

Autonomy Reframed

*How Founders Experience Changes in Autonomy and Intrinsic Motivation
Following Venture Capital Investment*



Amirhossein Karimi & Evenezer Tame

Degree Project in Management

Stockholm School of Economics

Keywords:

*Venture capital, founder autonomy, intrinsic motivation,
Self-Determination Theory, Psychological Ownership*

Abstract

Founders often enter venture capital relationships with a high degree of autonomy and then encounter formal governance changes that prior research literature tends to model as a single, one-directional cost to motivation. Drawing on eleven semi-structured interviews with Swedish founders, nine of whom are venture-capital backed, this thesis examines how founders interpret these changes and how their interpretations shape intrinsic motivation. The data are analysed abductively through Self-Determination Theory as the primary lens, with psychological ownership as a complementary lens.

Across the cases, formal governance does not simply produce a uniform decline in motivation; it reframes autonomy rather than removing it. This effect is filtered through five conditions: *the founder's prior autonomy baseline*, *how far the trade-off was anticipated*, *preparedness before investment*, *governance quality* (whether the investor relationship is experienced as support or as control), and *psychological ownership* of the venture. Some founders absorb governance constraints as chosen discipline; others experience the same constraints as imposed control. Most describe a partial shift along the SDT continuum, from intrinsic toward more controlled regulation, while remaining engaged. The activities founders single out as motivationally costly are not necessarily those that take the most time, but those whose source they read as external.

The thesis contributes a more textured account of post-VC motivation than a binary motivation/amotivation reading allows. It identifies preparedness as an underexamined condition shaping internalisation in the SDT sense, and shows that psychological ownership operates as a motivational buffer that sustains engagement even as formal control and ownership are reduced.

Definitions

Venture capital

Refers to professionally managed capital invested as equity or equity-linked financing in privately held, high-growth companies. (Gompers & Lerner 2001)

Intrinsic motivation

“Intrinsic motivation is defined as the doing of an activity for its inherent satisfactions rather than for some separable consequence.” (Ryan & Deci, 2000)

Bootstrapping

Refers to building and developing a business without relying on long-term external financing from lenders or new owners. (Winborg & Landström, 2001)

Governance

Refers to the structures and processes through which an organisation is directed and controlled, including leadership, internal organisation, and decision-making. (Hellmann & Puri, 2002)

Autonomy

Refers to acting with a sense of volition and choice, where behaviour is experienced as self-endorsed rather than externally forced. (Ryan & Deci, 2000)

Table of Contents

Abstract	2
1. Introduction	6
1.1 Background and Problem	6
1.2 Previous Research	6
1.3 Research Gap	7
1.4 Why This Matters	7
1.5 Research Question	8
1.6 Scope	8
1.7 Thesis Outline	8
2. Literature Review	8
2.1 Venture Capital and Governance	8
2.2 Founder Autonomy and Psychological Ownership	9
2.3 Entrepreneurial Motivation and Autonomy	10
2.4 Literature Summary	10
3. Theoretical Framework	13
3.1 Self-Determination Theory	13
3.2 Psychological Ownership as Complementary Lens	13
3.3 Use of Theoretical Framework	14
3.4 Analytical Framework	14
4. Method	16
4.1 Research Philosophy	16
4.2 Research Logic	16
4.3 Research Design	16
4.4 Sampling Strategy	16
4.5 Respondent Overview	17
4.6 Data Collection	18
4.7 Abductive Thematic Analysis	18
4.8 Research Quality	19
4.9 Ethics	19
4.10 Use of AI Tools	20
4.11 Methodological Limitations	20
5. Empirical Findings	21
5.1 Governance interpretation	21
5.1.1 Autonomy as baseline	21

5.1.2 Anticipated trade-offs	22
5.2 Motivational shift	23
5.2.1 Governance mechanisms	23
5.2.2 Motivation altered	25
5.3 Boundary conditions and buffers	26
5.3.1 Ownership as buffer	26
5.3.2 Counterfactual variation	27
6. Analysis	29
6.1 VC Changes Autonomy as a Redistribution of Decision Rights	29
6.2 Preparedness and Founder Experience: Shaping Governance as Chosen Discipline vs. Imposed Control	30
6.3 Psychological Ownership Explains Why Formal Dilution Does Not Equal Motivational Dilution	31
6.4 Source Over Scope: Why Some Activities Feel External	32
7. Discussion	35
7.1 Answering the Research Question	35
7.2 Contributions to Literature	35
7.3 Practical Implications	36
7.4 Limitations and Future Research	37
8. Conclusion	38
9. Implications for Practice: <i>Designing VC Governance Without Draining Founder Drive</i>	39
10. References	40
11. Appendix	43
11.1 Interview invitation	43
11.2 Interview Questions	43

1. Introduction

1.1 Background and Problem

Founders frequently choose entrepreneurship for the freedom it offers. Benz and Frey (2008) show that self-employed individuals report systematically higher procedural utility than matched employees, attributing this premium to self-direction. Shane, Locke and Collins (2003) identify the desire for independence as one of the most consistent predictors of entrepreneurial entry. Carsrud and Brännback (2011) describe autonomy and independence as structural drivers of entrepreneurial motivation that distinguish founder work from employment. The early phase of founding is also where this autonomy is most concentrated. Decisions are made by a small founding team, accountability runs horizontally, and direction is set without reference to external principals.

This baseline is interrupted, for some firms, by external investment. Gompers and Lerner (2001) document the rise of venture capital as a dominant financing model for high-growth firms across Europe and North America. Although only a minority of startups raise institutional capital, the firms that do shape the visible landscape of new-venture growth and concentrate strategic and reputational consequences. For the founders of these firms, accepting investment is rarely a pure financial event. Kaplan and Strömberg (2003, 2004) show that VC contracts systematically include monitoring rights, board representation, milestone-contingent disbursements, and veto authority over major decisions. Hellmann and Puri (2002) document the professionalisation that follows institutional investment. Bernstein, Giroud and Townsend (2016) show that board oversight intensifies measurably with VC presence. The change is real and structured.

The motivational consequences of this change vary substantially across founders. Some founders describe the investor relationship as clarifying. Others describe a slower erosion of the engagement that originally drew them into founding. Understanding why such different outcomes follow from broadly similar governance arrangements requires attention to how founders interpret governance change and how that interpretation connects to motivation.

1.2 Previous Research

Three streams of research literature converge. *The first* documents what changes formally when VC enters. Kaplan and Strömberg (2003, 2004), Hellmann and Puri (2002), Bernstein et al. (2016), and Gompers and Lerner (2001) describe the contracts, oversight mechanisms, and professionalisation effects of VC governance.

The second addresses founder identity and the psychological dimensions of the venture

relationship. Wasserman (2003, 2008) frames the entry of external investors as a control–growth dilemma with consequences for founder identity. Block, Fisch and Diegel (2024) show that VC funding reshapes founder identity, with measurable shifts toward professionalism but reduced authenticity. Fauchart and Gruber (2011) show that founder identity is constitutive of the venture rather than incidental to it. Pierce, Kostova and Dirks (2001, 2003) and Zhu, Smith and Brown (2024) explain why felt ownership of a venture can persist despite formal dilution.

The third stream addresses entrepreneurial motivation directly. Cardon, Wincent, Singh and Drnovsek (2009) document entrepreneurial passion as domain-specific. Frese and Gielnik (2014) link motivational dynamics to the action environment. Stephan (2018) reports that governance events are associated with shifts in founder well-being and motivational orientation, with substantial variation across individuals.

1.3 Research Gap

The streams have not been integrated to answer how founders interpret governance-induced autonomy changes, why broadly similar arrangements produce different motivational responses, and how those interpretations modulate the *quality* of motivation rather than its presence. Existing work also tends to treat post-VC motivation in binary terms where external governance either crowds out motivation or it does not (Frey and Jegen, 2001), rather than as the regulatory continuum shown by the Self-Determination Theory (Ryan and Deci, 2000).

This study addresses the interpretive layer between governance form and motivational outcome.

1.4 Why This Matters

The question matters theoretically because the absence of interpretive accounts means observed variation in founder motivation after investment cannot be explained by governance form alone. A correlation between governance intensity and reported autonomy says less than an account of what the governance feels like and why it feels that way.

Practically, VC-backed firms depend on founder motivation to generate the returns the model is built around. Founders who remain intrinsically motivated build differently from founders working primarily under external regulation. Governance design that depletes founder motivation is, on this reading, a cost to both sides. The interpretive layer between governance form and motivational outcome therefore frames the central question of this study:

1.5 Research Question

How do founders experience changes in autonomy following venture capital investment, and how do these perceived changes affect their intrinsic motivation as founders?

1.6 Scope

The study takes the founder perspective and is set in the Swedish startup ecosystem. It does not evaluate whether VC governance is good or bad in general, does not include the investor view directly, and does not model firm performance. The aim is interpretive. The sample comprises eleven founders, of whom nine are VC-backed and two are non-VC supplementary cases. The supplementary cases are used to clarify the baseline rather than to carry the central answer.

1.7 Thesis Outline

Section 2 reviews three streams of prior literature and identifies the research gap. Section 3 sets out the theoretical framework, with SDT as the primary lens and psychological ownership as complementary. Section 4 describes the method. Section 5 presents the empirical findings, organised thematically and comparatively. Section 6 develops four analytical claims. Section 7 answers the research question and discusses contributions and limitations. Section 8 concludes.

2. Literature Review

2.1 Venture Capital and Governance

Jensen and Meckling (1976) provide the agency-theoretic foundation that frames the VC contract: information asymmetries and divergent incentives between investor principals and founder agents call for contractual mechanisms. Kaplan and Strömberg (2003, 2004) document how those mechanisms operate in practice. Convertible securities, milestone-contingent cash flow rights, board representation, and explicit veto authority over major decisions are systematic features of VC contracts rather than exceptional ones. Gompers and Lerner (2001) describe the staging of capital disbursements as an additional disciplining device that ties continued resource access to performance. Hellmann and Puri (2002) show that VC-backed firms move more rapidly than comparable non-VC firms toward formal management structures, including the hiring of market-oriented executives and the replacement of founding CEOs. Bernstein et al.(2016) document that the intensity of VC monitoring increases with proximity, with measurable effects on hiring and strategy.

The governance relationship is not only constraining. Sapienza and Gupta (1994) and Fried and Hisrich (1995) describe the value-adding side of VC involvement: strategic guidance, network access, and operational coaching. Stuart, Hoang and Hybels (1999) show that VC backing contributes legitimacy and reputational spillovers that are themselves resources for early-stage firms. The dual character of governance, simultaneously constraining and enabling, matters for any account of what investment does to founders.

Within that dual character, governance intensity varies. Winborg and Landström (2001) describe the range of early-stage financing arrangements and the lighter governance that typically attaches to angel and family-office funding compared with institutional VC. The implication is that the experience of governance is not a single thing, and that the design of the arrangement shapes how the relationship plays out for founders.

2.2 Founder Autonomy and Psychological Ownership

Baker and Nelson (2005) describe early-stage founder work as bricolage, where founders make do iteratively with whatever resources are at hand. The configuration is one of horizontal accountability and full direction-setting authority within the founding team. Wasserman (2003, 2008) frames the move away from this baseline as a control-growth dilemma. Founders who want to retain control must limit growth where those who pursue growth through external investment must give up some control. The dilemma is not only operational. It engages founders' identity, because founders who have built a sense of self around being the authority in their venture meet a particular kind of difficulty when that authority is formally constrained.

Block, Fisch and Diegel (2024) show that VC funding visibly reshapes founder identity, producing observable shifts toward self-confidence and professionalism but reduced authenticity. Fauchart and Gruber (2011) demonstrate that founder identity is constitutive of the venture rather than a stable background variable. Governance changes therefore register as more than operational.

Pierce, Kostova and Dirks (2001, 2003) provide the psychological ownership framework that explains why. They identify three routes through which psychological ownership develops: *control* over the target, *intimate knowledge* of it, and *investment* of the self into it. All three apply with particular force in the founder relationship. Van Dyne and Pierce (2004) show that psychological ownership can exist independently of legal ownership, while Zhu, Smith and Brown (2024) show that founders may maintain and recalibrate psychological ownership when control and decision rights change. This sets up the empirical question of how attachment shapes

the experience of governance change. If autonomy and ownership are foundational, then any motivational reading of post-VC founders requires the entrepreneurship-motivation literature.

2.3 Entrepreneurial Motivation and Autonomy

Benz and Frey (2008) report systematically higher procedural utility for the self-employed and attribute this premium to self-direction. Shane, Locke and Collins (2003) identify the desire for independence as a robust predictor of entrepreneurial entry. Carsrud and Brännback (2011) suggest that entrepreneurial motivation is shaped by goals, intentions, and work-related motives, making autonomy relevant as part of a broader motivational process rather than as a standalone explanation.

Once ventures are operating, motivation is not static. Frese and Gielnik (2014) show that motivational dynamics are tightly coupled to the action environment. Cardon, Wincent, Singh and Drnovsek (2009) describe entrepreneurial passion as domain-specific and tied to identity roles within the venture. Stephan (2018) reports that entrepreneurs' well-being is shaped by changes in work conditions, autonomy, demands, financial pressures, and social context, and that these effects vary across individuals. The financial relief, validation, and growth opportunity that investment can provide are documented as motivationally positive in some accounts. A careful reading of the evidence requires viewing both the costs and the benefits at the same time. The motivation literature has documented variation but has not connected it specifically to interpretive responses to governance change.

2.4 Literature Summary

Taken together, the three streams converge on a set of related propositions: *VC investment changes the formal governance context; founders are psychologically attached to their ventures; and autonomy is a primary motivational resource*. They do not, however, jointly explain the interpretive layer between governance form and motivational outcome. Prior research has not sufficiently integrated these streams to account for how founders interpret governance-induced autonomy changes, why similar arrangements produce different motivational responses, and how those interpretations modulate the quality of motivation rather than its presence.

A further limitation shapes how the question has been asked. The existing literature tends to treat motivation in binary or single-directional terms where VC investment brings governance change that either reduces motivation or it does not. (Arthurs and Busenitz, 2003).

Figure 2.1 illustrates this dominant assumption.

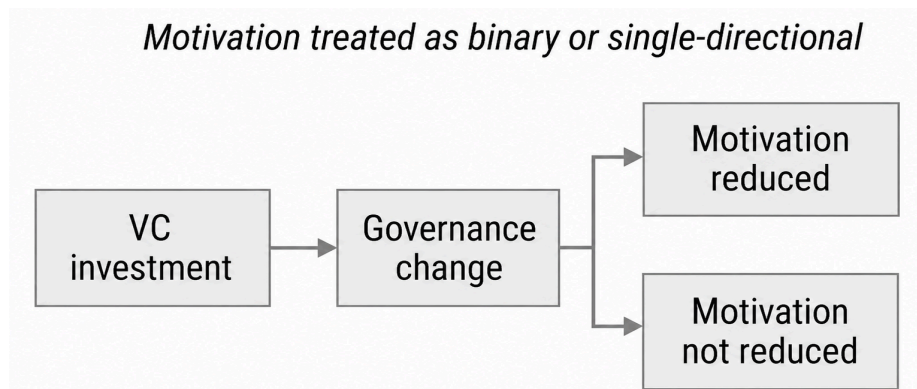


Figure 2.1. The binary framing in prior literature: Governance change treated as reducing or not reducing founder motivation.

This binary framing misses vital qualities. A founder who remains engaged but now works partly under external pressure, performs some tasks for the investor rather than the mission, and pre-emptively adapts strategy to suit future funding rounds, is neither *motivated* nor *amotivated* in any simple sense. The SDT continuum (Ryan and Deci, 2000) provides a more textured reading, in which motivation shifts in quality and kind, not only in binary presence or absence.

Figure 2.2 maps the three streams and the interpretive gap that sits between them. It is this gap showing how founders make sense of governance-induced autonomy changes, and what that sense-making does to motivational quality, that the present study investigates.

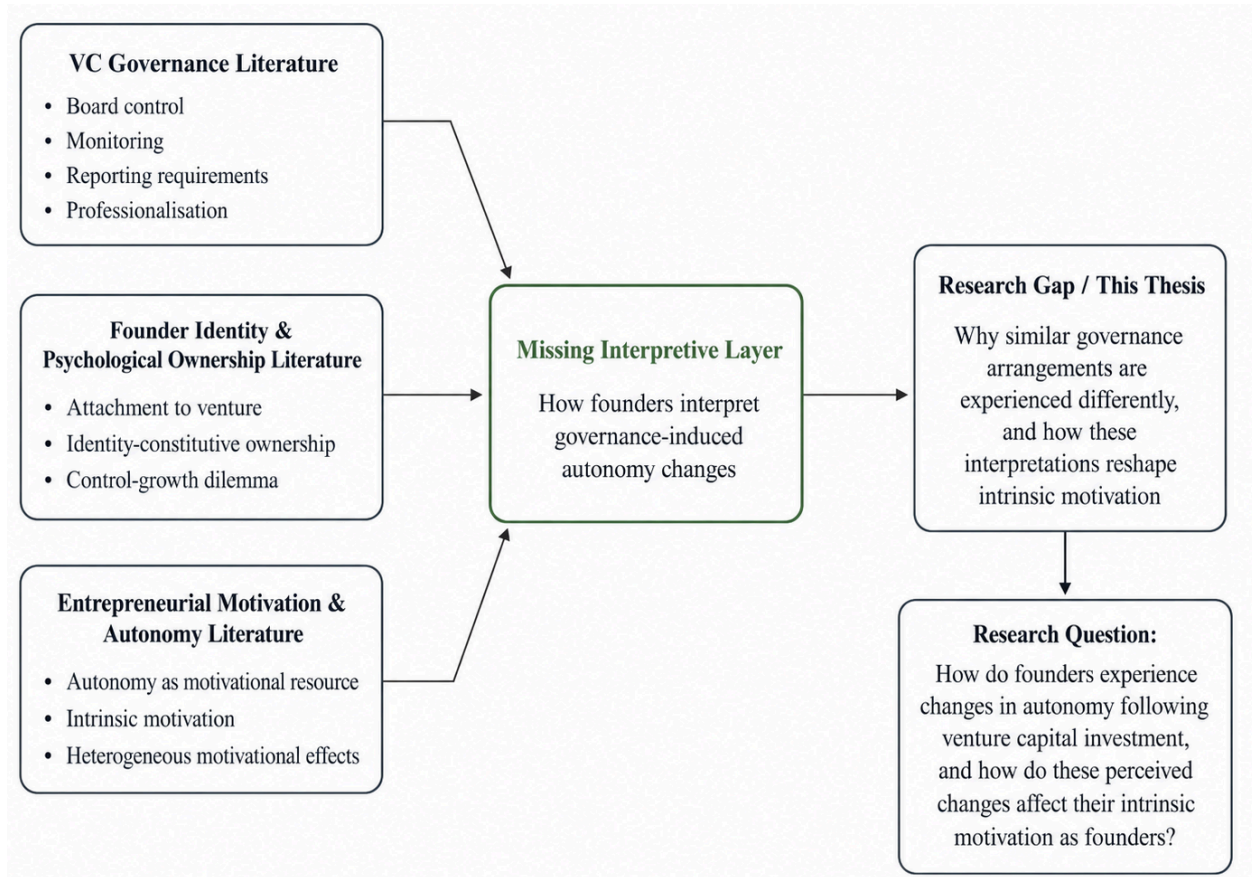


Figure 2.2. The three literature streams and the missing interpretive layer addressed

The purpose of this study is to investigate that interpretive layer through a qualitative analysis of founder experience, using SDT as the primary lens and psychological ownership as a complementary one.

3. Theoretical Framework

3.1 Self-Determination Theory

Deci and Ryan (1985) and Ryan and Deci (2000) developed Self-Determination Theory (SDT) as a macro-theory of human motivation. SDT distinguishes qualities of motivation by their regulatory origin rather than only by their intensity. Intrinsic motivation refers to activity pursued for its inherent interest and value. Extrinsic regulation runs along a continuum from *external regulation*, through *introjection* and *identification*, to *integration*, in which external demands are endorsed as personally meaningful and progressively internalised (Gagné and Deci, 2005). At the far end of the continuum lies *amotivation*, the absence of regulated engagement.

Three basic psychological needs are central. *Autonomy* refers to volitional engagement, the experience of acting from genuine choice. *Competence* refers to effective functioning in valued activities. *Relatedness* refers to connection with others who matter. Vansteenkiste, Niemiec and Soenens (2010) and Vansteenkiste and Ryan (2013) draw a useful distinction between low need satisfaction, where available self-direction is simply lower, and need frustration, where attempts at self-regulation are actively blocked. The distinction matters here because governance change can take either form, and the implications for motivation are not identical.

Vansteenkiste, Niemiec and Soenens (2010) distinguish between autonomy-supportive and controlling contexts, while Vansteenkiste and Ryan (2013) distinguish between low need satisfaction and active need frustration. Drawing on this distinction, this thesis examines whether VC governance is experienced as autonomy-supportive, autonomy-limiting, or autonomy-frustrating, and how such experiences map onto the motivational continuum. Internalisation, the process through which external requirements come to be personally endorsed, is also central: formally identical governance requirements can be experienced as imposed or as endorsed depending on how their rationale is communicated and whether founders see them as aligned with valued goals. Competence appears in the data where governance pressure supports growth in capability. Relatedness enters more selectively and is treated as a sensitising rather than as a structuring construct. SDT is used as a sensitising framework rather than as a predictive model. The aim is to organise founder accounts in a precise vocabulary, not to test SDT propositions.

3.2 Psychological Ownership as Complementary Lens

Pierce, Kostova and Dirks (2001, 2003) define psychological ownership as the cognitive and affective state in which an individual feels that an object, or part of it, is theirs. Ownership

develops through *control, intimate knowledge, and self-investment*. In the founder relationship all three routes are intense, producing an owner–object bond that is not fully reducible to formal ownership. Van Dyne and Pierce (2004) show that psychological ownership can exist independently of legal ownership, while Zhu, Smith and Brown (2024) show that founders may maintain psychological ownership even as control and decision rights change.

Psychological ownership is used here for two purposes that SDT alone does not perform as cleanly. First, it explains why formally similar governance changes feel different across founders: the depth of identity-constitutive attachment shapes how threatening any specific constraint is. Second, it explains the asymmetric effects of governance mechanisms: those that restrict the founder’s ability to act on the venture they experience as theirs are felt more sharply than mechanisms with the same formal scope but a different relation to control. Psychological ownership is treated as complementary, not parallel; it enters where SDT alone cannot account for the variation in the data.

3.3 Use of Theoretical Framework

The two lenses are deployed as follows. SDT supplies the vocabulary of the regulatory continuum (intrinsic, identified, integrated, introjected, external, amotivation), the distinction between need satisfaction and need frustration, and the mechanism of internalisation. Psychological ownership supplies an interpretive filter that explains why control-restricting governance is felt sharply by founders even when its formal scope is narrow, and a motivational buffer that explains why motivation rarely collapses despite real friction. Where SDT alone cannot account for the asymmetric salience of governance restrictions on direction-setting versus restrictions on financial entitlements, psychological ownership is invoked.

3.4 Analytical Framework

Figure 3.1 sets out the analytical framework. The framework is sensitising rather than predictive. VC investment introduces governance changes (board seats, reporting, approval rights, term-sheet conditions). SDT directs the analysis to whether founders experience those changes as autonomy-supportive, autonomy-limiting, or autonomy-frustrating, and to where the resulting motivation sits on the regulatory continuum from intrinsic through identified and introjected toward external regulation and amotivation.

Internalisation directs the analysis further: formally identical requirements can be experienced as endorsed or as imposed depending on how their rationale is communicated and whether founders see them as aligned with valued goals. Psychological ownership directs the analysis to the asymmetric salience of governance restrictions, given that founders relate to the venture as

identity-constitutive rather than as a financial position. The framework therefore does not predict that governance reduces motivation. It sensitises the analysis to the meaning founders assign to governance change, and leaves the specific conditions under which that meaning differs across founders to be developed from the data.

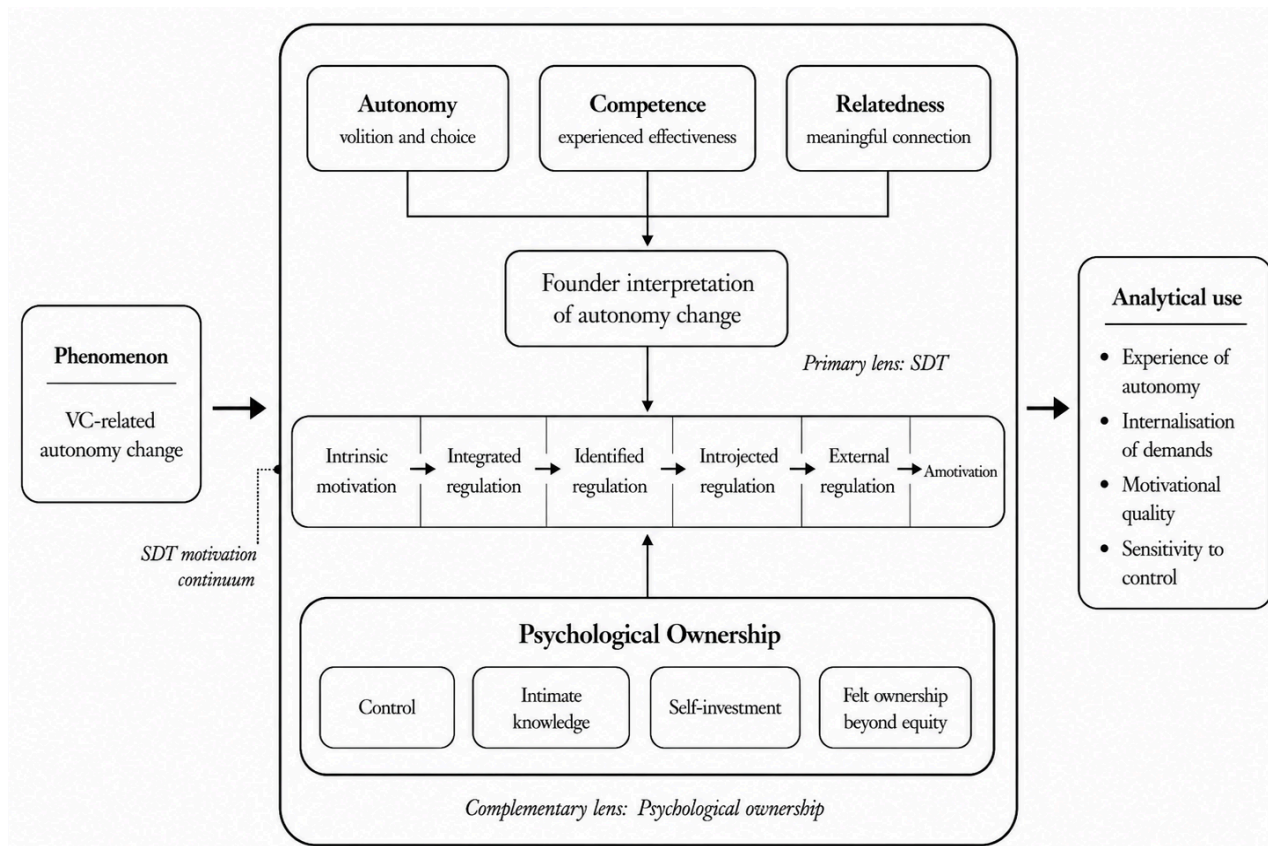


Figure 3.1. Theoretical framework: SDT continuum with psychological ownership overlay.

The figure illustrates how SDT is used as the primary lens for interpreting founder autonomy, internalisation, and motivational quality, while psychological ownership is used as a complementary lens for understanding why changes in control may be especially salient in the founder context.

4. Method

4.1 Research Philosophy

The study takes an interpretivist position. Interpretivism holds that social phenomena are constituted by the meanings actors assign to them, and that understanding them requires attending to those meanings (Saunders, Lewis and Thornhill, 2023). The research question asks how founders interpret governance change and what those interpretations imply for motivation. Governance form is documentable, however its motivational meaning is not. Interpretivism is therefore a philosophical fit, not only a methodological preference.

4.2 Research Logic

The study follows an abductive logic. Abduction differs from deduction, which tests pre-specified hypotheses, and from pure induction, which builds theory only from data. Abduction iterates between sensitising concepts and observations and revises both as the analysis progresses (Saunders et al., 2023). SDT and psychological ownership offered useful starting categories, but the specific way these mechanisms work in the VC context was not known in advance and was developed through repeated passes between concepts and material.

4.3 Research Design

A quantitative design could test whether VC-backed founders report lower autonomy or lower motivation. The present study asks something different: how founders interpret autonomy change, why similar arrangements are experienced differently across founders, and how those interpretations affect the quality of motivation. These are subjective, comparative, and meaning-driven questions. They require qualitative interviews because they depend on accounts, contrasts, and founder-specific meaning-making that survey instruments cannot access. Within-case comparison across the pre- and post-investment phase further limits the confounding effect of personality and industry differences, because each respondent serves as their own baseline.

4.4 Sampling Strategy

Sampling was purposive. Inclusion required founding membership in a venture, experience of at least one phase of operation with lower governance intensity, active involvement during the relevant transition or in close analogy to it, and willingness to reflect on motivational and experiential dimensions of the change. Table 4.1 shows the core analytical sample consisting of nine VC-backed founders where data allows within-case comparison following VC investment.

Group 1 contains experienced and prepared VC founders (*Emil, Jonas, Adam, Felix, Laura, Anton*). Group 2 contains first-time and less prepared VC founders (*Cecilia, David, Björn*).

The two supplementary cases (*Gunnar, Johan*) provide a non-VC contrast. Their accounts test whether the patterns observed in the VC sample track VC governance specifically, or scaling and accountability more generally; a finding that holds across both groups would not be attributed immediately as a finding about VC.

Eleven respondents are sufficient for the analytical aim because saturation in qualitative work is judged against the recurrence of interpretive patterns rather than against population coverage. Across the nine VC-backed cases, the central interpretive conditions developed in the analysis recurred without new ones emerging in the final interviews, which we read as adequate analytical density for an interpretive study (Saunders et al., 2023).

4.5 Respondent Overview

Table 4.1 presents the eleven respondents. Names, company identifiers, and identifying details are anonymised. Group 3 denotes the two supplementary non-VC comparison cases.

Preparedness was coded from what founders said about investor selection, negotiation, and prior VC experience before the round, not from later outcomes.

Pseudonym	Name as referred	Sector	Founder type	Approx. age/	Funding type	Preparedness	Sample role
Emil	E43G1	B2B SaaS / preventive healthtech (serial)	Serial	43, multi-venture	Family office + VC	High	Core (G1)
Jonas	J50G1	Digital mental health / telepsychology	Serial	50, multi-venture	VC + Angels	Medium-High	Core (G1)
Adam	A32G1	Digital health / preventive healthtech	Serial	32, multi-venture	VC + Angels	High	Core (G1)
Felix	F52G1	Sports / entertainment technology	Serial	52, multi-venture	VC + Angels	High	Core (G1)
Laura	L47G1	B2B logistics SaaS	Serial	47, multi-venture	VC	High	Core (G1)

Cecilia	C21G2	Health administration technology	First-time	21, first venture	VC + Angels	Low	Core (G2)
David	D22G2	Fintech / payments	First-time	22, first venture	VC + Angels	Low	Core (G2)
Björn	B23G2	E-commerce automation / B2B SaaS	First-time	23, first venture	VC	Low	Core (G2)
Anton	A25G1	Oil-and-gas AI SaaS	Serial	25, Second venture	VC + Angels	High	Core (G1)
Gunnar	G54G3	Infrastructure / services	Founder	54, experienced	Passive shareholders	n/a	Supp. (G3)
Johan	J45G3	Healthcare services / occupational health	Co-founder (33%)	45, serial	Bootstrapped (active choice)	n/a	Supp. (G3)

Table 4.1. Respondent overview ($N = 11$). Group 1 = experienced/prepared VC founders; Group 2 = first-time/less prepared VC founders; Group 3 (yellow) = supplementary non-VC comparison cases.

4.6 Data Collection

Interviews followed a semi-structured guide structured around four thematic areas: founding motivation and the early working experience; expectations and the experience of the investment decision; specific governance mechanisms and their effect on daily work; and reflections on motivation, ownership, and what changed across phases. Critical incident prompts (Flanagan, 1954) anchored the conversation in concrete events. Respondents were asked to describe specific decisions made differently because of investor involvement and specific moments when governance felt constraining or enabling. Interviews ran 45 to 75 minutes, were conducted in English or Swedish according to respondent preference, and were recorded with consent and transcribed in full. Swedish-language quotations are translated by the authors.

4.7 Abductive Thematic Analysis

Analysis followed Braun and Clarke's (2006) thematic analysis adapted for an abductive logic. Transcripts were read closely and annotated with first-order codes in respondent language. Codes were grouped into second-order themes capturing recurring patterns across respondents. Themes were interpreted through SDT and psychological ownership, and three aggregate analytical dimensions were constructed that connect to the research question. The data were revisited to test interpretations against the full range of material, including cases that complicated the dominant patterns. The structure is shown in Figure 4.1.

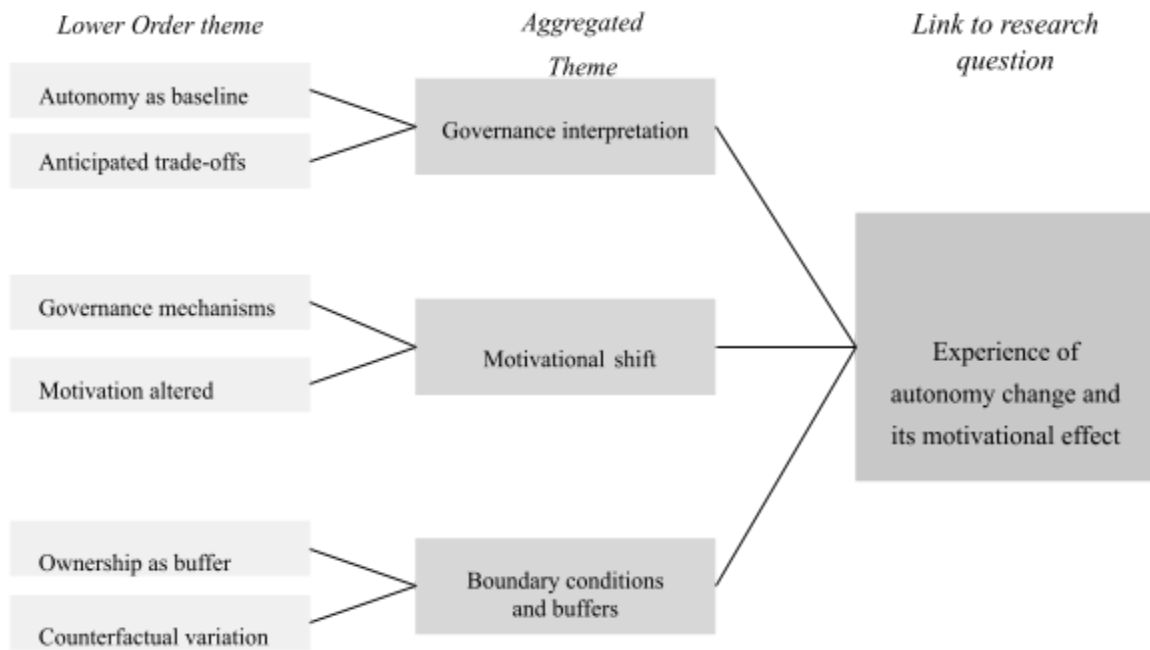


Figure 4.1 Data structure. From first-order codes to aggregate analytical dimensions linked to the research question.

4.8 Research Quality

In line with Saunders, Lewis, and Thornhill (2023), quality was assessed using Lincoln and Guba's (1985) trustworthiness criteria. *Credibility* was supported through prolonged engagement with the transcripts, attention to negative cases and contradictions, and the use of direct quotation to anchor interpretive claims. *Transferability* was supported by descriptive accounts of contexts and sampling. *Dependability* was supported through documentation of analytical decisions across drafts. *Confirmability* was maintained by distinguishing respondent accounts from author interpretation throughout.

4.9 Ethics

All respondents participated voluntarily and gave informed consent before each interview. Identities, company identifiers, and other potentially identifying details are anonymised. Recordings and transcripts are stored securely and accessible only to the research team.

Respondents were offered the opportunity to review attributed quotations. The study complies with GDPR data-handling requirements and SSE ethical guidelines for student research.

4.10 Use of AI Tools

LLMs, specifically ChatGPT and Gemini, were used in a limited and supportive capacity during this study, primarily to assist with language refinement, structuring, and producing visual drafts for figures. They were not used for coding, thematic analysis, interpretation, or the development of the empirical findings. All analytical decisions, theoretical applications, and final formulations reflect the authors' own judgement. Search tools were also used to surface potentially relevant literature, which was then verified against the original peer-reviewed sources before inclusion. The use of AI tools was thus supportive rather than substitutive and followed SSE guidelines for AI use in degree-level work.

4.11 Methodological Limitations

Accounts are retrospective and subject to memory reconstruction and post-hoc framing. The Swedish ecosystem has cultural features (relatively flat hierarchies, an emphasis on consensus, an active early-stage investor base) that may not fully generalise to other contexts. Self-selection into participation may favour founders who reflect on motivation, potentially underrepresenting more disengaged experiences. Other biases also apply, for instance *recency bias* where respondents may recall recent events more vividly than earlier ones or post-investment performance which may colour retrospective accounts of motivation.

5. Empirical Findings

This section presents the empirical findings around six themes. The themes synthesise patterns across respondents and groups rather than narrating each founder in turn. Direct quotations are used to illustrate synthesised patterns. Swedish-language quotations are translated by the authors. Respondents are referred to throughout by their pseudonyms (Table 4.1).

5.1 Governance interpretation

5.1.1 *Autonomy as baseline*

Across the core sample the early phase is described in terms of self-direction, immediacy of decision-making, and the absence of external accountability. For most founders this was not only a working condition but a primary reason for founding.

“We decided that we wanted more autonomy. We felt that we had the knowledge to start ourselves from the ground up.” - E43G1

J50G1 rated the importance of ownership and autonomy at the start as “*ten out of ten*” and described it through the comparison with leaving home for the first time, ranking the two as comparably formative for his sense of freedom. A32G1 and C21G2 both described an early period in which decisions were made within the founding team without external consultation; the pace of iteration was bounded by capacity, not by approval.

L47G1, a serial founder of around twenty-two years’ experience, added a more concrete picture of why this baseline mattered. She rated ownership during the bootstrapped phase as a “*nine out of ten*” and explained that the contrast had been earned: she had been employed in between her ventures and could feel directly how much the sense of “*this is mine*” added to her energy. Her experience of an early decision to turn down a large but distorting custom contract is illustrative. The decision could only be taken because no board sat above the founders:

*“Could you have made that decision if there had been a board above you? Honestly?
“Probably not. Because the short-term revenue pressure would have been too hard to resist.” - L47G1*

A25G1 offers a product-centred version of the same baseline. He did not describe founding as a long-standing ambition to run a company, but as a natural extension of making things:

“I never really dreamed about running or doing my own companies... I just kind of like making and building stuff and then it was natural for practical reasons to incorporate.” - A25G1

His account supports the broader pattern where early autonomy is not always framed as leadership control, but as the freedom to build without being redirected by others.

J45G3, the bootstrapped comparison, articulates the same logic from outside the VC system: *“you yourself decide the pressure you put on yourself. No one else comes with goals.”*

The baseline is not romanticised in the data. E43G1 describes bootstrapping as a *“true polarity”*: the freedom from external accountability sat alongside the constant proximity of bankruptcy. B23G2 and D22G2 make similar observations. The early phase is energising precisely because everything is new and undetermined, but also precarious because survival is not assured. The dual character of the baseline matters for what investment is later evaluated against.

5.1.2 Anticipated trade-offs

The decision to accept investment is the cleanest divider between the two VC-backed groups. Group 1 (*Emil, Jonas, Adam, Felix, Laura, Anton*) entered the relationship with a relatively clear picture of what was being accepted. Group 2 (*Cecilia, David, Björn*) accepted broadly similar terms with a less developed sense of what would follow.

E43G1 interview is the most explicit at the deliberation stage. He distinguished between aggressive institutional VCs and family-office or founder-friendly arrangements before signing and described investor selection as a deliberate choice. He negotiated board composition and exit terms and treated the relationship as relational:

“To really realise that you are getting into a marriage with someone. Really thinking about who you are actually getting in bed with.”

L47G1 made the same comparison and operationalised it more concretely. She had spoken to roughly fifteen other founders before raising and described the negotiation as *“very firm on a few things and much more flexible on everything else.”* She set an explicit dilution threshold for herself in advance:

“Below twenty I’d probably start to feel more like a hired CEO than a founder. Above that, it still feels like mine. So going into the first round we made sure we weren’t diluting below that threshold. And that helped. Because I had a number. And the number wasn’t crossed.”

A25G1 provides a younger-founder version of the same governance-agency pattern. His funding round was not experienced primarily as a loss of control, because the investor type had actively been selected for capability and fit. He described the round as *“empowering”* because the investors brought industry knowledge, connections, and

product understanding; in his words, it felt like “*expanding the team a little bit.*” The relevant trade-off was therefore not simply equity for capital, but equity for competence and access and investors that allowed him to keep control and ownership of operations.

F52G1, a serial founder who had previously held VC funding, similarly described investor selection as a controlled choice that prioritised compatibility over speed. Across these accounts the trade-off is not denied. It is made consciously.

J50G1 describes a less anticipatory entry. His first company took pre-seed capital quickly and a VC round within roughly a year of founding. He expected the practical and operational changes; what he had not anticipated was the motivational significance of the term sheet itself. The vesting schedule, lock-up clauses, and good-leaver and bad-leaver provisions registered with him as a structural change he had not factored in: “*I absolutely did not experience that as motivating. It felt rather like a lock-in.*” He frames this as a feature of the instrument, not a complaint about a specific investor.

Group 2 founders described different entry conditions. C21G2 accepted institutional VC having largely focused on whether the round would close rather than on what the post-investment arrangement would feel like. D22G2 and B23G2 described similar entries, with B23G2 explicitly motivated by the validation that institutional capital provides. None of the Group 2 founders described pre-emptive negotiation of governance protections in the same detail as Group 1. The contrast is not whether a trade-off was made but whether it was anticipated, articulated, and structured before signing.

5.2 Motivational shift

5.2.1 Governance mechanisms

The first governance changes founders typically encounter are administrative: board meetings, regular reporting, KPI frameworks, budget forecasts. The data show that the same nominal mechanism is experienced very differently across founders and across phases of the same founder’s relationship.

E43G1’s initial assessment of much of the reporting work was unambiguous: “*I felt that a lot of them were just bullshit. You don’t add any value through them.*” His diagnosis was structural: investors apply standardised templates regardless of company stage, and the mismatch makes some requirements feel like friction. C21G2 and D22G2 described similar experiences of reporting calibrated to portfolio management rather than to the company’s needs. Several founders converge on E43G1’s question: “*Is this for us or is it for them?*”

This initial friction is not always permanent. E43G1 acknowledged that some governance pressure proved beneficial over time, particularly around budgeting and forecasting. The qualifier mattered: *“Maybe they could have explained the value a bit more.”* Whether a requirement felt purposeful or extractive depended for the founders on how its rationale was communicated.

L47G1 adds a different layer. The thing she had not expected was the change in the air around the work itself:

“The first Monday after close is different. The air in the room is slightly different. There’s this background awareness that there are now other stakeholders with real skin in the game and real opinions. You start making decisions slightly differently. There’s this extra filter, how does this look to them?”

She also described a concrete loss of speed: *“Before, I could ship a major product change in two weeks. Start to finish. Now you want to run it by the lead investor because it touches the roadmap they approved.”* Speed had been part of how she worked and what made the work feel like hers. Its loss was felt as more than an operational change. L47G1 also described an internationalisation decision, Germany and the UK simultaneously, that the board voted against. In hindsight she remained mixed about the call but clear about the experience: *“I had information they didn’t have. They were making the call from a spreadsheet.”* She framed the friction precisely:

“It’s not about equity. It’s about, I have the answer and the structure around me won’t let me use it.”

J50G1 describes a different pattern. At the level of formal decision-making he reported little change as long as the founders held majority ownership. What changed was the strategic direction of effort. Different investors held different views on what mattered. The result was anticipatory adaptation: *“when you are looking for VC money you also start adapting the company to suit the VCs, in a way that is not always optimal for the company.”* He calls this the *“political component”* of having VCs. The autonomy cost is not fully captured by formal governance; it extends into pre-emptive compliance. Several founders reported that, after the first round, much of their effort was aimed at *“becoming attractive for VC’s for further rounds”*.

Both groups reported the friction of misunderstood and seemingly arbitrary governance: *“They wanted us to do a lot of ESG-related things and stuff that just didn’t fit the stage and maturity of the company. But for us, what really mattered was output, what you actually deliver. We care about output. And if it happens to be ten random guys sitting there producing that*

output, then that's fine for us.” - D22G2

Across the sample investor type matters. E43G1 and J50G1 both distinguish between investors with founder backgrounds and institutional investors without operational experience. Day-to-day involvement is uniformly viewed negatively.

5.2.2 Motivation altered

No founder in the core sample reports a collapse of motivation or considers exit. What changes is the balance between work that feels self-chosen and work that feels externally driven. E43G1 identifies the shift in social meaning as the primary change: *“Now it was not only our company anymore. Someone else actually has expectations of what we are building.”* The activities he picks out as most obligation-laden are governance-facing: budgeting cycles, KPI reviews, board preparation. He described some of these tasks as *“going through the motions.”*

J50G1, at scale, reports remarkable continuity at the level of mission: *“what motivated me when the company was large was exactly the same thing as in the beginning, to continue growing, to continue taking market share.”* But this continuity sat alongside a new layer of performance pressure tied to the next funding round. His current, lightly-funded company functions for him as a counterfactual: *“today there is even more freedom; I can focus resources on the company.”*

L47G1 describes the same shift in fine detail. Vision-level engagement remained intact, but the everyday joy of acting directly on problems was reduced. Several tasks that had previously felt self-chosen were now experienced as more external in source and meaning.

“Before, I saw a problem and I fixed it. Now the path from problem to fix had more steps. And some of those steps felt pointless. That's where the motivation leaks. It's not the big things. It's the small frictions that accumulate.” - L47G1

She also describes a coping strategy that none of the other respondents named with the same clarity. She carved out what she called a *“sandbox”*: a domain of the business with no external oversight where she could continue to operate as she preferred. For her this was customer relationships. The *“sandbox”* served as a small protected zone of autonomy that helped make the constrained parts of the work tolerable, there she had full autonomy and authority. L47G1 also described one mechanism by which sustained governance pressure can corrode the work itself: *“you start to perform for the investor rather than for the business. And those are different things.”*

Group 2 founders describe a related but less differentiated shift. C21G2 described decisions she would have moved on quickly being slowed by board preparation, and the energy cost of the delay. B23G2 and D22G2 described certain activities as servicing the governance relationship rather than advancing the mission. None of them step away from the work, and their output and effort was still very similar, however the motivational source of part of it has changed.

The positive motivational effects of investment are present too. Several founders describe the relief of financial security as freeing cognitive and emotional resources. E43G1 and L47G1 both note that capital permitted building at a scale bootstrapping would not allow, which was itself motivating. J50G1 describes the growth trajectory enabled by VC as a condition of the sustained mission energy he reports across the scaling phase.

A25G1's account strengthens this positive side further. Investment did not primarily introduce a feeling of external control, it actually increased his motivation because the capital allowed people to work full-time. But also because credible industry actors had chosen to back the company and actively help it gain access to customers. The added accountability was thus experienced as validation and momentum rather than as arbitrary and detached external pressure.

These positive effects do not erase the friction. They sit alongside it.

5.3 Boundary conditions and buffers

5.3.1 Ownership as buffer

Equity dilution is noted across the data, but it is not consistently the threshold at which felt ownership shifts. E43G1 identifies the move from no institutional capital to institutional capital as the primary motivational threshold rather than any subsequent dilution: *“the major shift was from no institutional capital to institutional capital. Then with more rounds and more dilution, it did affect slightly, but not as much. Because it still felt like my company, my business. Because I was the founder.”* Asked what he felt most ownership over, he did not name equity or financial performance:

“The culture. Because it is a strong definer of what type of company you are building. I had some mantras that I kept on pushing, and that people ended up with.” - E43G1

Asked why he had never considered leaving, his answer was brief: *“Because it was my baby.”*

L47G1 adds the grief metaphor given to her in advance by a more experienced founder: *“you’re going to feel a specific sadness about the version of your company that no longer exists, the one that was just yours.”* She describes that exact feeling appearing in quiet moments after the close:

“is this still mine?” The pre-set twenty-percent threshold she had committed to before raising functioned as a buffer. Because she had not crossed it, the question did not become destabilising. L47G1 also separates what dilution does from what term-sheet structure does, in the same direction J50G1 does. Vesting and lock-up clauses impose a conditional quality on ownership that registers as more threatening than dilution itself.

J50G1 extends the logic. He describes a gradual erosion of felt ownership as rounds multiplied, and identifies a structural risk: *“there is a risk with diluting founders too much, to the point where one wonders, who actually owns this company?”* His practical suggestion (small founder liquidity events through the round structure) points at the underlying motivational mechanism rather than at an equity number. *“Allow founders to sell some shares, don’t remove all freedom”*

G54G3, the supplementary case with passive investors who do not exercise governance actively, retains a strong sense of ownership and direction and attributes it directly to the absence of active governance intervention. The comparison points at involvement rather than equity as the primary driver of felt-ownership erosion.

5.3.2 Counterfactual variation

The themes above represent the dominant patterns. Several aspects of the data complicate them and are analytically important for that reason.

J50G1’s compressed timeline is the most structurally significant complication. His pre-investment baseline was short and overlapped with angel funding. The contrast he draws is between early-stage energy and scaled VC governance rather than between bootstrapping and VC. The pattern is consistent with the rest of the data, but the cleanness of the transition is reduced.

E43G1 polarity matters in a different way. The pre-investment baseline was not only freedom; it was also financial precarity. Investment removed the precarity at the same time as it introduced governance. The net experiential effect is not a simple subtraction. L47G1 fits the same shape: governance discipline around budgeting and forecasting felt useful in retrospect, even where speed loss felt costly throughout.

J45G3, the bootstrapped comparison, complicates any simple equation between autonomy and motivation:

“It would have been easier if someone had just said, you should do this, and then you do it. Now it is like we can do anything. Shall we do this, shall we do that? You end up trying to do everything for everyone.” - J45G3

He notes that taking investment would likely increase his drive, treating external accountability as a possible motivator rather than only a cost. This is the only account in the sample where high autonomy is associated with diffusion of effort. It does not invalidate the dominant pattern but it qualifies it: relatedness and competence support, of the kind that an engaged investor can provide, may carry their own motivational benefit for some founders.

J45G3 also points at a dimension of psychological ownership that the core sample does not raise as directly. He distinguishes his own attachment to the company (he joined as a co-founder later) from that of the original founders: “even though we own the same, it’s their baby.” Founding-as-origin appears to add a layer of attachment that is not fully replicated in later partial ownership.

6. Analysis

This section interprets the empirical findings through the theoretical framework set out in Section 3. The analysis develops four claims that together answer the research question.

6.1 VC Changes Autonomy as a Redistribution of Decision Rights

The data do not support a reading in which VC investment removes founder autonomy. They support a reading in which authority is redistributed across domains. Founders typically retain autonomous engagement at the level of mission, vision, product direction, and customer relationships. They lose, partly or fully, autonomy in board-related decisions, hiring choices at certain seniority levels, financing strategy, and growth pace. SDT implies that this kind of redistribution is consequential because intrinsic motivation depends on volitional engagement in valued activity, not on universal authority (Ryan and Deci, 2000). Where founders retain autonomous space in domains they care about, intrinsic motivation can persist; where authority is reduced in domains the founder considers their core, motivational impact is sharper.

Across the core sample, autonomy reduction registers most acutely in domains where founders hold ground-level information that the governance structure prevents them from acting on. L47G1's distinction "*it's not about equity, it's about, I have the answer and the structure around me won't let me use it,*" is illustrative. Her case shows autonomy reduction registering most acutely where ground-level information cannot be acted on. The internationalisation episode is autonomy reduction of a particular kind: not the removal of authority in general but the inability to act on the founder's own informational advantage in a domain where she felt qualified. Vansteenkiste and Ryan (2013) describe this as need frustration rather than low need satisfaction, with stronger motivational consequences. E43G1's board-appointment dispute fits the same pattern. The intensity of his response tracks not the formal scope of the override but the fact that an external judgment was substituted for his own on a question he felt should be his.

The redistribution framing also explains why the same reporting requirement can be experienced very differently across groups and founders, producing varied motivational signatures at different points in the relationship. Where reporting is calibrated to company stage and its rationale is communicated, founders retain a sense that the requirement is part of work they endorse, and the autonomy cost is small. Where reporting is templated and opaque, the cost is real even when the formal scope is identical. E43G1's retrospective endorsement of budgeting and forecasting illustrates the first, whilst his initial response illustrates the second.

Internalisation, as SDT defines it, is a function of how the requirement is presented and whether the founder can endorse its purpose, not only of what the requirement formally is (Gagné and Deci, 2005). The mechanism is that authority redistribution that respects core domains preserves volitional engagement, while authority redistribution that overrides informational advantage in those domains produces need frustration.

6.2 Preparedness and Founder Experience: Shaping Governance as Chosen Discipline vs. Imposed Control

Once governance has redistributed authority, the question is whether founders interpret that redistribution as chosen or imposed, and preparedness is what shapes that interpretation.

The cleanest variation in the data is between Group 1 (*prepared, experienced, anticipatory*) and Group 2 (*less prepared, first-time, reactive*). The two groups face broadly similar governance arrangements but interpret and experience them differently. SDT explains the difference with volitional choice as a precondition for autonomous regulation, where a constrained context still can support a sense of autonomy, as long as the constraints were chosen (Ryan and Deci, 2000).

The prepared founders in Group 1 share a common sequence before signing their VC investments; deliberate investor selection, explicit negotiation of one or two protections based on values and sense of ownership, and internal thresholds set in advance. The protections themselves matter operationally, but their motivational effect is broader. Across this sub-sample the specific protections vary, but their motivational function is consistent. They give the founder a way to read subsequent governance as bounded rather than open-ended, and as something they have shaped rather than absorbed. For instance, E43G1 pre-negotiated board composition and treated investor selection as relational. L47G1 set a dilution threshold and committed to it before the round opened and F52G1 prioritised compatibility and shared vision over speed. The protections themselves matter operationally, but their broader effect is to preserve the founder's experience of the resulting governance as a chosen arrangement.

Group 2 founders show the inverse pattern with the same structure. C21G2, D22G2, and B23G2 entered the relationship with broadly correct expectations about the existence of governance, but without a structured account of what governance would feel like in operation. The result across the sub-sample is sharper subsequent friction, more surprise at term-sheet provisions, and more reactive interpretation of board behaviour. None of these founders walked into the relationship blindly; they walked in without a structured account of what they were signing up for. The motivational cost of governance was correspondingly higher relative to the prepared founders.

J50G1 sits between the two groups and illustrates a boundary case. His first round closed before he had time to develop a position on the term sheet, and the structure of the arrangement registered as imposed even where its specific clauses were standard.

Preparedness, on this evidence, varies within Group 1 as well as between groups.

The mechanism here is internalisation in the SDT sense and consistent with the distinction between externally regulated and identified or integrated motivation (Gagné and Deci, 2005). Governance that is anticipated and shaped is more easily endorsed, and endorsement moves regulation toward the identified or integrated end of the continuum. However, governance that arrives as a surprise is harder to integrate, leading to a reactive entry that tends to result in regulation closer to the external-controlled end, even when the formal arrangement is identical.

Analysis suggests that sufficient pre-negotiation moves the resulting governance closer to identified or integrated regulation whereas reactive, insufficiently prepared or naive entry leaves it closer to external regulation.

6.3 Psychological Ownership Explains Why Formal Dilution Does Not Equal Motivational Dilution

The core sample shows substantial dilution and substantial preserved engagement. Equity reduction does not directly track motivational reduction. Pierce, Kostova and Dirks (2001, 2003) and Zhu, Smith and Brown (2024) help explain this pattern. Felt ownership develops through control, intimate knowledge, and self-investment, all three of which apply intensely in the founder relationship and none of which is proportionally dissolved by formal dilution. Across the interviews, founders continued to describe the venture as something deeply tied to them even after ownership had been formally reduced. This suggests that psychological ownership remained identity-constitutive rather than merely financial.

Psychological ownership operates both as an interpretive filter and as a motivational buffer. As a filter, it shapes what counts as a serious autonomy threat. Mechanisms that restrict the founder's ability to direct what they experience as theirs, such as board influence over strategic decisions or term-sheet conditions that limit share disposal, are felt sharply. Mechanisms with the same formal scope but a weaker relation to control, such as dilution itself or reporting requirements that do not affect direction, are felt less strongly. Across the sample, founders therefore reacted less to formal ownership reduction as such, and more to situations where governance limited their ability to act on their own judgement.

As a buffer, psychological ownership prevents motivational collapse. No founder in the core sample considered leaving, even where governance friction was real. Leaving would mean abandoning something experienced as personally built and partly tied to the self. The buffer is asymmetric, however. It does not neutralise governance friction; it prevents friction from escalating into exit or amotivation. Several founders described a sense that the venture had changed after investment, but still remained meaningfully theirs. This shows that psychological ownership can preserve engagement while still allowing autonomy loss to be felt as a real cost.

The buffer is also conditional. Founders who had anticipated dilution, negotiated boundaries, or entered the round with clearer expectations seemed better able to preserve felt ownership. Where dilution accumulated across rounds or where contractual terms made ownership feel more conditional, the buffer became weaker. Each round may appear manageable in isolation, but the compounding effect over time can gradually challenge the founder's sense of ownership.

6.4 Source Over Scope: Why Some Activities Feel External

Where 6.1 explained variation between founders, this section explains variation within founders across activities. The redistribution, preparedness, and ownership claims explain how governance enters the founder's world and why its effect varies. A fourth pattern in the data explains which specific activities founders single out as motivationally costly. Across the core sample the activities founders describe as obligation-laden are not the activities that take the most time, and they are not consistently the activities that the formal governance arrangement prioritises. They are the activities founders experience as external in source and meaning.

Three observations support the claim. *First*, the same activity registers very differently depending on whether the founder endorses its rationale and to the degree they do so. E43G1 reports the clearest case, initially describing much of it as adding no value, then retrospectively endorsing budgeting and forecasting once their purpose was visible to him. The activity did not change. Its felt source did. Gagné and Deci (2005) describe this as the internalisation mechanism, and the data show it operating across founders rather than only within them.

Second, the activities founders pick out as most obligation-laden are systematically governance-facing rather than mission-facing. Board preparation, KPI cycles, and investor updates appear repeatedly across the sample as the work that feels most external and less vital. Customer-facing work, product direction, and culture-setting almost never showed in this category, even when demanding more hours. The volume of effort and the felt source diverge.

Third, founders reporting positive motivational effects of investment describe those effects in the same source-based terms. A25G1 frames investor backing as expanding the team rather than constraining it. Group 1 founders overall frame the motivational effects of investment (*financial security, validation, scale*) as coexisting with the autonomy cost. E43G1 and L47G1 frame the relief of financial security as freeing cognitive resources for work they care about. The positive and negative motivational effects of investment are governed by the same logic: it is the perceived source of the activity, not its formal scope or time cost, that determines its motivational signature. The net experience is not a binary, it is a rebalancing of quality.

The mechanism is that founders read each activity along an internalisation axis, and that reading is what determines whether the activity sustains intrinsic engagement, drifts toward identified or integrated regulation, or sits closer to controlled regulation. The same governance arrangement therefore produces a distribution of motivational positions across founders rather than a single shift, and the within-founder distribution across activities matters as much as the between-founder distribution across personalities. This is what the binary motivation/amotivation reading misses, and it is what the SDT continuum (Ryan and Deci, 2000) is built to capture. Figure 6.1 below sets out the integrated model synthesizing this analytical logic.

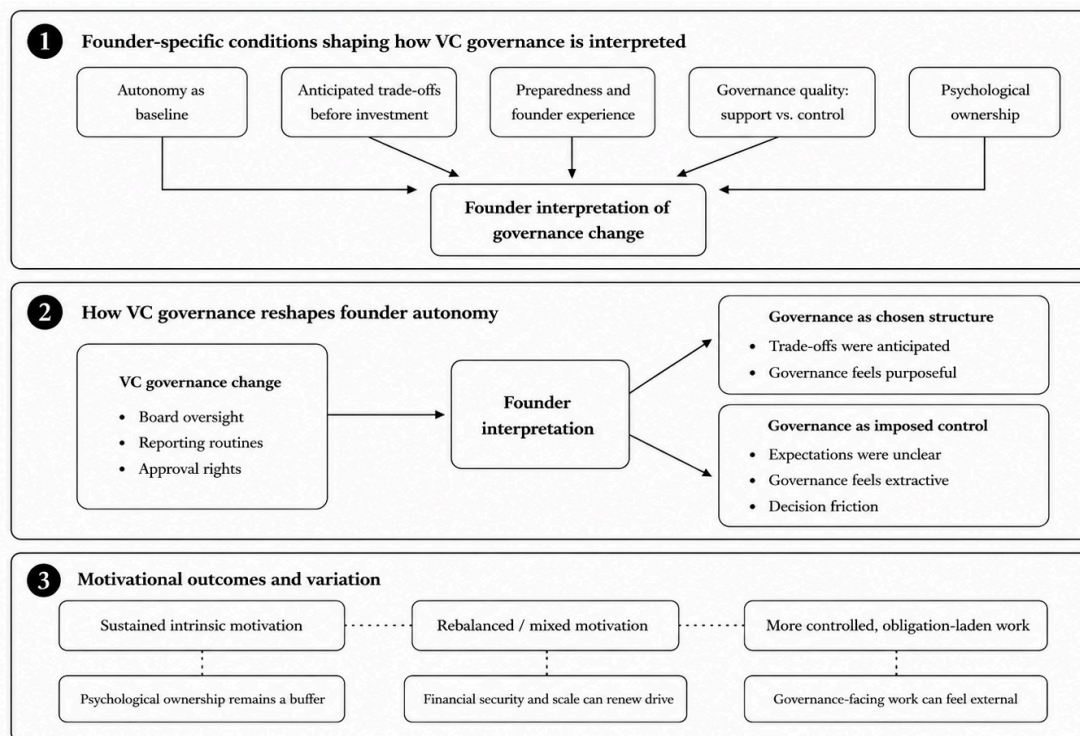


Figure 6.1 Final synthesis model: how VC governance reframes founder autonomy and motivation.

Figure 6.1 should not be read as a deterministic sequence. It summarises the interpretive mechanism identified across the cases. The same governance mechanism can support focus when it is anticipated, explained, and experienced as purposeful, and feel controlling when expectations are unclear or when governance creates decision friction. The motivational outcomes are not fixed founder types but positions along a continuum on which most founders remain engaged while the composition and felt quality of that engagement changes.

Together the four claims describe a single mechanism: *governance redistributes authority; preparedness shapes whether redistribution is endorsed or imposed; ownership filters which restrictions feel identity-threatening; and within the resulting arrangement, founders experience activities along an internalisation axis defined by source, not scope.*

7. Discussion

7.1 Answering the Research Question

The research question asks how founders experience changes in autonomy following VC investment, and how these perceived changes affect their intrinsic motivation as founders. The data support the following answer: VC investment changes the texture of founder motivation more than it eliminates engagement. Governance does not strip autonomy in a single action. It redistributes decision rights across domains, introduces a category of work that founders frequently experience as externally driven, and creates ongoing performance expectations that founders pre-emptively manage. Founders remain engaged. The proportion of their engagement that feels self-chosen versus externally regulated changes, and the change is felt as a real cost even when founders endorse the governance arrangement at the strategic level. The activities founders experience as motivationally costly are not the most time-consuming activities, but the ones whose source they read as external.

The size and direction of the change depend on filters the analysis identifies: *prior autonomy*, *anticipated trade-offs*, *preparedness*, *governance quality*, and *psychological ownership*. These shape whether governance is perceived as chosen structure or imposed control. Founders who *anticipated the trade-off*, *selected investors deliberately*, and *negotiated key protections* retain more sustained intrinsic motivation through the transition. Founders who entered the relationship reactively show sharper friction and a stronger drift toward controlled regulation.

Across both groups, psychological ownership buffers the system against exit and amotivation, but it does not remove the felt cost of governance friction. A binary motivation/amotivation reading does not capture what the data show. The SDT continuum (Ryan and Deci, 2000) does.

7.2 Contributions to Literature

Taken together, the study contributes by showing that the motivational effect of VC governance lies less in the governance mechanism itself than in how founders internalise its source and purpose in relation to a venture they still experience as theirs.

First, the study makes visible the interpretive layer between governance form and motivational outcome. The governance literature (Kaplan and Strömberg, 2003, 2004; Hellmann and Puri, 2002; Bernstein et al., 2016) documents what changes formally. The present study shows that formally similar governance produces motivationally different outcomes depending on how the requirement is communicated, whether it is calibrated to company stage, and whether the

founder can endorse its rationale. *Internalisation*, in the SDT sense, mediates between governance and motivation in ways that purely structural accounts cannot capture.

Second, the study qualifies and extends the identity and ownership literature. Block, Fisch and Diegel (2024), Pierce et al. (2001, 2003), and Zhu et al. (2024) describe psychological ownership as an enduring attachment that is consequential for how founders experience the venture. The data confirm this and add a specific finding: psychological ownership is more usefully read as a motivational buffer against exit than as a vulnerability to motivational collapse. Founders whose attachment is high stay engaged precisely because leaving would feel like self-abandonment. The threat is real and felt; it sustains rather than reduces engagement, while leaving the friction in place.

Third, preparedness emerges as an analytical variable that has not been prominent in either the governance or the motivation literature. Founders who actively shaped the governance arrangement before entering it experienced meaningfully different motivational outcomes from those who accepted terms more passively, even when the formal governance arrangements were broadly comparable. This is consistent with SDT's emphasis on volitional choice (Ryan and Deci, 2000) and applies that emphasis at the level of the governance design process, not only within it. The implication is that motivation is shaped before the first board meeting at least as much as during it.

7.3 Practical Implications

The central practical implication is straightforward: Governance design should be treated as motivation design, a point developed further in the practical implications section below.

For founders, the most actionable point is that the investment decision is also a decision about the working conditions in which years of professional life will be spent. Investor selection, term negotiation, and protection of key decision rights shape the governance context that follows. Treating the round as a financial decision alone is likely to produce worse motivational outcomes than treating it as a relational decision.

For investors, the implication is that governance whose rationale is opaque or whose intensity is calibrated to portfolio management rather than company stage imposes motivational costs that ultimately work against the investment. Practical suggestions that follow from the data include explaining the rationale of governance requirements clearly, distinguishing requirements that serve company interests from those that serve portfolio oversight, calibrating governance intensity to company stage rather than applying uniform templates, and enabling small founder liquidity events through round structure rather than locking all founder liquidity to a distant exit.

7.4 Limitations and Future Research

Four limitations apply. The sample is small and qualitative. Patterns are internally consistent and theoretically coherent but cannot be claimed as frequencies or population-level effects. Accounts are retrospective and subject to memory reconstruction and post-hoc framing. The Swedish ecosystem has cultural features that may limit generalisation to other national contexts. The investor perspective is absent.

Future research could productively examine matched founder–investor pairs to triangulate governance intentions against founder interpretations. Longitudinal designs would address the retrospection limitation. Studies that treat preparedness as a measurable construct, rather than as a sample property, would extend the most novel finding of this study and connect it to mechanisms in the existing literature. Quantitative work that distinguishes regulatory styles within motivation, rather than measuring motivation as a single quantity, would also test the SDT-continuum reading at scale.

8. Conclusion

This thesis asked how founders experience changes in autonomy following venture capital investment, and how these perceived changes affect their intrinsic motivation as founders.

Drawing on eleven semi-structured interviews with Swedish founders, nine of whom are venture-capital backed, and interpreting the findings through Self-Determination Theory and psychological ownership as a complementary lens, the study finds that VC investment alters the texture of founder motivation rather than simply reducing it. Governance redistributes decision rights and produces a form of pre-emptive compliance, in which founders adjust decisions in anticipation of investor expectations, operating outside any formal governance process. The activities founders experience as motivationally costly are not the ones that take the most time, but the ones whose source they read as external.

This shift is mediated by how founders interpret governance change, how prepared they were before entering it, how strongly they retain psychological ownership, and how they experience the investor relationship in practice. Across the core sample, founders remain engaged. What changes is the composition of that engagement. Founders who entered with clear expectations, deliberate preparation, and an anchored sense of ownership describe sustained intrinsic motivation with new layers of identified regulation. Founders whose entry was reactive describe motivation that has tilted further toward controlled regulation, while stopping short of disengagement. None in the sample describes amotivation as an end state.

The most actionable point is that the investment decision is also a decision about the conditions of work. Founders and investors who design that decision with motivational quality in mind are better placed to sustain the engagement that makes the investment worth making in the first place. VC investment does not simply remove autonomy; it changes where autonomy lives, who must be persuaded before a decision is made, and whether founders still experience the company as work they have chosen. Autonomy after VC investment is reframed, not lost.

9. Implications for Practice:

Designing VC Governance Without Draining Founder Drive

Venture capital is not only a financing decision. It shapes how founders will work, decide, and report for years after the round. This study shows that VC-backed governance does not simply remove motivation. However, it does change the quality of founder engagement. What matters most is not the formal authority redistribution, but how founders interpret the source and purpose of each new requirement. Governance that founders understand and endorse sustains drive. But when it feels opaque or imposed it can drain it. The key implication is clear: the motivational cost is not inevitable. It is partly a design choice that can be adapted, improved and done well.

Three findings translate directly into practice.

Source beats scope. The tasks founders described as most draining, weren't the hardest or most time-consuming tasks. Rather it was the tasks that they did not understand. The same reporting that some founders dismiss as arbitrary, can become acceptable, even useful, once its rationale is visible. The question founders asked of any new requirement was: *is this for us, or is it for them?*

Preparedness is decided before the first board meeting. Founders who chose their investors deliberately and negotiated the protections that mattered to them kept more intrinsic motivation through the transition than founders who entered reactively, even when the formal terms were broadly the same. Motivation is shaped at the term sheet at least as much as in the boardroom.

Ownership is a buffer, not a fuse. A founder's felt ownership of the venture kept engagement intact despite real friction, and it did not collapse when equity or control was reduced. But the buffer is not unconditional. It weakens under accumulating dilution and under terms that make the founder's hold on the venture feel provisional.

<div data-bbox="217 1402 298 1482"></div> <p>FOR FOUNDERS, BEFORE SIGNING: ANTICIPATE. NEGOTIATE. PROTECT.</p> <hr/> <div data-bbox="217 1535 298 1614"></div> <p>1. READ THE TERM SHEET AS YOUR FUTURE WORKING LIFE. Ask what you will need someone's permission for after the round closes.</p> <hr/> <div data-bbox="217 1682 298 1761"></div> <p>2. NEGOTIATE THE DECISION RIGHTS THAT MATTER. Valuation fades; lost autonomy is what founders resent.</p> <hr/> <div data-bbox="217 1835 298 1915"></div> <p>3. PROTECT A SANDBOX. Keep one domain where you can still act on your own judgement.</p>	<div data-bbox="867 1402 948 1482"></div> <p>FOR INVESTORS, AFTER INVESTING: EXPLAIN. CALIBRATE. PRESERVE.</p> <hr/> <div data-bbox="867 1535 948 1614"></div> <p>1. EXPLAIN THE WHY. Governance drains when founders cannot see its purpose.</p> <hr/> <div data-bbox="867 1682 948 1761"></div> <p>2. CALIBRATE TO THE COMPANY, NOT THE PORTFOLIO. Fitted governance feels supportive; templates feel controlling.</p> <hr/> <div data-bbox="867 1835 948 1915"></div> <p>3. PRESERVE FOUNDER AUTHORITY. Overruling ground-level judgement where the founder knows most costs more than dilution.</p>
--	---

10. References

- Arthurs, J. D., & Busenitz, L. W. (2003). The boundaries and limitations of agency theory and stewardship theory in the venture capitalist/entrepreneur relationship. *Entrepreneurship Theory and Practice*, 28(2), 145–162. <https://doi-org.ez.hhs.se/10.1046/j.1540-6520.2003.00036.x>
- Baker, T. and Nelson, R. E. (2005). Creating something from nothing: Resource construction through entrepreneurial bricolage. *Administrative Science Quarterly*, 50(3), 329–366. <https://journals.sagepub.com/doi/10.2189/asqu.2005.50.3.329>
- Benz, M. and Frey, B. S. (2008). Being independent is a great thing: Subjective evaluations of self-employment and hierarchy. *Economica*, 75(298), 362–383. <https://onlinelibrary.wiley.com/doi/10.1111/j.1468-0335.2007.00594.x>
- Bernstein, S., Giroud, X. and Townsend, R. R. (2016). The impact of venture capital monitoring. *Journal of Finance*, 71(4), 1591–1622. <https://doi.org/10.1111/jofi.12370>
- Block, J. H., Fisch, C. and Diegel, W. (2024). How venture capital funding changes an entrepreneur’s digital identity: more self-confidence and professionalism but less authenticity. *Review of Managerial Science*. 18, 2287–2319. <https://doi.org/10.1007/s11846-023-00686-1>
- Braun, V. and Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77–101. <https://doi.org/10.1191/1478088706qp063oa>
- Cardon, M. S., Wincent, J., Singh, J. and Drnovsek, M. (2009). The nature and experience of entrepreneurial passion. *Academy of Management Review*, 34(3), 511–532. <https://doi.org/10.5465/amr.2009.40633190>
- Carsrud, A. and Brännback, M. (2011). Entrepreneurial motivations: What do we still need to know? *Journal of Small Business Management*, 49(1), 9–26. <https://doi.org/10.1111/j.1540-627X.2010.00312.x>
- Deci, E. L. and Ryan, R. M. (1985). *Intrinsic Motivation and Self-Determination in Human Behavior*. New York: Plenum Press.
- Fauchart, E. and Gruber, M. (2011). Darwinians, communitarians, and missionaries: The role of founder identity in entrepreneurship. *Academy of Management Journal*, 54(5), 935–957. <https://journals.aom.org/doi/10.5465/amj.2009.0211>
- Flanagan, J. C. (1954). The critical incident technique. *Psychological Bulletin*, 51(4), 327–358. <https://www.apa.org/pubs/databases/psycinfo/cit-article.pdf>
- Frese, M. and Gielnik, M. M. (2014). The psychology of entrepreneurship. *Annual Review of Organizational Psychology and Organizational Behavior*, 1(1), 413–438. <https://doi.org/10.1146/annurev-orgpsych-031413-091326>
- Frey, B. S., & Jegen, R. (2001). Motivation crowding theory. *Journal of Economic Surveys*, 15(5), 589–611. <https://doi-org.ez.hhs.se/10.1111/1467-6419.00150>

- Fried, V. H. and Hisrich, R. D. (1995). The venture capitalist: A relationship investor. *California Management Review*, 37(2), 101–113. <https://doi.org/10.2307/41165791>
- Gagné, M. and Deci, E. L. (2005). Self-determination theory and work motivation. *Journal of Organizational Behavior*, 26(4), 331–362. <https://doi.org/10.1002/job.322>
- Gompers, P. and Lerner, J. (2001). The venture capital revolution. *Journal of Economic Perspectives*, 15(2), 145–168. <https://doi.org/10.1257/jep.15.2.145>
- Hellmann, T. and Puri, M. (2002). Venture capital and the professionalization of start-up firms. *Journal of Finance*, 57(1), 169–197. <https://doi.org/10.1111/1540-6261.00419>
- Jensen, M. C. and Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Kaplan, S. N. and Strömberg, P. (2003). Financial contracting theory meets the real world: An empirical analysis of venture capital contracts. *Review of Economic Studies*, 70(2), 281–315. <https://doi.org/10.1111/1467-937X.00245>
- Kaplan, S. N. and Strömberg, P. (2004). Characteristics, contracts, and actions: Evidence from venture capital analyses. *Journal of Finance*, 59(5), 2177–2210. <https://doi.org/10.1111/j.1540-6261.2004.00696.x>
- Lincoln, Y. S. and Guba, E. G. (1985). *Naturalistic Inquiry*. Beverly Hills: SAGE.
- Pierce, J. L., Kostova, T. and Dirks, K. T. (2001). Toward a theory of psychological ownership in organizations. *Academy of Management Review*, 26(2), 298–310. <https://doi.org/10.2307/259124>
- Pierce, J. L., Kostova, T. and Dirks, K. T. (2003). The state of psychological ownership: Integrating and extending a century of research. *Review of General Psychology*, 7(1), 84–107. <https://doi.org/10.1037/1089-2680.7.1.84>
- Ryan, R. M. and Deci, E. L. (2000). Self-determination theory and the facilitation of intrinsic motivation, social development, and well-being. *American Psychologist*, 55(1), 68–78. <https://doi.org/10.1037/0003-066X.55.1.68>
- Sapienza, H. J. and Gupta, A. K. (1994). Impact of agency risks and task uncertainty on venture capitalist-CEO interaction. *Academy of Management Journal*, 37(6), 1618–1632. <https://doi.org/10.5465/256802>
- Saunders, M., Lewis, P. and Thornhill, A. (2023). *Research Methods for Business Students* (9th ed.). Pearson Education.
- Shane, S., Locke, E. A. and Collins, C. J. (2003). Entrepreneurial motivation. *Human Resource Management Review*, 13(2), 257–279. [https://doi.org/10.1016/S1053-4822\(03\)00017-2](https://doi.org/10.1016/S1053-4822(03)00017-2)
- Stephan, U. (2018). Entrepreneurs' mental health and well-being: A review and research agenda. *Academy of Management Perspectives*, 32(3), 290–322. <https://doi.org/10.5465/amp.2017.0001>

- Stuart, T. E., Hoang, H. and Hybels, R. C. (1999). Interorganizational endorsements and the performance of entrepreneurial ventures. *Administrative Science Quarterly*, 44(2), 315–349. <https://doi.org/10.2307/2666998>
- Van Dyne, L. and Pierce, J. L. (2004). Psychological ownership and feelings of possession: Three field studies predicting employee attitudes and organizational citizenship behavior. *Journal of Organizational Behavior*, 25(4), 439–459. <https://doi.org/10.1002/job.249>
- Vansteenkiste, M., Niemiec, C. P. and Soenens, B. (2010). The development of the five mini-theories of self-determination theory. In T. Urdan and S. Karabenick (Eds.), *Advances in Motivation and Achievement* (Vol. 16, pp. 105–165). [https://doi.org/10.1108/S0749-7423\(2010\)000016A007](https://doi.org/10.1108/S0749-7423(2010)000016A007)
- Vansteenkiste, M. and Ryan, R. M. (2013). On psychological growth and vulnerability: Basic psychological need satisfaction and need frustration as a unifying principle. *Journal of Psychotherapy Integration*, 23(3), 263–280. <https://doi.org/10.1037/a0032359>
- Wasserman, N. (2003). Founder-CEO succession and the paradox of entrepreneurial success. *Organization Science*, 14(2), 149–172. <http://dx.doi.org/10.1287/orsc.14.2.149.14995>
- Wasserman, N. (2008). The founder's dilemma. *Harvard Business Review*, 86(2), 102–109. <https://hbr.org/2008/02/the-founders-dilemma>
- Winborg, J. and Landström, H. (2001). Financial bootstrapping in small businesses: Examining small business managers' resource acquisition behaviors. *Journal of Business Venturing*, 16(3), 235–254. [https://doi.org/10.1016/S0883-9026\(99\)00055-5](https://doi.org/10.1016/S0883-9026(99)00055-5)
- Zhu, H., Smith, C. and Brown, G. (2024). Founder dynamic psychological ownership: Impacts on self and others at work. *Applied Psychology*, 73(4), 1511–1534. <https://doi.org/10.1111/apps.12505>

11. Appendix

11.1 Interview invitation

Hi [Name],

Our names are Amir Karimi and Evenezer Tame, and we are students at the Stockholm School of Economics currently writing our Bachelor's thesis in Management.

Our thesis studies how the founder role changes after raising venture capital compared to the bootstrapped phase, with a particular focus on leadership, autonomy, and motivation.

We were wondering whether you would be open to a short interview of around 30-40 minutes, whenever it suits you. The interview would of course be fully anonymous, and no names or company details would be used in the thesis.

Best regards,

Amir Karimi & Evenezer Tame

11.2 Interview Questions

1. Introduction

- We are writing our Bachelor's thesis in Management at the Stockholm School of Economics.
- Our thesis is about how founders experience autonomy, motivation, and decision-making when building a company.
- There are no right or wrong answers.
- Everything you say will be treated confidentially.
- We will not use any real names in the thesis.
- If you have a preferred pseudonym, you are welcome to choose one.
- Before we start, is it okay if we record the interview for transcription purposes?

2. Founder Background and Early Motivation

- Could you briefly describe yourself, your company, and how it started?
- What was your role in the company from the beginning?
- What made you want to start this specific company?

- What did being a founder mean to you in the beginning?
- What gave you the most energy in the early phase?
- How important were autonomy and ownership for you when you started?

3. Decision-Making Before Investment

- Before taking in external investors, how were decisions made in the company?
- Who had the final say on important decisions?
- How quickly could you move from idea to action?
- How free did you feel to run the company in the way you wanted?
- Were there any constraints during this phase?
- Can you describe a decision you valued because it was fully your own?

4. The Decision to Take VC

- What led you to take in VC investment at that point?
- Did you consider other financing options?
- What did you expect would change after the investment?
- What did you expect would stay the same?
- Were there things you tried to protect before signing, such as control, board influence, dilution, or decision rights?
- Did taking VC feel like a trade-off?

5. Changes After Investment

- What were the first concrete changes you noticed after the investment closed?
- Were there decisions that now required approval from investors or the board?
- Did the pace of decision-making change?
- Can you describe a specific situation where the decision-making process changed because of investors?

6. Autonomy and Motivation After Investment

- How did the new governance structure affect your sense of autonomy?
- Did the changes feel useful, expected, frustrating, or constraining?
- Did your motivation change after investment?
- Were there tasks that started to feel more like obligations?
- Were there still parts of the work that felt fully self-chosen and energising?

- Did VC also increase your motivation in any way, for example through resources, validation, or growth opportunities?

7. Ownership and Founder Identity

- Does the company still feel like yours?
- Did dilution affect how much the company felt like yours?
- Did investor involvement affect that feeling?
- Is there a point where the company would stop feeling like yours?

8. Bootstrapping Founders

- For founders who had not taken VC, we adapted the questions to focus on autonomy without institutional investor governance.
- Could you briefly describe yourself, your company, and how it started?
- What motivated you to start the company?
- How are decisions made in the company today?
- How free do you feel to run the company in the way you want?
- What has bootstrapping protected for you?
- What has bootstrapping cost you?
- Have you ever considered taking VC investment?
- Do you think taking VC would change your motivation or sense of ownership?
- What would you want to protect if you ever took VC?

9. Closing

- Is there anything important about your experience as a founder that we have not covered?
- Is there anything you think people misunderstand about what it feels like to build and run a company?
- Thank you again for participating.
- We will anonymise the material and will not use your real name or identifying company details.
- The interview material will only be used for this thesis.