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“Innovation is at the heart of everything we do”

**How to sustain innovation and entrepreneurship
- the case of Spotify**

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Summary

Title: "Innovation is at the heart of everything we do" - How to sustain innovation and entrepreneurship - the Case of Spotify

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Purpose: The purpose was to examine in which ways established companies are able to sustain their innovativeness and entrepreneurial spirit, by looking at the main aspects of the company's culture and structure. The aim was also to contribute to the field of entrepreneurship and the question was answered using Spotify as a case study.

Methodology: The study was iterative and conducted through a case study of the company Spotify, using qualitative interviews and secondary sources.

Theoretical perspectives: The theoretical perspectives was based on two main notions of how to sustain innovation through structure and culture. These were divided into further headings, such as hierarchy and span of control, team composition and communication.

Empirical foundation: Empirical data was collected on the case study company Spotify and in which ways they work with innovation and entrepreneurship

Conclusion: Based on the theoretical and empirical data collected, an entrepreneurial organization which promotes innovation is among others decentralized, focused on autonomy and flexibility, built on teams, with time set aside for learning and innovation, has support mechanisms, an open communication and supports failures and mistakes.

Table of content

1. Introduction	1
1.1. Background	1
1.2. Problem discussion	4
1.3. Research question	4
1.4. Purpose	5
1.5. Disposition	5
2. Method	6
2.1. An iterative and qualitative study	6
2.2. Qualitative interviews in a case study	7
2.2.1. The use of a case study - why Spotify?	7
2.2.2. Why qualitative interviews?	8
2.2.3. Respondents and interviews	9
2.3. The notion of trustworthiness	10
2.4. Limitations, ethics and source criticism	11
3. Theory	13
3.1. The concepts of entrepreneurship and intrapreneurship	13
3.2. Sustaining innovation and entrepreneurship through structure	16
3.2.1. What is organizational structure?	16
3.2.2. Hierarchy and span of control	17
3.2.3. Team composition	19
3.2.4. Centralization and decentralization	20
3.3. Sustaining innovation and entrepreneurship through culture	21
3.3.1. What is organizational culture?	21
3.3.2. Strategy as a part of the culture	22
3.3.3. Support mechanisms	23
3.3.4. Communication	24
3.3.5. Risk and mistake handling	25
3.3.6. Idea generation and continuous learning	27
3.4. Theoretical framework	27
4. Spotify: empirical data	30
4.1. Spotify	30
4.2. The structure of Spotify	31
4.3. Squads	34

4.4. Activities for promoting innovation	36
4.5. "Move fast and fail hard"	39
4.6. Leading the way through culture	41
4.7. Supporting the employees	42
4.8. The flow of information	44
5. Analysis	46
5.1. Analytical framework	46
5.2. Sustaining innovation and entrepreneurship through structure	48
5.2.1. Hierarchy and span of control	48
5.2.2. Team composition	49
5.2.3. Centralization and decentralization	51
5.3. Sustaining innovation and entrepreneurship through culture	52
5.3.1. Strategy as part of the culture	52
5.3.2. Support mechanisms	54
5.3.3. Communication	55
5.3.4. Risk and mistake handling	57
5.3.5. Idea generation and continuous learning	58
6. Discussion and conclusion	60
6.1. Sustaining innovation and entrepreneurial spirit	60
6.2. Future research	63
References	I
Appendix 1	i
Interview questions for Kai Ytterberg	i
About Kai	i
Culture	i
Relationship and coworkers	i
Projects and teams	i
Communication	ii
Hierarchy and authority	ii
Structure	ii
Innovation	ii
Appendix 2	iv
Interview questions for Shawn Carney	iv

Table of figures

Figure 1 - The structure of Spotify, squads	32
Figure 2 - The structure of Spotify, tribes	33
Figure 3 - The structure of Spotify, chapters	33
Figure 4 - The structure of Spotify, guilds	33

1. Introduction

In this introductory section, we will present the intentions with this thesis, our research question, our case company and how the following text will be dispositioned.

1.1. Background

The word, usage and meaning of entrepreneurship in the abundance of academic literature can imply a large variety of things - innovation, ideas, creation, new venture development, creativity, discovery and economic growth to name a select few (Audretsch et al., 2015) - and is thus hard to concretely define with a single definition. The definition of an entrepreneur according to the Swedish National Encyclopedia (Nationalencyklopedin, 2017) is simply describes it be *“a person or a company that performs a contract, or a person who for example starts a new venture or develops new products”*. However, entrepreneurship expands beyond the individual, to also include organizations, teams and stakeholders, among other actors (Blundel & Lockett, 2011). Entrepreneurship has also been said to additionally embrace both small and large firms with studies dating entrepreneurial activities and achievements as far back as to what is known as the middle ages (Casson & Casson, 2014). In fact, entrepreneurship may well be the single most important factor in the creation of wealth, development, advancement and investment accumulation in the future business world according to Yildirim and Pazarick (2014).

As plants and products have their life cycles, so do entrepreneurs and their founded companies. According to Parker (2006), the entrepreneurial life cycle can be said to consist of several stages: commencing with the recognition of an opportunity, resulting in the intentions and actions of the new entrepreneurs, all the way to the creation of a venture as a new organization. What is central for every stage in this entrepreneurial process is that the problem changes throughout the different stages, as well as the development in challenges in which the management ultimately faces (Campos et al., 2015). When an organization is born, focus is laid on product development and not on organizational structure which means that eventually, the company will suffer a crisis as the need for leadership increases (Daft et al., 2010). If the leadership crisis is resolved, the organization will then pass the start-up phase and ensuingly begins to develop goals and direction - but without delegation they will soon again face problems. What this calls for then is formalization within the organization in the form of rules, procedures and control

systems that can be put into practice. Companies need to take heed however, as too much control can lead to a deficiency of innovation and entrepreneurial initiative. Although if well managed, formalization can be replaced by elements such as teamwork and collaboration which instead prompts a focus on company culture. Trying to evolve the company from this stage can be somewhat problematic, which is why innovation and entrepreneurship becomes two key factors of revitalization (Daft et al., 2010).

An entrepreneurial venture that was able to recognize an opportunity and has grown into a well functioning organization and company since its founding is our case study company, Spotify. Having grown at lightning speed since its founding in 2006, the company offers a service whereby users can listen to a massive library of music containing millions of songs without having to download them, instead relying solely on streaming the musical audio tracks. Spotify aims to be a part of the digital ecosystem by being providers of the best music service in the world with many users and the industry alike stating that the company's business model has potentially saved the music industry at its current critical point (Gelin, 2015). Spotify is now a thriving organization who has passed the first entrepreneurial steps in the life cycle, facing the problems of more established organizations - thus being the need for innovation and entrepreneurship for continuous revitalization.

But what is organizational innovation, and why do so many companies struggle with their revitalization? To begin with, the concepts of innovation and creativity must be defined for further reading and understanding of this thesis - but what is it that separates and unites them with the concept of entrepreneurship? Kuratko et al. (2015) states that innovation and entrepreneurship is seen as the most viable tools for competing on today's market. According to Dino (2015, p. 139), the simplest way to describe these phenomenons is to say that:

“Creativity focuses on the generation of new or novel ideas or associations between existing concepts; innovation focuses on the implementation of these ideas or concept in some specific context, with an eye toward producing outcomes that are original, useful, appropriate, and actionable; and entrepreneurship focuses on the identification and capture of opportunities for useful and actionable outcomes in which a need could be satisfied, value created, or a solution found for an intractable problem”.

Furthermore, Dino (2015) states that the need and desire for creativity, innovation and entrepreneurial abilities is undebatable in today's reality, a notion which is fast growing both exponentially and globally. Thus, while creativity leads to innovation, entrepreneurship is necessary to turn the innovations from dreams and ideas into reality. The concepts can therefore be seen as intertwined and closely interconnected with one another. Another concept closely related to entrepreneurship is *intrapreneurship* - referring to innovation occurring within an already existing organization or company by an individual or a team (Ibrahim, 2016). Intrapreneurship is difficult however, and according to Christensen (2003), it is most often times well-run organizations that fails in its execution of intrapreneurship. This problem of innovation and its constant renewal and sustainment for established companies is put well in the article by Doss (2015):

“Big businesses don't seem to be very innovative. An informal glance around the big business landscape won't reveal much in the way of innovation beyond perhaps the routine adoption of a new technology, a bit of chasing the most current business model paradigm or acronym, or maybe rejiggering organizational charts here and there. But, innovation? Not so much.”

The above statement seems to be often observed despite established organizations having better access to financial capital, knowledge and other vital resources which can help them to identify, obtain, absorb and apply new technologies and innovations when compared to a start-up venture (Spulber, 2014). A potential source of the problem explaining why organizations fail could be organizational impediment or hindrance, connected to culture of bureaucracy or “risk-averse”. As such, the work or processes which the employees ‘do’ and goes through are often established and recurrent. To ensure consistency in these tasks, they do not change and if they by any means do, they change through what can be termed as tight control processes. This means that the very mechanisms through which organizations create their value are in itself aversive to change and risks (Christensen, 2003).

Furthermore, the problem could also lie in the structure of the company, which at the same time also could be the solution to the problem at hand. A structure which aims at facilitating innovation and creativity can sometimes have the contradictory effect and instead be the reason for why a company ultimately finds innovation and creativity difficult (Fast Company, 2011). This is what Christensen (2003) calls “the innovator's dilemma” - the

aspects which can make the business blossom are also the same ones which can lead to bankruptcy, if and when they are not handled correctly. Whatever may cause the lack of innovativeness and entrepreneurial spirit in a company, there are inevitably also solutions to the problems. For example, Kalb (2013) suggests that to create a culture which promotes innovation and that is woven into aspects such as the daily routines, job descriptions and evaluations could very well be a road to success for the company. Similarly, the same author also mentioned strategies such as embracing failure and creating a product development system that rewards innovations as ways of improving the innovativeness. Innovation should therefore be a strategy, and needs to come from many and various places of the firm (Boden, 2009).

1.2. Problem discussion

Organizational renewal and innovativeness thus becomes interesting, as it has been stated above that established organizations to a large extent faces problems in managing this complex issue (Doss, 2015; Spulber, 2014; Fast Company, 2011). Together with the notion that entrepreneurship and innovation are seen as the most viable tools for competing on today's market (Kuratko et al., 2015), the subject in question becomes even more fascinating. How can a company remain innovative within the organization and go about sustaining this innovativeness? How can entrepreneurship and perhaps more importantly intrapreneurship, be encouraged? How can a company avoid "the innovator's dilemma" as presented by Christensen (2003)? To tackle the problem of lack of innovativeness and entrepreneurial spirit, we wish to focus on two key aspects discussed above (Kalb, 2013; Boden, 2009), being structure and culture. Can these two concepts have any influence on the innovativeness and entrepreneurial spirit within a company? With this thesis, we wish to further examine how companies can sustain their innovativeness and entrepreneurial spirit by looking at the two critical concepts of structure and culture as we see that these parts, put together with a case study - being Spotify - is lacking within research in the entrepreneurial field of studies and are interesting to contextualize together.

1.3. Research question

In which ways do established companies work to sustain their innovativeness and entrepreneurial spirit?

1.4. Purpose

The purpose of the thesis is thus to examine in which ways companies are able to sustain their innovativeness and entrepreneurial spirit, once they have passed what is commonly known as the entrepreneurial start-up phase and have become established. We will do this by looking at the main aspects of the company's culture and structure. The aim of the thesis is therefore to contribute to the field of entrepreneurship, and to further develop the notion of what entrepreneurial companies does in terms of actions to sustain and develop the organization to work innovatively and with an entrepreneurial spirit. The question will be answered using the company Spotify as a case study.

1.5. Disposition

In the first chapter of the thesis we provide a short background to our research, which leads to the presentation of our research question and the purpose of the thesis.

In the second chapter we present the method used to conduct the study. We also argue for why we chose Spotify as a case study, how the interviews and gathering of empirical data was conducted and discusses the aspects of among others ethics and source criticism.

Within the third chapter the theory we have used is introduced. We have chosen to work with the structure of the company and the culture within, to see how they are used to promote innovativeness and entrepreneurial spirit. Lastly we present a model of the framework which we have created based on these theoretical findings.

Our fourth chapter discusses our empirical findings, consisting of both secondary data from a variety of sources and firsthand information from interviews with Spotify employees.

The fifth chapter contains the analysis where we have extended the theoretical framework presented in chapter three to also include our empirical findings, to see what Spotify does to promote innovation and how it is working for them. The analysis both summarizes and aims at developing the discussion deeper.

In the last and sixth chapter we present our conclusions and learnings from our findings, and how this thesis contributes to the field of entrepreneurship. We also comment on further research that can be done within this subject area.

2. Method

This chapter presents our working method for this thesis, with the use of a case study where conducted interviews and gathered secondary data. We will however begin with a discussion of why this study can be seen as iterative with a qualitative study. We will also touch upon the notions of for example trustworthiness, limitations and ethics with the hope of presenting a transparent method.

2.1. An iterative and qualitative study

Methodology has a self-evident place in research, whether it be in an academical thesis or in further professional research. There are a few basic concepts which are in our view, beneficial to approach before continuing. The first considers the methodological aspect of deductive, inductive or iterative studies. Briefly, a deductive study represents the most common perception on the relationship between theory and practice. Dependent upon what is already known within a certain field of theory, one or many hypothesis can be created and investigated through a thorough empirical research (Bryman & Bell, 2013). In an inductive study on the other hand, the researcher connects the empirical results with available theory and the results within a certain field. A deductive study can therefore be seen as using existing theory to guide and generate observations and/or a result, whilst the inductive study generates theory through observations and/or results. However, most inductive studies (especially on bachelor level) does not generate any theories but simply uses them to create a background in their studies. Instead, what is found in such cases are more commonly known as iterative studies. These kinds of studies tends to “jump” back and forth between theory and empirical data, as the researcher sometimes might be forced to collect further data in order to conclude whether the theory is substantial or not (Bryman & Bell, 2013).

Furthermore, the differences of strategy in conducting either a quantitative or qualitative research are interesting to discuss. A distinction, according to Bryman and Bell (2005) is important to make since this distinction relates to a way of classifying different methods or approaches to business research. The difference also functions as an umbrella, covering a series of important questions related to business research under each concept. To explain the concepts shortly and quite shallowly, quantitative research concerns a strategy with focus on quantification of the collection and analysis of data, whereas qualitative research

instead focuses on words and behaviors in the collection and analysis of data - thus not quantification (Bryman & Bell, 2005). Both quantitative and qualitative methods are focused on generating further knowledge and understanding of society and how and why people act in certain ways. Qualitative studies on the other hand is concerned with the researcher's interpretation of the information, based on frames of reference, motives, social processes and context for example. This type of information or data cannot be converted into numbers and figures (Holter, 1982 cited in Holme & Solvang, 1997).

When choosing whether to make a quantitative or qualitative study it is important to look at the *purpose* of the study (Holme & Solvang, 1997). In this case the purpose is to examine in which ways companies are able to sustain their entrepreneurial spirit by looking at the two main aspects of culture and structure with a focus on innovation. We therefore believed it would be impractical to conduct our study in a quantitative way, since the topic touched upon is most certainly an intangible subject. Thus, this study was based on the notions of qualitative research as we interpreted the information using a theoretical framework to help us locate motive, social processes as well as context. Additionally, the study was of an iterative character rather than solely deductive or inductive - simply because those two notions demanded more than what was possible within the framework and reach of this thesis. An iterative study was thus, for us, the golden middle way as it comprises the best parts of both characterized types of studies while allowing us to freely "jump" between empirical data and theory.

2.2. Qualitative interviews in a case study

2.2.1. The use of a case study - why Spotify?

This study was conducted using a case study as its primary method. A case study is useful to conduct when the topic investigated can best be understood in the process and context that surrounds them and is therefore also more suitable for qualitative research projects. According to Lundahl and Skärvad (1999), the case study is so commonly used that it is almost synonymous with qualitative studies. Furthermore, a case study tends to focus on very few, or in this study, one single case which is studied more in detail, on several dimensions. A case could be an individual, a group, an event or a company - in this case Spotify. The purpose of a case study with only one case is primarily, according to Lundahl and Skärvad (1999), to test already existing theory within a field, which was what we

aimed to do in this study. Lastly, we would like to point out the importance of lack of generalization within a single case study. The result from this case study can therefore not automatically result in any new theories or be applicable to other companies. The result of many case studies could potentially show a pattern on which theories and conclusions can be drawn (Lundahl & Skärvad, 1999), but not through a single study or standalone case.

Spotify as a company will be discussed more in the empirical section, but we believe that Spotify was an interesting company to conduct a case study on in this thesis, especially due to the rate in which the company has grown since its establishment. It has now surpassed the initial start-up phases and continues to do well and evolve in a variety of ways. What is more is the fact that Spotify seems to have found a way to keep themselves relevant, up to date and consistently appearing to leave competition behind. We believe that it was interesting and worthwhile to see how Spotify does to always keep the company on their toes, to continue with high rates of innovation and subsequently, observe and analyze what it is they do to sustain the entrepreneurial spirit and innovativeness.

2.2.2. Why qualitative interviews?

Within qualitative studies, there are several methods for the collection and analysis of data. In this thesis, the method of qualitative interviews with individuals who are relevant in the search of an answer to our research question was used. The information collected was then complemented using secondary data from relevant sources. The benefits of using qualitative interviews are many and wide-reaching, though in our case was the ability to collect the individual's opinions and thoughts, the possibility to conduct several interviews (with many or the same individuals), the ability to ask follow-up questions, and the flexibility that was offered (Bryman & Bell, 2005; Eriksson & Wiedersheim-Paul, 1999) that ultimately made us choose this method over other qualitative methods. Moreover, qualitative interviews are often separated into unstructured and semi-structured, where the difference lies in the amount of preparation and structure of the interview questions (Bryman & Bell, 2005). We conducted semi-structured interviews, since we had prepared an interview guide, but left the possibility for respondents to answer the questions freely. We, as interviewers, also had the freedom and flexibility to ask spontane follow-up questions or exclude questions from the interview guide if we felt we had already collected an interesting answer. The interview guides were also adapted to the respondents, which according to Trost (2005) can be done as long as the interviews still are comparable and

the main content is the same, but there is no need for them to be identical. We also had to adapt the interview guides as we were only allowed to ask a total of three questions for the second interview - compared to the first interview we conducted in which we were more or less, able to ask an 'unlimited' amount.

2.2.3. Respondents and interviews

One of our respondents was found through personal contacts, which gave us an entrance to the company as well as a way to find further respondents. Our first respondent, Kai Ytterberg, is a system engineer focused in the internal IT-department of Spotify, based in Stockholm. He has worked at the company for about a year and a half, with the responsibility of taking care of the IT-platforms and internal systems in close relation to what he refers to as "stakeholders", being other departments at Spotify (Kai Ytterberg, interview, 2016-04-19). Our second respondent was Shawn Carney, a New York-based Spotify employee. Shawn's formal title is Senior Delivery Lead, and previously she worked as an IT-director also at Spotify. Shawn manages a team of about 60 employees (Shawn Carney, interview, 2017-05-13), which Kai Ytterberg is a part of.

We were not able to conduct any of the interviews physically in the same room as the respondents, as one of them was located in Stockholm, Sweden and the other in New York, USA. Rather, we had to adapt and work around the logistical practicalities we were faced with. The interview with Kai took approximately one hour and was conducted via FaceTime, in an attempt to minimize the losses of not being able to meet the respondents physically. The interview was conducted in a quiet and secluded room and the sound was recorded to facilitate the ensuing transcription. To simply take notes would have restricted the analysis, since many details of the respondents answers would have been lost, thus affecting the quality of the research - which is why recording and following-up with a transcription of the recording is vital, according to Bryman and Bell (2005). In the beginning of the interview, we were met with some technical difficulties due to the slow internet connection that affected the quality of the conversation. Because of this, the video-function ultimately had to be switched off, and the interview continued as a phone call. We do not believe that this incident affected the answers since the respondent was able to answer all the questions presented clearly and thoroughly in the end.

The second interview, due to the lack of time and scheduling conflicts on the respondent's side, could not be conducted via FaceTime or a similar mode of communication, and was instead conducted via e-mail correspondence. The benefits of conducting an interview via e-mail is that it gives the respondents plenty of time to consider his or her answers, though on the other hand can lead to difficulties in asking follow-up questions or the lack of possibility to interpret body language or tone of voice. However, we considered it more important to conduct the interview despite these conditions, than to not conduct the interview at all. As a researcher, it is according to Bryman and Bell (2013) important to be flexible, which we in this case had to be. We were also only allowed to ask, as mentioned earlier, three questions due to time restrictions from Shawn's side. This of course had an impact on our study, but with the substantialness and thoroughness of Kai's answers and secondary data, we believed that it gave us enough of a foundation to build a study upon.

The questions used during the interviews were based on the research question and relevant theory which had been gathered beforehand. The questions were created with regard and concern to the role of the respondents within Spotify - in other words what knowledge each respondent possessed in answering the presented questions. Using Bryman and Bell (2013), several mistakes when creating the questions could be avoided - such as the use of negotiations, making the questions too long, bringing several questions into one etc. We tried to fulfill the requirements of a successful interviewer, as presented by Kvale (1996 cited in Bryman & Bell, 2013). These requirements included aspects of for example being informed, structured, clear, sensitive, open and interpretive.

2.3. The notion of trustworthiness

Returning to the concepts concerning qualitative research, there are some further notions which are important to take into consideration when conducting a study - which we had taken heed to in conducting our own. Two of the most prominent notions are the ones of reliability and validity. A discussion of the relevance of these concepts within qualitative research does however exist, since some scientist regards them as being more relevant within quantitative studies (Bryman & Bell, 2005). Holme and Solvang (1997) supports this discussion by stating that the notion of reliability belongs in quantitative methods and though validation might be somewhat easier, it is still affected by the bias of the researcher and therefore not relevant to use in this context either. With this notion, we would rather turn to the notion of trustworthiness. Trustworthiness is according to Trost (2005) one of

the major problems with qualitative studies - how are we able to show that our data and collected information can be trusted? In order to do this, Trost (2005) mentioned the importance of seriousness and relevance to the research question and that a reflection on ethical aspects is crucial, which will be attended to further down. This study is trustworthy due to its broad range of both theoretical and empirical sources, and the high degree of transparency permeating it. The term objectivity is also of relevance in this context - even though such a thing as absolute objectivity does not exist - it is important to not deliberately affect the respondents for example. We tried arduously to avoid this by reading up on methodology concerning interviews and thus aiming to formulate "objective" questions that did not include our personal opinions.

2.4. Limitations, ethics and source criticism

As with almost any study, especially on a bachelor level, there are bound to be many limitations for all cannot be researched on and not all questions can be answered. The limitations for this study are therefore also many, with the main ones lying in that all aspects of innovation and entrepreneurial spirit cannot be researched on. In order to make a thesis with a relevant and viable content, the theoretical aspects had to be limited to two, nonetheless still very important, concepts. Furthermore, there were no possibility of conducting several interviews due to time and space deficiency, but the number of interviews with the complementing secondary data can however be seen as being enough to contribute to the field of entrepreneurship and answer the research question put forward at hand.

When conducting a study of any sort, the ethical aspects are important to take into consideration. Ethics builds upon the norms of what is considered to be right and wrong, meaning that laws, feelings and social norms does not necessarily have to be ethical (Eriksson & Wiedersheim-Paul, 1999). Regarding the ethical aspects of our respondents, there are several criteria to take into consideration regarding the integrity of the individual (Holme and Solvang, 1997). Relevant to this study is the consent from the respondents to participate, and our responsibility towards them to be transparent about the purpose of the thesis and interviews. It is also important to share information as to in which way their answers will be used, and their availability. In order to get the interviews, we had to state all this to the press-department of Spotify, who then made the decision whether or not to participate. We therefore built a trust with them that we did not in any way wished to break.

Other aspects of ethics involves for example the possibility for respondents to be anonymous or protected in any way (Holme and Solvang, 1997). In this study that was not by us found to be relevant, due to the transparency and openness both we and Spotify strive towards.

Finally, source criticism is of greatest importance in research as well. This especially when using secondary data (Lundahl & Skärvad, 1999), which our background and theory are based on, and which also can be found in the empirical part. It is important according to Lundahl and Skärvad (1999) to be aware of that the data collected can be biased, incomplete or in any way consciously angled. This is the reason for why most of our secondary data in the background and theory is based on scientific articles which has a certain depth and trustworthiness attached to them. For the empirical parts, we could not use academical articles but had to turn to other webpages. Thus, the collection of data mainly consisted of newspapers and Spotify's own website - because if they cannot tell us about their culture and structure, then who can? The basic notion of "*who says what to whom in which purpose?*" has been with us throughout the data collection, as well as the interviews. We realize that the answers we get from the representatives at Spotify and using secondary sources will be biased, as their wish of course is to portrait Spotify in the best possible way. If that would not have been the case, the chances are overwhelming that we would not had been able to conduct the interviews at all or found any secondary data. But, being aware of this and the "story" which they may tell about the company, it is easier for us to be analytical and critical to what they have to share. Transparency is for us an important keyword in this situation. We also realize that our respondents convey their interpretation of the truth - which does not have to be the interpretation of other employees or Spotify at whole. Thus, we do not believe our respondents to have all the answers to our questions.

3. Theory

For this thesis we have chosen two parts to look at when investigating in which ways a company work to sustain their innovativeness and entrepreneurial spirit the structure and culture. We will discuss these notions more in detail with several aspects connected to them, but we will begin with the presentation of deeper research on the concept of entrepreneurship and intrapreneurship.

3.1. The concepts of entrepreneurship and intrapreneurship

Because of the difficulties in defining entrepreneurship presented in the background, there are many angles from which the concept can be viewed. Kobia and Sikalieh (2009) presents three approaches, where entrepreneurship is based either on traits, behavior or opportunity identification. In the trait approach, the entrepreneur is shortly thought of as having a particular type of personality as well as particular motives and incentives. The approach tries to answer the questions why certain individuals become entrepreneurs while others with similar conditions do not, and are entrepreneurs born with their traits or are they endeavored? The behavioral approach on the other hand does not, as the trait approach, focus on who the entrepreneur *is*, but rather what the entrepreneur *does* (Kobia & Sikalieh, 2009). The entrepreneur is then defined as “*an individual who establishes and manages a business for the principal purposes of profit and growth. The entrepreneur is characterized principally by innovative behavior and will employ strategic management practices in the business*” (Carland et al., 1984, pp. 358). Thus, this approach views entrepreneurship from the perspective of creating an organization. The final approach emphasizes the entrepreneur’s ability to identify entrepreneurial opportunities, being able to combine resources which he or she believes will result in a commercial success and profit (Kobia & Sikalieh, 2009). These entrepreneurs are by some stated being driven by entrepreneurial alertness, which is a distinctive set of perceptual and cognitive processing skills that facilitates the opportunity identification process (Gaglio & Katz, 2001).

Furthermore, an entrepreneurial organization can be defined as “*an organization that places innovation and opportunism at its heart in order to produce economic or social value*” (Metaprofiling, 2013, pp. 1). The main purpose of facilitating for innovations and opportunism is to be able to cope effectively with the reality of today’s world market. Entrepreneurship and innovation are thus often seen as the most viable strategy for

successful result in today's corporations (Kuratko et al., 2014). Building on that is corporate entrepreneurship, which could be a potential survival strategy for established firms operating in a highly competitive business environment (Peltola, 2012). A corporate entrepreneurship strategy demands constant renewal of a company, and this high level of innovation leads to a differentiation in the market space, resulting in competitive advantages. The basis of corporate entrepreneurship does however rest on entrepreneurial behavior within a company (Peltola, 2012), also known as intrapreneurship. In many entrepreneurial organizations is intrapreneurship seen as a viable part, driving the innovation and creativity forward (Yildirim & Pazarick, 2014).

Also, the organizational structure is of great importance regarding the company's ability to facilitate for innovations and opportunism (Ireland et al. 2009). Structures with the qualities or attributes facilitating for entrepreneurial visions is as such desirable. Following an entrepreneurial structure comes the organizational culture, where these cultural norms should be encouraged to favor entrepreneurship. These norms may then in turn reinforce the organizational member's commitment to the entrepreneurial strategy (Ireland et al., 2009).

The term intrapreneurship (also otherwise known as corporate entrepreneurship) was first introduced in the economic literature in the 1980's, but still lacks a unified definition (Delic et al., 2016). It does however differ from entrepreneurship in the sense that entrepreneurship concerns taking initiative, decisions and innovation whereas intrapreneurship rather focuses on how employees can implement their entrepreneurial ideas within the organization (Cadaru & Badulescu, 2015). It is a way of creating new ventures within the existing company, which ultimately improves and helps the company to reinvent themselves, improves the performance and strengthens the company's competitive advantage (Delic et al., 2016; Cadaru & Badulescu, 2015). The intrapreneurs are not entrepreneurs in that sense, but are rather specialists with an exceptional training that are able to use the knowledge they have gathered, in order to innovate and transform the innovation to a success (Cadaru & Badulescu, 2015). Intrapreneurial processes can exist within any size of an organization, and can be said to refer to "*emergent behavioural intentions and behaviours of an organization that are related to departures from the customary*" (Antoncic & Hisrich, 2003, pp. 9).

In conceptualizing the principal aspects of intrapreneurship, Miller (1983) states that intrapreneurship is comprised of three interlinked aspects: risk-taking, proactiveness and innovation. In business ventures and situations where results are risky or uncertain, intrapreneurship can be applied as a way of strategizing this uncertainty. Proactiveness can be applied to the enterprising actions of individuals/employees within the firm as a way to facilitate new, or possible already available business ventures. It can also be applied to the innovative perspective of the individual/employee as a mean of anticipating future demands of the organization and market (Miller, 1983). Lastly, innovation refers to the application of new ideas, experimentation and creativity that culminates in the individual's/employee's ability to create new products, processes and/or services (Zahra, 1993; Lumpkin and Dess, 1996).

Continuing on the principal aspect of innovation as a mean of intrapreneurship, Seshadri and Tripathy (2006) presented several objectives to highlight its importance. The primary objectives are cost reduction and/or improved customer focus, which can be done in many ways. The intrapreneurs may reinvent the company by removing "unproductive layers" of the business in order to improve efficiency and effectiveness, or provide additional features to the company's market offering in order to enhance these offerings. However, and whatever the trigger, intrapreneurial innovation functions as a growth engine for the company (Seshadri & Tripathy, 2006).

Martins and Terblanche (2013) discusses the importance of building a culture that supports and encourages innovation and intrapreneurial behavior. Furthermore, there are several perspectives of use when approaching the need of innovation of an entrepreneurial organization through intrapreneurship. One of these includes the emphasis of the intrapreneurial team of which consists of the individuals who are willing and encouraged to undertake risks as well as the emphasis upon the configuration of an intrapreneurial organization (Cadaru & Badulescu, 2015).

The further reading of this chapter will include the theoretical data collected about the two main themes of this thesis - structure and culture. These are interesting and relevant to discuss, as the culture affects how the organizational structure is built and how the systems within the corporation are created and used (Martins & Terblanche 2013). In turn the structure of the organization emphasize values which influence either promotion of innovation or a restriction (Martins & Terblanche, 2013). Based on these notions, the

following theory in this chapter will discuss how innovation and entrepreneurial spirit is sustained through an organization's structure and culture.

3.2. Sustaining innovation and entrepreneurship through structure

3.2.1. What is organizational structure?

The term organizational structure in organizational academic literature is referred to as the formal structuring and configuration of how tasks, roles, authority, and responsibility is allocated between groups and individuals within an organization (Greenberg, 2011). A commonplace definition as formulated by organizational theorist Henry Mintzberg (1983) of the term organizational structure is the set of ways of in which organizational work is apportioned and divided into distinguishable roles and tasks, followed by the delegation and subsequent coordination en route to the accomplishment and achievements of organizational goals. Furthermore, the organizational structure comprises of the levels of hierarchy, integration, distribution of authority, as well as the consequent patterns of communication in which the members of an organization carry out through their job positions, tasks, and relationships to each other within the firm (Damanpour, 1991).

Similarly, Walton (1986) refers to the structure of an organization as the basis for organizing, of which encompasses the identification of the levels of hierarchy found within a firm as well as the the reaches of responsibilities, positions, roles and mechanisms for problem solving and organizational integration. Hunter's (2002) elaboration of organizational structure brings in the strategic component that goes hand-in-hand with structure, stating the structure directly dispositions and assists in configuring the context within which control and power are deployed, tasks and duties are accomplished, and strategic options are conceived and implemented (along with enabling this implementation of strategy by shaping the context) (Hunter, 2002).

Likewise, with this 'internal differentiation and patterning of relationships', organizational structure is stated to diametrically influence and affect an organization's allocation of resources as well as the means by which the organization sets boundaries and limits for its

members by delimiting responsibilities in the name of efficient organizational performance (Thompson, 2007).

Despite the varying definitions and interpretations on the concept of organizational structure, for the purposes of this paper, we will be referring to structure in its most cardinal sense - the elemental arrangement duties and responsibilities (hereby known interchangeably as tasks and/or jobs) to be carried out within the allocated roles of an organization. In the slightly modified definition of Mintzberg's original formulation on organizational structure, Jackson and Morgan (1982) provides us with a fundamental meaning of the term widely useful moving forward. Simply and conclusively, structure is said to encompass the relative enduring placement of work roles and administrative mechanisms, which creates a pattern of interrelated work activities and thereby allows the organization to conduct, coordinate and control these activities (Jackson & Morgan, 1982). Studies such as those of Krueger (2002) show that variables such as that of organizational structure as well work units, team composition, as well hierarchy and the scope and span of control of managers have a major and direct impact on an organization's entrepreneurial activity and the fostering of further innovation within the firm.

3.2.2. Hierarchy and span of control

When a company is first founded no real hierarchy exists, if drawn up the structure would look somewhat like a spider's web where everyone had a connection to everyone (Burns, 2013). As the company grows it is common that the hierarchy becomes stricter, going from the top down and that simple hierarchy gives fewer relationships to handle (Burns, 2013). According to Etzioni (1959), authority comes from one center in the bureaucratic organization, but can be delegated and often is. This way of operating becomes very efficient, but it discourages collaboration between staff and departments, meaning they will not share knowledge, and innovation will be decreased (Burns, 2013). In professional organizations however, it is the employees that are experts and the manager's functions more like administrators, still having authority on the employees but giving them more room to make their own decisions (Etzioni, 1959).

To find a hierarchy that works well with innovation can be a challenge:

“It doesn’t make sense to stay true to a structure that makes it more difficult for your people to succeed. Your organizational structure must be flexible enough to evolve along with your people, rather than working against them. This is one of the biggest and most challenging cultural issues we face as a fast growing company” (Michael Dell, cited in Burns, 2013, pp. 177).

The constriction of the simple hierarchy does just what Michael Dell says it is not supposed to do, and with time other solutions has grown forward. The matrix structure for example was supposed to help companies stay innovative, as functions were overlapping each other, and was popular in the 1960’s and 1970’s. It has however somewhat disappeared since, because of its complexity (Burns 2013). As such, there is no “best practice” for hierarchical structures of innovative companies, but is rather dependent upon for example the environment, the technology used and the company’s scale (Burns 2013). It seems as the best way forward is striving towards as few hierarchical levels as possible, reducing the amount of employees standing in the way of a project. Delaying is therefore one solution, being when a company reduces its number of hierarchical layers of managing, flattening the organization (Burns, 2013). Krueger (2002) suggests that the most appropriate structure for an organization to take on when seeking to influence the entrepreneurial posture, innovativeness and the fostering of entrepreneurial activity within a firm, is a structural form that includes decentralization of decision-making authority, free-flowing communication channels, closely integrated departmental functions and minimal hierarchical levels and structural layers. With a flat structure, the autonomy and working teams will promote creativity and innovation, meanwhile specialization, formalization and standardization will reduce the innovation (Martins & Terblanche, 2013).

According to Marume and Jubenkanda (2016), there is a close relationship between hierarchy and the span of control within organizations. For one, there is an undeviating linkage with the number of levels in a scalar, hierarchical organization and the span of control of managers and superiors. The span of control is the scope in which a manager is able to efficiently and effectively direct and be at the helm of having control over the subordinates. A high span of control means more hierarchical levels of management is needed, and the span also increases when tasks and controls are repetitive, measurable, homogenous or done solely on routine. This is can be said to be the “old” way of companies to function, but has been questioned because the work environment today

requires a high level of autonomy, therefore not commanding the same span of control as before. (Marume & Jubenkanda, 2016)

With a tight span of control, where the managers and superiors within the company monitor every move of their employees, activities and roles in the company tend to become highly formalized, specialized and standardized, which according to Martins and Terblanche (2013) hinder the possibilities of innovation as well as innovativeness of the organization's employees.

3.2.3. Team composition

When it comes to the structure of the entrepreneurial organization, it is important for us to relate the structural qualities relevant to traditional companies, in particular how tasks and jobs are grouped, divided and coordinated accordingly (Etzioni, 1959). Within the company, there is an arrangement in the lines of authority - whether they are more typically hierarchical or flatter in design, as well as the lines of communication - whether they be frequent, sparse or highly interconnected (Etzioni, 1959). Additionally, by applying Mintzberg's (1989) well-known management theory on organizational configurations, it is also possible to see that the foundations to the classic entrepreneurial firm rests on the basic configuration regarded as the simple structure, or the entrepreneurial structure. Mintzberg (1989) emphasizes on loose organizational structures with minimal use of intermediary or liaison devices, and the flexibility to operate in a dynamic environment for optimizing intrapreneurship. This can be done through the use of team compositions of the company's employee makeup in order to facilitate and promote innovation and idea generation that is contained within the configuration's structural elements.

The intrapreneurial team can be said to combine the ability of individual intrapreneurs to work independently to generate ideas, with the more collectivist ability to collaborate in teams (Abraham, 1997). Teams and their composition within the entrepreneurial organization are also of critical importance since it is becoming more and more acknowledged that intrapreneurial, and entrepreneurial, activities more commonly are a responsibility of a team rather than dependent upon a single person (Iacobucci & Rosa, 2010).

Likewise, the demographic characteristics and personal values does, according to the research conducted by Camelo-Ordaz et al. (2011), have an influence on the level of innovativeness of intrapreneurs. For example, one of the conclusions which they drew was that the higher age of the intrapreneur - the lower level of innovativeness. Age thus decreases flexibility and increases the resistance of change and risk-taking. Similarly, remaining within a company for a long period of time is furthermore said to result in intrapreneurs becoming less innovative and adaptive, committing to the status quo to a higher degree (Camelo-Ordaz et al., 2011). Furthermore, Antoncic and Hisrich (2003) have categorized intrapreneurship within several dimensions which clearly summarizes the concept and the actions needed by companies, and individuals, to be entrepreneurial and innovative. These concerns the ability to develop new products (thus being innovative), taking risks, being proactive, launching new enterprises (within the existing enterprise), self-renewal and organizational renewal and lastly autonomy (Antoncic & Hisrich, 2003).

3.2.4. Centralization and decentralization

Centralization is one aspect of bureaucracy where decision are made by the managers and where hierarchy of authority is strict (Hage & Aiken, 1967). It leads to greater efficiency within the company it is used, but it can have negative effects on morale. Centralization means that the power is kept in the center of the company, with the CEO and other employees high up in the hierarchy, and s what the traditional structure of a company looks like (Hage & Aiken, 1967).

What literature and present research has shown us, is that entrepreneurial firms often leans more towards what is known as a decentralized organizational structure (Child, 1972). Decentralizing is when the power in making decisions is distributed amongst a number of divisions and/or departments of the organization that simultaneously possess diverse degrees of division autonomy (Burns, 2013). This strays from traditional organizational structuring where the more centralized structure is found in non-entrepreneurial organizations where the power to make decisions is often concentrated to the more uppermost levels of management as well as in contrast, the utilization of tighter constraints and control of divisions and departments (Child, 1972).

The effects of having a decentralized structure is that it becomes easier to keep up with the fast-changing markets of today (Burns, 2013). Instead of having to wait for a superior,

maybe several layers up, to make a decision the employee can make the decision himself and the work continues quickly, a positive promotion for the implementation of innovation. This also promotes the values of flexibility and freedom instead of rigidity of control, it also gives a higher level of responsibility and adaptability which all are promoting creativity (Martins & Terblanche, 2013)

The choice of having a decentralized decision-making context goes in hand with the choice of having a creativity and innovation promoting culture (Burns, 2013). It gives the employees the possibility to work in a “chaos within guidelines” (Judge et al, 1997), which means that employees can work autonomously and creatively to reach their goals.

3.3. Sustaining innovation and entrepreneurship through culture

3.3.1. What is organizational culture?

Culture is the “*collective programming of the mind which distinguishes one group of people from another*” (Burns, 2013, pp. 135). In every group of people, including organizations, there is a culture built on beliefs, assumptions and norms regarding the behavior of that group and other groups (Burns, 2013). Martins and Terblanche (2013, pp.65) define organizational culture as “*the deeply seated (often subconscious) values and beliefs shared by personnel in an organisation*”. The organizational culture influences and affects how the employees behave and act, and teaches them what is the right and wrong behavior in that specific organization. It is the personality of the group (Burns, 2013), therefore culture can be seen as the personality of the company and just like in humans it differs greatly from company to company.

Culture evolves over time because of many different influences and can be shaped in certain ways when that is desired (Burns, 2013). Factors that influence culture could be the CEO, the market or the goals that the corporation has. Employees also have an effect on the culture, as their behavior can change over time and either is accepted or not. Individuals within the corporation learn the culture during their employment and then teach it to new individuals arriving, passing down the norms, beliefs and assumptions that has built the culture (Burns, 2013).

Deshpandé et. al. (1993) presents four different kinds of culture depending on two factors. First is transgression from organics process the corporation has e.g. if they are flexible and spontane to mechanistic process or if they are stable and controlled. The second factor is the transgression from organizational focus on internal maintenance e.g the activities and the integration. From these there have been four different cultures types defined: the clan, the adhocracy, the hierarchy and the market (Deshpandé et. al. 1993).

The adhocracy culture is the one often associated with entrepreneurship and innovation. The dominant attributes are creativity, adaptability and entrepreneurship, the leader is a risk taker and himself an entrepreneur. The strategic emphasis of the adhocracy culture is growth and new resources, they are focused on innovation and development (Deshpandé et. al. 1993).

That the culture is important and might give value to the company is made clear in many articles and reports. According to Barney (1986) the right culture can even give the company a competitive and financial advantages. A culture that is valuable, meaning it gives opportunities to create value in for example higher sales or lower costs, is hard or impossible to imitate and is rare can give those advantages to the company. It also gives them unique ways to handle customers and suppliers, which on its own could be a competitive advantage (Barney, 1986).

3.3.2. Strategy as a part of the culture

The strategy is the vision and the mission of the company. The origin of innovation lies in a shared vision and mission focused on the future according to Covey (1993, cited in Martins & Terblanche, 2013). It is important to have a complementary mix of different personality types (Metaprofiling, 2013) - all however with the same goal of uncovering and developing an opportunity to create value.

Dobni (2008, pp. 548) discusses the importance of the value orientation where she has the following quote: "*there is a consensus amongst employees about what creates value for customers/stakeholders*", adding on to the importance of a shared vision amongst employees. She also stresses the fact that employees need to talk to each other and that they all work towards the same goal to optimize the value for the customer (Dobni, 2008).

For the intrapreneurs to know what to strive towards, it is important that the goals and objectives directed towards innovation are clearly stated and that these have a clear purpose (Martins & Terblanche, 2013).

The strategic choices made within the entrepreneurial organization not only affects, but largely influences the direction of the organization and how it chooses to be structured (Miles et al., 1978). As the entrepreneurial firm advances, it establishes itself moving forward and it modifies its company strategy. These strategic choices will concurrently necessitate modifications in its organizational structure. When the firm's strategy is adjusted and evolved over time, the structure of the organization simultaneously needs to be adjusted accordingly in order to efficiently allocate and distribute its resources and employees as this organizational structuring determines the construction of the firm's policies and underlying objectives (Miles et al., 1978).

“An innovation strategy is a strategy that promotes the development and implementation of new products and services” (Robbins, 1996, cited in Martins & Terblanche, 2013, pp. 69). Earlier we mentioned “chaos within guidelines”, which is when the management set a few or one strategic goal, but lets the employees work freely within the context of reaching the goal (Judge et. al., 1997). Arad et. al. (*n.d*, cited in Martins & Terblanche, 2013) points out that the goal set also have an effect on innovation, it may either promote or deter creativity and innovation.

3.3.3. Support mechanisms

To enforce the strategy in the company it needs support mechanisms to keep the employees going in the right direction and keeping them working towards the same goals. The support mechanisms, when designed and used right, also promotes innovation within the company. With good management support within the corporation there is a great chance that the innovative performance will be higher (Alpkan et al. 2010). The management support should cover both generating and developing new ideas, making the employees more comfortable in the process and not feeling all alone in the responsibility. A good support systems also ensures that the employees know who they should turn to for help (Alpkan et al. 2010). Management is not an exact science, it is built upon judgements from the weaknesses and strengths of the employees (Burns, 2013). This space and

guidance will allow the intrapreneurial spirits to awake, helping to come up with new ideas and handling the uncertainty of the project.

It is also important for the employees to be given the time to develop their ideas, otherwise the projects will be neglected and the intrapreneur might lose motivation to continue the work (Dobni, 2008; Martins & Terblanche, 2013). If employees are for example given 15% of their time to work on their favorite project and generating ideas the innovation rate will go up, while if the emphasis is always on productivity and efficiency it will lead to less innovations (Filipczak, 1997). People like autonomy, and if the corporation wants its employees to be engaged with the tasks they are working with and to be proactive, self-direction is more important than compliance (Burns, 2013). When employees are given time to work on their own projects it encourages them to take risks in order to put their ideas into practice, making their ideas a reality (Alpkan et al. 2010).

If the employees believe that they will be rewarded for innovation and entrepreneurial behavior they will be more ready to take risks and more committed to the process of innovation (Alpkan et. al. 2010), aka acting as intrapreneurs. Behavior that is rewarded also reflects the values of the corporation, making it first a general and in time the dominant way to behave (Martins & Terblanche, 2013). Martins and Terblanche (2013) argues that there tends to be a problem with how corporations reward people, a lot of the time it is successful projects that get rewarded and the failures are not. Employees should also be rewarded for experimenting and generating ideas, to really support the innovation and creativity. The rewards do not have to be monetary, it could be e.g. greater autonomy, giving the employee the opportunity to continue with the experimentation (Martins & Terblanche, 2013).

3.3.4. Communication

Communication is needed in all companies, but in those with entrepreneurial culture the communication is open and honest. Open communication means that it is acceptable to disagree and to question people's decisions and ideas, but without harassing or being disrespectful towards the individual (Martins & Terblanche, 2013). Disagreements gives opportunities for exposing otherwise hidden problems (Martins & Terblanche, 2013; Dobni, 2008). Furthermore, it makes the employees feel safe to express ideas and thoughts they have (Martins & Terblanche, 2013), giving the company even more ideas to work with, and

more chances to come up with a new innovation, giving intrapreneurs more room to work with.

In a simple hierarchy structure the communication is almost unfalteringly bound to the hierarchy going from the top down. With open communication it becomes easier to share information over departments, as in a matrix structure (Burns, 2013). That means that people with different skills and different views can make inputs into projects. Furthermore, Dobni (2008) takes into consideration not only the direct communication but the effects of it and the whole picture. The effects of open communication and an entrepreneurial culture creates trust between employees and makes them feel valued. It also makes employees feel that they contribute to the company and that the corporation, superiors and colleagues trust them (Dobni, 2008). All this leads to the employee feeling obligated and happy to contribute to the future and development of the company.

Dessein (2002) talks about communication as delegation and when managers are not as equipped as their staff to make a decision. Either the manager can ask for advice from the staff who has expertise in the area, the staff will then give all the information to the manager to help her make a decision. Or the manager can, when the problem becomes too complex or intricate, delegate the task to the staff, giving them the opportunity to use information that might have been missed by the manager (Dessein, 2002). From his study Dessein (2002), drew the conclusion that decentralization of decision making is better when the managers do not have all the information that is important to make decisions, which is often the case in intrapreneurial firms.

3.3.5. Risk and mistake handling

With all the changes and risk taking that are norm to the intrapreneurial company, conflicts are bound to happen. The conflicts need to be handled in a way that is constructive, so training employees in understanding individual thinking patterns and constructive confrontation is one way to ease conflict handling (Martins & Terblanche, 2013). Dobni (2008) states that when an employee feels they have a better solution to a problem they should speak up. When there more than one opinion the information should be processed, and evaluated so that the best solution can be made (Martins & Terblanche, 2013).

The behaviors of superiors and set guidelines are important for innovation, not just on handling conflict but the entire behavior of superiors needs to be supporting of intrapreneurship (Martins & Terblanche, 2013). Behavior that encourages innovation other than conflict handling is the way mistakes are handled, how idea generation is allowed, if there is continuous learning, the view on risk taking, and the support for change.

A company that is entrepreneurial and promotes creativity needs to be prepared to commit to resources to support ventures that result from the corporation's innovations (Dobni 2008). They also need to be prepared to discontinue product-lines that could be replaced with something more profitable. That the support for change is important is due to the flexibility needed for creativity and the innovation process, it is also important since the company needs to embrace the changes that the innovations bring (Martins & Terblanche, 2013).

“One thing is certain in business; you and everyone around you will make mistakes. When you are pushing the boundaries this is inevitable... A person who makes no mistakes, makes nothing” (Richard Branson, *n.d* cited in Burns, 2013, pp. 114). When mistakes are covered up, ignored or even punished, it sends out a signal to all employees to avoid making mistakes, often at the cost of innovative projects (Martins & Terblanche, 2013). If instead risks are encouraged and mistakes are seen as a learning opportunity it becomes easier for employees and intrapreneurs to act upon their ideas and creativity will flow (Filipczak, 1997). Successful organizations celebrate both success and failure, or at least acknowledge failure as a learning opportunity, thus for a corporation promoting creativity it is essential with a tolerance for mistakes (Martins & Terblanche, 2013).

Dobni (2008) writes that a company aiming to be entrepreneurial should launch new products and services even though the corporation does not know how it will do once out on the market. A willingness to take risks is one of the traits considered being entrepreneurial, taking risks is something that is unavoidable for a company that is growing and looking to develop (Burns, 2013). When there are too many constraints and too much management control there will be less risks taken and as a consequence there will be less innovation and creativity (Judge et al. 1997). Just as in handling mistakes there needs to be a tolerant environment when a project is not successful (Martins & Terblanche, 2013).

3.3.6. Idea generation and continuous learning

For innovation to be possible there first needs to be ideas to work from. To promote idea generation, the environment needs to be supportive with a focus on what can be done instead of what is not viable and evaluation of ideas need to be fair (Martins & Terblanche, 2013). Promotion of creativity is key in getting the employees to express their ideas and develop them. The generation of new ideas should also never lead to harm for the employee, feeling safe will encourage the employee to share their ideas (Martins & Terblanche, 2013).

Dobni (2008) points out that the creativity from the employees needs to be used in the right way, and that differences thus should be seen as a benefit. There should be a sense of that everyone is unique and that everyone is important because they have different knowledge and different views and the managers at the company should realize that these differences is an advantage. If everyone is given the chance to be an intrapreneur, to be creative, and work with innovation there would be more ideas to work with and develop which would give the company more opportunities and would therefore be more likely to succeed (Dobni, 2008).

By taking initiatives to introduce new methods and/or techniques, challenging the existing norms, values and traditional working methods as well as bringing forward new aspects of products, services and technology, the intrapreneurial team can be empowered to transform ideas into innovations (Lenka et al., 2016). Martins and Terblanche (2013) also discusses the importance of the organizational behavior regarding learning. To optimize the organizational learning it should be encouraged to be continuous, there should be time and opportunity to develop the skills and knowledge the employee has and the training given supports strategic initiatives. It is also good with mentorships and that the employee is encouraged to use what he or she has learned (Dobni, 2008).

3.4. Theoretical framework

As a mean of getting an overview of the above presented theory and summarize it, we have created a theoretical framework. This framework will also enable the analysis, where the empirical data is put in relation to this theoretical framework. It is structured to contain all headings which has been presented above, categorized and divided into established and entrepreneurial organizations. The established are seen as non-innovational and

refers to the more “classical” organizations, whereas the entrepreneurial refers to in one sense also an established organization - even though this has succeeded with enabling for innovation and the entrepreneurial spirit according to the theory presented. In the analysis, the case study of Spotify will be put in relation to this in order for us to clearly see whether and how they work with innovation and sustaining of the entrepreneurial spirit.

STRUCTURE		
	Established, non-innovational	Entrepreneurial, innovational
<i>Hierarchy and span of control</i>	Top-down Authority comes from centre Little collaboration Specialized Formalized Standardized High span of control	Employees are the experts Few layers of hierarchy - delayering Decentralization of decision making Autonomy Working in teams Low span of control
<i>Team composition</i>	High age of employees Many employees have remained in the company for a long time No/low communication or connection between employees and departments	Low age of employees to foster innovation For flexibility and minimize liaison Intrapreneurial teams - ability to work independently and collaborate
<i>Centralization and decentralization</i>	Centralized - strict hierarchy of authority Great efficiency, negative effect on morale Decisions made by high levels of management Long processes	Decentralized - loose hierarchy of authority Decision-making spread across organization Easier to keep up with fast-paced environment Short processes - encourages innovation “Chaos with guidelines”

CULTURE		
	Established, non-innovational	Entrepreneurial, innovational
<i>Strategy as a part of the culture</i>	Set guideline of goals	Shared vision Clear, common goals with focus on quality
<i>Support mechanisms</i>	Emphasis on productivity and efficiency	Knowledge of who to turn to for help Time for development of ideas Rewards to commit to innovation
<i>Communication</i>	Bound to structure, going from top-down More closed and less transparent and honest Communication is not as delegated	Open and honest Information is shared across departments Creates feelings of trust and that employees are valuable and contribute Communication as delegation
<i>Risk and mistake handling</i>	Too many constraints and too much management control - less risks taken	Employees are trained in constructive conflict handling Risks are encouraged Mistakes are seen as learning opportunities
<i>Idea generation and continuous learning</i>	Low promotional level of individual's innovativeness and creativity Continuous organizational learning is not regarded as important	Promoting innovation and creativity Recognize the importance of individual employees Continuous organizational learning

4. Spotify: empirical data

Starting this empirical section, we will give a brief background to the case company, Spotify. Following this is the presentation of the empirical data which has been collected in relation to the purpose and research question of this thesis. The data is categorized under a few main themes - namely The structure of Spotify, Squads, Activities for promoting innovation, "Move fast and fail hard", Leading the way through culture, Support the employees and The flow of information.

4.1. Spotify

Spotify is a global corporation founded in Sweden and active in no less than 60 countries, where they provide their legal music streaming service. They bring the *"right music for every moment – on computers, mobiles, tablets, home entertainment systems, cars, gaming consoles and more"* (Spotify Press, 2017). The subscribers are given an impressive music library with over 30 million songs, where they can create their own music playlists, listen to playlists categorized by for example top songs or music from a certain decade, or access playlists put together by other users. In 2015, the streaming service offered by Spotify exceeded the whole record selling market in the US (Spotify Press, 2017; Armour, 2015).

The story of Spotify begins in the basement of the CEO Daniel Ek's home of birth in Rågsved, Sweden. When Daniel was four years old, he first fell in love with music through a guitar hanging on the wall and the following year he got his first computer, thus combining these two passions. In 1999, Daniel was 16 and discovered how the portal to a new world with unlimited access to music, which could be shared with millions of others, opened. To manifest his new idea with Spotify which would provide legal, unlimited music streaming he joined forces with the entrepreneur and investor Martin Lorentzon. Together they founded Spotify in 2006 (Gripenberg, 2015).

In 2008 Spotify made several deals with big music companies and announced the launch of the company, giving these companies the permission to offer their music in the service Spotify offers, and thereby making it available for customers in eight countries (Bendz, 2008). Spotify was originally started as a way of handling the problem of people illegally

downloading music instead of buying CDs. After the start the company have continued to expand and in 2016, Spotify had 1600 employees globally (Wong, 2016).

Spotify offers several different services to customers and these are under constant development. The company offers both premium accounts for paying customers, where there are no commercials, or a free service where commercials are played between every few songs. In 2009, the app for Apple and Android users was approved and released (Ek, 2009), and in 2010 Spotify offered premium customers to download their playlists and share them with others. In the year of 2011, Spotify started a cooperation with Facebook where Spotify would become a natural part of the giant social media company (Sjöshult, 2011).

In the 11 years that Spotify have existed it has radically changed several times and the services mentioned above are just a few of the innovations that has come from the company. It seems as though more can be expected from Spotify, as they in 2015 presented that they wanted to expand the company further into entertainment and news, whilst still continuing to be a music company (Gelin, 2015). Spotify is maybe also on its way to the stock market, where they today are valued at 8.5 billion US dollars (Kullberg, 2017). The founder Daniel Ek is now also the most powerful person in the music industry, as he is number one on Billboard's Power 100 list. With this, he replaced the CEO of Universal Music Group (The Guardian, 2017). The company had over 100 million active users in 2016, with 50 million of them consisting of paying users (which was an increase with 20 millions in a year), whilst their greatest competitor Apple Music have around 20 millions paying users (Spotify Press, 2017; Kullberg, 2017) - making Spotify the giant on the market.

4.2. The structure of Spotify

Explaining the structure of Spotify is not an easy task, but according to our respondent Kai Ytterberg (2017-04-19), Spotify tries to have a flat structure to facilitate for a fast-paced work environment. Employees therefore do not need to wait for anyone or anything to continue their work. Kai Ytterberg (2017-04-19) furthermore tries to explain the hierarchy at Spotify by saying that the so-called C-level is on the top with managers under them. He is also four steps from the CEO, which in such a big company as Spotify is quite close. Our other respondent Shawn Carney (2017-05-13) describes the hierarchy in a similar

way, by saying that “we have a C-level leadership team that sets north star goals and company strategy. Then we have VPs and Directors that set strategy around specific mission areas for focus. From there it's up to the individual contributors to solve problems and define their team's mission”.

One of the main reasons for why the structure of Spotify is difficult to explain is in Kai Ytterberg's (2017-04-19) opinion the fact that it changes frequently. The CEO is and have always been Daniel Ek, and beneath him we find the research and design (R&D) department, where many of the products are made and fitted to support the infrastructure. The employee currently in charge of R&D is Gustav Söderström, and Kai Ytterberg (2017-04-19) furthermore explains that: “then under him [Gustav Söderström] we have, so that's where it starts to become a tree, so we have a lead for my team, and he takes care of us, and something called the Bits Alliance, and that's IT and BIS, and BIS is finance and business overall. Under that we have a manager for IT, and under that manager our product owner and delivery lead is there. The squad is under the delivery lead and product owner.” As complicated as it might sound, Kai Ytterberg (2017-04-19) believes that Spotify is less hierarchical than his previous workplaces, and that he simply focuses on his work in the squad (Spotify's word for team which will be discussed further below) and does not pay much attention to what is happening further up in the hierarchy. At times, orders come from above but the majority of new ideas comes from the squads and these are given a lot of empowerment. In many ways, Spotify's structure is unique and the features that makes it unique is mainly the management structure in the R&D department, according to Shawn Carney (2017-05-13). Important to mention in this context is also that the structure of Spotify not was “invented” by themselves - but merely put together by using structures that already exist (Kniberg & Ivarsson, 2012).

Henrik Kniberg and Andreas Ivarsson (2012), both involved in Spotify, took on the task of explaining the structure of hierarchy at Spotify. The basic unit of development in Spotify is called a squad (Figure 1), which will be discussed further below. These squads shortly consist of employees from different functions within the company, and there is no “squad leader” but instead a product owner. This person is responsible for prioritizing the work to be done, but is not involved in how it gets done. Each squad is autonomous, with responsibility from start to end, direct contact



FIGURE 1 - THE STRUCTURE OF SPOTIFY, SQUADS (KNIBERG & IVARSSON, 2012)

with the stakeholders and no blocking dependency to other squads. The squads are then organized in tribes (Figure 2), thus being a collection of squads working within related areas, such as music player or infrastructure. Each tribe has a tribe leader who is responsible for providing the best environment for the squads within the tribe. Furthermore, the squads and tribes are also organized in chapters and guilds (Figure 3 and 4). The chapters consists of employees working within the same area in the same tribe, but in different squads. A guild on the other hand is a more organic and wide-reaching “community of interest”, consisting of employees wanting the share knowledge, tools, codes and practices. These can stretch between several squads and tribes, and thus cut across the whole organization. In a guild, there is a guild coordinator who simply does what the name implies - coordinates the guilds (Kniberg & Ivarsson, 2012).

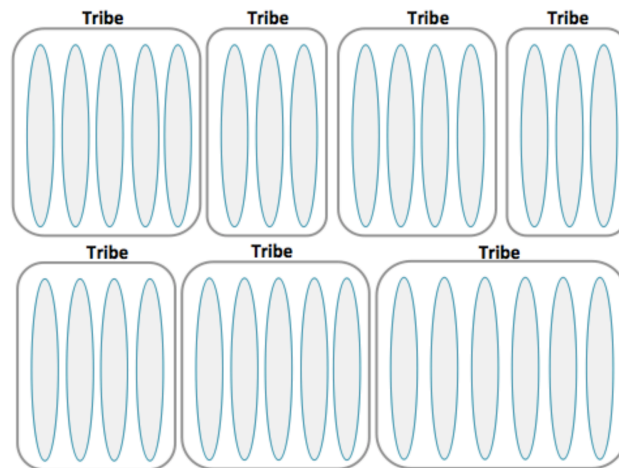


FIGURE 2 - THE STRUCTURE OF SPOTIFY, TRIBES (KNIBERG & IVARSSON, 2012)

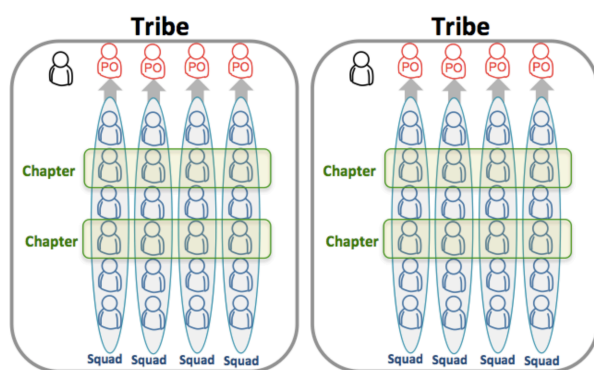


FIGURE 3 - THE STRUCTURE OF SPOTIFY, CHAPTERS (KNIBERG & IVARSSON, 2012)

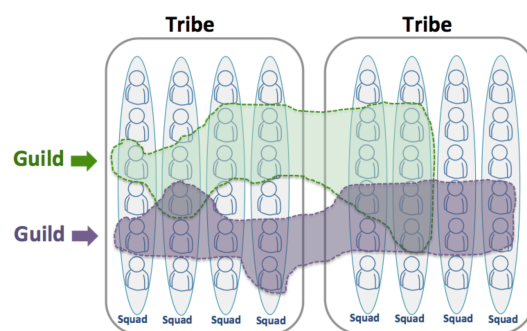


FIGURE 4 - THE STRUCTURE OF SPOTIFY, GUILDS (KNIBERG & IVARSSON, 2012)

In trying to exemplify the flat structure and fast-paced work environment in Spotify, Kai Ytterberg (2017-04-19) gives an example from a company in which he used to work at. There, it took him a week to get a new phone that made it able for him to continue his

work. The slow process made him lose working hours and the company lost money, and he explained the delay as being a result of having to get clearance from many people on different levels in the hierarchy ladder. At Spotify however, these kind of decisions are taken down at squad level. Kai Ytterberg (2017-04-19) explains the situation at Spotify using the following words *“so if I want a new pair of headphones, and I have a good business case because it is super loud in my office, or I am traveling a lot and need a pair of headphones. If my manager feels like it’s good, and it’s a good business case then that person will approve it, if the person above her or him, doesn’t approve it and says ‘why should you have headphones?’, he doesn’t have any say in it and he can’t...[change the decision]”*. However, for more major decisions, these has to be taken with the closest manager and it is then their responsibility to handle that decision and not let it travel further up the hierarchical ladder.

Furthermore, Spotify tries to keep down the number of employees per delivery lead manager. According to Kniberg and Ivarsson (2012), Spotify have realized that if the delivery leads are managing too many people, there is a more obvious need for formalization and tighter control, something which Spotify is trying to avoid. Shawn Carney (2017-05-13), the senior delivery lead, is managing ten managers, and her extended team consists of a total of approximately 60 people. According to the so called concept of the Dunbar, the number an ordinary person can maintain a social relationship with is limited to a hundred or so people, which Spotify keeps in mind when designing the squads (Kniberg & Ivarsson, 2012).

4.3. Squads

Continuing the discussion of squads, this is simply the name which Spotify have given to their teams. Usually, every squad consist of six employees (Kai Ytterberg, 2017-04-19). In every squad there is a product owner, and some squads also have a delivery lead, who is responsible to keep track of the squads accomplishments and what services they deliver to the stakeholders. The product owner and delivery lead are in charge of the communications with the stakeholders, as well as for making plans of what needs to be done. In Kai Ytterberg’s (2017-04-19) case, the product owner has the technical skills and is therefore the one who mostly talks to stakeholders - and the the delivery lead is the one keeping track of how the squad is delivering on their projects.

The squads are designed to feel like a mini start-up, which is done by giving the squads the skills and tools needed to design, develop, test and release to production. They are a self-organizing team, autonomous and therefore decides their own way of working (Kniberg & Ivarsson, 2012). The autonomous in the squads means that they on their own decide what to build, how to build it and how to work together while doing it (Kniberg, 2014a). However, all squads work towards a common goal (Kai Ytterberg, 2017-04-19), and each squad has a long-term mission (Kniberg & Ivarsson, 2012). The structure and culture of the squads is compared to a jazz band by Henrik Kniberg (2014a) on his webpage Spotify Labs. He says that *“although each musician is autonomous and plays his own instrument, they listen to the other and focus on the whole song together, that is how great music is created”* (Kniberg, 2014a). Kai Ytterberg (2017-04-19) perceives the relationship between the co-workers in the squad to be strong, *“we usually have like a kind of friendly... like a small family, and that’s what’s so good about squads”*. The squads are a result of trust and personal responsibility according to Shawn Carney (2017-05-13), which means that information is shared and decision making is allowed at every level of the organization. Mattias Jansson (2011), an employee of Spotify, emphasized the importance of communication following this empowerment and decentralization of the squads, saying *“by decentralizing all this [decision making], we don’t go through our operations director, we try to make sure that we can all make good decisions. It’s a tricky task, we have to make sure that the decisions in some way anyway are anchored with people who are the major stakeholders”* (Jansson, 2011). Kai Ytterberg (2017-04-19) also emphasize the communication, which is important to keep things moving in the right direction. An example of the degree of communication and autonomy within the squads given to us by Kai Ytterberg (2017-04-19) is the planning of the summer vacations. This is purely done within the squads with no managers involved. It all comes down to teamwork.

There is however also room for individual projects within the squads. With a permission from the rest of the squad, an employee can pursue an idea without having to speak to the manager. Using Kai Ytterberg (2017-04-19) own words - *“then you can say like ‘I want to take this week off, just working on this new system’. Once the squad have approved the employees wish to work on a, for example, new system, the employee can move forward and develop his or her idea further. So mostly we try to, the individual should be able to take the decisions, as long as it is approved by your team members”* (Kai Ytterberg, 2017-04-19). As long as the squads stays within the long and short term goals, squad mission and product strategy they are free to decide for themselves in which way they

perceive is the best possible way of working (Kniberg, 2014a). Solving problems and discussing ideas within the squad means that the rest of the squad has the ability to take on a bit more responsibility for the regular tasks that needs to be done, giving the individual employee the opportunity to develop his or her idea further. The autonomous way for individual employees to work is also displayed in the following quote where *“rules are a good start, but break them when needed”* (Kniberg, 2014a).

When starting at Spotify the new recruits are informed about the culture at the company, but it is within the squads the new employees are truly shaped. This leads to a big difference between the squads, giving them certain strengths but also weaknesses. Some of them adapt smoothly to the Spotify ways, being good with feedback and communication, while other squads are not as good at it (Kai Ytterberg, 2017-04-19).

Finally, since the squads consist of six individuals the dynamic of the squads are different and therefore the level of how well they work differs. Kai Ytterberg (2017-04-19) says that his squad works great together and he is very comfortable with the people he work with, but that might not be the case for all the squads. The squads are also, according to Kai Ytterberg (2017-04-19), specialized in different areas. When one squad has work to do within another squads area of expertise, they can ask that squad for help. If that squad however are busy with work of their own, the first squad does the work themselves, and afterwards the work is reviewed by the specialized squad and polished to perfection (Kniberg, 2014a). According to Kai Ytterberg (2017-04-19), this way of working facilitates fast work within the squads, this however, means that a little bit of knowledge about many different areas within the company is necessary.

4.4. Activities for promoting innovation

Spotify is involved in several activities to promote innovation. Kai Ytterberg (2017-04-19) tells us that the first priority for the system engineers are the request and wishes of other stakeholders. However, when there is some time to spare, the engineers are free to work on whatever they wish. This means that they are allowed to experiment with new tools or build a new website for example, only taking into account the costs that could be tied to the project. How well they utilize this time however, depends on which department the engineers are working on, Kai Ytterberg's (2017-04-19) opinion is that it is easier for the system engineers to build a new website for example, since they handle the servers and

have an insight which other engineers might lack. Working at internal support however, the employees tend to not have enough knowledge to develop their own innovation, so for them, innovation is not really a part of the working hours. Innovation is however seen as important for Spotify by Shawn Carney (2017-05-13) as she mentioned it as *“being the heart of everything we do”*.

Furthermore, the so called demo-time, which occurs once a week, is when a squad get together and try to demo things they have been working on recently. This work could have been done individually or in teams. This is one of the ways the employees, being engineers, get to introduce their ideas and what they have been experimenting on, another similar activity is the so called “hack week”. The hack week is held once a year according to Kai Ytterberg (2017-04-19) and Shawn Carney (2017-05-13), and the week is dedicated to work on new innovations, where employees can mix and mingle into new teams and work on whatever they want. Initially, squads only had a single hack day, which was not utilized because of fear from the engineer's side of letting the colleagues, depending on this person, down. Sometimes, it was also hard to find the time to organize a hack day for the squads themselves as they were busy with other tasks, why Spotify felt the need to organize a more “formal” hack week (Sundén, 2013). This was appreciated, as one employee mentioned after the first hack week in 2013, *“having 5 days to implement your project is a nice thing, especially after having participated in many 24h ones, and encourage you to come up with more complex projects that otherwise wouldn't be possible to implement”* (Perez, 2013) The following text was sent in an e-mail to the employees at Spotify, attempting to explain the purpose of hack week when it was firstly introduced:

“So what is hack week about? Well, hack week is a chance for you to explore new ideas and collaborate on things you feel passionate about. Remember all those great ideas you've had that you never have time for because you're too busy with your normal work? Those are exactly the kinds of ideas that hack week is made for! It could be a new tool you want to explore, an awesome product feature, a process improvement, an ambitious marketing campaign, or anything else that will help improve Spotify. Think of an idea and seek out others who can help you with it, or join up with someone else's project. Here are some possible project ideas...” (Sundén, 2013)

During this week, Kai Ytterberg (2017-04-19) explains that the innovations does not have to be connected to Spotify, as the company have found that many of the non-related ideas

can be useful as well. If one squad manages to come up with a great idea, this might become the number one priority for the company the following weeks or months. An example of an idea which is not directly linked to the baseline work of Spotify is the “dial a song-telephone”, whereby the user simply could pick up the special phone and dial the number of the song to which he or she wanted to listen to. Explaining this idea, Henrik (Kniberg, 2014b) says *“is it useful? Does it matter? The point is, if we try enough ideas, we’re bound to strike goal from time to time. And quite often, the knowledge gained is worth more than the actual hack itself. Plus, it’s fun”*.

Except for coming up with innovations, the objective of the hack week is also for people to get to know each other and break the barrier between different squads and departments. People who does not have hack days but still have great ideas (thus not being engineers) are also welcome (Sundén, 2013).

Moving on, Kai Ytterberg (2017-04-19) talks about the so called “lunch and learn” which Spotify has. During these meetings, someone with a particular interest or knowledge plans a lunch where they are able to present this to an interested crowd. The interest or knowledge could be work-related or not, and anyone within Spotify can join these events. The lunches are spread over different teams and departments, so even if the employee listening is not skilled enough to use the information presented by someone else, they are still allowed to come and listen (Kai Ytterberg, 2017-04-19).

On top of that, the engineers have 10 % of their working hours dedicated to learning. Spotify then offers many courses to their employees if there is any special skill they would like to develop, such as management or speaking in front of an audience. Kai Ytterberg (2017-04-19) also gives the examples of the possibility to learn a new programming language. The agile coaches which the company provide helps the employees to discover which skills they need or would like to improve, and more importantly, they help the employees to find ways in which to improve these skills (Kai Ytterberg 2017-04-19). Every squad has an agile coach presented to them as a mean to help them develop both as a group but also as individuals (Kniberg & Ivarsson, 2012). The coaches are used because *“Spotify believes that everyone can benefit from having a coach; regardless of seniority or tenure. So they invest in coaches like me to help individuals and teams become the best possible version of themselves”* (Portwin, 2017).

Of the working hours remaining, Spotify have devoted 70 % to baseline work and 20 % meant to be used for working on new ideas, experimentation and innovation. According to Kai Ytterberg (2017-04-19), it does however differ how often these 20 % can be fully utilized, depending on which department the employee's work in. He and the other employees working as IT-technicians within internal support are not working that much with innovation because of, amongst other reasons, there is no time for it. Also, the amount of time dedicated to innovation also depends on what projects the squads are currently working at. Kai Ytterberg (2017-04-19) and his coworkers of system engineers have for the last six months been put on a rather large project, which has meant that they have not had time for innovation and experimentation. For them, the main priority is the stakeholder who ordered this project, and there has been a lot to do which has led to their own ideas having to take the backseat for the time being. However, when they are able to allocate some free time, they can work on an extra project which interests them. Shawn Carney (2017-05-13) however feels that her job is different in many ways every single day. She also mentioned the baseline work and repetitive tasks which everyone has to do - *"that's a part of being a human being"* (Shawn Carney, 2017-05-13). However, she also mentions that the key is how you are able to identify and check regularly about what value you get from the repetitive baseline tasks.

4.5. "Move fast and fail hard"

Furthermore, change occurs continuously within Spotify, both regarding structure and work tasks according to Kai Ytterberg (2017-04-19). For example, Ytterberg was first employed as an IT technician, but the notion that he could do much more was acknowledged and after having worked for only a few months, he was promoted to be a system engineer instead. New ideas of reorganization is also regularly thought of, so the structure of the company changes in a rapid pace. This is confirmed by Shawn Carney (2017-05-13) as she states that the structure is in a constant flux since Spotify *"prefer to adapt to what we need rather than hold onto outdated ideas that no longer suit us"*.

But the change can bring a downside according to Ytterberg (2017-04-19). During his one and half years the company has changed its structure three times, renaming positions and changing the order of the hierarchy. *"We get confused sometimes. Who should we report to? Why do we have X person? So before we had the product owner, which was called a service owner before, and that was just a few months ago and now we have a delivery*

lead and this whole new organization and it might cause confusion to some people and we don't know who to report to, so that's the downside" (Kai Ytterberg, 2017-04-19).

At Spotify they try, according to Kai Ytterberg (2017-04-19), to live by the motto of *"move fast and fail hard"*. Failures are seen as a chance to grow and are cherished, and no individual employee gets blamed when a project fails. As the founder Daniel Ek put it, Spotify *"aim to make mistakes faster than anyone else"* (Kniberg, 2014b). The idea is based on that in order for Spotify to build something functioning and "cool", there will inevitably be mistakes along the way. Each failure brings about learning, which is why they wish to fail fast, so that they can learn fast and thus improve fast as well. Shawn Carney (2017-05-13) also agrees with this, as she states that Spotify *"also have a belief that we learn from failure because major step changes require risk. Not every attempt results in success, but we can always learn a thing or two in the process to take into the next attempt"*. The learning process is referred to as "post mortem" by Kai Ytterberg (2017-04-19), where a discussion takes place to discover what went wrong and what knowledge and learning can be drawn from the failure, to decrease the next. It is however never about who's fault the failure was, and focus is on learning to avoid making the same mistakes again (Kniberg, 2014b). Spotify see themselves as having a "fail-friendly environment", where internal blog posts celebrate failures, and some squads even have their own "fail wall", where they show of their latest failures and learnings for everyone else to see. As put in the video by Henrik Kniberg (2014b), *"all in all, Spotify have a strong culture of continuous improvement - driven from below and supported from above"*.

In Kai Ytterberg's (2017-04-19) opinion, Spotify tries to not play safe and risk taking is seen as necessary regarding the speed in which the company operates. Failure must however be non-lethal as mentioned in the video by Kniberg (2014b), or Spotify will not live to fail again. This is why they have promoted the concept of "limited blast radius" via a decoupled architecture among the squads. If the squads makes a mistake, the mistake only impacts a small part of the system. As new features are rolled out gradually, it thus only affects a very small percentage of the users. The squads are responsible for their own parts, and are therefore able to take care of these problems quite fast. When the mistake has been corrected and the feature is without failure, it can be rolled out to a larger scale of Spotify-users. This limited blast radius therefore, according to Kniberg (2014b), gives employees the courage to experiment and learn fast from their mistakes.

The speed in which the company works in as referred to by Kai Ytterberg (2017-04-19) however varies depending on where in the company you work. For example, he works within internal departments where the speed is lower and the potential failures are not as visible as in the external, more fast-paced departments. As Kai Ytterberg (2017-04-19) puts it himself, *“if you look at the people developing the client for Iphone or Android et cetera., if you make a pinch, you can lose customers so you really have to think”*. Thus, Spotify is a risk taking company, but the degree of risk taking varies within the company, from department to department.

Mentioning product development is also interesting in this context. The product development approach is based on the lean start-up principle and is summed up by the mantra *“think it, build it, ship it, tweak it”* (Kniberg, 2014b). Shawn Carney (2017-05-13) sees this mantra as a good example of the innovativeness that exist within Spotify, as they have an entire team dedicated to work with this mantra. Regarding the risks - “build it” is seen as the most risky part since you can build the wrong thing, why “think it” becomes important. Before anything is built, the idea or problem will be identified and research will be conducted. Do people want this new product or feature? Will it solve a problem for them? A prototype of the solution is then developed, followed by a hypothesis - what will the effects be of this new product or feature? The product/feature is then tested and if approved, a minimum viable product built (Kniberg, 2014b). Following are several other steps in the product development phase before the product/feature is launched in full scale - all ways of trying to reduce the risk with the new launch. *“By the time the product of features are fully rolled out, we already know it’s a success - because if it isn’t, we don’t roll it out”* (Kniberg, 2014b).

4.6. Leading the way through culture

When asked of the sayings and lead words of Spotify, which is relevant for the cultural strategy, Kai Ytterberg (2017-04-19) directly mentioned the *“fail hard and move fast”*-strategy. When asked of any other sayings similar to this but perhaps regarding other areas, to which he replied *“I don’t know any that we really have like, openly, we have a few words like innovation, there’s like five different words, I don’t remember them, innovation, passion... and something else”*. (Kai Ytterberg, 2017-04-19). The gap of the values of Spotify can Shawn Carney (2017-05-13) fill, as she says that *“values are the solid and stable forces at the foundation of culture. Our values are passion, collaboration, sincerity,*

innovation and playfulness. Our culture reflects those values, in our behaviors, our actions, and our work spaces. We have fun, we care deeply, we share openly, we work closely, and we encourage a growth mindset”.

Judging by the quote of the employee Benji Portwin (2017), culture is definitely an important part of who Spotify is as a company: *“Spotify talks about culture at every level. We interview for it, we preach about it and we certainly argue about it. It’s a set of unwritten rules, which we all adhere (or at least aspire) to, not because someone told us we have to, but because we believe in them”.* On the hack week mentioned earlier, hundreds of people are gathered to “hack” new ideas together with the mantra *“make cool things real - build whatever you want, with whoever you want, in whatever way”* (Kniberg, 2014b). The “lunch and learn” discussed earlier by Kai Ytterberg (2017-04-19) is another example of an cultural strategy which Spotify have implemented.

Finally, the culture is also reflected in the age of the employees, which varies. The founder Daniel Ek is today 34 years old, meaning that he was only 25 when the company was first launched. Kai Ytterberg (2017-04-19) commented the age aspect using the following words: *“if you are in my seat [as a system engineer] or a developer, you usually need a few years of experience, so they tend to be around 30 [years old], so I am the youngest person in my squad, or in my department I would say. but usually people are, I would say between 25 and upwards to maybe 50 [years old]”.*

4.7. Supporting the employees

At Spotify, a lot of the responsibility is entrusted to the employees, whether they choose to grow or wishes to change positions or not. Being hired at one position does not mean that is where the employee will stay. Kai Ytterberg (2017-04-19) told us that he does not have any university degree, but started programming at the age of ten and has become good at what he does by self-learning. He was hired as an IT-technician, but when he displayed his skills and knowledge at the workplace, he was promoted to work as an system engineer instead. He said that *“Spotify won’t tell you what to do, if you feel that you could do much more, then you have to make it yourself”* (Kai Ytterberg, 2017-04-19).

The frequent meetings with the delivery lead is another tool which helps the employees, Kai Ytterberg explains (2017-04-19). How often these meetings occur depends on the

employee, but it is a chance for them to express their ideas. Kai also tells us about a feedback tool that the employees use weekly, to describe what they have done and how they feel at the moment with their progress. They can also leave suggestions of what could be improved, or talk about both personal and work related issues - all to support the employees and make the company the best it can be (Kai Ytterberg, 2017-04-19). Quarterly, a survey is conducted in the squads in order to focus on what can be improved, and to find out what kind of organizational support that is necessary (Kniberg & Ivarsson, 2012).

How well supported the employees are depends on the manager or delivery lead their squad has, according to Kai Ytterberg (2017-04-19). There is, according to him, a difference in how the managers listen to their squad members. This difference he relates to whether the delivery lead is for example from Sweden or another country, where they tend to have of a more typical hierarchy. Being only 24 years old, he is the youngest in his squad - maybe even in the entire department - but with the Swedish delivery lead he faces no problems because of this. He feels as they listen to him when he has ideas or inputs, because they know that he is good at his job and knows what he is talking about. But with delivery leads from outside of Sweden, Kai (Ytterberg, 2017-04-19) have however experienced that they are more focused on titles, and that it is harder for him to get his words and ideas through.

The support also differs depending on the knowledge of the delivery lead. Some delivery leads are great managers, but because of their lack of knowledge they cannot lead the squad as well, which ultimately affects their output. *"I have seen in some cases where you have manager that doesn't know about the area, and that person might be a really good manager, but she doesn't know about the area, which can create confusion and that [affect] the squad and what they deliver"*, Kai Ytterberg (2017-04-19) tells us. Another thing which he has experienced as confusing are the multiple structure make-overs that have been done the past years. With these changes, he feels as if he sometimes loses track and do not know to who he is supposed to talk to about which problems.

Spotify does not have a special system for rewards for when an employee or a team is successful with a project, they do therefore not give monetary rewards to their employees according to Kai Ytterberg (2017-04-19). What the employees can do is use their successes when it is time to negotiate a new salary, employees that do well and contribute

to the company can earn themselves a higher salary. There are also internal systems that can be used by the employees to congratulate and cheer each other on. Through an internal chat system employees can up-vote each other and say nice things for when someone is successful. At times they also bake each other cakes, or order one from a bakery, for the Friday “fika” to celebrate something good that has happened (Kai Ytterberg, 2017-04-19).

Spotify have been trying to work hard with the employee’s ability to give and receive feedback in Kai Ytterberg’s (2017-04-19) opinion. Genuine debate is thus being welcomed in the squads, and can now be handled constructively. Spotify have also implemented the “radical candor”, referring to that feedback is essential to be able to give to other people in a respectful manner, and that these should not be interpreted as criticism, but valuable feedback. Kai Ytterberg (2017-04-19) however adds that some managers are really good at taking feedback, while others are not. In the hiring process, the applicators have to go through a cultural test to see whether they fit with the cultural organization or not, where the ability to take and receive feedback is of major importance according to Kai Ytterberg (2017-04-19). He does feel like the radical candor sometimes does not work, because of the differences in the ability to receive and give feedback among managers.

4.8. The flow of information

At Spotify, Kai Ytterberg (2017-04-19) and Shawn Carney (2017-05-13) explains that transparency is important - thus nothing is done in secret and everyone is aware of what other employees are doing. Kai however states that sometimes, it does not work as properly as it should. There are cases of miscommunication resulted by by human errors, or at times they simply do not communicate enough. Despite this importance of transparency, when Spotify was asked for an interview by us it took them several weeks to give clearance to one employee, and to be able to conduct the interview, the questions had to pass through several different departments.

For in-house communication, specially within the IT-department, Spotify try to use their online chatting-system. In this way, everything is recorded and saved, which makes follow-up easy if necessary. For other in-house communication which is going, according to Kai Ytterberg (2017-04-19), between different departments in the different offices in the different countries of the world, tools like regular mail and video-calls are also used. Kai

also explains that Spotify has a “ticket system” where the employees, or other stakeholders, can send each other requests if something needs fixing or if anyone needs help. This is however mostly used by other stakeholders, and it helps the company to keep track of what different employees are doing, making sure that everything that needs to get done gets done. The structure of the company also helps with the communication. As the squads are autonomous and independent, communication between them can sometimes be difficult, which is why Spotify are also using chapters and guilds to glue the squads together (Kniberg & Ivarsson, 2012), also helping with the communication.

Kai Ytterberg (2017-04-19) lastly explains that Spotify holds a so called “town hall” once a month. There, the CEO, CTO or some other high-leveled employees talk about the future, accomplishments or news regarding the company. The town hall is broadcasted through a video conference call, so that everyone is given the opportunity to attend no matter in which country they are. This is according to Kai a well used tool, and many employees tune in monthly to listen to the town hall speeches.

5. Analysis

In this analytical section, we aim to present the theoretical data together with our empirical, to provide a picture of how Spotify works with sustaining their innovativeness and entrepreneurial spirit. The analysis also aims at going further, deeper, into resonating about the work conducted by Spotify in relation to the theory. The analysis is categorized under the same headings found in the theoretical section.

5.1. Analytical framework

In order to facilitate the analysis, the same theoretical framework which was presented in the theoretical section of the thesis is now brought back. The theory remains the same, but Spotify's work within the structure and culture has been added. The purpose of the framework is to present a more clearer overview, but also to support us as we wish to go deeper into our resonances. Thoroughly inspect the framework below, before continuing the reading of the analysis of Spotify's innovational work process.

STRUCTURE			
	Established, non-innovational	Entrepreneurial, innovational	Spotify
<i>Hierarchy and span of control</i>	Top-down Authority comes from centre Little collaboration Specialized Formalized Standardized High span of control	Employees are the experts Few layers of hierarchy - layering Decentralization of decision making Autonomy Working in teams Low span of control	Flat, frequently changing structure Majority of ideas from teams Squads and tribes Decentralized decision-making on squads Low span of control from delivery lead
<i>Team composition</i>	High age of employees Many employees have remained in the company for a long time No/low communication or connection between employees and departments	Low age of employees to foster innovation For flexibility and minimize liaison Intrapreneurial teams - ability to work independently and collaborate	Low age of employees and CEO Composition of autonomous, independent squads Designed to feel like a mini start-up Flexible to divide work tasks Communication and decision flows freely
<i>Centralization and decentralization</i>	Centralized - strict hierarchy of authority Great efficiency, negative effect on morale Decisions made by high levels of management Long processes	Decentralized - loose hierarchy of authority Decision-making spread across organization Easier to keep up with fast-paced environment Short processes - encourages innovation "Chaos with guidelines"	Decisions are made on all levels of the organization Squads are empowered and decentralized Processes for facilitating a fast-paced work environment

CULTURE			
	Established, non-innovational	Entrepreneurial, innovational	Spotify
<i>Strategy as a part of the culture</i>	Set guideline of goals	Shared vision Clear, common goals with focus on quality	Lead words not clearly defined Strong culture Cultural activities to promote innovation - lunch and learn, hack week
<i>Support mechanisms</i>	Emphasis on productivity and efficiency	Knowledge of who to turn to for help Time for development of ideas Rewards to commit to innovation	Delivery lead for help and idea expression Online feedback-tool Quarterly surveys Difference in support between managers Divided hours for innovation, learning and baseline work - not always functioning No special system for rewards - usually cakes and cheers through internal systems Agile coaches
<i>Communication</i>	Bound to structure, going from top-down More closed and less transparent and honest Communication is not as delegated	Open and honest Information is shared across departments Creates feelings of trust and that employees are valuable and contribute Communication as delegation	Transparency of communication "Radical candor" for constructive feedback Miscommunication due to human errors occurs In-house communication via online chatting-system, mail, video calls Ticket system to acquire help
<i>Risk and mistake handling</i>	Too many constraints and too much management control - less risks taken No encouragement of intrapreneurs	Employees are trained in constructive conflict handling Risks are encouraged Mistakes are seen as learning opportunities	"Move fast and fail hard" and "think it, build it, shit it, tweak it" mottos Failures are cherished and seen as learning opportunities - "post mortem" Blast radius
<i>Idea generation and continuous learning</i>	Low promotional level of individual's innovativeness and creativity Continuous organizational learning is not regarded as important	Promoting innovation and creativity Recognize the importance of individual employees Continuous organizational learning	Mostly engineers are given time and opportunity to work with intrapreneurship - example hack week

5.2. Sustaining innovation and entrepreneurship through structure

5.2.1. Hierarchy and span of control

Regarding the fact that the structure of Spotify is frequently changing, Michael Dell (cited in Burns, 2013) said that a company should not have a structure which holds the employees back, perhaps this is why Spotify is continuously restructuring to find the best way to let the employees be innovative. Several radical structural changes have been made the past few years, but how much have the structure really changed? The CEO was, and still is, Daniel Ek and directly underneath him is Gustav Söderström, who Kai Ytterström (2017-04-19) mentioned was in charge of the R&D department since the last reorganization. Basically, the name of his role changed but not the actual role itself. This makes us wonder, how much do these restructuring *actually* change the structure? The major change perceived by the employee's, judging from Kai's feelings, seems to be confusion - so perhaps the benefits gained from the restructuring are lost due to this confusion? If this is the case, the question whether the restructuring really is beneficial since the employee's have a different perception, or if the benefits are gained despite this, is relevant to ask. How much is a facade of wanting to appear to be an innovative, constantly changing company that manages to stay on its toes - and how much is practiced as preached? A question that unfortunately lies outside of our borders to answer, but is still highly relevant to ask and reflect upon for both us, the reader and Spotify themselves.

Moving on, the span of control seems to be rather low at Spotify, giving the employees the possibility to work autonomously to reach the outset goals. The work tasks are not highly formalized, specialized or standardized either, which otherwise is one of the easiest way of keeping the span of control tight. Instead, the employee's at Spotify are aware of what needs to be done and which goals to reach - but they themselves, both individually and in the squads, are responsible to get the right things done. The management is also aware of how social relationships functions and their limitations, why they keep the span of control loose. When constructing a structure and planning the span of control, certain effects are desired and since Spotify seems to reach these effects they continue working with a loose grip. It is obvious in our opinion that they are working, what was presented in the theoretical section, as an entrepreneurial organization regarding the span of control. The

trust and freedom given to the employees is meant to promote innovativeness, and since the company successfully and continuously innovates, it means that they are doing something right.

It seems as if Spotify has given serious thought on all levels of the company on how the structure can be optimized, to allow a fast work pace and promote innovativeness. From the theories presented regarding an entrepreneurial organization, they seem to be incorporating these key components - and so far it is working. We do however see some risks with this fast work pace. As discussed, the frequent structural changes in the case of having a flat organization build highly on intrapreneurial aspects to promote innovation leads to confusion of the employees. We fear that if not handled properly, that confusion is going to become more widespread and perhaps also affect the goals set by the organization - leading to employees not knowing whom to report to, or which goals to strive towards. How should the squads then operate? How will Spotify be able to keep the company, the employees and the structure together? Also, if innovativeness and intrapreneurship is promoted too much within a not fully functioning organization due to these quick structural changes, the employees will sooner or later get tired of their situation and take the matters in their own hands. Perhaps they leave Spotify and continue innovating on their own, using the tools they have been given at Spotify which enables them to come up with ideas that, if stretching the thought quite far, may end up outrivaling Spotify. It has happened before in history, and it is why it is important to still remain in control even though an autonomous, delayed hierarchical organization with a low span of control is desirable.

5.2.2. Team composition

As mentioned earlier, Mintzberg (1989) proclaim an entrepreneurial structure which is loose and the use of liaisons are minimal which allows the organization to function in a flexible way, optimizing for intrapreneurship and innovation where teams are one way of achieving this. The answer to Mintzberg's (1989) proclaim from Spotify comes in the utilization of squads, which operates autonomously with the space for individuals to develop their ideas if they wish to do so - thus enabling both intrapreneurship and innovation. Judging from the empirical data we found, the squads seems to be a part of the success story of Spotify, contributing to a high degree to its innovativeness.

Furthermore, the use of teams is important in an entrepreneurial organization, as responsibility according to Iacobucci and Rosa (2010) more and more are moved from an individual level to a team-level. The entrepreneurial aspects in the squads, working within Spotify, can be observed considering that they are designed to function and feel as a mini-start up - given the skills and tools needed to design, develop test and release to production. The painting example of Henrik Kniberg (2014a) as the squads working as a jazz musicians, together creating the music in the band, clearly also speaks for the emphasis on the group, rather than the individual. The line of communication is also a direct result of a company's structure, and according to Kai Ytterberg (2017-04-19) the communication is important to get things moving. The communication is also linked to the level of autonomy in the squads, once again referring back to the enabling of innovation. The structure of squads as a tool for intrapreneurship and innovation seems in our opinion to be successful, given the pace in which the company grows.

Also, a conclusion drawn by Camelo-Ordaz et al. (2011) was that demographic characteristics and personal values has an affect on the innovativeness of employees. Even though Spotify may not be familiar with the work of Camelo-Ordaz et al. (2011), these aspects seems to have been taken into consideration nonetheless. For example, the demographic characteristic in the form of age seems to be an influencing factor as the company is young and was founded by a young Daniel Ek. Thus, many of the employees are young, with Kai Ytterberg (2016-04-19) for example being the youngest in his department. Personal values are also important, as the employees are informed about the culture when starting their career at Spotify, and also conducting several personality test to see whether they fit in the organization or not. Even though we do not know exactly what kind of test this is, it could be in line with Antoncic and Hisrich's (2003) opinions regarding the concepts and actions needed by an employee to be innovative and entrepreneurial - this being able to develop new products, take risks, be proactive and to work autonomously to name a few. Finally, we cannot draw a conclusion on all the squads in Spotify since we have only come in contact and gotten comment from one squad member, as Kai Ytterberg (2017-04-19) also mentioned - but once again given the rate in which Spotify grows, it seems to function well.

Closing this section with a look on the squads with a critical eye is not an easy task, as the information we found points to the fact that the squads are a part of the success story of Spotify. But then, the informational sources we used were mostly Spotify themselves, why

of course they wish to portray a picture of the squads being fully functioning. Once again, the thoughts of whether the reality is as good as the picture portrayed seems to be, arises. We must however draw the conclusion on the information gathered and not our critical assumptions, which all points in the direction of the squads contributing to Spotify's success. But as with everything, exceptions can certainly be found when diving deeper into the subject of Spotify's innovativeness. However, the company again works close in line with the theoretical aspects of entrepreneurial companies that we were able to find.

5.2.3. Centralization and decentralization

When revising the theoretical framework, it is with little effort easy to see that a centralized organization is a non-innovational one, whilst a decentralized instead promotes innovation. The decision making does not rest with the management of the organization, but rather it is divided throughout all divisions. The processes are therefore not long, but short, to further encourage innovation. At Spotify, it has been clearly stated that the decision making has been laid out on all levels of the organization, with a focus on the squads. The squads are also empowered and decentralized, which further facilitates for an innovational environment. Since the work pace is fast, so are also the processes, and the employees does not have to wait for weeks in order to attain a new telephone for example.

Furthermore, the markets nowadays changes quickly and the pace is higher, why the need for decentralization has come forth as mentioned by Burns (2013). With the current structure of decentralization at Spotify, the demand for a higher pace is being met. With fewer people standing in the way of the process of decision making, and less people to question the process, decisions can be made straight away, thus saving time that is needed elsewhere. It also promotes the flexibility which Spotify desires and gives the employees a higher degree of responsibility, which all promotes the creativity which Spotify is striving towards. Hence, it suites well with the vision of the company.

Even though decentralization is supposed to be the way forward for the companies with entrepreneurial spirits according to the theory (Child, 1972), Spotify has admitted that the decentralization has brought challenges and problems. When no managers or superiors are controlling the decisions being made, there needs to be other ways of controlling that the decisions made do not endanger the company. By anchoring the most important decisions to someone in contact with a major stakeholder or the major stakeholder him-/

herself, Spotify is able to practice control. This was also discussed above, regarding the span of control and hierarchy and seems to be a recurring issue within Spotify. Keeping the balance between decentralization and still staying in control seems to be a tricky task, which at the moment still seems to be working at Spotify. What will happen in the future is more unclear, as the organization perhaps expands even further. Will there then be a higher demand for control? How can a decentralized organization execute control without losing its innovativeness? Drawing on the conclusions that we have found, the “chaos with guidelines” is maybe a mindset which will have more importance further on, focusing on both autonomy and control at the same time. Perhaps this mindset will be of great use for Spotify in the future, when we believe that they may well encounter problems with the decentralization versus control dilemma.

5.3. Sustaining innovation and entrepreneurship through culture

5.3.1. Strategy as part of the culture

With the strategy as a part of the culture at Spotify, there seems to be lack of embeddedness of the lead words among the employees. Shawn Carney (2017-05-13), the senior delivery lead managing a large group of people, had no problem knowing and sharing the values of Spotify. Kai Ytterberg (2017-04-19) however, who is “merely an employee”, did not know them by heart - despite the fact that Shawn Carney (2017-05-13) said that the values of Spotify were a solid and stable force at the foundation of their culture. The researcher Dobni (2008) stressed the importance of value orientation for a company, and the benefits of having a shared vision. But, as mentioned by both Kai Ytterberg (2017-04-19) and the employee Benji Portwin (2017), culture is a subject frequently discussed at, and about, Spotify. Benji Portwin (2017) said that the culture consists of a set of unwritten rules - perhaps that these are more important than the values written down. Does this mean that we once again return to the discussion of storytelling and facade-building? Maybe so, and one can also ask what the use of lead words which are not known throughout the company is, what purpose do they fill? Perhaps it would add more value to the organization if the unwritten rules were to be turned into written instead, replacing the current values.

Another aspect of the values are the many slogans and sayings which Spotify has - such as “fail hard and move fast” or “build whatever you want, with however you want, in whatever way” - which sets the direction for the employees. It is important as mentioned for employees, which in many cases also can be referred to as intrapreneurs, to know what to strive towards. The goals and objectives have to be directed towards innovation to make innovation happen - and perhaps the case is that these slogans and sayings are a more powerful tool to convey the message of innovation to the employees than the use of formal values, as presented by Shawn Carney (2017-05-13). Perhaps then that these instead of the unwritten rules should be converted to the values of Spotify, or maybe both? The theoretical discussion of the utility of slogans, sayings and values points to their necessity - but the question is whether an organization needs them all to fully support a certain culture, or if it is better to aim at having a few, but very powerful.

By drawing from the conclusion in the theoretical section - where it was stated that a corporation that wishes to be creative and entrepreneurial might be better off with a loose strategy rather than one built on set guidelines - Spotify seems to fit in many ways. The culture of Spotify is important and there are strategies on how to nourish and develop it, but they are flexible and without any constraints of set goals. For example, the hack week can be seen as a cultural strategy, resulting in much more than just employees coming together, but it has the mantra of making “cool things” - which cannot be seen as a strategy of set guidelines and rules but a very flexible one. “Rules are a good start, but break them when needed” is another indication of the fact that flexibility rules over set guidelines in the company.

The hack week is but one, however perhaps the best, example of the many activities that Spotify has which promotes innovation. Lunch and learn, whereby anyone can host a lunch with the aim of educating their colleagues is another, as well as the weekly occurring demo-time. These activities seems to be embedded in the culture at Spotify, and is being taken seriously. We can see why Spotify sees such an importance in the culture, because as Burns (2013) stated it affects how the employees behave and act and in the end is the personality of the company. As Spotify comes across to us as a company with a rather strong personality, the culture plays an important role in laying the foundation for this. Without the culture at Spotify, both including their activities for supporting innovation and other factors which will be discussed below, such as risk handling and the view of failures, we almost dare to say that the company would not have had its success story. As within

many companies, laying a foundation of how the employees are expected to behave is of crucial importance - and for Spotify which we perceive as a highly cultural company - this becomes even more important.

5.3.2. Support mechanisms

Continuing on the notion of support mechanisms, these are important tools (when designed and used right) to promote innovation within a company. Furthermore, management as a support mechanism should make employees feel comfortable in their processes, and not alone with all the responsibility themselves. At Spotify, much of the responsibility is placed with the employees, with Kai Ytterberg's (2017-04-19) quote of Spotify not telling you what to do as an example. However, the chaos which might be a result of this overwhelming responsibility is according to us solved by the use of squads. By working as a tight team, with no individual blamed for a mistake for example, the employees are much easier to manage and also feel that they can take responsibility, together. The individual is however not forgotten, as Kai Ytterberg (2017-04-19) gave the example of frequent meetings with the delivery lead or the feedback tool used to describe the current work process and the individual employee feelings at the moment. The agile coaches and quarterly surveys are example of two other, quite well functioning, support mechanisms. Spotify is however not perfect, and Kai Ytterberg (2017-04-19) shed light upon the problem of the differences in support depending on the individual characteristics of the delivery lead. The culture of origin and the knowledge of the delivery lead was in his perception aspects which had an influence on the output of the squad, and thus also the innovativeness. This is something we believe Spotify should try to overbuild, as a multinational company must be able to handle and treat its multinational employees similar, in order to achieve similar result and as discussed earlier, keep the company united and under control.

If an employee succeeds with his or hers innovation, the theory clearly states that being rewarded for this will make them more willing to take new risks and commit to the innovation process (Alpkan et. al. 2010). At Spotify, the system for rewarding employees seems to be developed on a basic level where employees are celebrated with a cake or a cheer in their digital, internal chat-system. Theory also states that celebrating when failing with a project can be as important, where the mistake itself is not rewarded but the fact that the employee tried and experimented with something new, to support creativity and

innovation (Martins & Terblanche, 2013). At Spotify, the “move fast and fail hard” motto is a clear example of how failures are uplifted - perhaps even more than when something succeeds.

In theory, much time is also given for innovativeness, as Kai Ytterberg (2017-04-19) explained that 20 % was given for working with innovation and 10 % for learning. The actual time he took innovating was however sometimes much less, due to a heavy workload. To have time set out to be innovative is however important for the employees to sustain their intrapreneurial spirit, according to Dobni (2008) and Martin and Terblanche (2013). If the emphasis lies on doing baseline work - which Shawn Carney (2017-05-13) mentioned as being “a part of being a human being” - the innovativeness will suffer. We can acknowledge the difficulties in balancing the time between baseline work and time meant to be set aside for other more innovative or inspiring activities, as we believe that Spotify is not the only company facing these challenges. Once again we do however return to the discussion of facade building - is this yet another? Is the division of the labour hours just another way for Spotify to appear innovational, or does it actually make a difference for their innovativeness? We do not hold the answer to such a question, but Spotify as an organization can only do so much for its employees - they also have to take their responsibility. If wanting to be innovative and intrapreneurial, Spotify provides its employees with such a possibility, but it also lies on them to take that opportunity. As Kai (Ytterberg, 2017-04-19) also mentioned, individuals within the squad can take time off to work on an innovation of their own. Thus, we believe that the division of working hours is a great support mechanism to facilitate for innovation, but it also lies on the individual to seize the opportunities and possibilities given to be a true intrapreneur.

5.3.3. Communication

The ability to communicate within a company is without doubt important, and communication is also highly valued in Spotify. A part of this is transparency, which is believed strongly in. Spotify prefers to communicate in ways that keeps a record, such as using e-mail or internal chat-apps. Everything can then be double-checked in case of unclarity of what has been said or decided. Kai Ytterberg (2017-04-19) also told us about the ticket system used, whereby problems can be digitally tagged and solved by someone else. For entrepreneurial companies, it is important that the communication is help open and honest, which Spotify has recognized. With the transparency comes the possibility for

the employees to check what other employees are currently working at, making it easy to follow what is going on at the moment and any possible changes in projects. It also facilitates for the departments to know what is happening and what others are doing, as information traveling between departments and knowledge shared is an advantage for the company. A structured way of getting the information and knowledge through to other colleagues is the lunch and learn opportunities. With an open system to communicate, it further promotes the sharing and helping, which is important for Spotify.

Furthermore, communication is not only encouraged between the employees but the CEO regularly talks to the employees about what is currently happening, possible changes and future plans. Sometimes, other C-level managers communicate with the employees via the so called town halls, so that the employees on a regular basis are informed of Spotify's plans, making it easier for them to stay up-to-date with what is currently important. This kind of communication is not like the traditional top to bottom communication, where the employees are told what to do from higher managers, but instead the employees are informed and can then decide for themselves and in the squads which road would be best to take. This type of information follows what Dessein discussed, where the employees are given the trust to do the right thing by their own.

Even communication that leads to conflict is welcomed, as is genuine discussions and critique. Spotify even educates its employees on how to give better feedback and handle conflicts. To have people disagreeing and having different point of views are useful in an entrepreneurial organization, since it often is the new point of view which results in a new innovation. When a conflict arises, it needs to be evaluated and handled constructively, and at Spotify the training means that as much of this as possible is placed with the employees. In case there would be a conflict difficult to solve, Spotify have established the radical candors to help. But since all employees receives the training, not only are they able to give critique better because of their understanding for how conflicts works, but they are also more likely to receive critique better as well.

As with the structure, it seems as Spotify has given much thought into the art of communicating within a company. But also because of the structure, communication really is the key to a well-functioning organization because of the high level of autonomy and low span of control. If the communication does not function properly, several squads might end up working trying to solve the same problem, or looking for a solution which another squad

already have developed. Without a proper communication, the culture is also hard to convey to the employees, and even though the previously discussed values perhaps have not reached all employees, the more important unwritten ones have. It seems as though Spotify have found functional tools which allows easy communication between squads and tribes, as well as from the CEO. Then of course, mistakes caused by human error is mentioned, but to be honest - those are almost impossible to avoid and is therefore nothing which we will hold on the discussion for. The human error can always be minimized, but never fully eliminated.

5.3.4. Risk and mistake handling

One of the worst things entrepreneurial organization can do is to issue punishment for mistakes, as they are an inevitable part of innovation. Punishing employees for projects that did not turn out as planned can be a fatal mistake for the company, frightening the employees from trying new things. Spotify has acknowledged that mistakes are needed to be made in order to move forward, why their philosophy is based on failing hard and learning as quickly as possible. Mistakes and failures are seen as opportunities, rather than placing blame on an individual, a mistake is discussed when it occurs. This is fully embraced by the employees, who for example have dedicated a whole wall to be the “wall of failures”. This behavior therefore leads us to conclude that the employees truly feel safe and comfortable in the organization, and can display their ideas fearlessly. Not only are failures inevitable, but necessary in order to build something innovative and “cool”. With one failure comes the lessons and knowledge to build something else, which might be a successful innovation.

Thus, instead of fearing failures, Spotify realizes the need to curb the failures so that they do not become detrimental to the company. With the strategy of curbing the failures within the squads, the whole company is not affected and can go on as usual while specific squads regroup or recover. This strategy of handling mistakes gives the squads a sense of freedom to try their ideas without the fear of harming the company, and the company does not have to control the employees and their actions to keep them from making these mistakes.

Continuing, depending on where in the company the employee is stationed, the risks within their projects vary. As Kai Ytterberg (2017-04-19) mentioned, the pace is slower

working internally than externally, since the mistakes are less visible and also making it easier for them to try new ideas, than for those working directly towards the customers. Using a blast radius is one of many ways of containing risks without hindering the employees. Another strategy which Spotify uses is through the saying “think it, build it, ship it, tweak it”, which gives the employees a frame to work within, thus controlling the process and reducing the risks. Even though Spotify are not afraid of taking risks, they are aware of the danger it presents, and try to handle it in a way which provides the most autonomy and freedom for its employees as possible. As the theory states, too much constraints will hold the employees and their creativity and innovativeness back, which is why Spotify is working hard to not let that happen. So far it seems as Spotify’s offensive strategy is working, and the failure-culture could be a result of the demands of the fast paced market today, where there is no room for playing it safe. If you do, chances are you gonna end up on the outside. We therefore applaud Spotify for encouraging bravery and allowing its employees to fail, something which otherwise often is tabu.

5.3.5. Idea generation and continuous learning

To further promote the entrepreneurial spirit, Spotify has as mentioned dedicated 10% of the employee’s working hours for them to develop skills already possessed or acquire new. The continuous learning is an important part of the entrepreneurial culture, because without new knowledge, promoting for new innovations is hard. Learning brings forth the opportunity to introduce new technology and methods and new aspects of products and services - which a company without will practically stand still. For Spotify, it is important for the employees to learn and develop continuously, why not only time is offered but also several useful courses. Every squad and individual also has an agile coach to help them find the right tools to acquire the new skills required. This is evidence of that Spotify cares about continuous learning, and that the employees are given all resources necessary to be the best they can be.

Not only does the organization provide ways of learning, but the employees are also encouraged to teach and learn from each other. Through for example the lunch and learn, Spotify has created a new and simple way for the employees to learn more and develop new skills - and it is available for anyone within the company. This fully embraces the concept of continuous learning, creating a mindset of everyone helping everyone. The ones with more knowledge can mentor those with less, without having to sacrifice too

much time. The need for a regular mentorship have therefore been diminished by the fact that squads teach the newcomers, and they all help each other to develop and innovate.

However, Kai Ytterberg (2017-04-19) mentioned that it is mostly the engineers who are given and taking time for continuous learning and innovation. Yes, these are the ones bringing the product development forward and is therefore of utmost importance - but we believe that other functions of an organization also has to be given the same time and possibilities. For example, without continuous learning and development in the Human Relations-department, new ways of supporting the employees and culture may be difficult to come up with. The same applies to the structure of the company, which is constantly changing and without continuous learning, it would not change for the better. As we have not talked to any employee on another position than engineer, we cannot state whether or not Kai Ytterberg's (2017-04-19) claim is true, but as the importance of development among the engineers is stressed - so would we like to stress that the rest of the organization has to follow in the same rate, to not fall behind and leaving an non-innovational organization with innovational engineers in that cannot make full use of their learnings.

6. Discussion and conclusion

In this last section of the thesis, we will discuss our findings of the study. From these, we will draw conclusions which all aims at answering our research question and purpose. The thesis ends with suggestions for further research.

6.1. Sustaining innovation and entrepreneurial spirit

The aim of this thesis was to examine in which ways established companies are able to sustain their innovativeness and entrepreneurial spirit. In order to do so, we used Spotify as our case study company, as they quickly have gone from a startup to being an established organization, and therefore was both relevant and interesting to study in our opinion. Much theoretical and empirical data was collected and in the analysis sorted under two main headlines - sustaining innovation through structure and through culture. The question remained to answer is thus - in which ways do established companies work to sustain their innovativeness and entrepreneurial spirit?

Starting with the structure of the company, we can see a structure at Spotify that facilitates innovativeness and entrepreneurial spirit, often correctly referred to as intrapreneurship. The squads are a major part of this, with their autonomy and responsibility for managing their own actions. We therefore believe that the way the squads are structured at the moment, they seem to facilitate and improve innovation. Also, the tribes and guilds as well as all the activities connected to them - like hack week or lunch and learn - are other structural (and cultural in another sense) tools that Spotify uses with great success. The fact that the employees have time specially dedicated to innovation is another evidence which speaks for their strive towards innovativeness. Connecting our result to the theory we have presented, much overlaps together with Spotify's structure and their way of working. However then, they never claimed to invent a brand new structure, merely copying what they thought were the best parts from already existing structures. Copying structures can result in companies falling flat, but in Spotify's case it seems to be the opposite. The rate in which the company has grown and continues to grow, provides both us and them with a clear sign that they are heading in the right direction and we definitely believe that their current structure is a result of this. The conclusion drawn from this structural aspect is then that it is of utmost importance to find a structure which does all it can to facilitate for innovation. Teams are a major part of this, as well as different activities

that supports innovation. These do not have to be radical structural innovations built from scratch, but ideas from successful entrepreneurial organizations can be picked to change and develop the established company to a more innovational.

However, a structure is never perfect and that also applies to the case of Spotify. The market changes fast these days, and so does the demands of the employees and the company as a whole. Therefore, the work-pace at Spotify is high, resulting in a structure with frequent changes. What we have learnt is that confusion is easily created when structural changes occurs often - especially since the role of the employees does not necessarily change, but merely their title. We believe that this confusion can lead to a lack of effectiveness and also innovativeness - as it is stressful not to know whom to report or simply turn to when a problem arise. When an excessive amount of time has to be spent navigating within a decentralized structure, less times is left for the employee to be innovative. Even though time is dedicated to be innovative, we found that it is sometimes hard for the employees to utilize this time, due to a heavy workload of the baseline tasks. Thus, some things may seem better than they really are, as they do not always function properly even though the intention from the start was good.

With the structure - and culture - certain keywords follows, which we by now are able to identify. We do not believe that the values at Spotify which were presented to us - being passion, collaboration, sincerity, innovation and playfulness - fully correspond with the keywords we would like to present. We base these keywords on our perception of Spotify's structure and culture, and therefore wish to replace the values with the keywords innovation, autonomy, responsibility and flexibility. As so much at Spotify is centered around innovation, this value is a keyword that has to stay. Also, we would like to add autonomy and responsibility to our keywords because of the way the company is structured - building exactly on these to notions. Both individuals, squads and larger departments are working autonomously and with responsibility, and the keywords are thus integrated in the entire organization. Lastly, we believe that flexibility is an important keyword to add, as that is required of the employees in a company building on constant change. As the structure is flexible without many set rules ("rules are a good start, but break them when needed"), a loose span of control and decentralization, this also demands a flexible mind of the employees as they have to be able to adapt to the constant changes. In the analysis, we stated that the current values of Spotify perhaps needed to be replaced since they were not fully embedded among the employees. These new

keywords provides such a replacement, as they are a combination of the unwritten rules as well as the culture and structure and does therefore, in our opinion, better reflect the current situation at Spotify from what we have gathered and learned.

Moving on to how Spotify is able to sustain innovativeness through their culture, much is of course a direct result of their structure. As they are intertwined with one another, it is easier to draw the conclusion that a structure which facilitates innovativeness and intrapreneurship also has a culture promoting this. Through our collection of data we have been able to find many examples of cultural activities which are particularly chosen simply to facilitate the aspects which we are investigating - innovativeness and entrepreneurial spirit. What has been discussed is for example the lunch and learn, demo-time and, perhaps first and foremost, the hack week. Also how mistakes and failures are handled, and the fact that all squads have their own agile coaches, also promotes the innovativeness at Spotify. The many sayings returning in several of our sources - like "fail hard and move fast" or "build whatever you want, with whoever you want, in whatever way" - also indicates that the mindset within Spotify is focused on innovation and intrapreneurship. When hired, the employees go through a process where culture is a major aspect, all to see whether the employee no matter how skilled, will fit in the organization or not. Taking risks is furthermore also encouraged, resulting in that failures in some senses are more promoted and rewarded than the ideas which succeeds. Concluding, there are several ways of working with a culture to facilitate for innovation in an organization, where the actions of Spotify provides a good example. Having support mechanisms and allowing failures are perhaps the two most important, as failure is an inevitable part of innovation and with the support mechanisms, employees can be caught before falling or failing *too* hard. Also, the support mechanisms have a preventing purpose as well, and does in our opinion together with the risk taking, facilitate for innovation and intrapreneurship.

The recurring discussion in the analysis of facade building and window-dressing has to be addressed here as well, as it is too important to bypass. We can never truly know whether or not the information given to us about the structure and internal processes is correct and, more importantly, if it is *actually* working or not. But, once again we wish to refer to the fact that Spotify has grown in an impressive rate the past couple of years and still continues to grow - a clear indication in our opinion that they are doing something right. Without their innovativeness, they would not have been where they are today. We strongly believe that

their innovativeness also is a direct result of their organizational structure and culture - and is therefore an excellent case company to study to answer our research question.

To sum up, what Spotify then does that other organizations can learn from to sustain the innovativeness and entrepreneurial spirit can be divided into several different parts. There is no doubt however that the structure is of utmost importance, and the realization of how tightly interlocked the culture is to it. Based on the empirical data collected, some conclusion can be drawn which suites well with the presented theory and the theoretical framework. These conclusions all contribute to the field of entrepreneurship, and how established companies can work with their structure and culture to promote and sustain their innovativeness and entrepreneurial spirit. The conclusions may not be dramatically different from those drawn previously by others - but we see the ability to confirm already existing theories as a strength, as in this case where Spotify many times seems to be "following the books". The conclusions we can draw are among others that an entrepreneurial organization appears to be decentralized, focused on autonomy and flexibility within the important teams and with time set aside for learning and innovation. It also has support mechanisms to support the employees, as well as activities which all promotes innovation. The culture and communication is open and honest, and the employees all have the same mind-set and long-term goals. Failures are cherished, and risks taking is encouraged. The span of control is low, but still exists, and the decision making is also decentralized. Changes occurs frequently, but should not occur *too* often as this creates confusion among the employees. Building on these notions, creating an innovative organization that support the entrepreneurial spirit may not be an easy task but Spotify have done it - and succeeded. Of course, not all aspects of Spotify's intentions are fully functional, but, as mentioned earlier - the rate in which the company has grown, and is still growing, is a clear indication that Spotify manages to sustain and constantly evolve their innovativeness and entrepreneurial spirit.

6.2. Future research

Further research is always necessary, especially as a way of confirming or discarding the conclusions drawn. Therefore, it could be interesting to study other successful companies than Spotify to see whether or not the theoretical framework presented is still viable when Spotify is not involved - are the conclusions drawn in this thesis generalizable or are they specific for Spotify? It would be also interesting to investigate more in depth how much of

what has been stated to us actually is followed, and how Spotify actually functions. As it was hard for us to provide any “proof” in this thesis to whether or not the hack week is successful for innovation or if all engineers are given and utilizing the dedicated time to innovation and learning, this can be a subject for further research - do they practice as they preach? Also, the true functionality of the squads as mentioned in the analysis could also be of interest to study. Of course, it is also possible to look at other aspects than simply structure and culture when investigating innovativeness - what that might result in could also be interesting. Finally, comparative studies are almost always fascinating, which is why such a study could be made using Spotify and another company following the same path - or perhaps facing the struggle of being innovative instead - to see how much is unique for Spotify and what else can be adapted to other companies in their strive towards sustaining innovation and their entrepreneurial spirit.

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Appendix 1

Interview questions for Kai Ytterberg

About Kai

What education do you have?

How long have you worked at Spotify?

What is your job-position?

Shortly, which tasks does your job include?

Culture

In your own words, how do you experience the culture at Spotify?

What would you say are the values at Spotify?

Do you feel that they correspond with your experiences of these values?

How did you get to know about the culture at Spotify? (informed at the interview, special manifests/books, thrown into it etc.)

Do Spotify have any lead words or sayings, or are there any symbols or rituals to strengthen the culture?

Relationship and coworkers

How do you experience the relationship between co-workers?

How is your relationship to your superiors?

How are people, in your opinion, expected to behave at Spotify?

Would you say that mainly older or younger people work at Spotify?

Do you feel that you and your department member's skill-set and knowledge is being maximally utilized?

Projects and teams

What would you say are the rewards of a successful project?

What would you say are the consequences of a failed project?

Do you experience genuine debate as being welcomed within projects and/or teams?

Would you say that those with expertise are valued and listened to?

Do teams happily share their knowledge and experience with other teams and departments?

Communication

How would you describe the functions of the internal communication...

- Within teams
- Within the whole corporation

How much interaction and communication is there with higher levels of the firm?

How much interaction and communication is there with other units/teams?

Hierarchy and authority

Is there as little hierarchy as possible?

- How much hierarchy is there at Spotify?

What is the line of authority on the job (from the top of the organization, direct managers/ team leaders, etc.)?

- How do you think these factors impact your performance on the job?
Are roles and responsibilities regularly rotated within the department?

Structure

How would you perceive Spotify's organizational structure to be currently?

What do you perceive to be specifically unique about Spotify's structure and organizational management?

Are you satisfied with the structure of Spotify as a company?

- What recommendations would you give for alterations and/or changes if you could suggest them?

Do you experience that decisions can be made quickly, and once they are made can they be acted on quickly?

Innovation

Do you feel your individual tasks/job is repetitive or do you think you are encouraged to innovate?

- Are there particular ways in which you are encouraged to innovate at Spotify?

Do you feel that your team and departments are encouraged to innovate and be creative?

- How often do you get to share and express these ideas?
- And with managers?

Do you feel like you are encouraged to look for new business opportunities and rewarded when they are identified?

Do you feel unafraid or afraid to express your views and opinions?

Are there regular brainstorming sessions?

How does Spotify view risks - would you describe the company as risk-taking or are they "playing safe"?

Appendix 2

Interview questions for Shawn Carney

In your own words - how would you describe the culture at Spotify?

What do you perceive to be specifically unique about Spotify's structure and organizational management?

Do you feel your individual tasks/job is repetitive or do you think you are encouraged to innovate?

- Are there particular ways in which you are encouraged to innovate at Spotify?

Do you feel that your team and departments are encouraged to innovate and be creative

- How often does your teams get to share and express these ideas?

What is the line of authority on the job (from the top of the organization, direct managers/ team leaders, etc) and how do you think these factors impact your performance on the job?

- How many people are you managing?