theoretical framework. Finally, a conclusion of the results, the theoretical and managerial implications and an overview of possible limitations will be given in chapter 6, rounded off with an outlook on what future Entrepreneurial Exit/Effectuation research could ensue.

2 Theoretical Framework

To better understand the background and purpose of this study, this chapter will commence with a literature review of the most relevant literature written on the theories of Founder Exit and Effectuation. Then, the theoretical foundation of the thesis will be presented to establish what perspective is taken on the theories of Founder Exit and Effectuation. Moreover, a structure for the analysis of this study will be created by way of discussing the links between Founder Exit theories and those of Effectuation.

2.1 Literature Review

The reason to include a literature review is to provide a deeper understanding of how theories of Entrepreneurial Exit and of effectuation have evolved from the extant entrepreneurship research. An outline of how Entrepreneurial Exit is viewed from different angles will be followed by a similar review of what effectuation theories have to say. In presenting these theories, the literature review will show why these research areas are considered important for both entrepreneurship researchers and entrepreneurs themselves.

2.1.1 Perspectives on Founder Exit

For a number of years now, researchers have been looking into and discussing the reasons why founders might leave the firms they themselves created. Some see *Founder Exit* as the voluntary and involuntary result of a number of contributing factors, such as firm size, growth rate and ownership structure, firm performance and market environment (Willard et al., 1992; Boecker & Karichalil, 2002; Wasserman, 2002; Wasserman, 2008), whereas other more recent studies show that it can also be considered to be a planned strategy and an intentional process set in motion from the very inception of the firm called *Entrepreneurial Exit* (DeTienne, 2010; DeTienne & Cardon, 2012; Wennberg & DeTienne, 2014).

Founder Exit theory comes under the umbrella of Entrepreneurial Exit theory. The fundamental difference between Founder Exit and Entrepreneurial Exit is that the former literally focuses on only the founders leaving their firm and is independent of whether the firm continues to exist or not. Entrepreneurial Exit focuses on both Founder Exit as well as exit of the firm from the market entirely. Entrepreneurial Exit is considered to be a strategy and a process rather than simply the result of circumstance, and can loosely be defined as “an individual’s decision to leave self-employment, the exit of firms from a particular market, or as firm discontinuance, closure or bankruptcy” (Wennberg & DeTienne, 2014). Founder Exit focuses on the individual’s decision to leave their firm, which can either be a planned strategy or an unplanned result of circumstance. In certain cases, such as liquidation or bankruptcy, exit is often seen as a failure, because it is an involuntary exit of both the founder from their firm, as well as the firm from the market. In other cases, such as mergers and acquisitions (M&A) and Initial Public Offerings (IPO), exit of the entrepreneur can be seen as a success, because the founder voluntarily relinquishes ownership, often cashing in on their hard work, and the business survives. (Coad, 2014)

The next section will review a number of the factors contributing to founders leaving the firm they started. And as the scope of this thesis does not stretch to include why a whole firm would exit the market, Founder Exit will henceforth be the focus of this thesis and not Entrepreneurial Exit.

2.1.1.1 Factors influencing Founder Exit

As mentioned above, Founder Exit can be viewed as either a failure or a success, depending on whom one talks to and when. Some founders leave voluntarily, yet a large majority is forced to step down (Wasserman, 2008). Whichever it may be, it will depend on what factors brought about a situation that would encourage the founders to leave. These factors can be divided into firm- and individual-level categories.

Firm-level

The firm-level factors that are known to influence founders to pack up and leave their firms are well documented by Boeker & Karichalil (2002). These include firm size, growth rate and ownership structure.

Boeker & Karichalil show how a firm's *size*, when measured in terms of number of employees, and not sales, is positively correlated to Founder Exit. A firm's growth rate is also shown to be a strong influencing factor, but not in the way one might expect. Founder Exit was most prevalent in both low-growth and high-growth firms, but less so in average-growth ones, providing a U-shaped relationship between growth and Founder Exit. It is argued that bigger and rapidly growing firms with many employees have a greater need for new sets of managerial and professional skills that the founders may not possess, forcing the founders to leave, which is what lies behind what researchers talk of as "firms *outgrowing* their founders" (Willard et al., 1992; Wasserman, 2008). At the other end of the U-shaped relationship, slow growth is linked to bad performance, which generally leads to firm closure, liquidation or bankruptcy, and hence, Founder Exit (Wennberg & DeTienne, 2014).

Next, founder ownership and board participation are shown to have an influence on whether founders stay or go. The larger their share of ownership is and the more they participate in the board, the more influence they will be able to retain. Subsequently, this permits founders to better protect their own positions as the firm evolves. The opposite is of course true for founders who have to give up total control over the enterprise (Wasserman, 2008). As the firm grows and acquires more resources, the initial human capital resources for the founder become diffused, having less impact on firm outcomes and making it more likely that they will leave (DeTienne & Cardon, 2012). This dilution of ownership and loss of control then further contributes to Founder Exit (Boeker & Karichalil, 2002).

At the end of the day, everything is linked to firm performance in some way (Wennberg & DeTienne, 2014). Positive performance results will attract bids from potential buyers and influence a sale, whereas negative performance will place strain on the firm and possibly lead to liquidation or bankruptcy. Performance is of course influenced by the market environment within which the firm operates, which then becomes another contributing factor (Wennberg, 2008).

This review shows that firm-level factors – *firm size, growth rate and ownership structure, performance and market environment* – are all well known, as they are easily observable. The individual-level factors and the motivations and intentions of the entrepreneur are a little more difficult to pin down, and will be reviewed next.

Individual-level

It has been noted that there is a lack of research into the area of "*entrepreneur exit intentions*" and the emotional reasons why entrepreneurs would leave their firms (Wennberg & DeTienne, 2014). As this thesis is interested in individuals who start their own firms and their reasons for then leaving those firms, it is important to review and understand what has been written so far on how an individual's motivations and

intentions might cause them to leave their own firm. As just mentioned above, compared with the firm-level factors, the individual-level factors are a little harder to pin down. This is because they are subjective and highly individual in nature, but they are nevertheless very important to a complete understanding of Founder Exit and are summarised here.

The first factor influencing Founder Exit is the individual entrepreneur him/herself. A variety of motivations, driven in part by experience, age, and education, influence the thresholds that entrepreneurs have for their venture – and hence their exit. These motivations can also include the reasons why the entrepreneurs started their ventures in the first place. A founder, who is motivated to start a firm in order to get “rich”, will be more willing to be sidelined to enable the company to become more valuable, whereas the founder who wants to be “king” will sacrifice profits for power and therefore stay longer (Wasserman, 2008).

When exit is a specific and planned strategy, these motivations can determine the founders preferred exit type, be that liquidation, an IPO, an acquisition or independent sale (DeTienne & Cardon, 2010). Yet, even these planned exits driven by the entrepreneur can be influenced by firm-level forces outside of the founder’s control. For example, unfavourable market conditions and changes in ownership structure where founders are forced to step aside in favour of professional management can very quickly turn planned exits into unplanned exits (Willard et al., 1992).

Industry experience has also been thought to have an impact on how long founders are likely to stay the course, but results have been inconclusive on this one (Boeker & Karichalil, 2002).

And finally, much in line with ownership structure, it has been shown that if founders are also the acting CEO of their company, this position of power, as one might expect, means that founders will be more motivated to stay (Boeker & Karichalil, 2002). Though if they relinquish this position of power at any point, these individual-level factors, or Human Capital Factors (Van Praag, 2003), including intentions and motivations, will have lesser impact on the firm as it matures, meaning that founders will have less say and less influence in the mature firm (DeTienne & Cardon, 2010).

However, Wennberg & DeTienne (2014) describe a lack of research into this area of “*entrepreneur exit intentions*” and the emotional reasons why entrepreneurs would leave their firms.

It is important in business to understand why entrepreneurs do what they do in order to better understand the relationship between them and their firm. This is why the motivations, intentions and emotional reasons why entrepreneurs start and grow their firms is a fairly well-developed field of research, which will be reviewed next through the theory of Effectuation. But there remains a gap in this research on what happens when an entrepreneur’s relationship with their firm comes to an end.

2.1.2 Perspectives on Effectuation

Since Saras Sarasvathy's seminal work on Effectuation was published in 2001, a wealth of scholars in the management and entrepreneurship fields – Berglund, Dew, DeTienne, Gabrielsson, Johansson, Kotha, McKelvie, Politis, Perry, Read, Wiltbank, etc. – have been delving deeper into this new paradigm of entrepreneurship theory, the development of new business ventures and the entrepreneurs involved. Its popularity is down to its ability to better describe the actual thoughts and behaviours that some entrepreneurs experience when starting a venture (Perry et al., 2012) and has been challenging the rational, goal-driven and deliberate entrepreneurship models of the 1990's that are currently taught in business schools (DeTienne & Chandler, 2010) – Hence why I'm using it in this thesis to describe Entrepreneurial Exit, or better said, Founder Exit.

Sarasvathy's theory of effectuation has therefore come to be very well regarded and widely used in the field of venture start-up research, but that is not to say that Sarasvathy's theory of effectuation is not relevant for larger firms too. She says so herself that "Effectuation is not just for small, start-up firms, [but] can be applied to large firms and economies as well" (Sarasvathy, 2010). In her dissertation, Johansson (2014) shows that the theory of effectuation can be used successfully in established firms, especially when used in innovation contexts and the start-up phases of new projects. She also highlights that due to the very nascent nature of effectuation research, there is very little research as yet on how the theory of effectuation can be applied to established firms, and to the best of my knowledge there is absolutely none on Entrepreneurial Exit – another reason for my choosing this topic to study.

Also, the intention of the work done so far on effectuation has been to demonstrate how effectuation is a real, workable and successful alternative to the rational, causal approaches to entrepreneurship. Most has been of a more observational and explorative nature, whereas others (Chandler et al., 2011) have focussed on developing validated scales for measuring effectuation and causation.

But let us now take a moment to learn about what the theory of effectuation really is.

2.1.2.1 What is Effectuation?

Sarasvathy (2001) describes Effectuation as a logic – a process, an approach, an attitude, a way of reasoning – that entrepreneurs employ when making decisions under conditions of uncertainty. It describes the actual thoughts and behaviours that some entrepreneurs experience when starting a venture (Perry et al., 2012). The polar opposite of Effectuation is Causation, which relates to the thoughts and behaviours of the entrepreneur when making decisions in more stable and predictable circumstances. These two approaches are not mutually exclusive, as "Both causation and effectuation are integral parts of human reasoning that can occur simultaneously, overlapping and intertwining over different contexts of decisions and actions" (Sarasvathy, 2001). They are therefore considered to be the two opposite ends of a spectrum – the Effectuation-Causation Spectrum – along which one can be at any point at any time, migrating freely between one and the other, depending on the situation.

2.1.2.2 Five Principles of Effectuation

Sarasvathy divides her theory of effectuation into five principles: (1) the Bird-in-Hand (Means) principle, (2) the Affordable Loss principle, (3) the Crazy Quilt (Partnerships/Networks) principle, (4) the Lemonade (Leverage Contingencies) principle

and (5) a unique world view, the Pilot-in-the-Plane (Control vs. Prediction) principle. (Sarasvathy, 2008)

The first and foremost principle is the “Bird-In-Hand” principle. It states that “*Effectuation* processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means” (Sarasvathy, 2001). Imagine you want to prepare a meal, where you open the cupboard and pick random ingredients, and then create something completely unplanned from these ingredients. You make something from nothing, and the meal evolves organically with unforeseeable results. This is the means-oriented approach, which employs means-driven actions where you do what you can with what you have (Dew et al., 2009). This is where entrepreneurs ask themselves “Who am I? What do I know? and Whom do I know”, and then develop something using those means. “*Causation* processes [on the other hand] take a particular effect as given and focus on selecting between means to create that effect” (Sarasvathy, 2001). I.e. they are goal-oriented actions. So when using the meal preparation example, this time you make sure you have all the ingredients for a predetermined set menu before starting.

The second principle, the principle of Affordable Loss, actually shows that entrepreneurs are quite risk-averse, investing only what they can afford to lose. They experiment only with as many strategies as this limited means allows for, so instead of focusing on maximizing returns in the present, they prefer to focus on creating more options for the future. Under causation, the entrepreneur would instead focus on the expected returns and therefore employ whatever resources necessary in order to achieve that expected return, be that taking out loans or seeking external financing for example.

The third principle, the Crazy Quilt, is about getting pre-commitments from stakeholders in order to reduce uncertainty. Instead of focusing on systematic competitor analysis, as with causation, effectual entrepreneurs build strategic alliances and then use those alliances as a resource they can use to their advantage.

The fourth principle is about leveraging on contingencies, i.e. exploiting unexpected opportunities when they arise, and not leveraging so much on pre-existing expertise and knowledge. This principle echoes the famous proverbial phrase of optimism: *When life gives you lemons, make lemonade*.

The fifth and final principle is the Pilot-in-the-Plane principle, where, under effectuation, one puts the pilot in to fly the plane, rather than letting the plane fly the pilot. This unique world-view that entrepreneurs have is all about the *logic of control*, which states: “*To the extent that you can control the future, you do not need to predict it.*” In creating new and unexpected ends out of uncertainty, one controls the future. Unlike under causation where one uses the *logic of prediction*, which states: “*To the extent you can predict the future, you can control it*”. Causal entrepreneurs therefore perform market analysis and then create something to fill a gap in the market as predicted by their analysis.

All these principles dovetail together, influencing entrepreneurial decision-making processes and the attitudes and approaches entrepreneurs employ when working under varying conditions of uncertainty. The interrelation between these five principles of effectuation in creating an effect on the market is summarised in Figure 1.

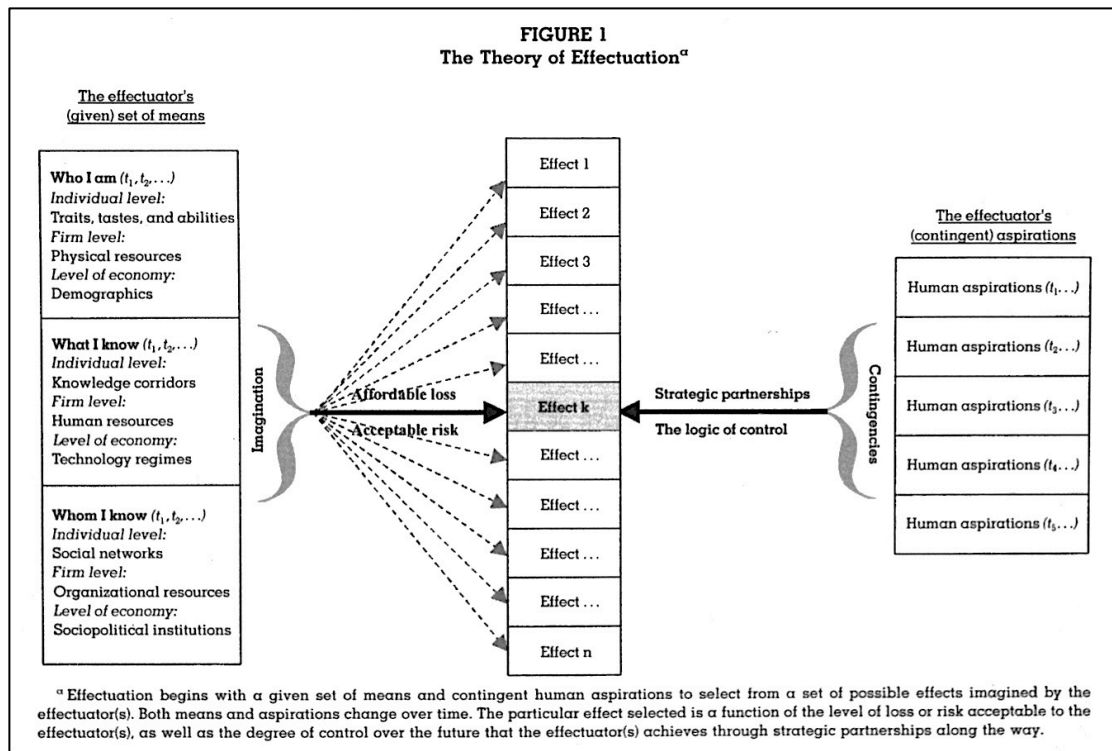


Figure 1.
The Theory of Effectuation
(Sarasvathy, 2001)

2.1.2.3 Causation vs. Effectuation

Causation is consistent with planned strategy approaches, and includes such activities as opportunity recognition and business plan development (Chandler et al., 2011), which are taught in business schools (DeTienne & Chandler, 2010) and considered to be “textbook procedures” for decision-making (Dew et al., 2009).

Effectuation, on the other hand, frees up the entrepreneur or decision-maker from pre-determined goals to instead “wield uncertainty as a powerful tool in the creation of new ends” (Dew & Sarasvathy, 2002).

The following quote describes nicely the differences between the two logics and how they are applied when present in different situations.

Causal problems are problems of decision; effectual problems are problems of design. Causal logics help us choose; effectual logics help us construct. Causal strategies are useful when the future is predictable, goals are clear and the environment is independent of our actions; effectual strategies are useful when the future is unpredictable, goals are unclear and the environment is driven by human action. (Sarasvathy, 2008)

Figure 2 shows a table summarising the contrasting characteristics of Causation and Effectuation, which is further simplified in Figure 3.

TABLE 1 Contrasting Causation and Effectuation		
Categories of Differentiation	Causation Processes	Effectuation Processes
Givens	Effect is given	Only some means or tools are given
Decision-making selection criteria	Help choose between means to achieve the given effect Selection criteria based on expected return Effect dependent: Choice of means is driven by characteristics of the effect the decision maker wants to create and his or her knowledge of possible means	Help choose between possible effects that can be created with given means Selection criteria based on affordable loss or acceptable risk Actor dependent: Given specific means, choice of effect is driven by characteristics of the actor and his or her ability to discover and use contingencies
Competencies employed	Excellent at exploiting knowledge	Excellent at exploiting contingencies
Context of relevance	More ubiquitous in nature More useful in static, linear, and independent environments	More ubiquitous in human action Explicit assumption of dynamic, nonlinear, and ecological environments
Nature of unknowns	Focus on the predictable aspects of an uncertain future	Focus on the controllable aspects of an unpredictable future
Underlying logic	To the extent we can predict future, we can control it	To the extent we can control future, we do not need to predict it
Outcomes	Market share in existent markets through competitive strategies	New markets created through alliances and other cooperative strategies

Figure 2.
Contrasting Causation and Effectuation
(Sarasvathy, 2001)

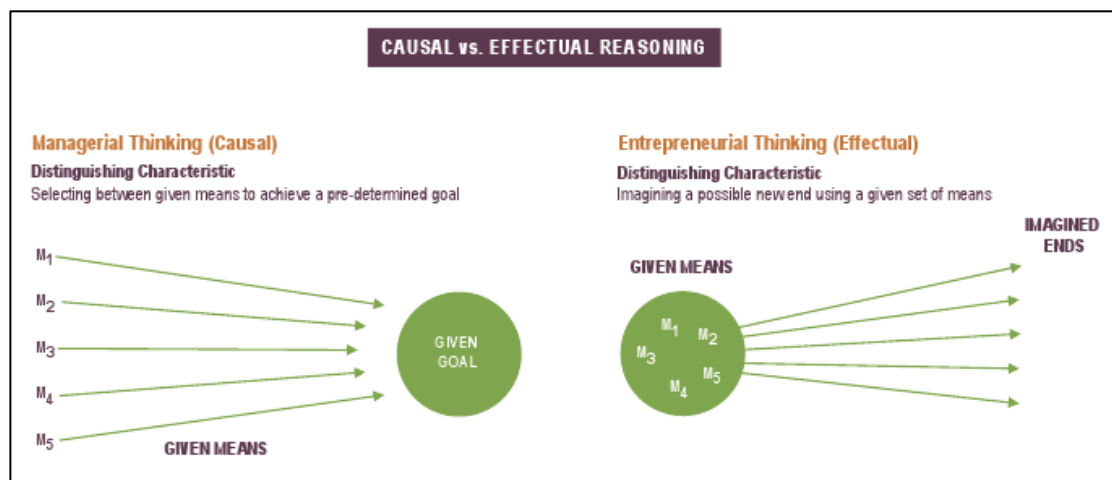


Figure 3.
Causal vs. Effectual Reasoning
(Effectuation 101, May 2014)

It is important to note however, that “effectuation is not a wholesale replacement for predictive rationality – it exists in parallel to it” (Wiltbank & Sarasvathy, 2010). This duality of effectuation and causation is well recognised in the literature on effectuation and most researchers agree that whichever approach is ultimately used it will be highly situational and context-driven. Gabrielsson and Politis (2011) state that “the specific contexts where entrepreneurs operate matter very much for explaining entrepreneurial decision-making.”; Baker and Nelson (2005) point out how “theorists have emphasized that the objective environment affects an organization’s outcomes even when it doesn’t affect the organisation’s behaviour”; Mintzberg (1978) on the other hand, crossing briefly into the field of strategy talks of how “strategy formation can fruitfully be viewed as the

interplay between a dynamic environment and bureaucratic momentum,”; suggesting that no matter where an entrepreneur or organisation is found on the “Causation-Effectuation Spectrum”, performance will be dependent more on the environment within which they operate than anything else. Johansson (2014) further expands on this notion that the two approaches are able to occur simultaneously within even the established firm depending on whether it is an innovative or administrative task that is to be performed.

2.1.2.4 A Preference for Effectuation by Expert Entrepreneurs

Sarasvathy’s 2001 paper on Effectuation began discussing the differences in the decision-making processes between novice entrepreneurs (MBA graduates) and expert entrepreneurs. She noted that MBA graduates tended to use a more standard formal approach, whereas those using less orthodox approaches tended to be more experienced entrepreneurs. Read & Sarasvathy (2005) then developed this thought and proposed further research into the area, which culminated in them predicting that no matter where on the Effectuation-Causation Spectrum an entrepreneur may lie early on in their career, they would develop “a clear preference for highly effectual strategies as their expertise grows.” They also claimed that “the development of entrepreneurial expertise is nurtured through effectual reasoning, and effectual action becomes a primary tool of expertise.” This was hence picked up and investigated in more detail by Dew et al. (2009) and by Gabrielsson & Politis (2011). They were able to show quite conclusively that expert entrepreneurs indeed tended to use the effectual logic, while novice entrepreneurs used more of a “predictive frame”, doing things by the book (Dew et al., 2009), and that as entrepreneurs gained experience they really did build a clear preference for the effectual logic (Gabrielsson & Politis, 2011).

Read & Sarasvathy’s (2005) propositions continue to then provoke the thought that this increasing preference for effectuation by the entrepreneur creates an ironic tension between the entrepreneur and the growth of the firm they created as it accelerates towards the “causal environment of a large organization”. This tension may be best understood however, by investigating the transitions that managers and entrepreneurs make at different phases in their career and different points in a firm’s life cycle, including Entrepreneurial Exit.

2.1.2.5 Firm transition from Effectuation to Causation

Much of the research into effectuation theory hints at firms becoming increasingly causal as they mature. In many of Sarasvathy’s papers, including those written with colleagues, she reminds us that effectuation is the dominant approach in the start-up phases of a firm and therefore more present in nascent firms than in established ones (Dew et al, 2008). Effectuation though has also been observed in large and established firms (Johansson, 2014), but still, this view that a transition from effectuation towards causation exists is strengthened when DeTienne & Chandler (2010) tell us that the “effectual logic is emphasised in the earlier stages of venture creation, with a transition to more causal strategies as the new firm and market emerge out of uncertainty into a more predictable situation”. Due to all the old classical firm growth and life-cycle theories, it is intuitively realistic for us to imagine therefore that as a firm matures and becomes more established along with its market maturing and establishing itself, that market uncertainties decrease, predictive abilities increases and that the effectual approach will slowly lose its appeal. This “creeping rationality” is a phenomenon that has been observed over and over again, because as organisations grow, they develop formalised

strategic decision-making processes and the larger the company, the more comprehensive these processes become (Fredrickson & Iaquinto, 1989).

2.2 Theoretical Foundation

I shall now present the theoretical foundation of this thesis in order to establish what perspective is taken on the theories of Effectuation and Founder Exit. Moreover, a structure for the analysis of this study will be created by way of discussing the links between Founder Exit theories and those of Effectuation.

2.2.1 The Interactions between Causal Firm Growth, Effectual Entrepreneurial Expertise and Founder Exit

To briefly come back to the differences between Effectuation and Causation, and as presented earlier, Sarasvathy (2008) describes these two opposing logics well in the following quote:

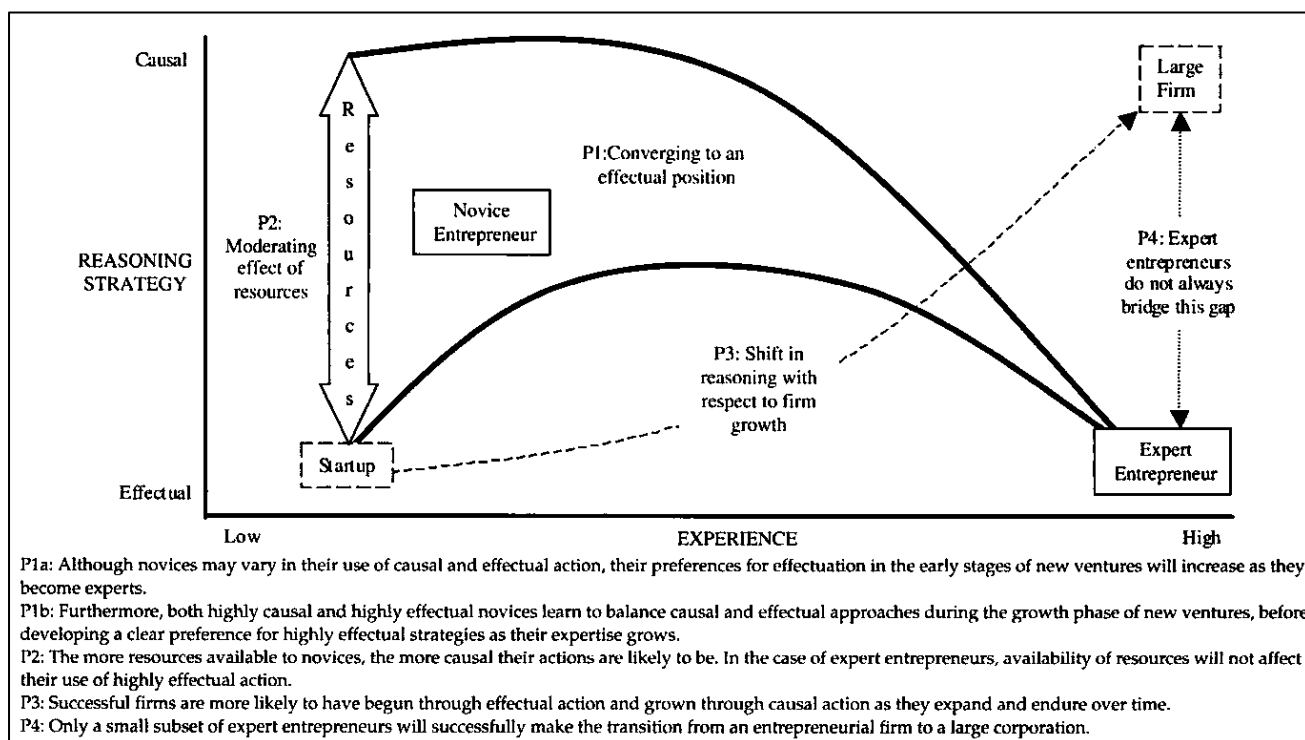
Causal problems are problems of decision; effectual problems are problems of design. Causal logics help us choose; effectual logics help us construct. Causal strategies are useful when the future is predictable, goals are clear and the environment is independent of our actions; effectual strategies are useful when the future is unpredictable, goals are unclear and the environment is driven by human action. (Sarasvathy, 2008)

When interpreted using DeTienne & Cardon (2010), this quote tells us that in mature and predictable environments, where goals are easy to set and causation prevails, the actions of the individual entrepreneur are independent of their environment, meaning that an individual's actions will have little influence on the decision-making within the firm. This creates a certain disconnect between the entrepreneur and the firm. When the opposite is true however, the individual will be in the driving seat of their environment, so the approach of the firm as a whole is more likely to reflect the entrepreneur's own approach.

It's this disconnect between the causal environment and the effectual expert entrepreneur that is interesting for this thesis to investigate and something that Read & Sarasvathy (2005) hinted at in their 4 research propositions:

1. Although novice entrepreneurs may vary in their use of causal and effectual action, their preferences for effectuation will increase as they become experts, and no matter whether they begin causal or effectual, they will develop a clear preference for highly effectual strategies as their expertise grows.
2. The more resources available to novices, the more causal their actions are likely to be. In the case of expert entrepreneurs, availability of resources will not affect their use of highly effectual action.
3. Successful firms are more likely to have begun through effectual action and grown through causal action as they expand and endure over time.
4. Only a small subset of expert entrepreneurs will successfully make the transition from an entrepreneurial firm to a large corporation.

These 4 propositions are nicely presented and summarised in Figure 4 below. It clearly shows how one would expect to see entrepreneurs increasingly preferring effectuation as they gain experience. At the same time there's a shift towards causation on the firm level, leading to a gap between the large firm and the expert entrepreneur.



Proposition 1 and the increasing preference for effectuation as entrepreneurs gain experience is supported nicely by the work done by Dew et al. (2009) and by Gabrielsson & Politis (2011). Proposition 2 is beyond the scope of this thesis and will therefore not receive any further attention. Proposition 3 has long been the focus of classical firm growth and life-cycle theories, which have not been covered in this thesis, but which are highlighted through work done by Fredrickson & Iaquinto (1989), Dew et al. (2008) and DeTienne & Chandler (2010). Johansson (2014) challenged the premise of this third proposition, but generally, most people support the classical view and would expect to see firms growing towards causation. Proposition 4, which indicates to a gap between large firms and their now expert entrepreneurs, suggests a link to the field of Founder Exit. This is therefore the main focus of this thesis, because, to the best of my knowledge, no studies as yet have been done to answer this exact question.

To clarify what Read & Sarasvathy (2005) mean exactly with their Proposition 4 it would be best if I let them tell us in their own words.

“Our final proposition (Proposition 4) addresses a fundamental irony of effectuation. Clearly, an entrepreneur uses effectual thought in order to improve the new firm's chances of survival, growth, and success. But as the entrepreneur and the firm achieve these goals, the relevance of effectual action is minimized. The very expertise that contributed to fledgling firm survival and growth in the highly uncertain and ambiguous start-up setting is not as appropriate for the more static, causal environment of a large organisation. In other words, the expert entrepreneur who effectuates has less and less advantage

as the organization that he created becomes increasingly "corporate." Ironically, therefore, level of entrepreneurial expertise, as measured by effectuation, predicts the necessary departure of the effectual entrepreneur (through exit, supersession, stepping aside, or in other ways) once the firm has successfully expanded to the inflection point at which causal reasoning becomes necessary for firm survival." (Read & Sarasvathy (2005)

The idea of this irony is echoed in Founder Exit theory to a certain extent. Wasserman (2008) says that as the founder builds a company capable of marketing and selling large volumes of product and of providing customers with after-sales service, the venture's finances become more complex, and the CEO needs to depend on finance executives and accountants. The organisation has to become more structured and the CEO has to create formal processes, develop specialised roles and institute a managerial hierarchy. These changes stretch most founders' abilities beyond their limits and the firm "outgrows" them. (Wasserman, 2008)

A firm outgrowing its founders has been tossed about in the literature on Founder Exit quite a bit, but as I mention above, no one as yet has tried to explain Founder Exit through the lens of Effectuation theory. Effectuation theory describes well the individual-level motivations for starting a firm, and the individual-level factors explaining Founder Exit are under developed, so using the former to explain latter makes sense.

In order to fill this gap in the theory, I shall now present my method used to answer the following research question and sub-questions:

Why do founders leave their *successful* firms?

"To what extent is an exit voluntary?"

"What are the individual motivations and even emotional factors contributing to an exit?"

3. Methodology

The primary aim of this research consists of finding out why entrepreneurs would leave the successful firms they themselves created. The second aim consists of analysing which individual-level motivations trigger entrepreneurial exit. In order to understand how underlying effectual processes shape the situational context of entrepreneurs in their firms, a qualitative methodology was chosen (Mayoux, 2005). This qualitative methodology draws on interviews conducted with founders, managers and staff to find out which events and processes eventually lead to Founder Exit in the two firms studied.

3.1 Research Design

3.1.1 Exploratory Research

Since research on Entrepreneurial Exit is still in a nascent state, an explorative approach has been chosen in order to help us gain further insights into the underlying factors leading to Entrepreneurial Exit. The aim of an exploratory study does not consist in formulating rigid conclusions and providing definite answers to the research questions, but rather it aims at exploring a problem from a different angle so as to gain new knowledge, thereby forming the basis for more conclusive research (Brown, 2006). In other words, an exploratory study is often used to investigate areas that are under-researched. Hence the open approach adopted by this study consists of generating further content so as to enable the formulation of more concrete theories about Entrepreneurial Exit (Jacobson, 2002).

3.1.2 Inductive Approach

The inductive approach used in this study forms part of the exploratory research purpose, in that its aim consists of theory generation and discovery (Morgan, 2014). Induction, which is typically used in qualitative research, begins with the accumulation of topic specific data, the analysis of which will help one gain a more general understanding of that topic. Therefore, research questions following an inductive approach are usually open-ended so as to allow for an array of findings to emerge. Such open-ended research questions frequently begin with the words, *why*, *how* or *what* (Hesse-Biber & Leavy, 2010).

The induction approach is the inverse of the deductive approach, which starts with a theory and then tests its implications through observations and data collection (Blackstone, 2012). The research question of this study has been deliberately phrased in an open-ended fashion, because the main aim of the study consists of developing tentative theories through observation instead of testing existing theories as required by a deductive approach. Nonetheless, the study has some deductive elements to it, because in order to explore the reasons for Founder Exit, Effectuation theory is applied to help explain possible motivations for individual entrepreneurs to leave their firms. Hence the deductive element of this study attempts to analyse to what extent the collected data matches important aspects of Effectuation theory.

Yet, the overall approach remains inductive, attempting to find patterns in the data so as to develop more concretised concepts that are then linked to the deductive method and by analysing to what extent the observed patterns match the theory of Effectuation. In order to substantiate the inductive approach, this study uses the grounded theory

method, which also starts with data collection, followed by coding the data into categories in order to then derive generalised conclusions from that (Corbin & Strauss, 1990).

3.2 Research Methods

In line with the exploratory nature of this study, an array of research methods has been employed. These methods rely on observations and qualitative approaches that help identify recurring patterns and which can then be used to formulate tentative conclusions regarding Founder Exit.

3.2.1 Process Research Method

When studying change in an organisation, two approaches are often used, namely the variance approach and the process approach. The variance approach considers change as a dependent variable, which is explained as a function of independent variables. As such it follows a deductive approach, aiming at testing hypotheses. Thus, the variance method is an effective approach for studying change brought about by deterministic causation, yet it is less useful in a more narrative exploratory setting where more complex events and dynamic processes need to be taken into consideration. The process method, on the other hand, takes important turning points into account and it can be used to identify temporal connections between events, but can also generate temporal patterns too. Process research relies on observations and on further research methods, which can help it analyse the processes, such as multiple case studies. The process method is however a laborious task for the researcher, because the observed processes can be complex, making it difficult to develop process explanations or discern patterns in the data. Nonetheless, the process method enables richer observations and explanations for change compared with the variance approach. Therefore it can help identify the underlying mechanisms that bring about change (Van de Ven & Poole, 2005). In this study, which focuses on critical turning points leading to founder exit, the process method will be particularly useful in exploring the dynamics behind Entrepreneurial Exit and in understanding this phenomenon in relation to time and context.

3.2.2 Grounded Theory Method

The Grounded Theory Method works on the premise that concepts should be “grounded” in real data. Hence the Grounded Theory Method was chosen, because it is in line with the inductive approach of this study in that it starts by gathering data to then uncover new concepts and/or theories. The Grounded Theory Method also relies on two principles: First, that phenomena are not static, but constantly changing in response to prevailing conditions; and second, it considers that actors have the means to respond to these prevailing conditions and to influence their destinies. It seeks not only to uncover relevant conditions but it also attempts to investigate how actors react to these conditions and to the consequences of their reactions. The Grounded Theory Method therefore rejects determinism (Corbin & Strauss, 1990). Given that this study seeks to analyse what conditions and motivations influence Founder Exit, these two principles of the Grounded Theory Method are considered adequate in order to build this study's observations upon.

As the Grounded Theory Method starts with data collection and can draw on many sources (Corbin & Strauss, 1990), the present study data was collected via three rounds of semi-structured interviews. In the initial phase of the Grounded Theory Method, data

is analysed to uncover certain events, happenings or incidents that will be attributed to conceptual labels and sources (Corbin & Strauss, 1990). These will then be categorised and compared to each other. This is what Corbin & Strauss (1990) refer to as Open Coding. Axial Coding uses the inductive and deductive approaches to then categorise, subcategorise and compare the codes with one another and in order to delineate relationships. Finally, Selective Coding aims at identifying a “core category” amongst the categories, which will have been identified already in the previous two steps. All “non-core” categories are then related to the core and other categories. This coding approach, inherent to the Grounded Theory Method, is particularly useful in this study, because it enables the observation of relationships between various events along a firm’s timeline and helps narrow down the observations to help identify the driving factor leading to Founder Exit. Moreover, the three rounds of interviews explained below helped to generate enough data so as to efficiently apply the Grounded Theory Method and to compare and test concepts and categories against each other.

3.2.3 Triangulation Method

Qualitative researchers concern themselves with the validation of observations. To be certain the evidence is good and reliable, qualitative researchers have developed a method call the Triangulation Method. Simply put, the easiest way of validating one’s observations is to “look again and again several times” (Stake, 2010). Triangulation combines multiple methods in order to study the same phenomenon (Denzin, 2012). By doing so, the Triangulation Method seeks to gain an in-depth understanding of the phenomenon being studied. Triangulation is often understood as combining quantitative and qualitative methods, however, it can also refer to the use of multiple qualitative research methods. There are four types of Triangulation that need to be distinguished, namely: Data Triangulation (i.e., using a variety of data sources), Investigator Triangulation (i.e., using different researchers), Theory Triangulation (i.e., using various theories to interpret the results), and Methodological Triangulation (i.e., using multiple methods to answer a research question) (Johnson et al., 2007). In this study, Data Triangulation has been used by conducting three separate rounds of interviews where each new interview confirmed or refuted certain elements that came up in the previous round of interviews. As such, a “within method” strategy has been employed relying on just one method of data collection, namely interviews. Yet, data gathered through these three rounds of interviews will have helped increase the consistency and reliability of the findings (Jick, 1979).

3.2.4 Case Studies

According to Yin (2009) a case study examines a contemporary phenomenon within its real-life context and is particularly appropriate when the linkages between phenomena and context are not clearly apparent. Case studies follow an inductive approach as they emphasise the development of constructs, measures and testable theoretical suggestions (Eisenhardt & Graebner, 2007). A case study approach was therefore used to identify which phenomena and which situation specific events lead to Founder Exit.

Case studies can either involve single or multiple cases. Van de Ven & Poole (2005) consider multiple case studies as a very effective approach in process research as they allow the identification and reconstruction of processes that bring about organisational change. As this study aims at understanding the phenomena and/or motivations that trigger Founder Exit, a multiple case study approach has been chosen. This approach will help draw stronger conclusions and create more reliable base for theory building than a single case approach (Yin, 2009).

3.2.5 Case Selection

Regarding case selection, Eisenhardt & Graebner (2007) claim that cases should be selected according to their suitability for illuminating and identifying relationships between different constructs. In other words, the cases are chosen for their likelihood to present theoretical insight. Case selection can also come from the opportunities and the evidence that presents itself, but the most important thing to keep in mind is the representativeness of the phenomena and the access to information (Symon & Cassell, 2012, Yin, 2009).

As the study aims at identifying why founders leave their successful firms, the cases were chosen in such a way that they enabled effective comparisons. The two cases had to fulfil the requirement that they involve a successful firm. One case had to have founders who stayed and one had to have a founder who left. Hence the baseline (the successful firm) is the same, but the processes (Founder Exit or not) are not the same, which will allow juxtaposing the different decisions of the founders and thus to identify some patterns.

Through previous student projects and professional work with the two case companies, I was able to identify that the two companies matched the above-mentioned case selection criteria. A good relationship with the management at each company also facilitated the planning of interviews and sharing of important company data.

3.3 Data Collection

The data needed for this study was collected through semi-structured interviews with the founders, managers and staff of the case companies and through the retrieval of annual reports and other such company information. All data collection, as well as the transcription and coding of the interviews were done together with Sara Jonegård, a fellow Master student at the Stockholm School of Economics.

3.3.1 Interviews

The interview data collection took the form of semi-structured interviews, which were selected for flexibility and the ability to generate deeper meanings and raise issues that may not have been anticipated by other research means (Longhurst, 2003; Valentine, 1997). These interviews were divided into three rounds and data was collected over a period of one year between 2013 and 2014. A total number of 17 interviews were conducted – 7 during the first round, 6 during the second round and 4 during the third and final round. The participants for this study were chosen according to their involvement and expertise in the case companies and contact was made with the participants via email or telephone and invited to participate in the study. A set of interviewee-specific, semi-structured interview guidelines were prepared in advance of each interview and emailed ahead to the interviewees. The questions were designed to get right to the point of this study's research question and were inspired by the different levels of interview question examples as presented by Stake (2010). (*See Appendices I, II and III for details of the interview details*) Access to the participants was made easy through the good relationship I had with them before starting this study. The participants were also eager to learn about what this study was about and therefore took part enthusiastically. The first round included all the founders bar one, plus two members of the long-standing staff of each firm. The second round then included all the founders of each case company. And the third round only involved the two main individuals from each of the two case companies. The interviews were conducted either at the interviewees place of work or on the premises of Stockholm School of Economics. The interviews were recorded using a voice recording device and then transcribed into text

format. Following the first round of interviews, and inspired by Fischer (2010), a timeline graph of each company was designed and used as a discussion tool throughout the interview. The interviewee was asked to identify on the company timeline the major events that took place and use this as a basis for discussing how decision-making took place at these various points along the company timeline.

In addition to the interviews, many informal discussions regarding this topic took place in the corridors of the two companies, adding emphasis to what had been formally recorded during the interviews. Participants of the study were also asked to provide, where possible, relevant documents such as company annual reports and they did this willingly. The modest number of participants in this study is not regarded as an issue, because all the founders, who are the main subjects of this study, were interviewed.

3.3.2 Interview Coding

Following the transcribing of all the interviews at the end of each round, they were coded according to the following categories:

- The 5 Elements of Effectuation
- Possible Factors for Founder Exit
- Individual Motivations for Starting/Leaving the Firm

This Selective Coding was all done so as to identify a recurring theme, or a “core category” of comments.

3.4 Critical Review

According to Yin (2009) the quality of a case study research is verified by the following four concepts: Construct Validity, Internal Validity, External Validity and Reliability. This section will link these four concepts to the research methods described above.

3.4.1 Construct Validity

Construct validity refers to the degree to which inferences can be legitimately made from the methods used in theoretical constructs. Yin (2009) describes construct validity as the extent to which a study correctly uses its methods to collect data without any subjective judgement. In other words, construct validity seeks to uncover to what extent data has been objectively gathered in order to develop valid theories. Construct validity in the present study was achieved by using the Grounded Theory Method, which by its very nature aims at reducing the subjectivity of judgement as much as possible by constantly comparing the collected data so as to identify recurring patterns (Corbin & Strauss, 1990). Moreover, the triangulation of the data allows for more confidence in the results (Jick, 1979), as it seeks to “look again and again several times” at the data (Stake, 2010).

3.4.2 Internal Validity

According to Yin (2009), internal validity is mainly a concern for exploratory case studies in that it “measures” the extent to which the results presented accurately reflect reality. Internal validity seeks to establish causal relationships based on the data gathered. The internal validity in this study has one flaw, because one weakness of a qualitative study is that it contains subjective elements, which can lead to misrepresentation of the facts (Stake,

2010). However, this flaw is mitigated by the use of the Grounded Theory Methods. Corbin & Strauss (1990), claim that the Grounded Theory method is grounded in reality due to the systematic analysis and categorisation of the collected data, which is meant to diminish researcher bias.

3.4.3 External Validity

External Validity is defined as the degree to which the research findings are applicable to patterns observed outside the selected case studies. It refers to how “generalizable” the research findings or drawn conclusions are and whether they can also be applied to other settings than the ones studied in a given research (Yin, 2009). The external validity in this study is reduced due to the small sample size and the fact that only two case studies have been analysed, which has an impact on the generalizability of the results. However, by using data triangulation and drawing on different data sources, this study aims at strengthening its external validity.

3.4.4 Reliability

Reliability demonstrates the “repeatability” of a study and the quality of its measurements. The objective of reliability is to ensure that if another researcher were to follow the same steps as described by an earlier study and conducted the same case studies he would arrive at the same conclusions and findings as the initial study (Yin, 2009). In this study, reliability has been facilitated by coding all the interviews using the Grounded Theory Method and by accumulating as much documentation of the case studies as possible. Triangulation, especially Data Triangulation, was also used to facility reliability of the data collected. This was achieved by performing three rounds of interviews with the same set of interviewees. But as this is an exploratory study and not meant to draw any rigid conclusions, even the small amount of Triangulation performed will suffice for the purpose of this study.

4. Results

In this section I shall present the empirical data that was collected and divide it by case company. For each case I shall begin by presenting the story of the case company and how it developed, followed by the data collected from the interviews that highlight how the company grew to be a more causal company as the founders simultaneously built a preference for effectuation. Finally, at the end of each case the founders' reasons for starting and then (possibly) leaving their firms will be presented.

4.1 Addnature

4.1.1 The story of Addnature

In the year 2000, a group of friends were on a ski holiday in Switzerland when they came up with the idea of selling outdoor adventure equipment (such as the stuff they were using on their trip) online and at a reasonable price. They wanted to be a part of the “new economy” and were inspired by their friends and former Anderson Consulting (Accenture) colleagues, who a few years previously, had successfully launched Adlibris.

Mathias Hedström, Klas Berggren and Martin Larsson sat down, wrote a business plan and then went out looking for an investor. They're timing couldn't have been worse, because just at that moment the dot.com bubble burst and no-one was willing to invest any more into internet start-ups. The three still had their business plan so decided to give it a go anyway, investing only what they could afford to lose and sharing office space and IT platforms with their Adlibris friends to save money. As Swedish outdoor adventure equipment suppliers were not so keen on selling their products on the internet at that time, Addnature came across a retailer in Spain who was able to, if only temporarily, supply them with everything they needed. Soon the Spanish supplier cancelled their agreement, but by then the guys at Addnature had proven that there was a willing market in Sweden for online shopping, so it became easier to get Swedish suppliers onboard with the concept of online retail. Slowly but surely, things picked up and after 3 years of hard work, they finally turned a profit. Figure 5 shows the growth of Addnature in terms of revenues and employees and table 1 shows the numbers behind figure 5.

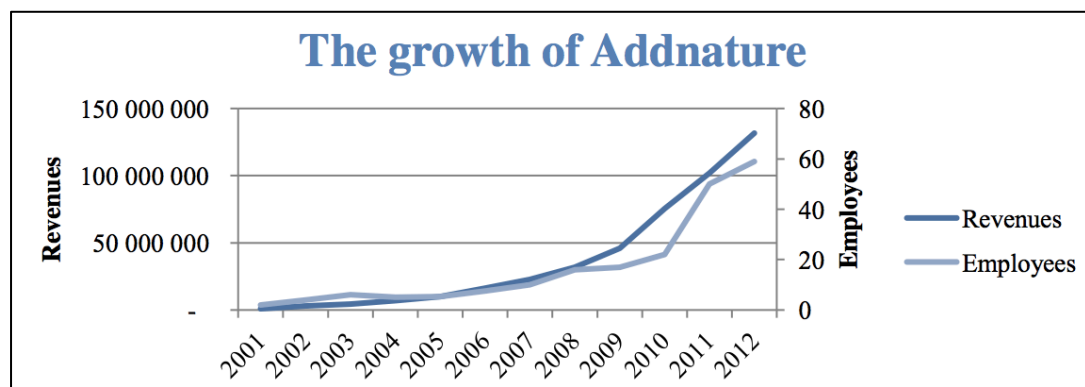


Figure 5.
The Growth of Addnature

Table 1. The Growth of Addnature

Year	Revenues	Results	Employees
2001	864 513	- 805 105	2
2002	2 981 081	- 328 111	4
2003	4 418 957	- 249 162	6
2004	6 868 863	596 906	5
2005	9 890 110	- 3 439	5,25
2006	16 338 860	475 476	7,5
2007	22 652 527	687 746	10
2008	31 823 497	- 230 925	16
2009	46 038 188	1 782 334	17
2010	75 577 803	4 048 638	22
2011	101 966 805	4 547 350	50
2012	131 765 075	6 549 947	59

As time went by, Addnature grew steadily in both revenues and staff numbers, and experienced a number of major change events, such as moving into a succession of ever-bigger premises, opening physical stores, appointing a board and, most recently in 2013, entering into a merger agreement with the German online retail group Internetstores. Today, Addnature is Sweden's #1 online retailer for outdoor adventure equipment and regularly wins top awards as a recommended retailer and for its customer service.

4.1.2 Firm-level shift from Effectuation to Causation

From the first two rounds of interviews, I was able to identify that the founders' approach to starting Addnature and to everyday decisions, particularly in the early stages, was done using the logic of effectuation – i.e. using what resources were available and using them creatively to build something that might not have been the original goal and without risking more than they could afford to lose.

Our decisions were always based on that even if they were a failure, we should be able to afford to continue and to try other alternative strategies instead. Mathias

... but I think we have always been low risk with small steps all the time. No big investments, no risky steps that could damage the whole business. Klas

Also, much was simply made up as they went along.

... we were making a lot of stuff up and we had no-one else to look at (benchmark), we were one of the first who started to send newsletters that were really efficient and we soon got a big customer base who received them. Mathias

In some cases we reacted to the environment or to customers, and sometimes we made things up along the way. Mathias

We would experiment with a few different strategies, not too many, but we'd try a couple before moving on with one chosen one. So we had that flexibility of experimentation. Klas

However, at bigger, more important and possibly riskier special decision events, such as appointing a new board and particularly the merger with Internetstores, the logic of causation dominated decision-making – i.e. there was a specific goal in mind and the resources were acquired in order to reach that goal. These causal decision events became more frequent later in Addnature's life as it grew and matured, showing that the decision needs of the firm shifted from an effectual and entrepreneurial start to a more causal and professional-management model.

But now, as we are becoming a big player on the market, we have to base the goals much more on hard facts and really analyse if it's possible to reach those goals. Mathias

It's definitely becoming more and more calculated and based on more facts. Now we actually have facts about the market and how the market is developing and what we think our market share could be. Mathias

They make more structured analysis and they present maybe a couple of different alternatives to us and then we make a decision together with them based on the facts that they have.” Klas (Talking about Internetstores)

Market maturity was therefore identified as a major factor that encouraged this firm-level shift towards causation. Sales growth and increased delegation too were noted as being factors for this shift.

4.1.3 Experienced Entrepreneur's preference for Effectuation

It was identified that on an individual level the founders themselves tended to remain effectual by nature, even as their firm grew and became more causal around them. All three founders – Mathias, Klas and Martin – were effectual to a similar degree. As a team, they behaved very effectually in the beginning and have continued as such along the timeline of the firm. As long as they remained just the three of them, decision-making was effectual, quick and made on gut feelings.

But if the three of us makes the decisions just by ourselves, I think we can base it more on just gut feeling. Klas

It was only when external influences, such as the appointment of a board, and external investors (Internetstores) came into play that they switched to the more causal logic, but only when necessary and at special decision events, such as the moving of their premises and investing in a big warehouse. It was observed that all founders were most comfortable with the effectual approach for everyday decision-making, and even preferred effectuation to causation, however they seemed to be at ease with the slow shift of the firm towards causation. This could be because the shift has come quite slowly and follows in line with the founders having young families now and growing responsibilities in their private lives.

One of the best examples of the founders building a preference for effectuation as they gained experience however, comes from their failed attempt at getting financing at the very beginning of their venture. After writing a business plan and following very causal steps as inexperienced and causal entrepreneurs, they then had to switch to a logic of effectuation to get things off the ground.

When we started and we wrote our first business plan in 2000, no one could have described a plausible scenario. Every scenario we would have imagined back then would have been totally wrong, so that's why I think it would have been pretty impossible. The market was too new and we knew too little about the future. Mathias

4.1.4 Motivations for Founder Exit

To talk of the motivations for Founder Exit one must also talk of the founders' motivations to start their firm. All the founders started Addnature out of curiosity and

wanting to build something fun and valuable. They saw it simply as a great adventure and were therefore never in it for the money.

It was a combination of being a part of something new and exciting, fun and adventurous. Accenture gave me a lot, but I wanted the adventure. Mathias

The curiosity to see if it's possible. The challenge of creating something from nothing, with the hope of making some money from that, or enough money to have an income. It was a good time to try and start something like this before kids came along. Klas

The money was to be a by-product of building something fun and valuable. Klas

So the founders of Addnature never started their venture with the sole intention of building something to then sell on for a lot of money. They wanted to build something of lasting value and that they could be proud of. This also meant that they never did and still don't have a specific exit strategy.

We were never aiming for exit. An exit strategy was nothing we considered. Klas

When asked about how things have changed over the timeline of the firm, particularly now since the merger with Internetstores, they see the merger as yet another adventure along the way and are excited about the future.

At the moment there are many other interesting aspects that are keeping things fun and exciting here. Of course, it's challenging, but they are new challenges. Mathias

They are however quite aware that if things become too causal that this could be a reason for them to leave the firm, as it would then no longer be the firm they themselves created.

It depends on how the company grows. Of course, if the company became big and bureaucratic like ABB, where I worked before, I would leave and do something else. Klas

But yes, basically, if the firm became too structured (causal), I would most likely leave. It's got nothing to do with size, but more the direction of the firm and sales philosophy that counts. Klas

For now they still have quite a lot of control of the decision-making, but as was seen in the earlier discussion on the shift to causation, more and more decisions are being made by the managers at Internetstores and not by the original core team of Mathias, Klas and Martin. Losing this control, they say, could potentially be a reason for them to leave the firm in the future.

I can't make decisions like I used to be able to. Mathias

If things changed too much away from what I know and like, if there were a change in direction of the company, or the culture changed too much, then that would make me want to leave. Losing control too. Klas

But with kids now, this step into something else would be a more calculated and rational decision. Klas

So with families and homes to take care of, they would have to think long and hard about leaving, making the leaving decision very much a causal one.

4.2 Adlibris

4.2.1 The story of Adlibris

In 1997, just before the dot.com boom began, a group of friends and Andersen Consulting (Accenture) colleagues, led by Pär Svärdsson, met in Pär's kitchen to brainstorm business ideas that involved the “new economy” that was the Internet. After 101 ideas they finally decided to open an online bookstore to sell cheap literature for students. Initially it started as a part-time hobby project and something fun to do, but very quickly it grew, Pär left Accenture to work on it full-time and not long after the others, Fabian Fischer, Johan Arvidsson and Magnus Dimmert joined. They decided to not take on too much risk by getting external financiers involved, so relied just on “family, friends and fools” for some very limited financing. They saw it as a challenge to build something from nothing, using just their own expertise in programming and to see how far they could take this new technology. Due to their limited pool of finances, they were forced to have a very lean operation and to not waste money needlessly. This developed a culture of cost saving, so, for example, when they went to the annual Swedish book fair in Gothenburg, they would choose to stay in a cheap youth hostel rather than an expensive hotel. This lean culture meant they built a long-term and sustainable business model that was focussed on customer service excellence, putting them in a strong position to survive the dot.com bubble, which burst in 2000. Since then, things have only been growing in a typical “hockey stick” fashion. Figure 6 shows the growth of Adlibris in terms of revenues and employees and table 2 shows the numbers behind figure 6.

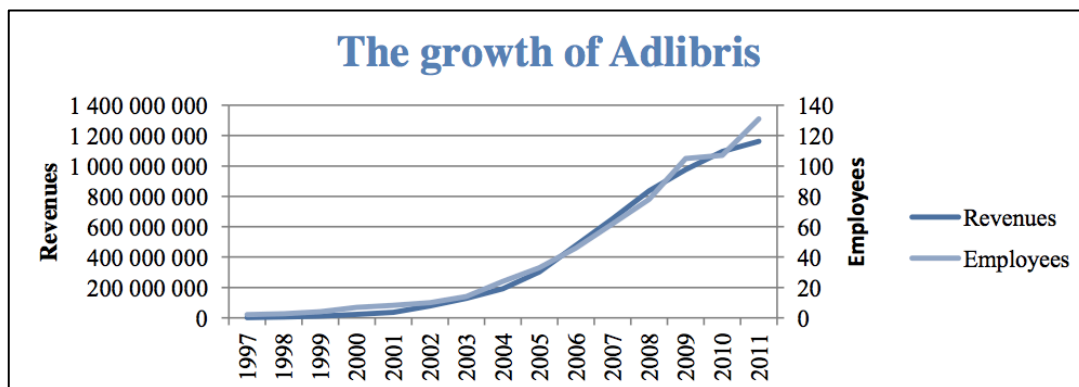


Figure 6.
The Growth of Adlibris

Table 2. The Growth of Adlibris

Year	Revenues	Results	Employees
1997	825 353	35 061	2
1998	4 670 354	62 087	2,7
1999	11 164 736	- 250 005	4
2000	22 047 465	- 3 498 425	6,8
2001	36 225 070	514 804	8,2
2002	78 704 658	4 973 318	10
2003	128 746 144	8 567 988	14
2004	190 944 669	12 073 054	24
2005	302 317 823	16 075 360	33
2006	477 324 920	19 965 381	46
2007	651 831 039	30 832 276	62
2008	836 422 739	49 823 132	78
2009	977 173 775	61 156 582	105
2010	1 095 706 747	118 757 366	107
2011	1 162 236 167	77 197 746	131

As Adlibris grew steadily in both revenues and staff numbers, they experienced a number of major change events. In 2000 they appointed a board, they opened their own distribution centre in Morgongåva in 2001 and then in 2004 they agreed to be acquired by Bonnier, one of Sweden's oldest and largest publishing houses, with final closure of the deal in 2011. Since the deal was signed in 2011 however, all the original founders of Adlibris have left the firm to start on new ventures. Despite this, Adlibris is still Sweden's #1 online retailer for books and e-books and continues to regularly win top awards as a recommended retailer and for its excellent customer service.

4.2.2 Firm-level shift from Effectuation to Causation

From the first two rounds of interviews, I was able to identify that the founders' approach to starting Adlibris and their everyday approach to decision-making, particularly in the early stages, was very effectual – i.e. they used what little resources they had in creative ways to build something from nothing, they had no particular goal in mind, except that they wanted to sell books cheaply online, and they chose to risk only what they could afford to lose. As a team, the founders, who were basically the entire company, behaved very effectually in the beginning and continued as such along much of the timeline of the firm. They were in it to have fun and enjoy the ride.

In the beginning, every meeting we had was like a management meeting, but was also a board meeting, and an AGM all at the same time, so we had this all mixed, because 99% of the shares were represented in the same room and took operational decisions as well as others. It gave us such a kick. It was fantastic! We could talk about some new functionality that would differentiate us from the competition and just build it directly. That gave us a lot of energy. Magnus

Their growth, in many ways, came about by effectual means.

We just went through a one and a half metre thick wall in our warehouse and we put a conveyer belt through the hall so we could continue to expand, and so we grew really by taking very many small steps. Magnus

But slowly, a shift towards causation started to emerge, especially when external interests came into play, such as the appointment of a board.

Another thing is the power-shift from management to board. You get more and more board power as the business grows. And as the board gets more power you will have a much more bureaucratic process, because that's the way boards work. They want to see plans and milestones and moves in a specific direction. Magnus

Also, this shift only really occurred when necessary and at big, important and possibly riskier special event-based decisions, such as the original investment into the set-up of the warehouse in Morgongåva.

As we grew, we could look a bit further (into the future). The Morgongåva project wouldn't have been possible in '97. Johan

These causal decision events became more frequent later along the firm's timeline, as the firm grew, showing that the decision needs of the firm shifted from an effectual (and entrepreneurial) start to a more causal and professional-management model. There was of course more at stake and so the firm required a more causal logic.

As the company grows you will get more of that rational stuff, I think. You think of what the next year or the next two years will be like, how much profit you will be able to make, what the cash flows could be, etc. Just because they're bigger number, there's much more at stake. Magnus

Competition would also drive the firm towards causation.

The strategic parts are really coming now, where we have really, really hard competition on the outside. Anna

And finally, now, post merger with Bonnier, things have become very causal for the firm.

Now, strategic discussions are much more planned. The management group go away for a day and just go through these strategic questions based on some models... it's getting more and more planned. But at the time where all the founders were still involved it was very different. Magnus

Sales growth and market maturity were also identified as factors that encouraged this firm-level shift towards causation.

4.2.3 Experienced Entrepreneur's preference for Effectuation

It was identified that the founders themselves tended to remain effectual in nature, even as the firm grew. Pär especially came across as the most effectual in his attitude towards decision-making. Fabian a little less so, more or less following Pär's lead, and Magnus was less effectual again, especially when he was appointed CEO and got out all his management books and planned for the future growth of the firm. This shows very causal characteristics by Magnus, however, one cannot say that he was all the way causal, because he also showed effectual traits in his overall approach to everyday decision-making. Johan, on the other hand was far too causal for what was essentially an effectual firm and left early on.

Still, it was observed that the founders who remained were most comfortable with the effectual approach for everyday decision-making.

It was fantastic and I didn't want to leave work, because we were having so much fun. Magnus

I hate structure. I can't stand it. In many ways it kills you. I don't like it. I'm not good at it and I don't feel good in that environment. Pär

I mean, if you make a business plan, 40 pages of business plan, you want money from someone else. You don't do it for yourself, because if you want it for yourself you can make one or two pages. 40 pages is for someone else. Because it takes several weeks to write, and after several weeks the world has probably changed. Pär

Basically, Pär was born effectual. Talking of his motivation to become an entrepreneur, he says.

The first thing is family reasons, because my father has started companies, my mother's family were farmers with companies. So it was in my background as "the normal thing to do" and not something odd. It was normalised and not a big deal. I mean, I started my first company when I was 14. I had no business idea. I just wanted to have a company, I don't know why, I just did. Pär

Magnus, on the other hand, started his time with Adlibris very causally, but also enjoyed the entrepreneurial way of working in the company and an effectual approach to decision-making.

When I came in, I spent the first two weeks putting together "this" information (SWAT analysis and Porter's 5 forces – Business Proposal and analysis) – i.e. answering, What is Adlibris? – using all the models I knew. ... This then developed into a great testing platform for selling books and step by step development, because of course you don't want to invest in solutions that are only good in 10 years, because we have no idea about 10 years from now. Magnus

4.2.4 Motivations for Founder Exit

Again, as above with Addnature, to talk of the motivations for Founder Exit one must also talk of the founders' motivations to start their firm. As with Addnature, the founders of Adlibris started the project out of curiosity and of wanting to build something fun and valuable. They saw it simply as a great adventure, an experiment to see if they could even do it and were therefore never in it for the money.

It started as an experiment, "Can we do this?" and if you get a lot of money it is not that complicated to do it and it was against the idea from the start. We wanted to try and see if we could do it. We didn't want to see if we could try and build something with other people's money, that was not the project. Pär

It was for the pride in building something. The glory, absolutely. I had quite a high salary at Accenture and probably a good future to stay there, but you don't get this: "I have to try and see if I can manage it." Pär

This way of doing things in a completely different way from the competition gave us so much energy and this explains the decision to leave Acenture, start this company and become an entrepreneur. It was so much FUN! Magnus

It wasn't for money. It was as if we couldn't even see the money. It was using technology and knowledge in a disruptive way, in a way that it hadn't been done before. Magnus

But as soon as money was on offer and on the table, as was the case when Bonnier approached them in 2003, their perspectives on the value of what they had been building started to change.

As soon as you start getting bids and you start calculating the value of your shares, something else is happening and another perspective comes in. You start thinking about how much money you can get out of this, which wasn't there before. Magnus

Then, with this causal shift of the firm and Pär's truly effectual nature, things got difficult, especially for him.

I think that as long as I was working with Adlibris I was against that (causal) process, so every step made to change this time to integrate, I didn't want to do that. When I left it was just a flood of introduction to these Bonnier publishing house specific things. Pär

This increase in bureaucracy made me lose my feeling of freedom. "Because it's mine, we can do this today and something else tomorrow" – that feeling was gone. With that, all the joy of going to work disappeared too. Pär

Magnus also felt that Adlibris was no longer the Adlibris he started with, especially since the buy out by Bonnier

All you do in a big organisation like this is look at numbers, where you compare the company's performance to a rolling 12-month average (which is extremely causal). You can do this for a while, but after a while you realise that "I am not measured on whether I'm doing the best thing for the company. I'm measured on whether I'm sticking to the plan." Magnus

And eventually, the shift became too much for Pär and Fabian. In combination with them selling their shares, losing ownership and the causal culture of Bonnier, they decided to leave the firm and start up a new effectual start-up venture, Apotea.se, an online pharmacy.

The combination of this itching, together with selling the shares made me realise that this was not my firm. I wasn't the owner any longer. Now I had to accept a lot of stupid things that I didn't like. Pär

And he pointed at there being a culture clash that caused him and Fabian to leave.

There was a big culture clash. Bonnier's corporate culture is a more professional way that is much more bureaucratic and much more structured. This culture clash was the biggest problem for me. I wanted to have my own firm that I could control myself, but all this new middle-management thing was annoying. Pär

So, again, it was the culture clash and the loss of ownership and control that forced Pär, as well as Fabian, to decide to leave.

This clash between me and the firm was absolutely a factor for me to leave, but also losing power. In a big bureaucratic company with all its decisions you are not in power anymore. You are like a team player and that's not entrepreneurship. Entrepreneurship is not a democratic way of solving problems, it's more you rule your own little world. Pär

Magnus, on the other hand, seemed to have adapted better to the causal progression of their work environment. He remained CEO at the firm for a further 4 years after the merger, but even he finally left in March 2014, seeking new entrepreneurial projects. Initially though, he couldn't leave, because he still felt responsible.

I could not just take the money and leave and put the company at risk. I felt that Bonnier had treated us really well. If they wanted to, they could have been so much harder on the figures they based their sales on. Because they also treated me well, I felt that I needed to work things through and take more responsibility. Magnus

But then, even for Magnus, the clash of cultures became strongly apparent and he decided to leave.

Bonnier and Adlibris had completely different value chains, so it was never going to work. There were totally different mind-sets. Magnus

My leaving goes back to this theory in the big company environment that I am not appreciated or valued or measured on whether I'm doing something valuable for the company "right now given the situation", but on the overall annual results, which would never live up to the values of 2010 (when they sold to Bonnier). In the large organisation, this created an environment where I realised it was extremely bureaucratic and not entrepreneurial anymore in any way. Instead it was taking energy rather than giving energy, because management is spending most of its time thinking about trying to plan, rather than doing what's best at each moment. Magnus

Finally, it was the loss of ownership on top of the increased causal environment that lead the effectual entrepreneurs to want to leave Adlibris, despite the company continuing to be a highly successful firm and the #1 Swedish online retailer for books and e-books.

4.3 Summary

In order to summarise the results and analysis above, I will compare and contrast the data collected from the two companies.

Firstly, I would like to draw attention to the different growth rates and sizes of the two companies. Although they each grew similarly in a "hockey stick" fashion, as is almost textbook for successful start-ups, Adlibris grew much faster than Addnature, both in revenues and employees. This can be explained by the markets they operate in and the relative market sizes, where books are a more simple and standardised product that can be sold en-mass, and where outdoor adventure products are a more niche product with a much smaller market. When the firms were acquired, they had each been in operation for 13 years. At that point, Adlibris already had more causal, big-company structures in place with 131 employees. Addnature, on the other hand, were still running a small, effectual show with less than 60 employees. For Addnature, the offer from Internetstores in 2012 came somewhat as a shot out of the blue, whereas Adlibris' acquisition offer had been on the table already for 7 years and so they slowly changed themselves to be more in-line with Bonnier. What is interesting however is that each company was approached by their acquiring company when they each had reported annual revenues of around SEK 130 million and were turning a 5-6% profit. Still, the relative market sizes and resulting difference in growth rates can explain to some extent why all of Adlibris' founders have now left while none of the Addnature founders have.

Secondly, the new mother companies of Adlibris and Addnature are both very different. Bonnier is a big old-fashioned Swedish publishing house with strict corporate structures and with a very different culture from that of Adlibris, whereas Internetstores is a young, entrepreneurial German online retailer for bicycles and other such sporting

equipment and therefore more in-line with Addnature themselves. This means that the shift to causation that was observed at Adlibris was much larger than that observed at Addnature, and consequently there is far less of a culture clash between Addnature and Internetstores than there is between Adlibris and Bonnier. This can also partly explain why the Adlibris founders were so eager to leave their firm while the Addnature founders continue to run the show at their headquarters in Stockholm.

And thirdly, the founding teams were both quite different in character. After meeting all the founders, the three Addnature founders were much more of a team than those who started Adlibris. Pär, Magnus and Fabian at Adlibris were very much individuals. Pär especially is the perfect example of an expert, serial entrepreneur who constantly uses the effectual logic. Fabian is also an effectually minded person, although he is very much encouraged into being an entrepreneur by Pär. Magnus came across as more of a business developer than an entrepreneur, but still he is not a big-company man. As just mentioned, the founders of Addnature worked more as a team. As individuals I doubt they would have started this venture, but as a team they work well together and continue to work as an effectual team. This individualistic nature versus the team spirit can also explain why the founders of Adlibris have left, but not those at Addnature.

Here I have identified *three factors* that differentiate why some of the founders left and others did not: *Firm growth, the culture of the new mother company and the individualistic or team nature of the founders*. With these three factors, though they explain well the differences between the two case companies, it is clear that they also create a gap, a culture clash, a “disparity” if you like, between the founders and their firms. Often, the interviewees would mention a culture clash as being a reason for them wanting to leave. This culture clash between the founders and their firm grew along the timeline of each firm, becoming particularly pronounced at Adlibris, and it was creeping in at Addnature too. This culture clash and gap between the founders and their firms can be explained by the founders’ increasing preference for effectual reasoning coming up against the ever-increasing causal nature of the growing firms. For Adlibris, their higher growth rate, their causal buyer and their more individualistic founders meant this disparity between the founders and the firm developed quite early on in the company’s timeline. For Addnature, as they have not grown so fast, were bought by an entrepreneurial company and because the founders worked well as a team means that the founders are still working in their firm, and so, this disparity between the founders and their firm is not yet pronounced enough to make Mathias, Klas or Martin want to leave.

5. Discussion

In this chapter, I will discuss my findings and their implications. First, I will discuss to what extent Founder Exit is voluntary. Second, we will discuss the different motivations and emotional factors that contribute to Founder Exit. Third, I will attempt to answer the question why founders leave their successful firms using the theory of Effectuation. I will then conclude this chapter by discussing these points in more general terms, but especially the differences between the two case companies – Addnature and Adlibris.

5.1 Is Exit Voluntary?

The first question asked at the beginning of this study was whether Founder Exit is voluntary or not. This question was raised because of the paradoxical nature of the main research question. The literature on Founder Exit showed that circumstance would dictate whether exit would be voluntary or involuntary, but we were more interested in the individual motivations of the entrepreneur. Coad (2013) discussed involuntary exit only under the heading of Business Death, which is not the case for Adlibris and Addnature, because the two firms continue to be successful. The fact that involuntary exit is linked to unsuccessful businesses that close and to factors outside of the entrepreneur's control, it is therefore difficult to say whether the Founder Exit observed at Adlibris at the individual level was voluntary or not. Even after studying the motivations of the founders of Adlibris it is hard to say whether their eventual departure from the firm was truly forced or not. It certainly was not forced in the way that one might kick someone out of the firm, severing their contract, but with the ever-present and growing culture clash between Adlibris and its founders, particularly since the merger with Bonnier, this clash appears to have forced the founders to have taken the decision to leave their own firm. In many respects, their exit could be termed as what the legal world call "Constructive Dismissal", where working conditions become so unbearable that the person feels forced into quitting.

5.2 The Individual Motivations and Factors for Exit

The second question wanting an answer concerned what the individual's motivations and emotional factors influencing an exit were. As the literature was quite inconclusive on this matter, we can now discuss what was observed within the two case companies.

Only the founders of Adlibris have left and in their case none of them joined Adlibris with the sole intention of making lots of money. Their intention was to build something of lasting value and to have fun doing so. When they were bought by Bonnier, the culture changed around them. The firm became more bureaucratic and they were no longer able to have fun at work. This culture clash which bread discontent was absolutely the main factor that influenced the founders of Adlibris to leave. It is too early to say how things will turn out with Addnature's founders, but these same issues were creeping in even there.

Another factor that was identified as influencing the individual to want to leave the firm was the desire to try something new and build something from scratch. Start, build, move on, and repeat.

5.3 Why Founders leave their Successful Firms

It is rather counterintuitive to think that someone would leave the firm they started themselves, especially when it is doing very well, but as mentioned above, a culture clash started to creep in at Adlibris and basically, after a while, and especially after the merger with Bonnier, Adlibris was no longer the founder's firm. Wasserman (2008) would say that the firm "outgrew" the founders, but the whole premise of this paper was to explain Founder Exit using Sarasvathy's theory of Effectuation.

Figure 4 highlighted very clearly the dynamics going on at both the firm and the individual level. Supported by other literature too, Read & Sarasvathy's (2005) propositions were proven to be correct in this study. It was observed that the founders did tend to build a preference for effectuation along the timeline of their firm. It is hard to say how much more and to what extent they truly are effectual or causal today compared with when they founded their firms, mainly because this was not a longitudinal study, but they certainly recognised that they continue to prefer the entrepreneurial (effectual) environment over the strict and bureaucratic (causal) environment of a large firm, which Adlibris has become. It was also observed therefore that both Adlibris and Addnature had become more causal over time. Due to market forces, Adlibris had grown bigger much faster than Addnature and therefore signed a buy out deal with Bonnier much earlier along its timeline than Addnature had done with Internetstores. These bidirectional developments of the founder and firm respectively, meant that a gap, or a disparity between the firm and the founders emerged. It is this disparity that Read & Sarasvathy (2005) hypothesise about and it is this disparity that I believe has been shown to actually exist with this case study. The presence of this disparity is then cause for the discontent one sees in the founders and therefore a factor influencing their decision to leave.

5.4 The Founder-Firm Disparity

In summary, with this study, the disparity between the causal decision-making requirements of the firm and the effectual decision-making preferences of the founders has been identified to be a factor influencing a founder's decision to leave their successful firm. I coin this factor the "**Founder-Firm Disparity**".

As this disparity slowly became apparent throughout the analysis of my first and second round of interviews, according to the Grounded Theory Method, the analysis of my third round of interviews therefore set the Founder-Firm Disparity as the core category for coding for me to take another look at what had been said in the previous interviews using this new code. This meant that I was able to reliably identify key moments where the interviewees talk of this disparity.

The Founder-Firm Disparity though does not explain the entire reason for the founders wanting to leave. Loss of ownership was very much highlighted by the interviewees as a major factor in the process of Founder Exit. Loss of ownership and the Founder-Firm Disparity do however go hand in hand, because the former is a precursor of the latter.

Another link that can be made at this juncture is to firm-growth theories. In these theories one talks of a "Crisis of Management" bringing about a change in management and where the entrepreneurs get replaced by professional managers. The individual-level issues seen in firm-growth theory appear to be very similar to the issues brought about by the Founder-Firm disparity. Once the entrepreneur reaches a particular threshold or

breaking point, there is a high chance the founders will leave, much like in the “Crisis of Management”.

This study looked at two case companies. Adlibris and Addnature. Both companies had similar beginnings and both have had similar growth curves. What differentiates the two though is their respective market environment. Market forces meant that Adlibris grew twice as fast as Addnature, which meant they were able to attract a buyer far sooner along their timeline, and which meant the Founder-Firm Disparity came about much sooner too. Addnature are not at that stage yet. Also, their new mother company is culturally closer to them than Bonnier is to Adlibris, so this will also slow down the onset of the Founder-Firm Disparity. And in contrast to the individual-level assumption that entrepreneurs build a clear preference for effectuation, the founders of Addnature appear to have adapted well to their growing firm, despite the creeping rationality, because they all continue to maintain their management roles in the firm and continue to enjoy the adventure.

6. Conclusions

In order to address the question: “Why do founders leave their successful firms?”, a flexible approach that took the entrepreneur’s changing goals into consideration was needed. Sarasvathy’s (2001) theory on effectuation was used via an inductive study, using the Grounded Theory Method and Triangulation to investigate further questions, such as whether a founder’s exit from the firm could be voluntary and what individual-level motivations and emotional factors could contribute to them leaving. It is this apparent paradox of founders leaving when things are going well that this dissertation aimed at investigating.

The purpose of the study was to attempt to fill a gap in the literature on how the theory of effectuation could be used to explain Founder Exit and has to a certain extent achieved this goal. Read & Sarasvathy’s (2005) paper was expanded upon and it was shown that their theories of effectuation can indeed go some way to explaining why, at the individual level, founders would leave their firms.

6.1 Findings

It was shown that two firms with similar beginnings could turn out quite differently. One firm’s founders all left when their company was still doing really well, while the others still continue to run their show. An explanation as to why Adlibris’ founders all left can be found in there being a growing culture clash, or a disparity building between the founders and the uncontrollable causal elements of their firm’s growth. This Founder-Firm Disparity was identified as being an individual-level factor influencing why entrepreneurs pack their bags and head off on the next adventure.

The analysis of the results in the previous chapter above therefore support the assumption that a firm-level shift towards causation, coupled with the individual-level preference for effectual decision-making could cause the founders to want to leave their firm. However, this shift would have to be quite large, because we have seen how Addnature is not yet at that stage. Also, in contrast to the individual-level assumption that founders build a preference for effectuation, the founders of Addnature appear to have adapted well to their growing firm as they all continue to maintain their management roles in the firm and continue to enjoy it.

6.2 Limitations

The biggest limitation to this study was time and the resources. I would have liked to have studied more companies similar to Adlibris and Addnature and to have enlarged the sample size. Doing a longitudinal study would also have better shown to what extent the companies shifted towards causation and the entrepreneurs build a preference for effectuation.

6.3 Theoretical Contribution

At the beginning of my investigations into this subject, I could not find any research into the subject of Entrepreneurial Exit using the theory of Effectuation. To the best of my knowledge, there still is no research into this area, except for this paper before you.

This paper therefore contributes to the literature by filling this gap a little bit with some empirical data and a case study of these phenomena in practice.

Also, by looking at Founder Exit through the lens of effectuation theory, we gain insight into the human capital factors that influence Founder Exit. This is important for entrepreneurs to know in order to build a better understanding of the potential obstacles that lie ahead when their new ventures get off the ground.

6.4 Future Research

What would be interesting for future researchers to investigate further would be to test this idea of the Founder-Firm Disparity with a larger sample of case companies and then truly integrate this disparity as one of the individual-level factors influencing Founder Exit.

Also performing a longitudinal study on this subject would mean one could better show to what extent the companies shift towards causation, to what extent the entrepreneurs build a preference for effectuation and at what point the Founder-Firm Disparity grows large enough to force the founder(s) to leave.

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Appendix I – Interview Questions Round 1.

Founders

Feb 21, 2013	Mathias Hedström	Addnature
Feb 21, 2013	Klas Berggren	Addnature
Feb 25, 2013	Magnus Dimmert	Adlibris
Mar 3, 2013	Pär Svärdson	Adlibris
Mar 3, 2013	Fabian Fischer	Adlibris

Tell us your story...

1. How did it all begin and who was involved?
2. What were the main challenges?
3. How was the work divided?
4. What were your most significant growth stages?
5. Have you had any crises where big changes were necessary?
6. Would you say you react proactively or reactively to changing circumstances?
7. How did you structure your organisation to prepare for future?
8. At what point did you employ your first employee and why?
9. How did you come to the conclusion that you needed more people?
10. At what point did you set up specific organisational systems and procedures?
11. In what way did/do you think about the future and how did/do you prepare for it?
12. Do you have a current future picture in mind?
13. Have you ever used future scenario planning?
14. When do you talk about the future within the company?
 - a. On-going? Daily? Weekly? Monthly? Annually?
 - b. In pre-arranged meetings? Over a coffee/beer?
 - c. Who is involved?
15. How much of your future planning goes on gut feeling and how much is properly calculated?
16. Why, or why not, do/would you use future scenario planning – specifically for your planning/preparing of the organisational structure?

Employees

Feb 21, 2013	Lisa Englund	Addnature
Feb 25, 2013	Anna Christensen	Adlibris

1. At what stage did you join the company?
2. What have been your responsibilities in the company?
3. How have you experienced the company growing?
4. Could you describe the nature of your relationship to the managers?
5. From your point of view, how have the managers' prepared the company the future and future growth?
6. Has the company experienced any crises where big changes were necessary?
7. Would you say the management team reacts proactively or reactively to changing circumstances?
8. Are you involved in the future planning of the company?

Appendix II – Interview Questions Round 2.

Founders

Jun 19, 2013

Pär Svärdson

Adlibris

Jul 2, 2013

Martin Larsson

Addnature

Jul 10, 2013

Mathias Hedström

Addnature

Jul 11, 2013

Johan Arvidsson

Adlibris

Jul 15, 2013

Magnus Dimmert

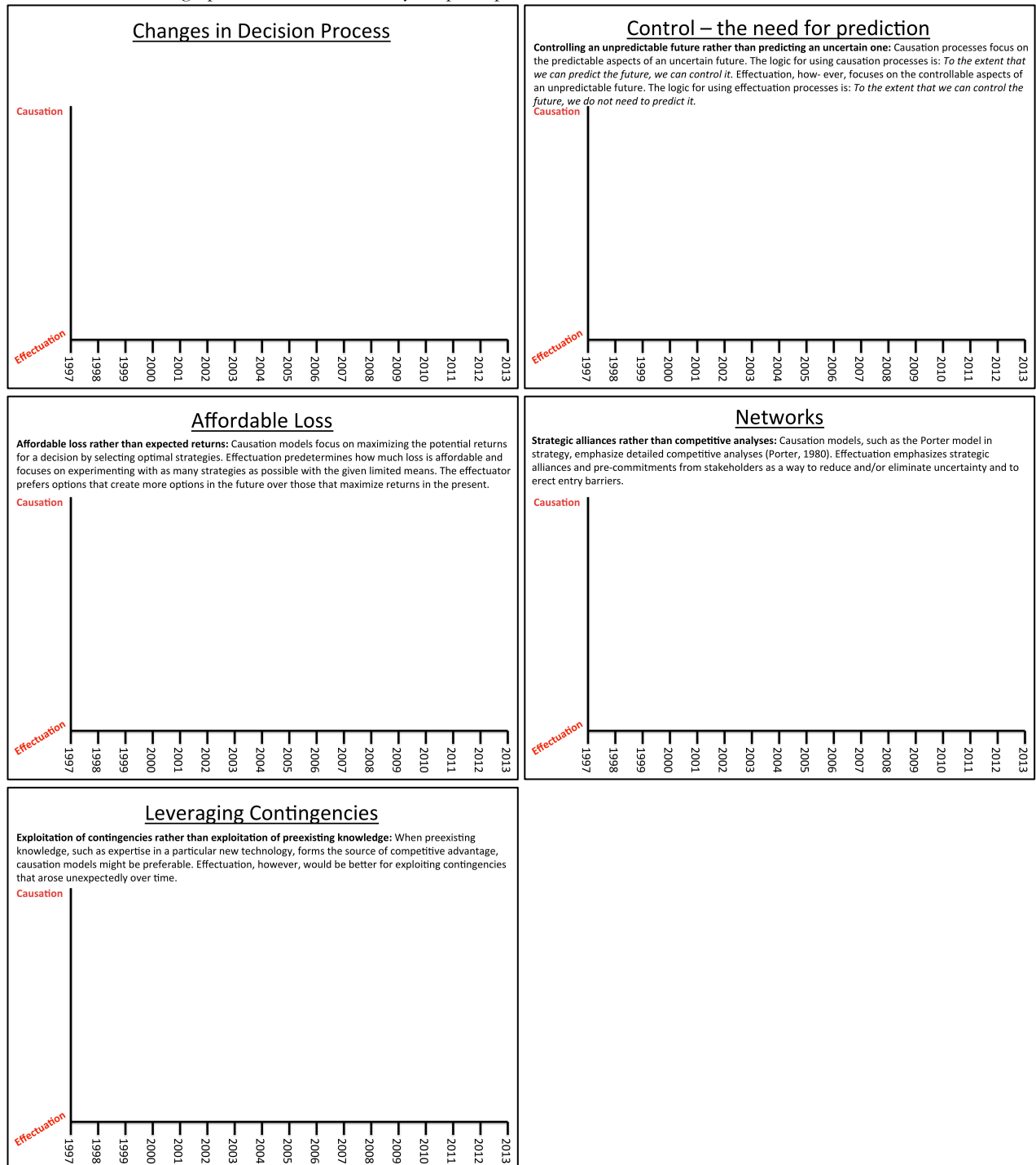
Adlibris

Jul 17, 2013

Klas Berggren

Addnature

Interview discussion graphs based on Sarasvathy's 5 principles of Effectuation:



Appendix III – Interview Questions Round 3.

Founders

<i>May 15, 2014</i>	<i>Magnus Dimmert</i>	<i>Adlibris</i>
<i>May 16, 2014</i>	<i>Pär Svärdson</i>	<i>Adlibris</i>
<i>May 16, 2014</i>	<i>Mathias Hedström</i>	<i>Addnature</i>
<i>May 16, 2014</i>	<i>Klas Berggren</i>	<i>Addnature</i>

After analysing the previous two rounds of interviews...

1. Do you agree with the analysis above?
2. What was the driving force behind your career choice of becoming an entrepreneur?
 - a. What motivated you to start this firm back in the beginning?
 - b. Was it for wealth or was it for the glory/fame?
3. Do you feel like the company “outgrew”/could “outgrow” you?
4. As mentioned above, do you see the disparity between the increasingly causal requirements of your firm’s decision-making processes and your apparent entrepreneurial preference for effectuation to be a (potential) problem, and therefore a factor that could one day/have influence/d your departure from the firm?
5. What other factors do you believe could (have) contribute(d) to your leaving the firm you started?