From Survival to Success

A Study on Organizational Culture Change during Business Transition in Entrepreneurial Firms

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Abstract:

The concepts of organizational culture (OC) change, business transition, and entrepreneurial firms are increasingly used in research. However, most research on entrepreneurial firms undergoing OC change during business transition adopts vague and ambiguous theory, resulting in non-generalizable findings. Consequently, the research field becomes difficult to study. A research gap emerges with the purpose to understand how OC changes when a firm endures a defined business transition. This study chooses to evaluate a business transition according to Churchill and Lewis' *Five Stages of Small Business Growth*. Accordingly, a research question emerges: *how does entrepreneurial firms' OC change when transitioning from a Survival stage to a Success-Growth stage?* To account for the dimensions of OC during business transition, this study adds the *Cultural Web.* Essentially, the study concludes that business transition positively affected stories adopted by employees as control systems meet employees' demand. The emergence of subcultures was a consequence with potentially significant ramifications if not prevented and acknowledged by managers. Furthermore, employees' firm perception changed as the post-business transition was seen as more efficient and organized. In combination with the distribution and saturation of decision-making authority throughout the firm, psychological safety, intrinsic motivation, and employee dedication increased at a *Success-Growth* stage. However, it is vital for the academic dialogue and practitioners to understand that although the business transition may successfully improve workflows, and structures, it does not guarantee that the social and emotional dimensions of OC remain unchanged or improved. Instead, the social and emotional dimensions of OC risk deterioration.

Keywords:
Business transition, business stages, organizational culture change, entrepreneurial firms, organizational culture

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1. Introduction

1.1 Background

> *Culture is the cornerstone of any organization, influencing behavior, performance, and employee satisfaction (Harper, 2024).*

The importance of organizational culture (OC) to firms cannot be overstated (Tulokas et al., 2024; Tabatataei, 2024; Mikušová et al., 2023; Graham et al., 2022; Naveed et al., 2022; Azeem et al., 2021; Ferine et al., 2021; Warrick, 2017). OC is a determinant of organizational effectiveness and the quality of work life of organizational members (Mikušová et al., 2023). A successful organization should therefore work towards establishing a strong OC capable of attracting, retaining, and rewarding members (Sun, 2009). Subsequently, OC and how it changes become fundamentally important for the success of organizations and particularly relevant for practitioners. Despite its importance, research on entrepreneurial firms introduces a challenge to the overall research areas of business transition and OC change. This is because previous research adopts ambiguous and contested definitions of entrepreneurial firms (*start-ups*, *scale-ups*) and business transition (*scaling*, *blitzscaling*), resulting in non-generalizable findings. Accordingly, we identify an opportunity for further research within management and organizational research: OC change in entrepreneurial firms under business transition.

Business transitions refer to the organizational process in which organizations transition from one life-cycle stage to another. Business transitions assert an inherent evolutionary process in a firm's life cycle (Lippitt and Schmidt, 1967; Greiner, 1972; Churchill and Lewis, 1983). This study builds on previous research on firm growth and life cycle theory, but adapts to the situational dependency and context of entrepreneurial firms (young and/or small founder-led firms) (Van Lancker et al., 2022; Bunduchi et al., 2022). In contrast to previous firm growth and life cycle theory that have focused on the structural dimensions during business transition, we add the capability to examine cultural dimensions, unmasking the previously neglected interaction between structural change and OC change. This study refines Churchill and Lewis' *Five Stages of Small Business Growth* with Whittington et al.'s *Cultural Web* (2020) to identify, analyze, and synthesize conclusions on how an entrepreneurial firm's OC changes during business transition.

This study reaffirms, complements and provides novel insights to the academic dialogue of OC change during business transition in entrepreneurial firms. It allows readers to learn the consequences of decision-making on OC and how the unique interconnection between perceived distant processes and departments shape OC. The thesis broadens the research field and contributes to previous research by presenting a new theoretical framework readily transferable to research. The new framework promises novel insights when applied in different contexts and for different business transitions. The findings emphasize the need for inclusion of OC dimensions when examining business transition for entrepreneurial firms, as a single transition can influence large, and in some cases, detrimental effects.

1.2 Purpose and Research Question

The purpose of this thesis is to enhance academic management research centered on OC, and specifically OC change. We aim to evaluate how entrepreneurial firms' OC changes during business transition from a *Survival* stage to a *Success-Growth* stage, addressing a research gap at the intersection of entrepreneurial firms, business transition and OC change. The findings of this thesis will support entrepreneurial firms' employees, stakeholders and management to recognize the potential effects on their OC during business transition. This will allow stakeholders to understand how risks and opportunities influence the probability of positive/negative outcomes. To achieve the purpose of the thesis, we ask the following research question:

How does entrepreneurial firms' OC change when transitioning from a Survival stage to a Success-Growth stage?

1.3 Scope

This thesis will examine a firm in the Swedish technology Business-to-Business (B2B), Software-as-a-Service (SaaS) industry. The authors will limit the scope of the study to entrepreneurial firms undergoing the business transition between the *Survival* stage and the *Success-Growth* stage as outlined in Churchill and Lewis' *Five Stages of Small Business Growth* (1983). While we recognize that other stages of small business growth are relevant, this study deliberately narrows its focus to the specific stage transition to achieve best-fit with the chosen case study.

1.4 Underlying Assumptions

Throughout this thesis, several assumptions are made about the research topic. Firstly, the study assumes that OC is subjective, developed through individual perceptions and social interactions between stakeholders. When we describe OC, e.g., *social* or *competitive*, and OC change, such description is based on the dominant perception of organizational stakeholders.

Secondly, we assume that OC and OC change can be measured, identified and assessed systematically despite its complexity and subjectivity. Additionally, we assume that OC change may be measured, identified and assessed within limited time periods.

Thirdly, we assume that business growth and life cycle theories accurately represent firm life-cycle development and that the development is relatively predictable and sequential. Thus, we chose to omit any potential industry-specific variations.

Finally, we assume that OC may be deliberately shaped and managed by managers through decision-making (strategies, policies) to fuel future growth. Thus, it is assumed that managers can initiate OC change through manipulation.

2. Literature Review

The literature review adopts the Stockholm School of Economics' guidelines to collect previous academic literature (see Appendix 1).

2.1 Entrepreneurial Firms

Extensive research has been conducted by academia on entrepreneurial firms, generally characterized by insufficient funds, adaptability, limited hierarchical structures and with growth potential (Van Lancker et al., 2022; Bunduchi et al., 2022; Gupta and Bose, 2022; Kim and Roberts, 2024; Corvello et al., 2024). These characteristics result in a recurring focus on business survival and the ability to change incumbent operations, mission and market image. This distinctive ability is essential for the survival of entrepreneurial firms and to foster growth opportunities (Gupta and Bose, 2022).

2.2 OC Change

OC change is fundamentally an interdisciplinary topic drawing on anthropological, management, and organizational studies. Most research studies the impact of OC change on organizational effectiveness and financial performance in medium or large enterprises or mature firms (Lawrence and Lorsch, 1967; Kotter, 2008; Denison and Mishra, 1995; Abdul Rashid et al., 2003).

2.2.1 Resistance to Change

Studies on OC change identified consistent behavioural patterns in employees when uncertainty rose (Carlström and Ekman, 2012; Limwichitr et al., 2015; Willis et al., 2016; Wijethilake et al., 2021). OC change was found to trigger initial non-managerial resistance to the change (Limwichitr et al., 2015; Wijethilake et al., 2021). This resistance stems from individuals' perceived threat to their status, identity, performance, organizational status quo and the new OC's tolerance of negative attitudes towards change (Burack, 1991; Willis et al., 2016). This perceived threat invokes a state of defensiveness in employees, accentuated by low levels of trust (Kavanagh and Ashkanasy, 2006).

Although a majority of studies suggest that OC change triggers resistance to change, this is most prevalent among non-managers; that is, managers tend to have a more positive attitude towards change (Abdul Rashid et al., 2003). This contrasts to non-managers and implies that managers are comparatively determined and forward-looking in accepting new opportunities for OC to reform. This divergence in conflicting views underscores a research demand to include the views of both managers and non-managers to understand why conflicting attitudes on OC change arise.

2.2.2 Trust and Transparency

Limited credible research finds that communicative measures (scheduled, ad hoc meetings) between organizational members, from managers to non-managers and among employees, is fundamental to elevate levels of inclusion, openness and confidence during OC change (Kavanagh and Ashkanasy, 2006; Frontiera, 2010). The research corroborates how trust is dependent on the perceived hypocrisy in managers, i.e., not putting words into practice (Kavanagh and Ashkanasy, 2006). Moreover, reduced transparency and trust explain low employee confidence and perception of increasingly disadvantageous decision-making by managers (Frontiera, 2010). This implies that transparency and trust, vertically and horizontally across organizational levels, is essential to account for during OC change.

2.2.3 Internal Competition and Security

Several studies have concluded that OC change results in a transition from a collegial to a competitive internal environment (Kavanagh and Ashkanasy, 2006; Mikušová et al., 2023). A competitive internal environment undermines collaboration and individual creativity, exacerbated by a significant reduction in social interactions in the work environment (Kavanagh and Ashkanasy, 2006). Additionally, employees hold a negative attitude towards internal competition and desire a friendly work environment and the sharing of knowledge and experiences (Mikušová et al., 2023). However, employees' demand for security of employment, conformity, stability, reward system, job satisfaction, and empowerment may outweigh the downside of internal competition (Iljins et al., 2015; Mikušová et al., 2023). This implies that OC change manifests through both structural and social psychological responses, requiring a theoretical framework integrating both.

2.2.4 Adoption of Stories

Stories are used by employees to contextualize OC change and socially constructed narratives based on interaction between organizational members (Boje, 1991; Boyce, 1995; Gabriel, 2000; Reissner, 2005). For instance, managers use stories to attribute meaning to intangible improvements from OC change (Frontiera, 2010). This implies that stories are fundamental for managers to develop a materialistic definition of OC change.

Some research suggests that stories are operationally adopted as internal *knowledge-flow facilitation devices* (Briody et al., 2012). Frontiera (2010) found that managers use stories as *knowledge-flow facilitation devices* to inform non-managers of planned OC change that may disrupt the status quo. This suggests that the stories adopted are likely to represent the intended OC change by managers who mold and are conscious of the change process and efforts.

2.2.5 Organizational Structures

Studies examining OC change found notable shifts in power and organizational structures including shifts in decision-making authority and revisions of fundamental organizational policies (employment benefits) (Burack, 1991). While bureaucratic structures, streamlining, and position-based authority increased, cross-departmental collaboration, expertise-based authority and empowerment decreased (Kavanagh and Ashkanasy, 2006). This suggests that OC change shifts from collaborative and empathetic environments emphasizing autonomy, towards rigid hierarchical structures defined by formalized rules and standardized protocols. It implies that in any analysis of OC change, position-based authority and organizational structures should not be ignored, based on their influence in earlier research.

2.2.6 Management Impact

Managers assert a key influence during OC change (Kono, 1994; Ashkanasy et al., 2000; Kavanagh and Ashkanasy, 2006; Mikušová et al., 2023). Research found that managers are generally responsible for involving all organizational levels in decision-making and recognizing the contributions of employees during OC change (Kavanagh and Ashkanasy, 2006). Greater psychological safety, motivation, and commitment among employees arise as employees take an active role in the organization (Ashkanasy et al., 2000). To prevent low employee responsiveness, dedication and motivation, managers must communicate and reflect the values and beliefs of the OC change through a clear vision and individual actions (Mikušová et al., 2023).

2.2.7 OC Change in Entrepreneurial Firms

A modest body of research on OC change has addressed its intersection with entrepreneurial firms. Research centers on pain points, finding fear of change, loss of authority, lack of transparency and factions within organizations formed during OC change. Research posits that increased layering and hierarchical structures, organizational inertia and centralization of decision-making authority are the primary culprits (Mirro and Nguyen, 2024). This suggests that OC change creates resistance, and that power dynamics, authority distribution and transparency must be managed.

2.3 Business Transition

Studies found that managers are aware that business transitions require changes in management style to deliver success (Berry, 1996). Non-managerial employees are found to focus on core operational activities, pressuring managers to develop cross-functional holistic capabilities (Churchill and Lewis, 1983; Strengers et al., 2022). As firms strive for growth, organizational systems and structures are developed and managers are hired and educated to meet future demand (Churchill and Lewis, 1983). This challenges any simplistic views that managerial effectiveness is solely based on technical expertise.

2.3.1 Business Transitions in Entrepreneurial Firms

Although scarce, some research examines business transitions in entrepreneurial firms (Picken, 2017; Genedy et al., 2024). Studies found that business transitions are positively associated with employee burnout and negatively associated with job satisfaction. Research found that entrepreneurial firms undergoing business transition predominantly act on trial and error rather than proven and well-researched methods (Picken, 2017). This calls upon further research exploring entrepreneurial firms' business transitions to synthesize academic insights (Coviello et al., 2024).

2.4 Research Gap

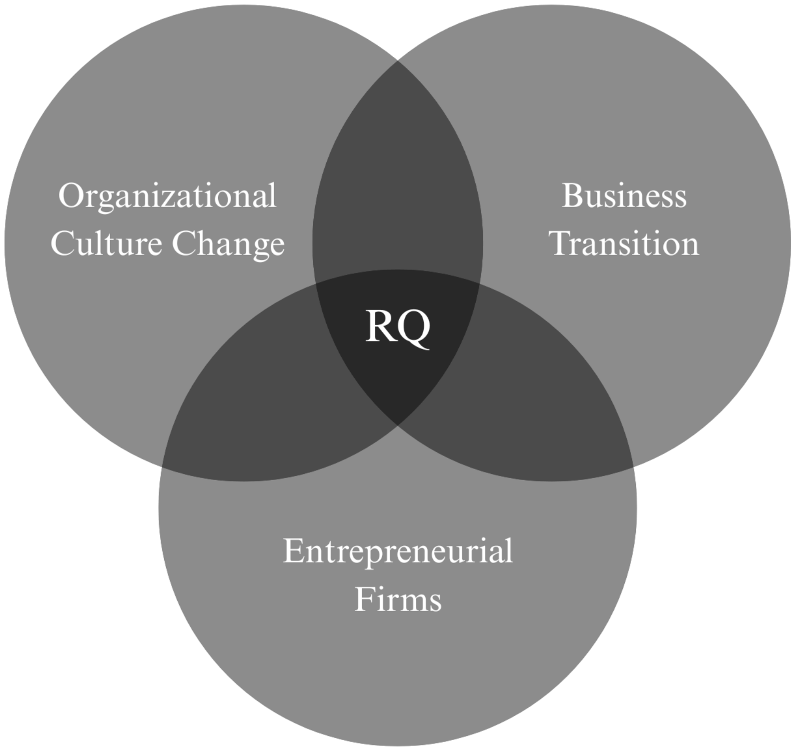

Figure 2.1. *Research Fields and Research Gap (Castellanos and Khebou, 2025)*

Research exists at the intersection of OC change during business transition; OC change in entrepreneurial firms, and business transition in entrepreneurial firms. However, most research on entrepreneurial firms during business transition adopts vague and contested theory based on growth rather than defined life-cycle stages (*start-ups*, *scale-ups*, *high-growth firms*, *gazelles* and *unicorns*). Furthermore, the research does not define business transition as an organizational process in which organizations transition from one life-cycle stage to another. Instead, it repeatedly adopts academically contested terms (*scaling*, *blitzscaling* and *massive and rapid business scaling*). The research becomes ambiguous and negligible as it is difficult to contextualize and synthesize generalizable conclusions (Coviello et al., 2024). To create academic clarity, we aim to study culture in entrepreneurial firms during a concrete business transition that occurs between two defined, sequential life-cycle stages.

We found that the intersectionality between OC change, business transition and entrepreneurial firms is a relatively unexplored research area in management and organizational theory. We argue that this study will add fundamental value to the academic dialogue by complementing a business transition model with an OC framework. By adapting Churchill and Lewis' *Five Stages of Small Business Growth* with Whittington et al. 's Cultural *Web*, the study asserts a novel method to examine OC change in entrepreneurial firms during business transition.

2.5 Limitations to Literature Review

While practitioners have reached consensus on the use of terms related to business transition (*scaling*, *blitzscaling* and *massive and rapid business scaling*) and entrepreneurial firms (*start-ups*, *scale-ups*, *high-growth firms*, *gazelles*, *unicorns*) scholars have not reached a consensus on their definitions (Reuber et al., 2021; Huang et al., 2023; Coviello et al., 2024). This conceptual inconsistency illustrates the difficulty in mapping previous research on business transition and entrepreneurial firms. As a result, this study centers on entrepreneurial firms under the condition of business transition from a *Survival* stage to *Success-Growth* stage (Churchill and Lewis, 1983).

The research in the fields of the study (see Figure 2.1) is prescriptive which inadvertently produces narrow analyses and findings that lack the width and depth to represent complex realities. Prescriptive research holds the inherent limitation of systematically excluding alternative conclusions and understanding phenomena (Saunders et al., 2019). By adopting descriptive research, this study may balance these limitations by contextualizing complex phenomena, and synthesize conclusions derived from empirical observations rather than predetermined methodology (Saunders et al., 2019). The authors aim to complement the initial descriptive findings with explanatory measures to deepen and widen analysis.

This study is bound by temporal constraints and unable to account for current ongoing, unpublished research on the topic and recent research that has not been peer-reviewed.

3. Theoretical Framework

The following section outlines the adopted theoretical framework to analyze empirical data. Thereafter, we relay the implementation and application of the theory, and discuss limitations of the theoretical framework.

3.1 Theoretical Selection

To pinpoint a specific business transition to study, we utilize business transition theory to establish the time of the transition and determine the characteristics of a firm at a *Survival* stage and at a *Success-Growth stage*. With the business transition determined, we aim to gain insights on OC change in entrepreneurial firms utilizing Churchill and Lewis's *Five Stages of Small Business Growth* (1983).

3.1.1 Churchill and Lewis's Five Stages of Small Business Growth

The *Five Stages of Small Business Growth* identifies five life cycle stages that entrepreneurial firms undergo. The sequential life-cycle stages include *Existence*, *Survival*, *Success* (two subdivisions; either *Success-Disengagement* or *Success-Growth*), *Take-off* and *Resource Maturity*. This thesis examines the transition from the *Survival* stage to the *Success-Growth* stage, positing that managers seek growth instead of stability and to reap accumulated profits, i.e., *Success-Disengagement* (Figure 3.1) (Churchill and Lewis, 1983).

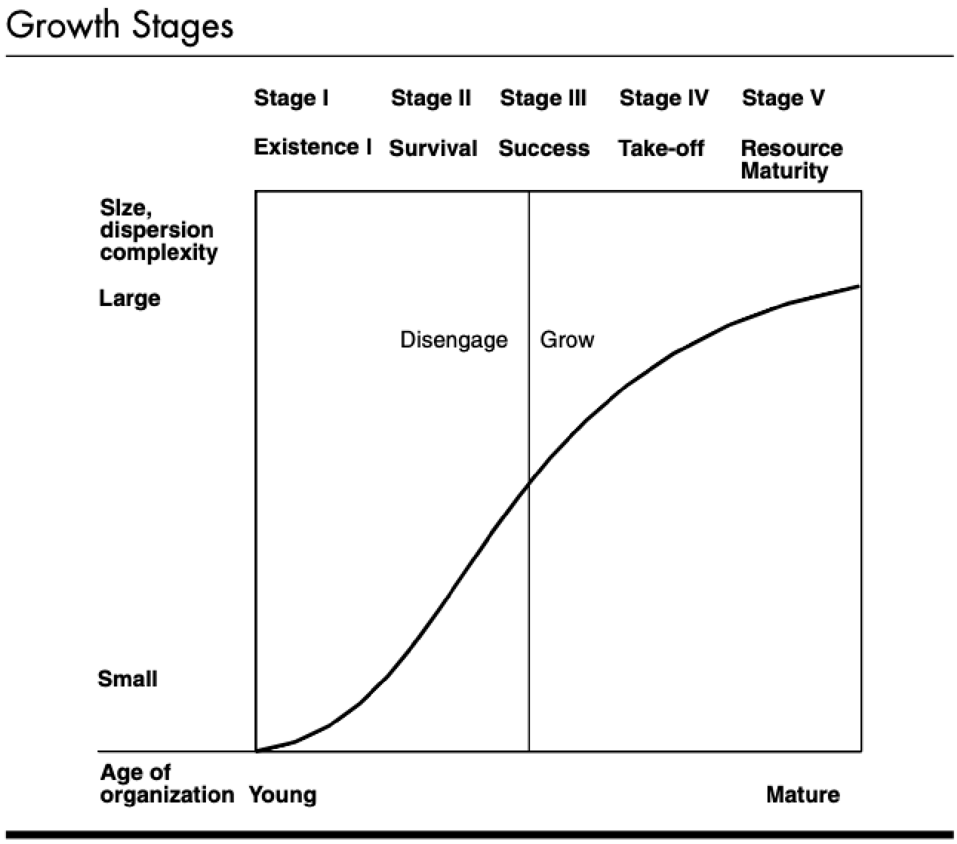

Figure 3.1. *Five Stages of Small Business Growth (Churchill and Lewis, 1983)*

Survival stage firms are working entities with a stable customer base. The grand challenge is cash flow generation to break-even and finance growth that enables the minimally required return on assets and labor. The organization is small and synonymous with the founding manager(s), who hold extensive decision-making authority. Strategic planning is minimal as the operational focus lies on cash flow forecasting. This implies that the strategy centers on firm survival. Managers hold a highly supervisory role, performing a range of cross-functional tasks and responsibilities as delegation is limited to a few employees. Growth in firm size, profitability and the strategic decision to pursue growth will equate business transition to *Success-Growth* stage (Churchill and Lewis, 1983).

The *Success-Growth* stage equates leveraging cash flow and resources to finance growth. Profitability is prioritized to align with growth target expectations, and recruitment targets managers that meet the strategic demand of the future rather than current operational demands. The founding managers become increasingly detached from operational activities. Layering and emerging formal systems increase delegation, enabling founding managers to drive the strategic planning and growth efforts whilst asserting a holistic understanding of all activities (Churchill and Lewis, 1983).

3.2 Theoretical Modification

Churchill and Lewis's findings (1983) are substantially cited and adopted in the study of business transitions (Scopus, 2025). However, OC change is a dimension of business transition unexplored by Churchill and Lewis and other studies referring to Churchill and Lewis (1983) (Myllylä and Jari, 2025; de Klerk et al., 2024; Couto et al., 2022).

3.2.1 Whittington et al.'s Cultural Web

To address the research question, we include OC change theory in the theory selection. Six bodies of literature (*resistance to change*, *trust and transparency*, *internal competition and security*, *adoption of stories*, *organizational structures*, and *management impact*) on OC change were found in previous research. Based on the identified bodies of literature, we adopt the *Cultural Web* to account for OC. The *Cultural Web* outlines seven dimensions that collectively describe and encapsulate the OC of a firm (Whittington et al., 2020).

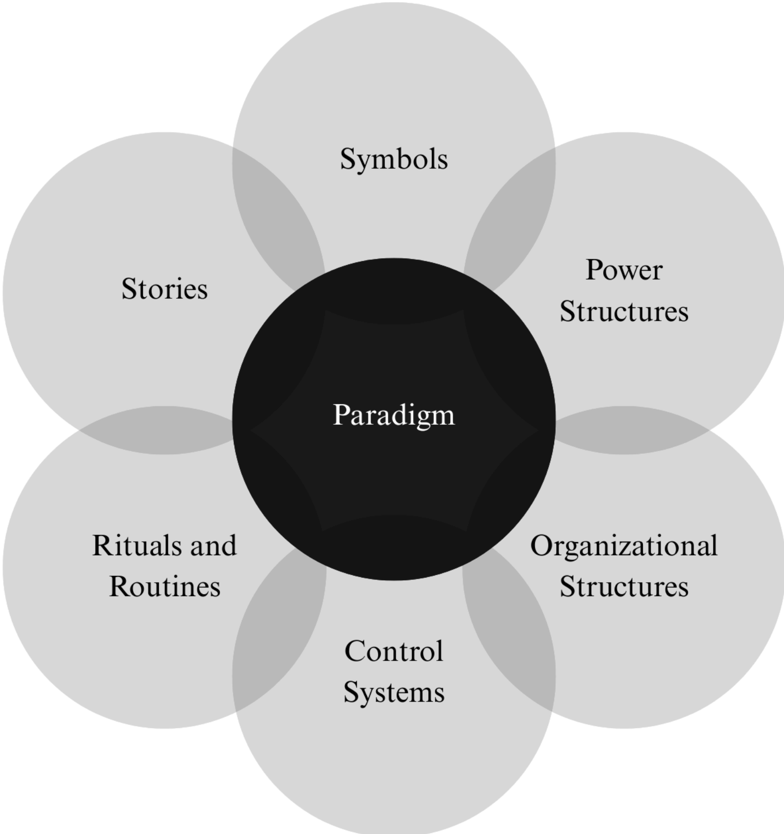

***Figure 3.2**. Cultural Web (Whittington et al., 2020)*

1. *Stories* are the descriptions and references to describe the organization adopted by organizational members, told amongst each other, to external parties and to new organizational members.
2. *Symbols* are any objects, events, acts or individuals that convey or create meaning besides their functional purpose, for example, physical characteristics and titles.
3. *Power structures* illustrate how individuals or groups persuade, induce or coerce others into courses of action.
4. *Organizational structures* consider the roles, responsibilities and hierarchical structures in the organization.
5. *Rituals* are the activities that emphasize or highlight what is of importance in the OC. *Routines* are *the way to do things* in the firm on a daily basis.
6. *Control systems* include the formal and informal methods to monitor, support and reward organizational members.
7. The *Paradigm* outlines the take-for-granted assumptions within the OC. (Whittington et al., 2020).

3.3 Theoretical Implementation

The *Five Stages of Small Business Growth* will aid in identifying the business transition from *Survival* stage to *Success-Growth* stage, based on key characteristics, strategies and organizational structures. We will examine the potential OC changes occurring when transitioning from *Survival* stage to *Success-Growth* stage. With the business transition established, we employ the *Cultural Web* to address the research question using its seven dimensions of OC. Combined, these dimensions explain OC. By comparing a *Cultural Web* of the firm at a *Survival* stage to one in the *Success-Growth* stage, OC change is highlighted.

The dimension *Stories* will constitute the tales told by employees. *Stories* are fundamental for the materialistic definition of the OC change; not only is it telling of the communication towards stakeholders, but organizational identity, values, and experiences. The study will focus on the descriptions of the firm, metaphors used and general opinions of the organization at each stage (Boyce, 1995; Gabriel, 2000; Reissner, 2005; Frontiera, 2010).

Symbols constitute a wide range of objects, spaces and individuals that create meaning. By observing meaningful interactions between employees, language, and changes in work environment, we hope to deduce present hierarchies and status in the firm, how it has evolved, if language has changed, and if the work environment has altered (Whittington et al., 2020).

Analyzing *power* will be vital to understand how power dynamics have evolved, determining the influences on norms and behaviour across the firm. Observation of decision-making will indicate if the business transition has had an effect on power structures, and understand who dictates the internal working environment (Burack, 1991; Kavanagh and Ashkanasy, 2006; Mikusova et al., 2023).

During business transition, *organizational structures* and position-based authority are increasingly formalized while collaborative structures, expertise-based authority and empowerment decrease (Kavanagh and Ashkanasy, 2006). By examining *organizational structures*, insights on the influence of how the work environment has shifted due to structural policies are gained.

Previous research outlines *rituals* and *routines* as vital to the daily operations, office environment, and of fundamental value to employees (Iljins et al., 2015; Mikusova et al., 2023). *Rituals and routines* examine the status quo, the perceived threat of the status quo during business transition and any potential resistance to OC change (Burack, 1991; Willis et al., 2016).

Control systems aid in studying work and performance incentives. It can explain any motivation for accepting and partaking in the OC change. Employees may conform to changes in the internal competition if served with extensive stability, reward systems, job satisfaction and empowerment (Iljins et al., 2015; Mikušová et al., 2023). This study aims to uncover any incentives and perceived reward systems for undergoing business transition, changes in communicating positive performance as well as managing negative performance within the firm.

Finally, the *Paradigm* of OC will be recognized as the implications mentioned in the analysis of this study based on empirical findings. As the taken-for-granted assumptions are difficult to identify, we focus on the six other dimensions of the *Cultural Web* to, subsequently, identify the underlying assumptions behind the visible manifestations in OC (Whittington et al., 2020). The six dimensions are used in a cross-sectional analysis from *Survival* stage to *Success-Growth* stage to understand what the OC change entails.

3.4 Theoretical Discussion

In contrast to alternative firm growth and life cycle theory, the *Five Stages of Small Business Growth* adapts to the situational dependency and contexts of entrepreneurial firms (Lippitt and Schmidt, 1967; Greiner, 1972; Churchill and Lewis, 1983). We adopt the definition coherent with previous studies, i.e., entrepreneurial firms may be young and/or small founder-led firms (Van Lancker et al., 2022; Bunduchi et al., 2022). The theory is therefore applied to entrepreneurial firms.

Churchill and Lewis's *Five Stages of Small Business Growth* validity may be argued given its publication date. However, we argue that Churchill and Lewis' findings and implications are relevant as extensive contemporary research cites and adopts Churchill and Lewis's *Five Stages of Small Business Growth* (Scopus, 2025; Myllylä and Jari, 2025; de Klerk et al., 2024; Couto et al., 2022). Since some studies found that entrepreneurial firms predominantly act on trial and error during business transition, the adoption of Churchill and Lewis's research adds concrete findings and implications grounded in empirical data to existing research (Picken, 2017).

To address the research question, we elaborate, address and modify the theoretical framework by adding Whittington et al.'s *Cultural Web*. This enables the authors to understand how OC dimensions change during business transition from a *Survival* stage to the *Success-Growth* stage. The application and usage of the theory in modern research support its relevance in management academia (Cooper et al., 2019; Omar et al., 2017; Mossop et al., 2013). However, the *Cultural Web* is limited by its descriptive nature, possibly hindering a well-nuanced analysis of the empirical data and novel conclusions. To address the limitation of adopting the *Cultural Web*, we seek to adopt higher-order skills to evaluate the empirical data and synthesise conclusions beyond accurate description. Thus, this study will utilize a *descripto-explanatory* study method (Saunders et al., 2019).

4. Methodology

4.1 Research Design

The authors of this thesis adopt a cross-sectional case study on a Swedish technology B2B SaaS firm; it is therefore a mono-method qualitative study. Basing the study on the interpretivist paradigm, we acknowledge that humans cannot be studied as physical phenomena; rather, subjective experiences and interpretations are required data to study humans. A qualitative study methodology is best adapted to identify and examine interpretivist phenomena and socially constructed perceptions (Saunders et al., 2019). Although research on entrepreneurial firms' cultural change during the business transition from the *Survival* stage to a *Success-Growth* stage is limited and requires extensive research, we examine a single case study to be prudent and realistic considering our resources and capabilities. (Saunders et al., 2019).

As discussed under section 3.4, the adopted theoretical framework is primarily descriptive with the purpose to explain the *who*, *what*, and *how* in OC change. Although descriptive studies provide noteworthy findings, they lack the ability of depth and to synthesize conclusions. Therefore, we combine the descriptive study with an explanatory methodology. The descriptive research will be utilized as a forerunner for the explanatory research which will analyze and relay the relationships between variables, culminating in a *descripto-explanatory* study (Saunders et al., 2019).

4.2 Research Methodology

The study involved semi-structured interviews to analyze employees' perceptions of the OC. The method allowed employees to freely address and discuss any concerns and experiences they have regarding the OC (Saunders et al., 2019).

A combination of financial data and discussion with the case study contact person helped determine an initial perception of the period during which the firm transitioned from the *Survival* stage to the *Success-Growth* stage. Figure 4.1 shows the real firm data of the *Annual Recurring Revenue* (ARR) development from Q1 2022 until Q1 2025:

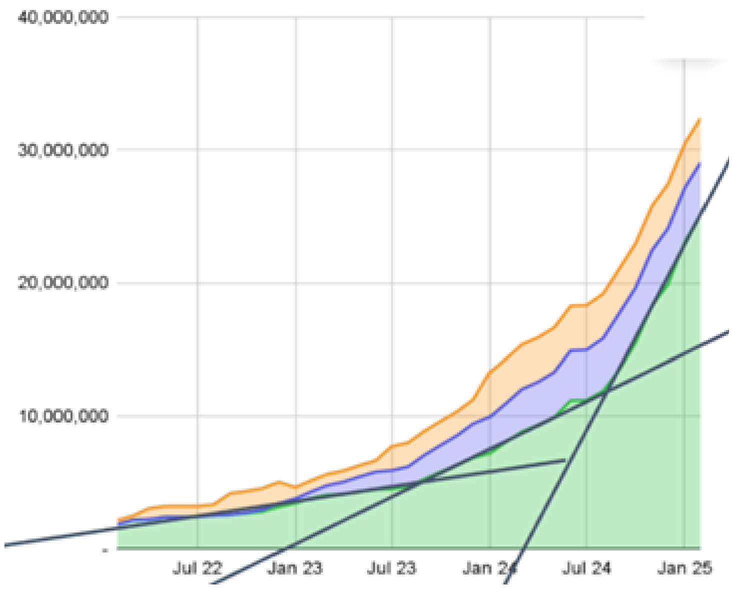

Figure 4.1. *ARR SEK Trend Chart, Case Study*

Figure 4.1 exhibits three trendlines, each successively illustrating an increasing ARR development. Trendline 1 shows the time period between Q1 2022 and Q4 2023. Trendline 2 shows the time period between Q4 2023 and Q4 2024. Trendline 3 shows the time period between Q4 2024 and Q1 2025. Between Q4 2023 and Q4 2024, this study found a mindset shift where the firm decided to recruit employees with extensive professional experience to prepare the firm for future growth. Previously, recruitment focused on young people and graduates. Trendline 2 is characterized by this recruitment of a Sales Manager and Deputy-CEO to grow sales and fuel future growth. The same period also saw the maturing and development of the firm's product. Subsequently, this study defines the period between Q4 2023 and Q4 2024 (trendline 2) as the business transition between the *Survival* stage and *Success-Growth* stage.

4.3 Data Collection & Interview Design

This study encompassed 17 semi-structured interviews, each lasting 45 minutes. The sample was chosen using maximum variation sampling based on the self-selected attributes below (Saunders et al., 2019).

- Employed during both business stages (before Q4 2023 and after Q4 2024).
- Employees from all departments and teams.
- Senior (managers) and junior (non-managers) roles.
- Men and women.

All interviewees fulfilled the previous criteria, with an almost even split on senior and junior roles and gender (see Appendix 2). This ensures the inclusion of the extensive diversity inherent in a firm. The sample included 19 participants, with two respondents unable to partake, culminating in 17 conducted interviews. The interviewees represented the *Tech*-, *Sales*-, *Marketing*-, *Top Management*-, *HR*-, and *Legal* teams. For anonymity purposes, this study does not specify the departments of each interviewee or the firm's legal name.

To collect empirical data, we contacted prospective sample candidates using the firm's intranet with a digital interview invitation (see Appendix 3). The candidates were encouraged to choose the interview date, time, and location. Since one author held a personal relationship with the firm, all prospective sample candidates were informed that the author with no preexistent relationship to the firm would perform all interviews independently. This methodology aims to minimize the bias of the second author, ensure research quality and enable interviewees to relay answers without being affected by a familiar face present, potentially affecting answers given. Furthermore, the theory adopted argues that *firm outsiders* may find it easier to identify the *paradigm* of the OC (Whittington et al., 2020). Thus, the interviews were structured to address each dimension of the *Cultural Web*, encapsulating all dimensions and nuances of OC (see Appendix 4).

4.4 Template Analysis

Template analysis utilizes an initial coding template before the search for interpretive themes begins. Accordingly, a coding template based on the dimensions of the *Cultural Web*, i.e., *Stories, Symbols, Power Structures, Rituals and Routines, Organizational Structure* and *Control Systems*, was utilized. The template guides the direction of research into the essential fields of OC (Saunders et al., 2019). Subsequently, the empirical data was categorized into lower order codes (see Figure 4.2).

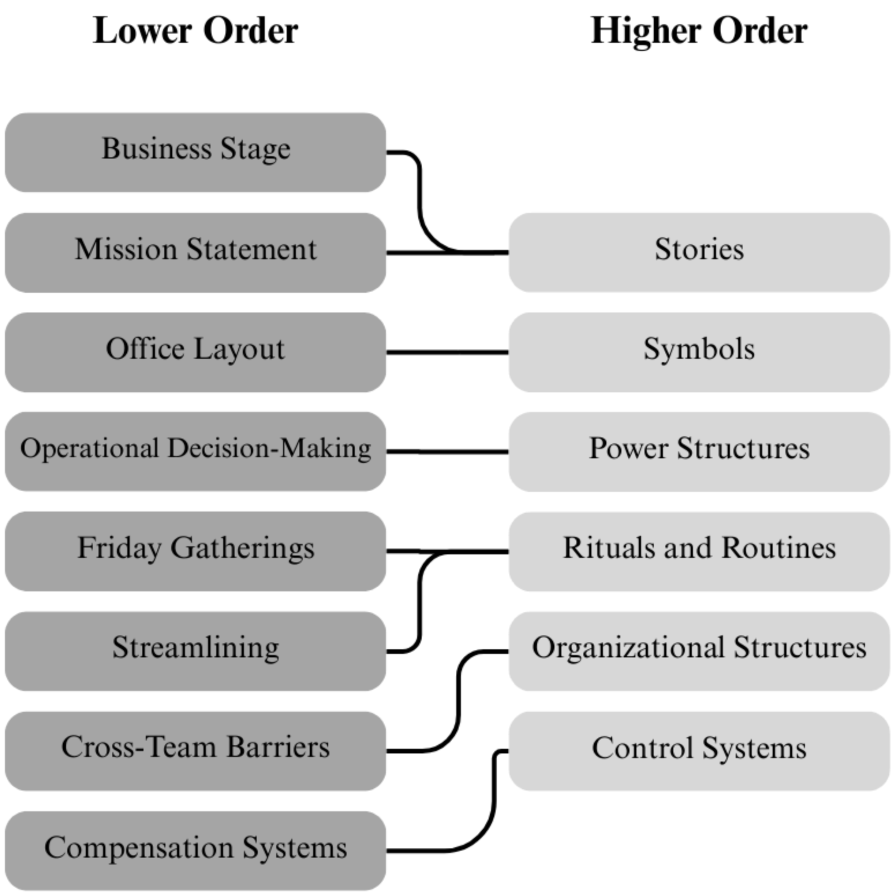

Figure 4.2*. (Castellanos and Khebou, 2025)*

4.5 Limitations to Methodology

4.5.1 Generalization

By using a single case study, this thesis and its synthesized conclusions face the critique of generalizability, i.e., the applicability to other populations or settings. However, we argue that the findings have broad theoretical significance and are not firm-specific as the theoretical framework, findings and analysis are grounded in previous research of business transitions, entrepreneurial firms and OC change, allowing this study's research design to be adopted in other contexts, e.g., multiple case studies and research of different business transitions (Saunders et al., 2019).

4.5.2 Data Collection

All interviewees experienced both business stages. To further deepen and widen the study and its findings, sampling employees hired before and after the business transition may contribute additional insights and nuance to the study. For instance, while employees present throughout both a *Survival* stage and *Success-Growth* stage may characterize the *Survival* stage as entrepreneurial and the *Success-Growth* stage as corporate, employees present only previous or after the business transition may not necessarily agree as their insights and observations are impacted by their own background and preconceived notions.

4.6 Ethical Considerations

4.6.1 Adherence to SSE Regulation

The following thesis has adhered to the regulations of the Stockholm School of Economics. Data has been stored according to GDPR guidelines. In addition, all interviewees have signed a standardized consent form, issuing consent to participate in the study and how their personal information will be processed.

4.6.2 Usage of AI

AI software was used to automate a selection of processes to improve time allocation. *Microsoft Copilot* was used to translate quotes into English, as some interviews were conducted in Swedish. The translations were cross-checked for context by the authors.

Microsoft Co-Pilot processes and stores data in faculty-approved servers according to the data management policy of the Stockholm School of Economics. The faculty-approved *Klang AI* was used to automate the interview transcription. The authors initiated all interviews by approval and consent for the use of *Klang AI* (see Appendix 4).

4.6.3 Considerations for Interviewees

Despite our best efforts to achieve full anonymity, the sampled interviewees of this study inherently hold a risk by their participation in the study as the shared empirical data consists of highly personal, intimate and detailed information. Any shared critique of the firm, firm representatives or employees poses a risk of harming the interviewee.

4.7 Reflexive Considerations

The authors recognize that all conclusions and implications are made subjectively by the cognitive and knowledge-production abilities of the authors. Furthermore, interactions with the supervisor, the supervisor group, the examiner, the case study contact person, and other researchers writing their bachelor's thesis have formed the authors' understanding and method application in producing this thesis. Finally, one author held a personal relationship with the case study firm, enabling access to specific firm information and potential sample prospects and interviewees. The personal connection to the case study also contributed to the authors' interest in the subject and research purpose.

5. Empirical Data

5.1 Stories

5.1.1 Business Stage

Throughout the interviews, the participants mentioned that the perceived business stage of the company changed. At the *Survival* stage, interviewees described the firm as a *start-up* and as a small collaborating team.

> *It was, well, a startup, you talk a lot with each other, bounce ideas around and just go for it.* – **M10**
>
> *There was no sales organization, there was no sales culture, there was no sales team at all. It was as if the whole company was one and the same team, just that everyone had different tasks in principle.* – **M8**

In the *Success-Growth* stage, the interviewees indicated that the firm had taken a clear step away from being a *start-up*.

> *Now we use the word scale-up [...] It's good that we've stopped saying start-up now [...] It doesn't feel like a start-up anymore, but more like a software company that is scaling up.* – **M2**
>
> *A big thing, I would say, is that our Deputy CEO has started [...] She has more experience working in a slightly larger organization and has a leadership role [...] now we are becoming a real company [...] I remember thinking when she was hired that, now we are out of the start-up phase. Now we are a scale-up.* - **F2**

5.1.2 Mission Statement

A value-driven mission statement emerged as a thematic story adopted by employees. The mission statement's foundation in resolving societal challenges, reinforced the creation of a clear purpose, strategic direction and collective identity.

...we always wanted some kind of societal mission [...], a mission statement. – **M2**

It felt value-driven. Driven by the company's mission – **F6**

As the firm transitioned, alignment with the original mission statement and purpose held in the *Success-Growth* stage.

But overall, I would say that much is very much the same. That is, in terms of mission and purpose. Why do we exist and why are we doing this? So, it hasn't really changed that much. **- F5**

5.2 Symbols

5.2.1 Office Layout

The importance and differences of the office layout before and after business transition emerged as a central motif. During the *Survival* stage, interviewees described the firm as operating on the same office floor which fostered better communication.

And we sat about a meter between everyone. You could talk to each other across. - **F6**

Previously, when someone new started, you had time to sit at the same lunch table and ask the basic questions so that you […] understood what kind of person they are. – **F2**

At a *Success-Growth* stage, interviewees highly emphasized the effect of a new office layout of three floors, separating departments and teams.

It is divided, and we used to have everything on the same floor, but now we moved offices, and the floors are so small that we had to divide it by floor instead. This creates even more, even clearer divisions, because it becomes a clear barrier between departments. - **M10**

...it's sad, I think, to sit on different floors […]. It takes away a bit… The startup feeling is slowly but surely disappearing, perhaps. [...] it definitely feels like it's becoming a bit more corporate. - **M9**

... this is the first time we're on multiple floors […] But now, like, I have no reason to go (to another floor). - **M4**

5.3 Power Structures

5.3.1 Operational Decision-Making

Upon reflection on power groupings and structures, centralized ownership of all developed products under the Chief Product Officer emerged as a theme. At a *Survival* stage, the Chief Product Officer held the responsibilities of Chief Financial Officer and Chief Operations Officer as well.

> *The CPO was [...] the product owner in all teams, he was like the CFO, he was like the Chief of Operations* - **M6**
>
> *…it was mostly those who had close contact with the management, I would say (who had influence). But that's because they had worked there for a long time and had those types of roles (senior).* - **F7**

At a *Success-Growth* stage, operational decision-making transitioned from being centralized to becoming saturated and distributed amongst middle management.

> *[...] (tech has) grown up a little bit ... So, (each team has) [...] team leads. So, it's more like you [...] work more closely with your team lead instead of like the general tech team did (before). [...] The team lead is now more focused on a small team instead of the whole tech department.* - **F4**
>
> *Once upon a time, it felt like the CPO made a lot of decisions everywhere. [...] And it wasn't sustainable for the CPO to make as many decisions anymore. So, it needed to be distributed. [...] (other people) make a lot more decisions today.* - **M6**
>
> *... we recruited a Deputy CEO [...] and also a sales manager [...]. This was so that we could build an organization that can grow [...]. And this means that the (Deputy-CEO) (role is) streamlined [...] so that it is a bit more*

focused on product [...] The more you [...] have a fairly experienced management, the more you start working strategically. - **M5**

5.4 Ritual & Routines

5.4.1 Friday Gatherings

Interviewees frequently raised the *ritual* of the weekly *Friday gatherings*, a pan-organizational check-in. Most interviews discussed how the format of the *ritual* changed.

... once we started like getting into teams, then I guess the Friday Gatherings, it was too many people to like individually go around and say what you did. So then, like teams would be led by a person and would say, oh, my team did this (for the week). - **M4**

It was very easy to talk to someone at lunch and know roughly what they were working on. And then it became very easy to say, - yeah, so this is what you're working on now. Oh, what is that? And so on. Plus, we were a bit more detailed in our Friday Gatherings. - **F2**

At a *Success-Growth* stage, the updated format of the *ritual* and how it has affected the interviewees' perception of the *ritual* and their benefits from attending it became a recurring theme.

And now, as we grow, it's quite difficult to fit everyone into a meeting room. There is a larger proportion working remotely, so there are people you might not see very often. [...] It's difficult to have a weekly meeting where everyone has the opportunity to say exactly what they've been working on. [...] it often becomes [...] overarching company strategies that are *important to discuss, or certain teams get to dive deeper than others. This, of course, also takes away the overall picture of the company that we had before.* - **F3**

... it has been very difficult not to feel that we are losing each other in Friday presentations and such. But I think we have done that. Basically, we haven't kept track of what you (other teams) are doing. What are you actually doing? It has become noise that just goes in one ear and out the other. [...] (We are presented with) KPIs that no one understands. - **M6**

5.4.2 Streamlining

A large array of interviewees demented the implementation of streamlining as *routines* in the firm were observed to become more organized through specialization in roles and between teams as well as ownership becoming more visible as the firm transitioned from a *Survival* stage to a *Success-Growth* stage.

... it's good that everyone (nowadays) has fixed roles […] it brings more structure, order, and organization […]. (The biggest change in the company is) from a bit chaotic to orderly and organized. - **M3**

... on my team there's like very outlined. […] accesses and permissions and like everything are just more maybe streamlined in that way. So, like it's definitely more efficient. - **M4**

There was a big shift that happened from autumn 2023 to autumn 2024. I remember that it was then we started thinking a bit more structured and properly in those terms. It doesn't work with 'wild west' anymore. Now we are big enough that we need to make sure everyone is pulling in the same direction here. - **M9**

5.5 Organizational Structure

5.5.1 Emergence of Barriers Between Teams

The interviewees discussed the emergence of barriers between teams at a *Success-Growth* stage. At the *Survival* stage, interviewees perceived low barriers between departments, and some even barely recognized any separations between teams:

> *When I joined, it was a startup [...] everyone thought it was open as a company should be. Work was done agilely. - M3*
>
> *So, it's a big difference, a shift where everyone is getting further and further away from the founders, whom we used to work so closely with before.* - **F5**

After the transition, interviewees experienced the emergence of distancing between teams and higher barriers for cross-team interaction.

> *... I don't know all the names anymore [...] if someone new starts in (another) team, I don't really meet that person. It's a bit of a hello at a joint meeting where the new starters are introduced. But then I don't have anything to do with them anymore. It wasn't like that before. Before, it was like, okay, this is this person, and you would pass by them all the time. We sat together, and that is quite a significant difference, I must say.* - **M1**
>
> *The sales organization is [...] a completely different type of organization [...] it's very metric-based, there's a lot of people coming and going [...] I think it has been a bit of a culture shock for many who were very used to a secure environment where everyone makes it work [...] as the sales organization has grown as it has, they've had much more open discussions about performance because sales are metrics that are performance. You can't really do it that way in Tech.* - **M6**

... now the management and admin sit on their own floor even. There are pros and cons. There are a lot of advantages that allow us to sit and talk loudly in the room about things [...] It's convenient, but you also become very distanced. I strongly dislike that. It doesn't become founder-led, it becomes (a) management-led organization. - **M5**

5.6 Control Systems

5.6.1 Compensation System

Upon inquiring about the general control systems adapted throughout the firm, the compensation system was frequently brought to light. During the *Survival* stage, compensation was centered on stock option agreements and shareholding to drive motivation, commitment and engagement.

... a large part of the company's strength has been shareholding, even though there has been little money involved, it has certainly done something with the feeling that it is 'us' who are driving the company [...] (It) has also made people become engaged. - **F2**

... the stock option agreements were supposed to grow and be the compensation. Then there were no pensions, no wellness benefits, no such perks. - **F5**

At a *Success-Growth* stage, employee stock options became less frequent, substituted by gradual adoption of market-based salaries, benefits and pensions to adhere to external expectations.

... but people are (nowadays) perhaps not as personally invested. At least not as large a proportion of the company's workforce is (personally invested) […] It might not be the same 'we're on a mission' feeling, but more about making the company truly profitable. - **F2**

But then it has still moved towards perhaps reaching more market-based salaries and maybe not so many stock options anymore. - **M7**

... I would say the big thing is also that since we started with low salaries and then they increased, the salary jumps have been quite large. And I think that expectation remains. People expect to get significant salary increases, even though now they have benefits and are on a market salary. - **F5**

6. Analysis

6.1. Business Transition Positively Affecting Story Adoption

The empirical data characterize the firm at a *Survival* stage with a highly collaborative and openly communicative work environment that embraces OC change and innovation of OC. This aligns with the adopted theoretical framework that characterizes the *Survival* stage with simplicity, limited workforce, and minimally established formal systems (Churchill and Lewis, 1983). We found that the firm had transitioned to a *Success-Growth* stage through the use of *scale-up* in *stories* (M2; F2). Previous research observed that business transition is positively correlated with employee burnout and negatively correlated with job satisfaction (Genedy et al., 2024). Yet, we found that a transition from the *Survival* stage to the *Success-Growth* stage included positive expressions of content and satisfaction from employees. Specifically, employees held positive attitudes toward a transition from *start-up* and asserted that the firm had become a *real* company post-transition (F2).

It was found that at a *Success-Growth* stage, *control systems* became increasingly formalized, adopting market-based salaries and benefits, and phasing out stock option programs, which were the status quo at the *Survival* stage. This suggests a change of expectations with regards to *control systems* by employees that confirms previous research showcasing that employees hold a demand for security of employment, conformity, stability, reward system, job satisfaction (Iljins et al., 2015; Mikusova et al., 2023). We suggest that phasing out stock option programs may exacerbate the empirically observed decreasing sense of shared ownership in the firm at a *Success-Growth* stage. However, this assumes that stock option programs are superior in incentivizing employees, compared to market-based salaries and benefits.

In addition, the empirical data posits that the business transition's effect on OC does not induce *resistance to change* as both managers and non-managerial employees hold positive change attitudes in their adopted *stories*, complementing previous studies which observed that only managers held positive change attitudes (Abdul Rashid et al., 2003). This is enabled by the firm adapting *control systems* to adhere to the changed employee demand. Thus, business transition enables *control systems* to not only promote job performance, but also job satisfaction. The unaltered state of the firm's mission statement at the *Success-Growth* stage further enables continued employee job satisfaction and content, under the assumption that the mission statement significantly influences job satisfaction. The impact of a firm's mission statement is significant as, unlike control *systems* which are interrelated with external motivation, it is highly linked with emotional and intrinsic motivation.

6.2. Emergence of Subcultures

Employees reminisced at the *Success-Growth* stage over the *Survival* stage work environment. The reminiscence highlighted the *Survival* stage work environment as interactive, enabling cross-team collaboration, informal socialization, and frequent interactions. At the *Success-Growth* stage, the empirical data highlighted the emergence of silos as, aligning with Churchill and Lewis (1983), organizational and hierarchical structures emerged between departments. Hierarchical structures arguably enable the rise of cross-departmental divisions and silos. The formation and increase of cross-departmental divisions and silos was further exacerbated by a physical space separation of departments and teams (M4). Subsequently, pan-departmental synergies risk erosion, establishing a nurturing working environment for subcultures.

Furthermore, the additional structural barriers, i.e., *layering*, triggered a change in power dynamics in the *Success-Growth* stage as team leads increasingly focused their efforts on a team-basis rather than the entire organization. Ultimately, the emergence of silos and layering induces a decreasingly collegial work environment across departments. However, no evidence was found of the emergence of a competitive internal environment across departments, as argued by Kavanagh and Ashkanasy (2006) and Mikušová et al. (2023). This suggests that subcultures emerge to emotionally compensate for the nostalgia bias of employees at a *Survival* stage. Beyond highlighting reminiscence of the work environment and decision-making authority, employees' operational understanding of other departments was higher at the *Survival* stage (M6). In combination with physically, socially, and functionally detached departments, non-managers began to compensate for the lack of cross-departmental collaboration and social interactions by nurturing an intradepartmental, inward-looking OCs and identities within their teams (F1).

6.3 Change in Power Dynamics

In the *Survival* stage, decision-making authority stemmed from managers with top-down implementation. This centralization and top-down decision-making found an empirical commonality in the description of the Chief Product Officer and Co-Founder as a *jack-of-all-trades*. The Chief Product Officer held extensive and concentrated organizational influence due to an operationally critical, cross-departmental role (M6). Comparingly, at the *Success-Growth* stage, the firm had experienced a mindset shift to recruit middle management and a Deputy-CEO to fuel future growth, through which power became more saturated and distributed among the new middle managers. The founding managers' responsibility transitioned from supervisory to functional and holistic. The aforementioned catalysts to the change in power dynamics correlate with Churchill and Lewis (1983), asserting that at a *Success-Growth* stage, the firm is required to recruit for future rather than present challenges to meet emerging strategic demand. In practice, increased power saturation and distribution engage more organizational employees, i.e., middle management, in the agenda, mission, and scope of the firm. Beyond that, as the founding managers hold a functional and holistic role, at a *Success-Growth* stage, the firm evolves from a founder-led structure, suggesting that the transition from the *Survival* stage to the *Success-Growth* stage shifts the firm from its entrepreneurial nature (Bunduchi et al., 2022).

Employees emphasized, at the *Survival* stage, minimal organizational structures, e.g., chaotic, non-existent cross-departmental communication, and without an established sales organization (M9). However, at a *Success-Growth* stage, the firm held clear strategic and operational direction and added organizational structures, e.g., introduction of middle management. This indicates that the strategic decision to recruit to fuel future growth, met employees' demand for organizational structures and workflow. In addition, the empirical data illustrates employees' perception of the firm and organization as increasingly efficient and organized, aligning with Churchill and Lewis' (1983) adopted theory, characterizing firms at a *Success-Growth* stage with increasingly formal systems. This suggests employees' firm perception as increasingly efficient and organized, in combination with increased power saturation, distribution and involvement in operations decisions, enables the firm to cultivate psychological safety, intrinsic motivation and employee dedication at a *Success-Growth* stage, aligning with the findings of previous research (Fishman and Kavanaugh, 1989; Ashkanasy et al., 2000).

6.4 Improved Organizational Structures and Streamlining Do Not Necessarily Equate to Meeting Social and Emotional Demands

Friday Gatherings emerge as a highly reputable, and valued *ritual* within the case study. At a *Survival* stage, the *ritual* was highly detailed, understandable, and fundamental to the transparency and understanding of firm processes and decision-making. The *ritual* communicated strategic and operational decision-making and processes in an easily translatable manner for all employees, irrespective of background or expertise. At the *Success-Growth* stage, the *ritual* was designed to be highly generalized, focused on strategic decision-making and adapted to the increased diversity of employee background and attitudes. However, empirically, the *Friday Gatherings* have failed to bridge the cross-departmental informational asymmetries and inform all employees of ongoing decision-making in the *Success-Growth* stage (M6). In practice, the *ritual* has shifted into an informal social activity and platform for employees to fulfill their social needs, grounded in the lack of cross-collaboration, emergent subcultures, and the dissociation of top management from employees. This suggests that the *Friday Gatherings* remain a cherished *ritual*, due to employees' nostalgia bias and need for social fulfilment, despite the *ritual's* inability to share knowledge across teams. Consequently, this emotional attachment may nurture a resistance to change as changing or removing *Friday Gatherings* may be seen as a threat to the status quo and *routines* of the firm (Limwichitr et al., 2015; Wijethilake et al., 2021).

Therefore, business transition from a *Survival* stage to *Success-Growth* stage may be successful in improving workflows and structures; however, that does not guarantee that the social and emotional dimensions of OC remain unchanged or improve. Instead, a risk evolves that the social and emotional dimensions of OC may worsen. Hence, a paradoxical conclusion arises; the *Five Stages of Small Business Growth* indicate that the firm requires increased structures and streamlining at the *Success-Growth* stage, yet that same separation and structures must be reduced at the *Success-Growth* stage to retain synergies and knowledge-sharing.

7. Discussion and Conclusion

7.1 Answering the Research Question

This thesis aimed to provide an answer to the research question:

How does entrepreneurial firms' OC change when transitioning from a Survival stage to a Success-Growth stage?

The study identifies four major changes in OC after transition from *Survival* stage to *Success-Growth* stage:

1. The business transition positively affects how employees adopt stories as employees' demand for security of employment, conformity, stability, reward system, job satisfaction, team orientation and empowerment is met with updated *control systems*.

2. The business transition enables the emergence of subcultures as a result of physically, socially, and functionally detached departments within the organization.

3. The mindset shift to adapt the organization to fuel growth during business transition impacts power dynamics as employees perceive the firm as more efficient and organized at a *Success-Growth* stage. The added effects are increased psychological safety, intrinsic motivation and employee dedication.

4. Although the business transition may successfully improve workflows, structures and communication, it does not guarantee that the social and emotional dimensions of OC remain unchanged or improved. Instead, the social and emotional dimensions of OC risk deterioration.

7.2 Research Contributions and Implications

Business transition from a *Survival* stage to a *Success-Growth* stage positively affects the stories adopted by organization employees as *control systems* (processes and policies) meet the demand of the workforce. This conflicts with previous literature which found that OC change triggers initial non-managerial resistance to the change. Although this study did not extensively examine employees' initial reactions to the OC change, collected empirics does suggest positive initial reactions (F2) (Limwichitr et al., 2015; Wijethilake et al., 2021). This suggests that OC change should not be assumed to instill negative attitudes towards change. Simultaneously, some previous research found positive attitudes towards change, however such research only studied the attitudes of managers (Abdul Rashid et al., 2003). We found that not only managers, but also non-managers expressed positive attitudes towards OC change, complementing previous research.

This thesis concludes that business transition formalized employee demands, contributing to an increased perception of firm legitimacy (Iljins et al., 2015; Mikušová et al., 2023). Managers in entrepreneurial firms should therefore acknowledge that, despite previous research highlighting the risk of employees (non-managerial) resisting change, there can be a positive reaction towards the change if the change is desired by the employees. However, the mono-method case study should be acknowledged as further research must be performed to validate and further generalize the finding.

While no direct indication emerged of managers using *stories* to attribute meaning and materialize OC change, this study found managers consciously hired new employees to meet future growth demand (Churchill and Lewis, 1983; Frontiera, 2010). We posit that this mindset shift in recruitment by managers subconsciously influenced the non-managerial employees' perception of the new business stage (*Success-Growth*). This notion supports previous research (Briody et al., 2012) and indicates that managers may both consciously and subconsciously affect the *stories* adopted by all employees.

Furthermore, this study extends to include unmet employee social demands of OC and the emergence of silos as catalysts in nurturing subcultures. Aligning with previous research, we found that a threat to the organizational status quo invokes a state of defensiveness in employees, accentuated by low levels of trust. Simultaneously, cross-team communication decreases (Kavanagh and Ashkanasy, 2006; Frontiera, 2010). This is vital as the emergence of subcultures and reduction in cross-team communication, ultimately, induces a decreasingly collegial and collaborative work environment across departments. This is exacerbated by the tendency of managers to prioritize their immediate teams over broader interdepartmental collaboration. It implies that managers must be aware that both structural and social dimensions foster subcultures and that mitigation strategies may become highly complex.

This study found that the change in power dynamics may explain why the introduction of middle management is advantageous. The introduction of middle managers results in power distribution and saturation from the founding managers. Middle managers are able to adapt the role, demanded by non-managerial employees, that the founding managers could not. In other words, middle managers are able to put words into practice as they are increasingly present and aware of team specifics. These changes in power dynamics may have a positive effect on OC as layering enables closer and more efficient collaboration within teams. However, although workflows, structures and communication may improve during business transition, it does not guarantee that the social and emotional dimensions of OC are unchanged or improved. We suggest that there is a risk of social and emotional dimensions deteriorating. This risk and the change in social and emotional dimensions of OC is something uncontrolled by previous research on business transitions, OC change and entrepreneurial firms which predominantly focused on organizational effectiveness and financial performance (Lawrence and Lorsch, 1967; Burack, 1991; Denison and Mishra, 1995; Abdul Rashid et al., 2003; Kavanagh and Ashkanasy, 2006; Kotter, 2008).

7.3 Research Limitations

The findings may be limited in their generalizability as the study selectively included employees present both before and after the transition. We suggest that data collection from employees present only at the *Survival* stage or *Success-Growth* stage and examining other stakeholders (investors, suppliers, buyers, board of directors) may widen and deepen the findings and synthesized conclusions. Therefore, this research is limited by the inclusion of one stakeholder group.

Although all interviews and empirical data were collected by the author without preconceived notions or opinions of the case study, the preexisting relationship between the other author and the case study risks the introduction of observer bias as pre-established opinions of the case study's OC and employees may impact the study and its reliability.

7.4 Conclusion

This thesis aimed to answer *how entrepreneurial firms' OC changes when transitioning from a Survival stage to a Success-Growth stage.*

The business transition positively affected the *stories* adopted by employees as *control systems* were effectively adapted to meet demand. However, the emergence of subcultures was found to be an OC change with potentially significant ramifications if not prevented. Furthermore, employees' firm perception changed as the firm was seen as more efficient and organized. At the *Success-Growth* stage, psychological safety, intrinsic motivation and employee dedication increase as power becomes more saturated and distributed throughout the organization. The risk of social and emotional dimensions of OC deteriorating emerges as streamlining and increased structures fail to consider them.

The study is relevant as previous research on entrepreneurial firms during business transition adopts an ambiguous theory rather than defined life-cycle stages. The findings made are therefore difficult to generalize. To create academic clarity, we conducted this study by examining a concrete business transition that occurs between two defined, sequential life-cycle stages. The findings were derived from empirical data gathered by semi-structured interviews within a case study.

7.5 Future Research

Researchers should further examine how OC changes when entrepreneurial firms transition through other business stages and fill novel research gaps. One possible study is to examine multiple case studies rather than a single one, enabling comparison across firms to test the findings of this study, extensively providing reliability by a larger sample check. Future research can adopt a similar methodology to compare employees present only in the first business stage and those in the subsequent business stage. Furthermore, researchers may hone in on the management of OC change. For instance, as it was found that managerial decision-making may extensively influence OC, researchers may pose the question *to what* *extent OC is nurtured organically versus implemented through strategic decisions*. Lastly, future studies are recommended to examine other business transitions in Churchill and Lewis's *Five Stages of Small Business Growth* (*Existence to Survival*, *Take-Off to Resource Maturity*) or alternative business transition theory. This would enable comparison between different business transitions. Future studies may investigate other industries and regions to compare findings across industries and borders. Lastly, future research can employ our theoretical framework to examine OC change in defined business transitions.

8. Implications for Management and Practitioners

This study has addressed a research topic unexplored as previous studies adopted contested definitions or did not focus on OC and how it changes in entrepreneurial firms undergoing business transition. However, the authors of the study identified a large influx of non-academic research, i.e., published and gathered by globally leading management consulting and audit firms (Wharton Executive Education, 2014; Heath and Heath, 2023; Weddle et al., 2024; Bain and Company, 2025). More research stemmed from popular cultural sources (Clawson, 2024). In combination, these non-academic findings suggest relevance to management and practitioners.

To conduct this study, the authors adopted business transition theory to hone in on a certain business transition, transparently, tangibly and concretely outlining the Survival stage and Success-Growth stage for future use and adoption of this study's findings in practice. This was further enabled by the theoretical modification and addition of the Cultural Web to account for the previously disregarded, OC dimensions during business stages. The synthesized conclusion that business transition positively affects how employees adopt stories as control systems were effectively adapted to meet demand, contrasts previous research and illustrates how stories engage with control systems. Several implications arise.

Firstly, managers in entrepreneurial firms are able to gain insights into the demands of employees through the stories adopted within their organization. In this case study, the business transition enabled fulfillment of employees' demanded control systems (security of employment, conformity, stability, reward system, job satisfaction, team orientation and empowerment) which generated positive attitudes towards OC change. The authors posit that practitioners can leverage the insights gained from adopted stories to examine and, if required, adapt their strategy and control systems to influence the status quo and attitude towards OC change across the workforce. Practitioners may even detect other firm-specific links between stories and other dimensions of the *Cultural Web*. Evidently, managerial decisions are unexpectedly more influential on the OC. The authors of this study posit that if internalized, the findings of this study may aid employees to understand the extent that their firm's OC is not purely organic and socially generated, but formed by managers' decisions and strategies.

The finding that business transitions enable the emergence of subcultures as a result of physically, socially, and functionally detached departments within the organization, is arguably relevant for practitioners undergoing business transition between stages, embodying the transition from *Survival* stage to *Success-Growth* stage. Practitioners may, accordingly, adopt the insights of this study to mitigate any undesired developments in the OC change, for instance, the emergence of subcultures. In tangible terms, management may introduce cross-departmental gatherings, workshops, meetings and social events (after-works), aimed at breaking down functional and social barriers between departments and teams. Additionally, employees may use this study's findings as a comparison with their own entrepreneurial firm undergoing business transition to understand whether subcultures or other insights have emerged.

Similar implications emerge for the conclusion that the entrepreneurial firm's change of mindset to recruit and structure the organization to fuel growth impacted power dynamics, which subsequently changed employee perception of the firm at a *Success-Growth* stage as psychological safety, intrinsic motivation and employee dedication increased. Practitioners may struggle to navigate and accept that employees may demand power saturation and distribution and founding managers to take a step back from managing multiple departments in order to decentralize decision-making and increase empowerment. More concretely, this study suggests that if founding managers hold too much ownership, struggling to relinquish control and power, the firm may become more organized and efficient. This information may be used for management to analyze how content employees are with regards to decision-making authority and power within their teams and departments, by asking *Is the leader sufficiently present? Can the department/team become more efficient?* Similarly, departmental/team employees may use this thesis to determine whether their firm's/team's/department's power distribution is ideal. However, it may be added that such interpretation is subjective, building on individual perceptions. Employees may ask questions such as *Are my manager(s) too focused on other teams? Are my manager(s) less knowledgeable than others? Are my manager(s) uninformed of my department's/team's current processes?*. The authors assert that these questions may enable employees to call for change in management, suggest substitutes for their current department/team managers or nominate internal department/team leader(s).

The authors argue that practitioners are recommended to expand their change management toolkit from adapting workflows and structures to account for the social and emotional effects of OC change on employees. For instance, employees could function as advisors to management to combat the risks of OC change during business transition. This also signifies that management should recognize and reward any contributions from employees that are beneficial for the firm. Thus, this study may function as a complement to previous research for management, adding the importance of not only implementing the right hierarchical structures (layering), but also acknowledging the key role of the social and emotional dimensions of OC. In addition, employees may adopt the insights, findings and conclusions of this study to understand whether there exists an element of social and emotional discontent in the firm and why, despite positive firm performance.

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10. Appendix

10.1 Appendix 1 - Academic Literature Research Method

The literature review adopts the Stockholm School of Economics' guidelines and keywords (p. 2) central to the research question with Boolean operators to collect academic literature related to the topic of this thesis. All articles have been chosen based on SCOPUS FWCI metric (Elsevier, 2025). Although the SCOPUS-database covers 23000 peer-reviewed journals, it limits the selection of previous research. A backward snowballing approach was used to gather relevant references and balance the limitations of the SCOPUS-database (Saunders et al., 2019).

10.2 Appendix 2 - Interview Codes

	Code Name	Gender	Senior
Interview 1	F1	Female	
Interview 2	M1	Male	
Interview 3	F2	Female	
Interview 4	M2	Male	
Interview 5	M3	Male	Senior
Interview 6	F3	Female	
Interview 7	M4	Male	
Interview 8	F4	Female	
Interview 9	F5	Female	Senior
Interview 10	M5	Male	Senior
Interview 11	F6	Female	Senior
Interview 12	F7	Female	Senior
Interview 13	M6	Male	Senior
Interview 14	M7	Male	Senior
Interview 15	M8	Male	
Interview 16	M9	Male	Senior
Interview 17	M10	Male	Senior

10.3 Appendix 3 – Invite Sent to Interview Participants (Swedish)

Hej X, hoppas allt är bra!

Jag skriver just nu (...) en kandidatuppsats på Handelshögskolan. Vi har valt att studera kulturförändring i organisationer och har valt (bolaget) som vårt case study.

Vårt research gap baseras egentligen på att det finns ett begränsat antal akademiska studier gällande kulturförändring i ett företag, särskilt när det sker en transformation från ett företagsstadie till ett annat.

För att forska på detta vill vi utföra intervjuer med anställda som varit en del av bolaget under denna förändring och vi hoppas naturligtvis att du vill delta i vår studie!

Intervjun (..), tar ca 30-45 minuter och kan genomföras på det sätt som du föredrar, antingen på plats eller på Google Meet.

Om du kan tänka dig att delta ser vi gärna att intervjun sker under denna eller nästa vecka, dvs vecka 13 eller vecka 14. Intervjun är anonym; dina svar och ditt deltagande hanteras enligt GDPR och ditt namn kommer inte nämnas i slutarbetet.

Boka intervjutid via följande länk:

Vi är mycket tacksamma om du kan tänka dig bidra till vårt arbete, men vi förstår självklart också om du inte vill eller att tiden inte passar. Om så är fallet så tackar vi för din tid så här långt och ber dig återkoppla så försöker vi ge platsen till någon annan!

Stort tack på förhand!

10.4 Appendix 4 – Invite Sent to Interview Participants (Translated to English)

Hi X, hope you're doing well!

I'm currently writing a bachelor's thesis at the Stockholm School of Economics. We've chosen to study cultural change in organizations and have selected (the company) as our case study.

Our research gap is essentially based on the limited number of academic studies on cultural change within a company, especially when it involves a transformation from one stage of the company to another.

To explore this, we would like to conduct interviews with employees who have been part of the company during this transformation, and we naturally hope that you would be willing to participate in our study!

The interview takes approximately 30–45 minutes and can be conducted in the way that suits you best—either in person or via Google Meet.

If you're open to participating, we would like to schedule the interview during this or next week, i.e., week 13 or week 14. The interview is anonymous; your responses and participation will be handled in accordance with GDPR, and your name will not be mentioned in the final thesis.

You can book an interview time via the following link:

We are very grateful if you are willing to contribute to our work, but of course, we understand if you prefer not to or if the timing doesn't work. If that's the case, we thank you for your time so far and will try to offer the spot to someone else!

Many thanks in advance!

10.5 Appendix 5 – Interview Template

Personal Background

1. What is your name?
2. Age?
3. Gender?
4. Professional Role?
5. When did you start at the firm?
6. Shortly, do you have any other major professional background?

Stories

1. When you started at the firm, what were you told about the company, its history, and background? For example, were you told anecdotes or something about the firm's journey?
2. Back then, how did you describe the company to external parties, that is, friends, family, etc
3. If you were to describe the company to someone today, how would you describe it, and what stories would you tell?

Symbols

1. When you started at the firm, what can you recall regarding the physical space at the office - dress code, physical layout of the office, furniture etc?
2. What does the physical space look like since last fall? Are there any differences?
3. What language in the firm was used internally when you started at the firm? How was communication? What language was used towards clients?
4. How has language and communication been used internally in the firm since last fall?

Power

1. Who were the most influential people in the firm when you started, and who has the most influence today? Specifically, over making decisions and resource allocation?

Rituals and routines

2. Routines can be described as "the way we do things around here". In general, what routines did you come across when you first joined the firm? That can, for example, be norms and processes.

3. Have the routines changed since the fall of 2024? If so, how?
4. Has the changeability of routines differed from when you started at the firm to last fall? That is, have you noticed any difference in the ability to change routines in the firm since last fall?
5. Has the company's formal and informal activities changed from when you started at the firm to the fall of 2024? Examples of activities are promotion processes, workshops, celebrations of milestones, and informal social activities.

Organizational structures

1. When you started at the firm, what was the organizational structure of the firm, and how informal/formal was it?
2. Do the formal and informal organizational structures look the same since last fall? If not, how does it differ?
3. What organizational role did you report to when you started at the firm, and who do you report to today?

Control systems

1. When you started at the firm, what were the formal and informal ways of monitoring and supporting employees? How did the reward system look?
2. Does the monitoring of employees look the same since last fall? If not, how does it differ?

Final Question

1. This is the final question of this interview! I would like you to briefly describe how you believe the culture has generally evolved from when you started at the firm until the fall of 2024. What are the major differences or similarities, according to you?

THANK YOU for a wonderful interview!