Pivoting in Startup Teams

A Study on How Functional Diversity in Startup Teams Can Impact Pivot Outcomes

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Abstract

This thesis studies how Functional Diversity in Startup Teams can impact the outcome of pivots. The authors study differences and similarities in four Danish startup teams within the Digital Business area who all undertook a pivot in their early venture stages. Specifically, the study analyzes Startup Teams consisting of two different team compositions: (1) a highly functional diverse team and (2) a team with a low level of functional diversity. The study took an inductive approach and collected data from semi-structured interviews. The data was analyzed using a cross-case analysis: (1) the Method of Agreement and (2) the Method of Difference to identify common themes and dimensions in each case. The study results show that Startup Teams that undergo a pivot will experience conflicts due to disagreement, frustration, or a lack of shared vision. As a result, empirical findings of this study found that Startup Teams who can get past conflicts by: (1) having a strong structure in roles and responsibilities and (2) having a shared vision during the pivoting process will be more likely to pivot successfully and take advantage of their Functional Diversity. The study aims to help Startup Teams who are to undergo a pivot by providing examples and patterns that can allow their teams to fulfill their potential. This thesis suggests that future research on pivots should: (1) expand the data collection to confirm the findings by interviewing more Startup Teams who pivoted and (2) expand the data collection by researching pivoting Startup Teams in other business areas than Digital Business.

Keywords: Digital Business, Lean Startup, Functional Diversity, Pivot, Startup Teams, Teams

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1   Introduction

The following section will first introduce the background and problematization that this thesis aims to address, followed by the research definitions, research purpose and thesis outline.

1.1   Pivot Background & Problematization

One of the world's largest social networks is known as Twitter. We tend to assume that companies with the sizes of Twitter were a major success from the beginning. However, although many people know Twitter as one of the world's most famous social networks, much less are aware that Twitter started as a podcast service back in 2005 before turning into a world-known success (Bajwa, Wang, Duc, Chanin, Prikladnicki, Popmpermaier & Abrahamson, 2017). Similarly, YouTube started as a dating website before turning into a video streaming platform (McDonald & Gao, 2019). Slack founded one product, failed, changed its product, and collected $1.2B in funding (Wilhelm, 2018). There can come a time for a venture when it becomes clear that the business model does not work, and the venture decides to change direction. When a company changes direction, it is called a Pivot (Ries, 2011).

Although there are successful cases of Pivots, it is rarely spoken that many Pivots turn out as a failure (Duchesneay & Gartner, 1990; Shepherd, Douglas & Shanley, 2000). In 2012, the mobile video streaming service called TapIn joined Y Combinator during the accelerator's fifteenth cohort (Kumparak, 2012; Tan, 2012). At this stage, the company had already established a name in the streaming branch by allowing users to stream videos without creating an account (Tan, 2012). Furthermore, TapIn was backed by an initial seed investment, it had emerged from the new venture accelerator, and people believed it would become one of the next unicorns (Hochberg, 2016). However, despite all the positives for TapIn, eight months later, the firm found itself in the process of completing a central strategic Pivot (Kumparak, 2012). TapIn had several competitive advantages, was backed by a seed investment, and delivered promising results with the help of mentors and accelerator programs; however, TapIn was forced to close its startup in September 2013. The story of

TapIn is one of many. While people know about Twitter, YouTube, and other big corporations who successfully executed a Pivot, very few people wonder how they became successful and what they did differently than those who failed during their journey.

While pivoting can seem like a simple process, there are several challenges a venture will have to undergo. These challenges are even more vital when considering that most new ventures are founded in teams rather than individually (Wasserman, 2012). In teams, decisions are collective and based on teamwork and task delegation, making the pivoting process even more complicated. Teams that are forced to change direction from their original business model due to influencing factors by outside events find the process of establishing a business more complex and less likely to succeed (Aaker & Day, 1986; Carroll & Delacroix, 1982; Mitchell, 1991; Ries, 2011). For example, if the venture team is homogeneous, they might overlap human capital and could potentially lack critical skills that would hinder them from changing direction (Taylor & Greve, 2006). Conversely, if the team is a highly functional diverse team consisting of a wide range of skills, the team might experience more conflict because of different opinions and viewpoints (Knight, Pearce, Smith, Olian, Sims, Smith & Flood, 1999). Besides, founders of new ventures are often not a triggering factor for pivoting; however, they are often influencers of the Pivot process itself (Comberg, Friedmann, German & Velamuri, 2014).

According to Gruber and Tal (2017), 73 percent of ventures will undertake a Pivot at some stage in their development. This explains why many scholars have surged interest in the subject of Pivots (Crilly, 2018; Hampel, Tracey & Weber, 2020; Kirtley & O'Mahony, 2020; McDonald & Gao, 2019; McMullen, 2017; Pillai, Goldfarb & Kirsch, 2019). However, literature on Pivots has ignored that most new ventures are started by teams and not solo entrepreneurs (Wasserman, 2012). Previous research lacks an understanding of how the process within a team executing the Pivot can impact the outcome. This study will help founding startup teams understand how their ventures can overcome challenges that hinder Pivots and instead take advantage of their Functional Diversity to seek opportunities that enable successful Pivots.

1.2   Research Definitions

In this study, the authors study the Pivoting process from a startup teams' perspective. In the early stages of a business, ventures are often referred to as a startup. Currently, there is no clear definition of what a startup is. However, in this thesis, a **Startup** will be defined as "*a young, innovative, growth-oriented business searching for a sustainable and scalable business model*" (Alotaibi, Abbasi, Aslam, Saeeid & Alahmadi, 2020, p.2). In this thesis, the **Startup Teams** examined are teams with two or more members who are viewed as a unit by themselves (Tannenbaum & Salas, 2020). To narrow the study down, this thesis seeks to understand similarities and differences in Startup Teams by exploring how functional diversity can impact the outcome of their Pivot. In this thesis, **Functional Diversity** will be defined as: "*the distributional differences among individuals in a team with respect to varying functional areas and amounts of job-related expertise*" (Bunderson & Sutcliffe, 2002, p.879). The Startup Teams examined in this study will be divided into two different levels of Functional Diversity: (1) a team with a high level of functional diversity and (2) a team with a low level of functional diversity. A team with a **High Level of Functional Diversity** will in this thesis be defined as:" a *team in which there can be found a broad range of legal, managerial, technical, knowledge, abilities, and boundary-spanning competencies which are brought together*" (Auh & Menguc, 2005, p. 336). A team with a **Low Level of Functional Diversity** will be defined as a team with: "*individual team members who have equal task-related abilities such that the effort of each individual contributes equally to performance*" (Arnold, Hannan & Tafkov, 2018, p.2). To gain a solid understanding of Pivots, the authors will draw from existing literature on Pivots and use Kirtley and O'Mahony's (2019, p.3) definition to define a **Pivot** or **Pivots** as: "*a change in a firm's strategy that reorients the firm's strategic direction through a relocation or restriction of activities, resources and attention.*".

Furthermore, this thesis will use traction of customer engagement and revenue to measure a **Successful** or **Unsuccessful** Pivot outcome. Moreover, the Startup Teams studied in this thesis all operate within the area of digital business. A **Digital Business** refers in this study to a company operating online and contains three main components: content, customer experience, and a platform (Weill & Woerner, 2013, p.73). All three elements work together to create the company's value proposition.

1.3   Research Purpose

In the past years, Pivots have been one of the most widely taught and discussed topics within entrepreneurship (Crilly, 2018; Hampel, Tracey & Weber, 2020; Kirtley & O'Mahony 2020; McDonald & Gao, 2019; McMullen, 2017; Pillai, Goldfarb & Kirsch, 2019), and there has been an underlying assumption that ventures must Pivot to create a successful business (Grimes, 2018). Despite the strong interest in the topic, relatively little research has explored how challenges within teams performing the Pivot can impact the outcome. Since teams start most ventures, it is essential to understand how and why some Startup Teams can Successfully Pivot while others fail in their attempt to do so. Different team compositions and functionalities could impact the Pivot outcome, and it is vital to understand how. There is a large body of research made on teams and how different team compositions and skill sets affect teamwork, taskwork, and performance (Baker, Miner & Eesley, 2003; Haas & Mortensen, 2016; Ruef, Aldrich & Carter, 2003; Wasserman, 2012). Still, research on teams concerning Pivots is still underexplored, and the authors of this thesis call for a theoretical expansion on the topic.

This thesis examines the effect Functional Diversity has on the outcome of Pivots performed in Startup Teams. To narrow the study, the authors look at four Startups located in Denmark, all within the Digital Business area. In doing so, this thesis seeks to identify differences and similarities in Successful and Unsuccessful Pivot outcomes that can help Startup Teams overcome conflicts and challenges while pivoting. Specifically, this thesis aims to answer the following **research question**:

How does functional diversity in startup teams impact the outcome of pivots?

1.4   Outline of the Thesis

This thesis will be broken down into six chapters. Chapter 2 will provide a literature review of existing research on Pivots and Functional Diversity. Chapter 3 will discuss the methodology, research design, case selection, and sampling criteria for this research. Subsequently, Chapter

4 will discuss and analyze the findings of the research. After that, Chapter 5 will discuss and analyze the findings of this study. Lastly, Chapter 6 will conclude the study results, research implications, and suggestions for future research.

2   Literature Review

The following chapter will be divided into two parts. The first section will provide an overview of existing literature made on Pivots. The second section will then give a brief background of literature on teams, followed by an overview of existing literature on Functional Diversity. Lastly, the authors will provide the reader with concluding remarks on how previous research can help the authors bridge the gap of existing knowledge and form the fundamental analysis of the thesis.

2.1   Pivot as a Phenomena

2.1.1   Pivot Origin & Meaning

Pivot is a relatively new word, which according to Crilly (2018), was firstly used in a blog post by Ries (2009). Ries (2009) described Pivot as a change in direction caused by a lack of traction in ventures. However, scholars have earlier sought interest in the topic of changing direction, though without defining the word, Pivot. For example, scholars have found that the likelihood of establishing a successful venture decreases after being forced to change direction due to uncontrollable outside triggers (Aaker & Day, 1986; Mitchell, 1991). In later years, Vargo and Lush (2004) researched changes in business models. They found ventures to change direction when a firm's core product or service struggles to create significant value for its customers. In the past decade, Ries (2011) published "The Lean Startup," which became the groundbreaking framework for pivoting (explored in Chapter 2.1.2). Ries (2011, p. 108) added new thinking to changing direction and explained that pivoting involves a change in direction; however, it is a change without losing the vision of the destination. Additionally, in recent years, the Pivot has changed meaning and has been referred to as nascent entrepreneurs' "*willingness to change an idea*" (Grimes, 2018, p.5). In this definition, pivoting refers more to a change in the product than a shift in strategy among emerging high-growth ventures (Fjeld, 2018; Guinan & Praise, 2017).

Since Rise (2011) published his lean Startup principles, pivoting has almost been established as an "unequivocally good thing" (McMullen, 2017, p.3). However, scholars and practitioners

have also questioned Pivots, as the challenges involved when executing a Pivot are likely to end in a failure and hasten an early closure of the firm (Brush, Edelman & Manolova, 2015; Duchesneau & Gartner, 1990; Shepherd, Douglas & Shanley, 2000). Furthermore, Ladd (2016) also noted that receiving too much feedback can cause the venture to change their ideas too frequently and become disheartened to their business.

2.1.2   The Lean Startup Methodology

Pivoting is a core concept of the Lean-Startup methodology, which focuses on the Build-Measure-Learn loop and includes the following three steps: (1) turn an idea into a product, (2) measure its effects, and (3) learn from the results (Ries, 2011). With this approach, ventures can test their business model and make early decisions to evaluate whether the business should Pivot or persevere. Pivots and other lean startup principles have proven to decrease costs, a shorter time to market, increase customer engagement and satisfaction (Guinan & Parise, 2017). Limiting risk is essential for businesses, as it is rare for new ventures to find the right strategy or business model from the beginning (Gavetti & Rivkin, 2007; McDonald & Eisenhardt, 2019). If new ventures identify early on that their initial business model will fail, it can become a strategic decision to perform a Pivot to avoid wasting time and money (Fjeld, 2018, p.1). Multiple scholars support this view as failed attempts to change direction and redeploy a firm's resources incorrectly can lead the firm to an early closure (Cooper, Gimeno-Gascon & Woo, 1994; Giardino, Unterkalmsteiner, Paternoster, Gorschek & Abrahamsson, 2014).

2.1.3   Triggering Factors

Pivots can occur due to various triggering factors. There is often more than one trigger to a Pivot, and most Pivots are reactions of external factors rather than internal (Bajwa et al. 2017). In the external environment, it can be factors such as competition and timing. In the internal environment, it can be triggered due to a flawed business model or unsustainable business where it might not solve the right need (Bajwa, Wang, Duc, Chanin & Abrahamson, 2016). Comberg et al. (2014) identified six factors that trigger Business Model Innovation: (1) the role of founders, (2) the sustainability of the business model, (3) cash and financing, (4) market conditions, (5) business financials, and (6) new technology. A Pivot can also occur if

the current strategy for gaining or retaining customer traction is failing (Maurya, 2016; Ries, 2011; Wisdom, Chor, Hoagwood & Horwitz, 2014; Wood & Moreau, 2006). Additionally, other scholars elaborate and explain that Pivots are triggered when resource-constrained ventures realize that their current model is unsustainable, and therefore, make the decision of transforming their business model to survive and grow (Grimes, 2018; Nicholls-Nixon, Cooper, & Woo, 2000).

In a research made by Bajwa et al. (2017), the authors surveyed factors that trigger Pivots by using a review of 55 known Pivots in 49 different Startups. The authors found 14 triggering factors that can cause Pivots, as explored in Table 1 below.

Table 1: Pivot Triggering Factors (Bajwa et al. 2017).

Pivot Triggering Factors		
Factor	**Process**	**Description**
Negative customer reaction	External	Customer adoption and retention are slow, and customers provide negative or no responses
Inability to survive the competition	External	Competitors outplay the Startup by working on the same idea more effectively
Technology challenge	External	Existing technologies have limitations or technologies have emerged that are better than the Startups
The influence of an investor, mentor, or partner	External	An investor, mentor, or partner suggests or experts' pressure to change direction
User appreciation of one product feature	External	Users like one feature rather than the entire product
Unanticipated use of the product	External	Users utilize the product in an unexpected way
Bad timing	External	The market isn't ready to accept the product
A positive response from an unforeseen customer segment	External	Among the customer segments, one shows unexpected interest
Legal issue	External	Legal issues as copyrights occur with another company

A side project that's more successful than the main project	External	Customers lack interest in the main products, but like a side product
Narrowing of the target market	External	The initial target market becomes too small for the business to grow and become profitable
Flawed business model	Internal	Customer acquisition costs are high, or the revenue model is ineffective
Identification of a more significant customer need by solving an internal problem	Internal	While solving an internal problem to support the core product, the Startup realizes that customers are more concerned about the internal problem and should change its product accordingly
Unscalable business	Internal	The product solves a problem that does not concern many people

Throughout the 14 identified triggering factors, 11 are focused on external factors, and only three are focused upon internal factors. The findings indicate that almost all the triggering factors were related to customers. This view suggests that entrepreneurs should focus on the customers rather than developing a product and then looking for customers.

2.1.4   Pivot Types

There can be several ways a company decides to Pivot. Bajwa et al. (2017) identified ten Pivot types, as explored in Table 2 below. Table 2 indicates the most common Pivot types as being product- and market-related. Here, the zoom-in Pivot type is the most common for product-related Pivots (Bajwa et al. 2017).

Table 2: Pivot Types (Bajwa et al. 2017)

Pivot Types		
Dimension	**Pivot Type**	**Definition**
Product	Zoom-In	A single product feature becomes the entire product
Product	Technology	The product offers the same solution but with different technology

Product	Platform	A product becomes a platform or vice versa
Product	Zoom-Out	An entire product becomes a feature of a larger product
Market	Customer Need	The new product solves a different customer problem than the original.
Market	Customer Segment	The new product targets a different customer segment
Market	Channel	The Startup finds a better way to reach customers
Market	Zoom-In	The focus switches to one market sector rather than the entire market
Other	Complete	Significant product, market, and financial changes occur, but the entrepreneurial team is the same
Other	Side Project	A business idea parallel to the main project becomes the main project

It is common to undergo multiple Pivot types at the same time. For instance, Instagram is an example of a company that performed both a zoom-in and technology Pivot. Originally Instagram was a service called Burbn, which combined photo sharing and a game. However, Instagram found their users to use the photo-sharing feature mainly, and therefore, they decided to zoom in on their single feature product (MacManus, 2012).

2.1.5 Consequences of Pivots

Companies who Pivot, even multiple times, will cut their chances of failure and be more likely to create products that create value for their customers (McDonald & Bremmer, 2020). However, a significant problem within Pivots appears to be the risk of alienating the stakeholders who have helped the company up to a point before pivoting (Hampel, Tracey & Weber, 2020). When a company decides to change direction, the shift of direction can make stakeholders lose confidence in the idea, team, or company. McDonald and Gao (2019) argue that to change strategy without penalty, the company needs to justify, anticipate, and stage changes for various audiences. One of the reasons why firms lose trust from their stakeholders is, according to McDonald and Bremmer (2020), a result of the narrow narrative that the entrepreneurs tell. Entrepreneurs should resist being too specific about product features and functionality, especially early on. Instead, they should focus on a broader story that promises

to reach a particular destination. The authors compare entrepreneurs' narratives to politicians' campaigns that often use big abstract ideas, which encourages them to visualize the result.

Similarly, Hampel, Tracey, and Weber (2020) encourage new ventures to express their struggles to their stakeholders before performing a Pivot. Expressing their struggles will lead to the purity of its motives and show the stakeholders the challenges that have led them to their decision. Many entrepreneurs make the mistake of not telling the stakeholders the truth; however, history has shown good leaders understand the importance of great storytelling and sensemaking when uncertainty hits (McDonald & Bremmer, 2020). Research also indicates that by sharing an emotional narrative with their stakeholders, the new ventures can reset work and earn their stakeholders' trust (Hampel, Tracey & Weber, 2020). Moreover, the audience responds better to people with ambitious positions on issues, which at the same time leaves the narrative open for different ways of reaching the end goal (McDonald & Bremmer, 2020). McDonald and Bremmer (2020) further add that the key to retaining stakeholders' confidence is to revisit and broaden the perspective and not change the original pitch the stakeholders were sold on.

2.1.6   Pivot Outcomes

Although some companies experience success after a Pivot, research shows that most Startups fail their Pivots (Duchesneau & Gartner, 1990). Hence, the outcome of a Pivot is almost sure to directly impact a venture's internal and external performance (Brush, Egelman & Manolova, 2015). While there can be several reasons for how Pivot outcomes will unfold, prior research has found frequent interaction with customers to have a significant impact on how a new product will perform while going through a Pivot (De Luca & Antuahene-Gima, 2007; Joshi & Sharma, 2004; Li & Calantone, 1998). Other scholars support these findings and indicate that interaction with customers will immediately impact new venture success (Brettel, Engelen & Oswald, 2011; Kawakami, MacLachlan & Stringfellow, 2012). Besides, pivoting is more of a process of redirecting a firm's activities and resources, and how a venture's customers respond to the change will evolve as a Pivot unfolds (Kirtley & O'Mahony, 2020; Ries, 2011). Pivots who turn out to be successful often address the needs of their customers better, and, therefore, the Pivot will have a positive impact on their customers' interest (Amit & Zott, 2001; Eisenhardt & Tabrizi, 1995). Opposite, ventures that cannot

engage their customers will often fail in their attempt to Pivot and not be able to acquire new customers, causing the venture to fail their Pivot (Hampel, Tracey, and Weber, 2020; McDonald & Gao, 2019).

2.2 Theoretical Background on Startup Teams & Functional Diversity

Besides existing literature around Pivots, the authors see further relevance in research regarding how teams can impact the outcome of Pivots. When a Pivot is undertaken, it is primarily performed in teams and not by solo entrepreneurs. Therefore, the following sections will present literature on teams, Functional Diversity, and how they are connected to Pivots.

2.2.1 Startups Founded in Teams

In Wasserman's (2012) dataset of "high potential Startups," only 16,1% of the ventures were solo founded while teams founded the rest. The main reason for this tendency was that Startups were convinced that a broad range of relevant functional skills might build more valuable ventures and overcome more challenges (Wasserman, 2012). A concept called *homophily* states that people with, for example, similar functional backgrounds are likely to found companies together (Ruef, Aldrich & Carter, 2003). A homogenous team has certain benefits, such as speed to find people with similar backgrounds and knowledge (Baker, Miner & Eesley, 2003). It may also enable the team to see alternative viewpoints without splintering (Hambrick & Mason, 1984). On the other hand, a homogeneous group overlaps human capital, and will also be more likely to lack critical skills (Taylor & Greve, 2006). Conversely, teams with a broader range of skills and functionalities may be equipped to build more valuable companies as various skills can positively affect quality and efficiency in different situations (Keller, 2001). The positive impact arrives from the unique and complementary knowledge, expertise, and experience that each team member brings to the table (Hambrick, Cho & Chen, 1996; Horwitz & Horwitz, 2007). It is considered rare that one person has all the skills and knowledge to create a successful venture (Wasserman, 2012). At the same time, it is considered as an advantage to have a founding team with a diverse skillset to tackle

challenges along the entrepreneurial journey, such as a need for Pivoting (Wasserman, 2012, p. 79; Knight et al. 1999). These findings indicate that most Pivots will also be performed in teams since most Startups are founded in teams. Hence, several challenges besides the change of direction for the founding team will occur.

When a team performs a Pivot, several processes could potentially impact the outcome. For example, Startups with newly formed strategies will first explore, experiment, and test their market hypotheses (Kirtley & O'Mahony, 2019). As with any innovation process, the entrepreneurial strategy search and development is an iterative process, which can be challenging in several ways (Maggitti, Smith & Katila, 2013). During this process, Startup teams may identify a gap in their existing performance, explore areas they were unaware of, or even realize that a change in strategy was more challenging than expected. For instance, the process leading up to a strategic change can involve budget breakdowns, annual reports, historical records, and new roles and responsibilities (Gavetti & Menon, 2016; Romanelli & Tushman, 1994). These processes can require specific skills, whether experience, technical skills, financial skills, marketing skills, etc. The lack of the right talent within a team could be the difference between a Successful or Unsuccessful Pivot outcome.

2.2.2 Functional Diversity

The authors of this thesis see Functional Diversity as a relevant topic to understand concerning Pivot outcomes. Functional Diversity refers to differences in the job functions of team members (Zhang, 2015). The relevance of Functional Diversity is closely connected to team members' expertise, and knowledge which combined will have either positive or negative effects on accomplishing tasks (Horwitz, 2015). Functional Diversity can create advantages in teams such as better abilities to solve problems (Cummings, 2004; Wegge, Roth, Neubach, Schmidt & Kanfer, 2008), develop more clear strategies (Bantel, 1993), create more innovation (Bantel & Jackson, 1989), respond more aggressively to threats from their competitors (Hambrick, Cho & Chen, 1996), and can help to implement organizational changes faster than homogeneous teams (Williams, Hoffmann, & Lamont, 1995). Diversity in skills and functional backgrounds can also enable teams to adapt better to change (Keck, 1997; Wiersema & Bantel, 1992). When Functional Diversity increases in a team setting, the

knowledge, expertise, and information possession increases parallel, enhancing quality and performance as a positive outcome (Horwitz, 2015).

2.2.3   Consequences & Implications of Functional Diversity

Although research has shown Functional Diversity to have a significant impact on team performances (Cummings, 2004; Bantel & Jackson, 1989; Wegge et al. 2008), research has also found that the effects of team Functional Diversity are not only positive (Horwitz, 2015). A higher level of heterogeneity among team members can cause interpersonal conflict and arguments in the firm's early stage (Knight et al. 1999; Auh & Menguc, 2005; Hill & Hoskisson, 1987). Besides, Functional Diversity can slow team processes down as there can be too many differences, opinions, viewpoints, and perspectives among the team, which will inhibit effectiveness (Knight et al. 1999). Pelled, Eisenhardt and Zin (1999) supported this view and added that a high degree of Functional Diversity in teams could be associated with increased conflicts and communication boundaries. The members can have different viewpoints on specific situations, making it complicated to agree on decisions. Furthermore, diverse functional teams will respond slowly to a competitive response and instead compromise performance (Hambrick, Cho & Chen 1996; Murray, 1989; Simons, Pelled & Smith, 1999). Moreover, it may be that the Startup Teams will run into problems in terms of communication styles and may not value each other's contribution and work styles (Knight et al. 1999).

2.2.4   Functional Diversity in Relation to Pivots

Although a large body of research on Functional Diversity exists, studies have shown no direct link connecting Functional Diversity in teams and Pivot outcomes. The closest relation found on how Functional Diversity can impact Pivot outcomes has been studied by Auh and Menguc (2005). However, their study mainly focuses on how Functional Diversity in top management teams affects strategic orientations. This means there is still a gap in research connecting Startup Teams and Pivots. More specifically, how Functional Diversity impacts Startup teams who execute a Pivot.

Several processes could potentially influence how Functional Diversity can impact Pivot outcomes in Startup Teams. For example, research has shown that Functional Diversity in teams benefits when the members are greatly dependent on each other (Horwitz & Horwitz, 2007; van der Vegt & Janssen, 2003). Moreover, research has shown that time could be a possible moderator for functional diverse teams to succeed, as teams gain experience by working with each other for a more extended time (Harrison, Price & Bell, 1998; van Knippenberg & Schippers, 2007). Besides, researchers have considered moderators in functionally diverse teams such as industries, group types, group sizes, and task complexities (Joshi & Roh, 2009; Wegge et al. 2008).

2.3   Chapter Summary, Research Gaps & Academic Contributions

Summarizing, pivoting is a phenomenon that has been widely discussed in the past decade. Much research has been done to define Pivots, which vary from a change in direction to a strategy shift (Fjeld, 2018; Guinan & Praise, 2017; Ries, 2011). Furthermore, scholars have studied how Pivots are triggered and even different Pivot types (Bajwa et al. 2017). In addition, much of the research has found that customers are a key to obtaining a Successful Pivot, and the ventures should focus more on creating customer value rather than product value (Amit & Zott, 2001; Eisenhardt & Tabrizi, 1995; Hampel, Tracey & Weber, 2020; McDonald & Gao, 2019; Ries, 2011). In recent years, scholars have focused on stakeholder consequences and researched how companies can avoid losing trust in their stakeholders when pivoting (Hampel, Tracey and Weber, 2020; McDonald and Bremmer, 2020). Since most ventures are started in teams, most Pivots will also be executed within a team, and literature should understand these challenges. In teams, decisions, hindering, and enablements are made from what the team can do with their skill sets, knowledge, information, and experience — making the pivoting process even more complicated. Moreover, scholars have researched how different team compositions such as a homogenous team and a heterogeneous team can impact performance (Cummings, 2004; Knight et al. 1999; Wasserman, 2012; Wegge et al. 2008). Though, there is an underlying gap in research connecting Pivots and Functional Diversity in Startup Teams.

This thesis aims to contribute to academic research in three ways. First, by acknowledging that most ventures are started in teams (Wasserman, 2012), this thesis expands current theory on Pivots by understanding how Functional Diversity in Startup Teams can impact Pivot outcomes. Secondly, in contrast to prior research on Functional Diversity, this thesis expands theory by highlighting the opportunities Startup Teams can gain from their functional capabilities. Third, previous literature has studied how Functional Diversity can increase conflicts within teams. This study expands theory on these findings by presenting two ways Startup Teams can get past conflicts and take advantage of their Functional Diversity.

3   Methodology

The following chapter describes the methodological approach taken by the authors. First, the interpretative and constructionist approaches are outlined, followed by a brief introduction of the qualitative research design. Furthermore, the case selection will be presented, as well as the data collection strategies. Finally, the gathered data from four case studies will be analyzed and explained.

3.1   Research Approach

3.1.1   Epistemology & Interpretivism

While conducting the research, multiple assumptions were made which determined the methodology applied. Regarding epistemology, the philosophy of the study is deeply grounded in an interpretive approach as the knowledge gained during the study is socially constructed rather than determined through observation (Bell, Bryman & Harley, 2019). Furthermore, it is desired to understand the social world by examining the world by its participants (Bell, Bryman & Harley, 2019). The interpretive approach likewise refers to the epistemologies of how we can gain knowledge of the world and understanding humans and the reasoning behind their actions. An interpretative methodology as a strategy is required that respects the differences between people, and therefore, requires a subjective meaning of a particular social action. Things may differ within the different cases, affecting the conclusions (Bell, Bryman & Harley, 2019).

3.1.2   Ontology & Constructivism

Ontology tends to handle the questions of what specific things exist and how we can group them based on similarities and differences. The nature of reality is studied through the research (Bell, Bryman & Harley, 2019). In this case, the research takes a constructionist approach. This philosophy implies that: *"social properties are outcomes of the interactions between individuals, rather than phenomena out there and separate from those involved in their construction"* (Bell, Bryman & Harley, 2019, p. 356).

This thesis is conducted to gain insights from the interviewee's perspective and experiences. Therefore, this research is based on a qualitative approach as the knowledge cannot be weighed or measured in numbers. Instead, qualitative meanings and thoughts are desired to answer the research question (Bell, Bryman & Harley, 2019).

3.2   Research Design

This study aims to identify and understand how the Functional Diversity in a Startup Team impacts the Startup in pivoting. Due to Yin (2003), research questions can be categorized in "what"-, "who"-, "how"-, "why"- and "where" questions. In the case of this research, the question is, *"how does functional diversity in startup teams impact the outcome of pivots?"*. A "how" question is typically more explanatory and often leads to a case study (Yin, 2003). Therefore, the research question is the justifiable rationale for conducting an exploratory case study (Yin, 2003). The case study approach assisted the research to include a systematic interview approach directly focused on observations to every case (Yin, 2010).

The authors decided to conduct a *multiple case study* as the primary function of the research design. The *multiple case study* design assisted the research by making it possible to evaluate and compare each case with the others to identify commonalities and differences between the cases in the same area of research. In this study, the authors analyzed *eight* different team members in *four* different Startups. All cases decided to Pivot at some point while still being considered a Startup company. The approach aimed to identify whether the cases would show specific patterns within Functional Diversity, which impacted the Startup Team in performing the Pivot of their desire.

3.3   Case Selection

This thesis is based on a multiple case study research design. Strauss and Corbin (1998) note that it is not seen as relevant for qualitative research to use probability sampling as it relies on statistical criteria rather than theoretical. Therefore, this research is approached with a purposive sampling method as the authors wish to gain access to a pool of samples with great

relevance to the research question. As the authors do not desire random samples, the goal is to sample strategically to obtain the desired case relevance. This research was conducted based on a mix of a *typical case sampling method* and a *critical case sampling method* (Bell, Bryman & Harley, 2019, p. 390).

The sampling method includes that the specific cases are chosen due to their fit into a dimension of relevance for the research; for example, companies who succeeded in a Pivot (Bell, Bryman & Harley, 2019, p. 390). Furthermore, the critical case sampling method included that the samples are crucial to the phenomenon of interest. In the case selection process, the authors decided to contact people within their network and reach out to people on LinkedIn with the title "Co-Founder" or "Partner" to establish contact with potential interviewees. When multiple potential cases were identified, the case selection process started with discovery calls. The authors arranged five-minute phone calls with potential cases to determine whether they would fit the research criteria. The research criteria's to be identified were whether the Startups were: (1) a Startup that had tried to execute a Pivot, (2) were more than two people in the team, and (3) identifying whether they succeeded or failed during their Pivot process. After 16 discovery calls, 4 cases lived up to the criteria.

Table 3: Case Selection Matrix

__Item__	**Pivot Success**	**Pivot Fail**
High Level of Functional Diversity	Case S1	Case F1
Low Level of Functional Diversity	Case S2	Case F2

The authors chose four cases divided into *Pivot Success* and *Pivot Failure* and *High Level of Functional Diversity* and *Low Level of Functional Diversity* as presented in Table 3 above. Placing the selected cases into the categories enables the authors to compare and analyze the differences between what impacted the cases in executing a Pivot and to conclude tendencies across the categories (Eisenhardt, 1989, p. 539). This strategy enabled the authors to cross-search for patterns within each category and across the whole case pool. It allowed the authors to search for similarities within each category and compare them in a bigger picture (Eisenhardt, 1989, p. 540). Due to Eisenhardt (1989), the key to good cross-case comparison is counteracting tendencies by analyzing the gathered data in many ways. The selected cases

are all private companies providing companies or consumers with a physical product or a service, intending to generate profit to the company through their product or services. This means that none of the cases are governmental or non-profit organizations. Besides, all cases consist of a Startup team with two or more members. To narrow the study and achieve as similar cases as possible, it was decided to only include Startups within the "Digital Business" branch.

Table 4: Traction and Definition

Case Name	Reason for Pivot attempt	Outcome	Definition of Outcome
Case S1	Unsustainable business model	Success	Revenue traction after the Pivot
Case S2	Unsustainable business model	Success	Revenue traction after the Pivot
Case F1	Unsustainable business model	Fail	Closure of company
Case F2	Unsustainable business model	Fail	Lack of traction after the Pivot

Furthermore, as visualized in Table 4 above, all four cases live up to Pivot success and Pivot failure measurements. The two success cases experienced satisfying revenue traction after pivoting, while the failure cases experienced either closure of the company or a lack of traction after pivoting.

3.3.1 The Rationale of Interviewee Selection

Qualitative research requires reflection from the researchers, and therefore, the more samples, the more vital patterns would be able to be identified (Sutton & Austin, 2015). To obtain enough data and insights into the four different cases, the authors chose to interview multiple members from each case. This approach is taken as it is desired to obtain knowledge of different views on the Pivot process and team functionalities. Each team member may have different opinions and views of the situation in the Startup when trying to execute a Pivot. As visualized in Table 5 below, the authors interviewed three out of four members in *Case S1*: the CEO, CGO, and CMO. In *Case F1,* it was only possible to interview one member. In *Case F2*, the authors were able to arrange interviews with two out of three members, and in *Case*

S2, two out of four members were interviewed. The multiple case study, therefore, resulted in a total of eight interviews as presented in Table 5 below.

Table 5: Interviewee Overview

Item	Name	Company	Job Title	Area of Business	Category
1	Mik	Case S1	CEO	Digital Business	Pivot Success
2	Frederik	Case S1	CGO	Digital Business	Pivot Success
3	Simon	Case S1	CMO	Digital Business	Pivot Success
4	Thomas	Case F1	CSO/CMO	Digital Business	Pivot Failure
5	Alexander	Case F2	Co-founder	Digital Business	Pivot Failure
6	Mathias	Case F2	Co-founder	Digital Business	Pivot Failure
7	Frank	Case S2	COO	Digital Business	Pivot Success
8	Kasper	Case S2	CTO	Digital Business	Pivot Success

3.4 Data Collection

3.4.1 Triangulation

During the research, multiple data sources were used. First, existing research on Functional Diversity and research regarding Pivots in Startups was accessed. Secondly, in case-study interviews, the author's qualitative research was performed to collect qualitative data. Qualitative research tends to be unstructured compared to quantitative research (Bell, Bryman & Harley, 2019). Though, in this case, the authors chose a semi-structured interview approach, as some sort of structure was needed to answer the elements of the research question. The formulation of the questions asked by the interviewer in these interviews may differ from interview to interview, as the authors aim to point the interviews in certain

directions but will allow dialogues around non-expected areas and "rambling" as it may give the authors important insights (Bell, Bryman & Harley, 2019).

3.4.2 Interview Questions

As proposed by Bell, Bryman & Harley (2019), to formulate the interview questions, the authors asked themselves, *"What do we need to know to answer the research question?"* to set a base for the question formulation. However, the authors will follow Kvale's (1996) suggestions for interview questions. These suggestions include, among others, *introducing questions* as: *"Please tell us how you discovered a need to pivot in your new venture?"* and *follow-up questions* as: *"What do you mean by ...?"* to encourage the interviewee to elaborate on their answers. The authors likewise used *direct questions* as: *"Did you think that you could carry out the pivot without that one person?"*. Using Kvale's (1996) question suggestions, it was possible to gain insights into the interviewee's values, beliefs, behaviors, and previous encounters relevant to the research. A complete interview guide can be found in Appendix A.

3.4.3 Interview Setting

To create a comfortable interview setting, the authors followed Kvale's (1996) criteria of a successful interviewer. The most critical criteria used by the authors are an interview structure with a beneficial opening, body, and ending. This involves asking questions that are easy to understand, being polite to the interviewee, and giving the interviewee time to think about their answers. Due to the current global pandemic and restrictions, it was not possible to conduct the interview in a physical setting. All interviews were held online via Zoom, which had certain benefits. Some interviewees mentioned that an online setting was more convenient as they would save time planning and preparing. One interviewee said that due to the online scene, he would not be worried about safety measures in terms of COVID-19. Bell, Bryman and Harley (2019) also state that online interviews can be more flexible and adapt to unexpected circumstances. The convenience may encourage people to agree to be interviewed, as it happened in this case. The authors tried to make the interview setting as pleasant as possible, with no background noise or disturbances. Furthermore, all interviews took between 75 and 90 minutes, resulting in 11,3 hours of data.

As suggested by Bell, Bryman and Harley (2019), the authors provided the interviewees with a copy of the interview guide. This decision was taken to strengthen the dependability of the research and ensure that the participants understood how we view their social world, show them how flexible the interview will be, and create an environment so the participants could feel comfortable knowing what they could expect of the interview. To ensure that the authors gained the proper knowledge and information, it was necessary to interview the *key informants* (Bell, Bryman & Harley, 2019). In this case, the key informants were members of current or former Startup companies who had pivoted previously in their venture.

3.5   Data Analysis

After performing the interviews, transcription of the interviews took place. A thematic analysis was the primary method for analyzing the data as explored below.

3.5.1   Thematic Analysis

Thematic analysis, also known as coding, enables the researcher to place the data from the interviews in different categories providing a structured overview of the data collected. The authors used the coding consideration examples proposed by Lofland and Lofland (1995) to structure the coding and deciding on the best possible categories. Coding has many benefits when it comes to data analysis. However, the method has some critique as well. One critique is that the interview context may be lost, as the authors take chunks of the data out of the actual interview, resulting in a lack of the social setting (Bell, Bryman & Harley, 2019). Another critique, as proposed by Coffey and Atkinson (1996), is that the data becomes fragmented, and therefore the actual flow of the interviews will worsen.

Through the analysis of the interview data, specific categories were identified. The categories chosen in the data analysis are closely connected to the literature review, meaning the existing literature on Pivots, teams, and Functional Diversity. The categories helped the authors identify the main points relevant to answer the research question, such as: What type of Pivot did the cases execute or try to execute? What triggered the Pivot? Did the cases have success in the execution of the Pivot? Did the cases have a High or Low Level of Functional Diversity? How did the level of Functional Diversity affect the Pivot process and the outcome

of the Pivot? The process ended up with six criteria to lead the authors to answer the research question. This approach assisted the authors in identifying similarities and differences between each case and serve as a point of direction for the data analysis. The categories derived from the coding process were as follows, presented in Table 6 below. A document to support the coding findings is to be found in Table 15 in Appendix C.

Table 6: Thematic Criteria

Criteria	Case S1	Case F1	Case F2	Case S2
Pivot type	*Side project*	*Technology / Platform*	*Customer Segment / Zoom-Out*	*Zoom-in / Channel*
Pivot trigger	*Bad timing*	*Unscalable Business*	*Inability to survive the competition / Positive response from customers*	*User appreciation of one product feature*
Pivot success/fail	*Success*	*Fail*	*Fail*	*Success*
Types of Functional Diversity	*Technology, Digital Marketing, Supply Chain, Sales*	Operations Management, Product Development, Sales & Marketing	*Supply Chain, Finance, Marketing*	*Tech*
Level of diversity	*High*	*High*	*Low*	*Low*
Effect of Functional Diversity level on the process and the Pivot	*Conflicts, new division of responsibilities, Successful Pivot*	*Team conflict, Lack of capability, lack of agreement*	*Team conflict, Lack of capability, lack of agreement.*	*Conflicts, New division of responsibilities, Successful rebrand/pivot*

3.6 Cross Case Comparison

After the thematic analysis, the authors defined the most crucial themes explaining desired knowledge from the interviews. To better understand the data and themes, the authors then decided to proceed with a cross-case comparison method. This method may enhance capturing novel findings that may exist in the data (Eisenhardt, 1989). This approach is meant to mobilize knowledge from single cases to accumulate knowledge (Khan & van Wynsberghe, 2008). The authors, therefore, grouped the cases into different pairs to analyze similarities and differences. By this approach, the aim is to obtain more sophisticated findings (Eisenhardt, 1989, p. 541).

To achieve this, two systems of logic were used. The systems are called: (1) *The Method of Agreement* and (2) *The Method of Difference* (Mills, 1843, p. 421). The Method of Agreement will enable the authors to identify similarities in single variables, though both cases must have the same outcome (Mills, 1843). In other words, the authors will identify which similarities the two cases that performed a Successful Pivot had, which enabled them to achieve a Successful Pivot. The same approach will be taken towards the cases that failed at performing the desired Pivot. The authors will identify variables through the Method of Difference while comparing cases with different outcomes (Mills, 1843). In other words, the instances that performed a Successful Pivot will be cross compared with the cases that failed in performing the Pivot. However, in the Method of Difference, a variable not applicable in both cases where the outcomes were different can be considered the main factor for the different results (Mills, 1843).

3.6.1 The Method of Agreement

In the Method of Agreement, all four cases are considered. First, the two cases that Successfully Pivoted are compared in Table 7 below. Afterward, the two cases that both failed at pivoting are compared in Table 8 below.

Table 7: Method of Agreement, Pivot Success

Case	Common Outcome	Level of Functional Diversity	Similarities in single variables
Case S1	Pivot Success	High	(1) Conflicts due to different viewpoints and opinions of the change of direction/business model
Case S2	Pivot Success	Low	(2) New division of responsibilities as needed to drive a sustainable business model

In the table above, two cases are taken into cross-comparison using the Method of Agreement. Both cases executed a Successful Pivot. However, the level of Functional Diversity in *Case S1* was high, while the Functional Diversity level in *Case S2* was low. Using the table from the thematic analysis, both *Case S1* and *Case S2* had some similarities that enabled them to Pivot Successfully. Both Startups shared the similarities of experiencing conflicts among the Startup Team. Furthermore, both cases ended up in a new division of roles and responsibilities during the Pivot process.

Table 8: Method of Agreement, Pivot Fail

Case	Common Outcome	Level of Functional Diversity	Similarities in single variables
Case F1	Pivot Fail	High	(1) Team disagreements and conflicts due to Functional Diversity, or lack of same, and difference in ambitions for the company
Case F2	Pivot Fail	Low	

In Table 8 above, the method of agreement analysis is cross-comparing *Case F1* and *Case F2*. The two cases had the same Pivot outcome, failure. On top of that, the cases possessed significantly different levels of Functional Diversity, being high in *Case F1* and low in *Case*

F2. Both Startups were similar in terms of team disagreements and conflicts during the pivot process.

3.6.2 The Method of Difference

In the Method of Difference, all four cases are considered. First, one case that Successfully Pivoted and possessed a High Level of Functional Diversity was compared to the case that failed at pivoting but also possessed a High Level of Functional Diversity. Secondly, one case that Successfully Pivoted and included a Low Level of Functional Diversity is compared to a case that failed to pivot but had a Low Level of Functional Diversity, as shown in Table 9 below.

Table 9: Method of Difference, Pivot Success vs. Pivot Fail 1

Case	Different Outcome	Level of Functional Diversity	Differences in cases
Case S1	Pivot Success	High	The same end goal in terms of change of business model and the Pivot
Case F1	Pivot Fail	High	Completely different viewpoints in the change of business model and Pivot end-goal

Using the Method of Difference concept, it is possible to identify which variables in cases with different outcomes are not present in one of them. By that, it could have impacted the different results. The cases taken into cross-comparison had different outcomes: Pivot success and Pivot fail. However, the cases are similar in the level of Functional Diversity, both being high. One of the main differences was that in *Case S1*, all members of the team had the same end goal of the Pivot, while in *Case F1*, the co-founders had somewhat different viewpoints of how the Pivot should turn out, as well as how the business model should look after the Pivot.

In Table 10 below, the Method of Difference concept was used to cross-compare two cases with different outcomes: Pivot success and Pivot failure. However, both instances possess the same Level of Functional Diversity, being low. The main differences between the different cases were that in *Case S2*, the team did not possess a High Level of Functional Diversity;

however, they had the necessary skills needed to change their direction and execute a Pivot Successfully, in this case, being technical expertise. Meanwhile, in *Case F2*, the team did have different skills but lacked specific skills to enable them to Pivot Successfully.

Table 10: Method of Difference, Pivot Success vs. Pivot Fail 2

Case	Different Outcome	Level of Functional Diversity	Differences in cases
Case S2	Pivot Success	Low	Had the necessary skills to execute a Successful Pivot and change of business model
Case F2	Pivot Fail	Low	Did not have the necessary skills to execute a Successful Pivot and change of business model

3.7   Limitations of the Research Design

3.7.1   Research Design

Due to Bell, Bryman & Harley (2019, p. 374), qualitative research is often criticized for being too subjective because the researchers rely heavily on an unsystematic view of what information is essential to gather. The main limitation of the research design is that the qualitative research, in terms of case studies, may not provide a general view of how Functional Diversity hinders or enables Pivots in Startups, as only four cases were examined. The interview approach allowed the interviewees to talk about what they felt relevant. Though this approach will limit the research to be replicated, further research may become necessary to get the complete picture of the concepts (Bell, Bryman & Harley 2019, p. 374). In terms of generalization, one specific limitation affects the results of the thesis. Due to Bell, Bryman & Harley (2019, p. 375), interviews conducted with a small number of participants in a specific company (as all four cases in this thesis) cannot generalize the findings to other settings. This means that the world and social setting may look different if data from more cases were collected and analyzed.

3.7.2 Data Collection Method

In the data collection, the authors interviewed three members from *Case S1*, two members from *Case S2*, one member from *Case F1*, and two members from *Case F2*. The intent was to interview at least two members from each case to gain knowledge from two sides of the same story. The approach enables the authors to see whether the different members had the same experience of the team functionalities and the Pivot itself. However, one limitation in the data collection was that the authors could not interview more than one member from *Case F1* and not all members from *Case S1*, *Case S2*, and *Case F2*. This was because the other members were not interested in participating in the research. It may cause less quality of the findings, as the other members of *Case F1* may have had different views of the team functionalities, the Pivot process, and the Pivot itself.

3.8 Ethical Considerations

When interviewing individuals, personal and sensitive information is conducted. Therefore, the interviewer needs to consider the moral and ethical aspects of data (Bell & Bryman, 2007). After the first initial discovery calls, the interviewers learned that most interviewees wanted their data to be anonymous. Therefore, to ensure integrity, the authors applied ethical considerations suggested by Bell, Bryman & Harley (2019). The authors provided each interviewee with a written consent form explaining that the interview would be kept anonymous (see Appendix B). In addition, the interviewees were also asked for their permission to recording the interviews, which was given consent to verbally. The purpose of the recording was solely to enable the interviewers to transcribe and analyze the interviews afterward. Lastly, the authors used pseudonyms to keep the authors' names protected.

4 Findings

In this chapter, the findings derived from the triangulated data analysis will be presented. The findings will be structured from the cross-comparison tables (Table 7, 8, 9, and 10) within the two methods: Method of Agreement and Method of Difference. The data within the four method tables have been gathered from the thematic analysis from the interviews.

4.1 Findings from the Method of Agreement Cross-Comparison

Considering the Method of Agreement, multiple findings were obtained from the data analysis. Following the same structure as presented in the data analysis in Chapter 3.6.1, the Method of Agreement cross-comparison is divided into two tables. The first table (Table 11) compares the two cases with the common outcome: Pivot Success. The second table (Table 12) compares the two cases with the common outcome: Pivot Failure.

4.1.1 Common Outcome: Pivot Success

In the two Successful Pivot cases, *Case S1* and *Case S2*, the following findings were obtained as presented in Table 11 below. When considering the comparison from the data analysis, comparing two cases with a common outcome (Pivot success), one similarity was that both teams experienced conflict among the team members.

Table 11: Method of Agreement, Pivot Success

Case	Common Outcome	Level of Functional Diversity	Similarities in single variables
Case S1	Pivot Success	High	(1) Conflicts due to different viewpoints and opinions on the change of direction/business model
Case S2	Pivot Success	Low	(2) New division of responsibilities as needed to drive a sustainable business model

In *Case S1,* the conflict was due to the team members' different viewpoints of the situation. They all desired different components to be included in a new business model. As mentioned by Mik from *Case S1:*

> "W*e had many different viewpoints and visions, which ended in major disagreements along the way. My partner, Simon, always wanted to create a community around whatever we decided to do. This was not as important to me, as the economic structure of generating revenue was a way more crucial factor for me."*

To gain deeper insights into whether these viewpoints could be related to Functional Diversity, the authors asked Mik why they had different views and opinions. First, Mik elaborates and explains that the co-founders of *Case S1* are all from different backgrounds and grew up in different places in Denmark, which may have shaped their beliefs and interests. Though, when the authors asked whether the teams' diverse skill set could have impacted the conflicts and different viewpoints, Mik answered:

> *"Yes, of course, I think it came from our different backgrounds in various fields. You know, Finance, consulting, tech, and marketing. We had tried very different things which shaped our thoughts and visions in different ways, I guess."*

Interestingly, Frederik from *Case S1* showcases a lack of frustration when the team realized they were missing essential functionalities. However, the team quickly realized they needed to

take on new roles and responsibilities that were not within their main strength to change the business model entirely and fill in the lack of competencies, which was possible due to their Functional Diversity. As stated by Frederik from *Case S1*:

"We met a big complication and lost a co-founder who played an essential role. That role just had to be filled. In our case, we did not find an alternative, but instead, we all three went in to fill a third of that role each. It was not that the best solution."

The role mentioned by Frederik from *Case S1* was the design and content role. The authors wanted to dig deeper into the concept of role division. Therefore, Frederik was asked why taking one-third of each role was not the best solution and what solution would be the best one. Frederik elaborates: *"Well, the best solution would be to find a fourth co-founder who knew how to design products and design content."*. The authors continued the discussion around role division and asked why they decided to take a third of each role instead of finding a fourth co-founder. Frederik explains:

"Because it was durable. It is not easy to find someone you like to work with. This solution was durable because our different expertise like marketing and creative design complemented each other greatly in this role."

Due to the teams' high level of diverse expertise and knowledge, it was possible to divide the roles efficiently, matching the co-founders' skills and new responsibilities, making it possible for them to be comfortable with their extra responsibilities.

Like *Case S1*, *Case S2* also experienced conflicts during their pivoting process. Though, in this case, the conflicts were mainly due to the relationship between the co-founders as stated by Kasper from *Case S2*, the conflicts derived from the frustration that occurred when the team realized that they had trouble moving on without a more structured management approach.

"We went into a quite frustrating period in our business when we found multiple components not working properly. It was difficult to decide who should be

responsible for what when we're all tech guys who love the technical aspect and development."

The programmer who provided the code for the initial business model was very attached to the code itself and found it challenging to let it go and create a new one. The other co-founders were not satisfied with the programmers' commitment to the old business model, which established conflicts, as a new code was needed to change direction. As Frank from *Case S2* mentioned:

"I think the biggest conflict in our founding team occurred when our programmer fell in love with the code he had been working on for many months. He was too attached to what he spent months creating and had a hard time discarding it to create a new code that would support a different business model. We had a tough time convincing him about changing direction. Otherwise, we would never accomplish what we wanted. We simply had no traction."

Interestingly, the main similarity in the two success cases was a new division of roles and responsibilities. In *Case S2,* all co-founders had similar skills. They were all technically strong and would be ideal for leading the technical aspect of the business. Though, the team was experienced and knew they needed to divide new roles with deeper managerial tasks. The team decided that one of the co-founders should take the role of a CEO, one the role of a COO, and one the role of a CTO. Kasper from *Case S2* states:

"We realized how important role division is to avoid conflicts and define who decides what. We were all good technically and would all be ideal as the CTO. However, we knew that we needed to fill in other gaps if we wanted to succeed. We decided to spare each other by having one CEO, one COO, and one CTO. I didn't want to have the overall strategic decision-making, so it was natural for me to take the COO position and decide how to streamline and drive our operations. So instead of having three strong technical founders, we now took on different responsibilities, which allowed us to fill in different gabs of our business."

This decision made it possible for them to have structure and not intertwine with each other in terms of decision-making. Therefore, the new role division was mainly due to structure and decision-making to avoid conflicts and overlapping roles in the future.

4.1.2   Common Outcome; Pivot Fail

In the two failed Pivot cases, *Case F1*, which contained a High Level of Functional Diversity, and *Case F2* who had a Low Level of Functional Diversity, the following findings were obtained from analyzing the cases through the Method of Agreement as explored in Table 12 below.

Table 12: Method of Agreement, Pivot Fail

Case	Common Outcome	Level of Functional Diversity	Similarities in single variables
Case F1	Pivot Fail	High	(1) Team disagreements and conflicts due to different workflows and visions / ambition for the company
Case F2	Pivot Fail	Low	

After analyzing the two Pivot failure cases, one similarity stood out. Like *Case S1* and *Case S2*, the two ventures that failed to Pivot also experienced conflict. In *Case F1,* these conflicts were the primary component that hindered the Startup in executing a Successful Pivot. As mentioned by Thomas from *Case F1*:

> *"We experienced a lot of issues. I like to work when I work and not have fun during the working day. Jakob likes to wake up late and work in the night, which annoyed me a lot as this approach hurt the team dynamics."*

Due to Thomas, the first conflicts occurred because of the structure and team dynamic issues, which resulted from different workflows and work habits. However, In *Case F1,* other conflicts occurred with their products. Thomas further explains:

"Kristian wanted to sell ASAP and just use the remote control instead of our app,
while I could see both opportunities. One night Jakob took a solo decision to
delay all products to perfect the remote. He's our product developer and therefore
only thinks of development and not selling."

Thomas continues: *"That decision slowed us down a lot as the disagreements ended up in us*
not focusing on the actual problem; developing the platform for our change of business
model.". The team members each had different viewpoints of which direction the business
model should go. With a background in product development, the product developer desired
to develop the physical products more. Simultaneously, the sales and marketing responsible
was aware of the enormous potential in the technical business model and preferred to Pivot
into a software company. The disagreements around what direction the company should go
and the frustrations among their working styles made the Pivot process inefficient. Instead,
too much effort was spent discussing alternative solutions on what direction the company
should go. Finally, the conflicts became too big of a burden ever to agree between the team
members.

Likewise, In *Case F2*, the main implication was disagreement in the founding team. Two of
the three co-founders had big visions for the company, while the third co-founder did not. As
stated by Alexander from *Case F2*:

"When we told him about changing the business model, he wanted to get out of
the company. It was a problem because he was the only one of us who knew his
way around supply chain and manufacturing."

The team had different views of where the business should go and their ambitions for the
company. For example, if some of the founders want to make a living from the business, it
can cause trouble if the other members are satisfied with a small earning. Alexander
continues:

"We got in a lot of arguments along the way because we had different ambitions
for the company. He had another job with great opportunities that he wouldn't
quit. He was delighted to earn a small amount of money from our company each

month to support his rent payment. But me and Mathias was way more ambitious

and wanted the company to succeed and become something."

Another team member, Mathias, elaborated on the main issue and explained that the co-founders did not share the same vision for the company. Mathias explains:

"I think it causes frustration that one of our founders wanted to leave the

company. To fill his role was extremely unmanageable because Alex and I would

have to learn a new skill which would take a lot of effort, which we were willing to

do, but we did not have the time to do it."

The third co-founder, who possessed a vital skill within supply chain management, decided to leave the company if the other two founders decided to Pivot with a majority vote. When the majority vote came into play, the co-founder left, and the lack of Functional Diversity affected the company negatively, which resulted in a failed Pivot. The outcome was mainly because the remaining co-founders did not have the skills and knowledge to build a new business model without a supply chain manager and manufacturing responsible. They were in crucial need of someone who had experience and knowledge of supply chain management. In short, they did not possess the skills needed to change the direction of the Startup. In this case, a team with a High Level of Functional Diversity might have benefited their outcome.

4.2   Findings from the Method of Difference Cross-Comparison

After analyzing the data through the Method of Agreement, the authors continued by analyzing the data through the Method of Difference. Following the same structure as from the data analysis presented in Chapter 3.6.2, the Method of Difference cross-comparison is divided into two tables. Each table compares two cases (*Case S1* and *Case F1*), however, with different outcomes of their Pivot.

4.2.1 Different Outcomes; Pivot Success vs. Pivot Fail, 1

Firstly, the authors analyzed *Case S1* and *Case F1* who both had a team consisting of a High Level of Functional Diversity and two different Pivot outcomes, as presented in Table 13 below.

Table 13: Method of Difference, Pivot Success vs. Pivot Fail, 1

Case	Different Outcome	Level of Functional Diversity	Differences in cases
Case S1	Pivot Success	High	The same end goal in terms of change of business model and the Pivot
Case F1	Pivot Fail	High	Different viewpoints in the change of business model and Pivot end-goal

One of the main success factors that enabled *Case S1* to Pivot Successfully was that the co-founders had the same end goal. Despite many disagreements, the entire team agreed that the new business model should be scalable and allow recurring revenue in monthly subscriptions. As explained by Mik from *Case S1*, the authors gained critical insights into how the team dynamics allowed a shared vision of the Pivot:

> *"Even though we all had different components and viewpoints of how our new business model should look, we all had the same end goal, which was to create a sustainable digital business that would create recurring revenue through a digital platform."*

Moreover, by sharing the same end goal as a strategic component, the team overcame the conflicts discussed in Chapter 4.1.1. Mik explains:

> *"Because we shared these thoughts, we always worked towards the same end goal, even though we had disagreements and different views along the way. If everyone has the same dream, you will not let small conflicts get in the way of reaching it, and I think this helped our team overcome our challenges."*

The shared end goal assisted the team in working together towards their desired Pivot, even though different components of the product had different values to each co-founder. Oppositely, the main element that hindered *Case F1* in executing a Successful Pivot was the controversy regarding the product. When explained by Thomas from *Case F1*, the authors gained critical insights into how a set of entirely different viewpoints in the processes affected their Pivot outcome negatively. Thomas explained:

"It is tough to create a great company and a sustainable direction that allows a successful change when the team disagrees in so many aspects. We have different skills and viewpoints and thereby care about different things."

To understand the issues and gain a detailed overview, the authors asked Thomas to elaborate on the situation. Thomas continues by mentioning:

"When a product developer is so deep into developing an excellent product, the rest of the team can't do anything in terms of sales and marketing because we're just waiting. Still, it's an ongoing process."

While one of the co-founders, the Product Developer, had a vision of improving and selling the physical product, the sales and marketing responsible had a vision of turning the company into a software business. The founders had utterly different views on what direction the business should go. Therefore, a shared vision for the team is a significant finding in the research regarding what could explain the difference between teams successfully executing a Pivot and teams that fail to execute a Pivot.

4.2.2   Different Outcome; Pivot Success vs. Pivot Fail, 2

After analyzing *Case S1* and *Case F1*, who shared a common variable of a highly functional diverse team, we continued our analysis by comparing *Case S2* and *Case F2*. They consisted of teams with a Low Level of Functional Diversity, as presented in Table 14 below.

Table 14: Method of Difference, Pivot Success vs. Pivot Fail, 2

Case	Common Outcome	Level of Functional Diversity	Differences in cases
Case S2	Pivot Success	Low	Had the necessary skills to execute a Successful Pivot and change of business model
Case F2	Pivot Fail	Low	Did not have the necessary skills to execute a successful Pivot and change of business model

Firstly, the authors identified one factor which made it possible for *Case S2* to execute a Successful Pivot. In this case, the founding team didn't have a variety of functional skills; however, in this case, they consisted of the right skills to Pivot successfully for their area of business. From the interview with Frank in *Case S2*, the authors gained insights into how and why their team composition and skills enabled them to Pivot successfully. Frank explains:

"We had little traction with the former business model and knew how to streamline operations. Still, we were able to change the company's direction because of our technical experience. We are all tech geeks, to say the least, and that was the most crucial set of skills that we needed to change, as the main area was to re-code the system entirely."

The level of Functional Diversity in the Startup team was significantly lower than in any other cases analyzed for this thesis. The Startup Team in *Case S2* were all technical experts, which was the necessary skill to Pivot in this case. Therefore, in *Case S2*, the team enabled themselves to create a Successful Pivot outcome due to their specific and essential skills required for their business.

In comparison, *Case F2's* experienced the opposite, and their attempt to Pivot turned out as a failure. In this case, the founding team did have different skills; however, the level of Functional Diversity was still relatively low when they lost their third co-founder. From the interview conducted with Mathias in *Case F2*, the authors learned that even though a Startup Team possesses different functional skills, a lack of necessary skills can limit the company from pivoting. Mathias mentions: *"We tried and did what we could, but the issue was that the*

guy who left was the one who had all the contacts and skills within manufacturing and supply chain.". To better understand how big the issue was, the authors asked Mathias if he could have done anything different from what he did when the situation occurred. Mathias explains: *"Maybe we could have learned how to work with this, but it would have been very time consuming, and we simply didn't have time to pause the whole company for that long.".* When the co-founder with all manufacturing contact and supply chain management skills left, the rest of the founding team saw no option of continuing the Pivot. They lacked one crucial skill to reach a successful outcome, which the other co-founders did not possess. Therefore, *Case F2* was hindered by the lack of an essential skill, and by that never managed to achieve a Successful Pivot outcome.

4.3   Factors that can Positively Impact Pivots Outcomes

By considering the findings derived from the past sections, the authors were able to identify three factors that positively impacted the successful teams to Pivot. The three main factors were: (1) High Level of Functional Diversity, (2) Structure in Roles and Responsibilities, and (3) Shared Vision. The three findings will be further explored below.

4.3.1   High Level of Functional Diversity

A High Level of Functional Diversity can make it possible for the Startup team to have multiple Pivot opportunities. This is due to the diverse skill sets that the co-founders possess. For example, if the co-founders from *Case S1* did not have diversity in skills, they would not Pivot from an e-commerce business selling physical products into an online magazine and marketing platform. In this case, they needed different skills to enable their specific Pivot type.

> *"We could probably go many ways. We have a CGO. His responsibilities are marketing. Then we have Simon, who oversees tech and digital. Then we had a designer, who oversaw drawing the products but was also the creative director, and then myself, working with sales and finance."*

These various skills were IT infrastructure to build the technology behind the platform, web development, and marketing to build the platform's interface and gain recognition online. Besides, a sales competence was a crucial need to get the first clients and launch the business. However, as seen in the findings from *Case S2,* who also Successfully Pivoted, a High Level of Functional Diversity is not always what enables a Startup to Pivot. In this case, the founders had the same background and functional capabilities. As Kasper from *Case S2* stated: *"... but you know all three of us could have been the CTO because we're all strong on the technical side"*. Their technical skills were the only fundamental necessities for them to Pivot and create a new business model to support their Pivot success. This team did not need a diverse skill set but rather the right skill set to change their business model. However, the lack of Functional Diversity in *Case S2* may have hindered them in pursuing other business models, as their team skills were limited. Therefore, a High Level of Functional Diversity can enable a team to Pivot as it can create more opportunities in terms of the direction the venture aims to go.

4.3.2 Structure in Roles and Responsibilities

One of the more interesting findings was that teams who could take on new responsibilities and divide the critical roles in the team were an essential factor when executing a Successful Pivot. In *Case S1,* the founders had a diverse skill set to fill out every necessary responsibility and role during the Pivot process. Due to their Functional Diversity, all founders had some sort of experience in every vital area. Mik from *Case S1* mentioned: *"This solution was durable because our different expertise like marketing and creative design complemented each other greatly in this role."*.

In *Case S2,* the founders did not possess a High Level of Functional Diversity. However, they had to divide responsibilities to create a successful business structure. Even though all founders were technically proficient and would have been ideal as the CTO, they knew they had to divide their roles to establish a structure that would enable them to Pivot. One co-founder had to take the role of a CEO, and one had to take the role of a COO. This structure allowed the team to avoid conflicts and overlapping functions within their team, making the team more efficient as Kasper explains:

"We realized how important role division is to avoid conflicts and define who decides what. We were all good technically and would all be ideal as the CTO. However, we knew that we needed to fill in other gaps if we wanted to succeed."

By establishing new roles and responsibilities, each team member knew what responsibilities were within their area and in which areas they were the decision-makers. Due to Kasper from *Case S2*, this approach was an important way of creating structure and enabling an efficient working environment.

4.3.3   Shared Vision

The last finding in Pivot enablement was regarding a shared vision. Even though both *Case S1* and *Case S2* experienced conflicts and disagreements, they shared the same vision for an end goal. This shared mindset enabled both cases to work towards the same purpose, and by that, getting over conflictual disagreements in an efficient manner. In *Case S1*, the team experienced many disagreements on reaching the end goal of their pivoting process. However, they were always highly motivated towards the same end goal. As Frederik from *Case S1* said: *"We always worked towards the same end goal, even though we had disagreements and different views along the way of how to reach the goal."*. All three co-founders agreed that their new business model should consist of a digital sustainability platform that would allow recurring revenue through monthly subscriptions. This tendency tells us that Startup Teams are more likely to overcome challenges and conflicts if they agree on where to end.

4.4   Factors that can Negatively Impact Pivot Outcomes

In contrast to the positive factors, the authors were also able to connect patterns that impacted the Pivot outcomes negatively. By considering the findings derived from the past sections, three essential factors that influenced the outcome negatively stood out: (1) Lack of the Right Skills, (2) No Structure in Roles and Responsibilities, and (3) Different Views on End Goal. The following sections will further explore these findings.

4.4.1 Lack of the Right Skills

When a Startup Team aims to execute a Successful Pivot, one significant implication is not having the proper skill set. *Case F2* had the right skills to achieve a Successful Pivot within their area of business. However, when one of the three co-founders left the company, there was a lack of Functional Diversity, as they were missing their supply chain manager. Alexander from *Case F2 said: "We tried and did what we could, but the issue was that the guy who left was the one who had all the contacts and skills within manufacturing and supply chain."* Even if the remaining co-founders had a mediocre level of Functional Diversity, the lack of one specific skill hindered the Startup in executing their Pivot Successfully and instead failed in their attempt to do so. It's, therefore, vital for Startup Teams to ensure they possess the right skills for their area of business when deciding to Pivot. If the venture decides to Pivot in a direction in which they do not have the necessary skills, our results indicate that the team will be more likely to fail their Pivot attempt.

4.4.2 No Structure in Roles and Responsibilities

Interestingly, the teams who failed during their pivoting process were also the teams who either did not have a defined division of roles or were not able to establish it during the process. For example, most of the teams explored did not have defined roles before undergoing their Pivot; however, the two teams who Successfully Pivoted were also the teams who saw their lack of structure as a weakness. In contracts, the teams who failed in their attempt to Pivot were not able to confront the issue, as Mathias from *Case F2* explained:

> *"We were all doing a little bit of everything. I think that created many conflicts as we didn't always know what to expect from each other. At the same time, I was afraid of confronting the team with the issue. I guess you could say we didn't have enough experience or maturity to confront the problem, and it hindered us in many aspects of our business."*

Instead, the teams who failed did either not have clear responsibilities or the ability to establish them during their conflicts. Oppositely, the successful teams had enough experience to divide a strong structure of roles and responsibilities before executing their Pivot.

4.4.3   Different Views on End Goal

Another implication of executing a Successful Pivot is different viewpoints and lack of a shared end goal. In *Case F1,* the co-founders had different views on how a Pivot should shape a new business model. In this case, it was exclusively due to Functional Diversity as one co-founder, a product developer, was highly interested in developing and selling its physical product. Though, another co-founder, responsible for marketing and sales, knew of the massive potential lying in a technical business model and wanted to Pivot into a software company. These highly differentiated viewpoints are another way to describe a lack of a shared end-goal. Due to the co-founder's Functional Diversity in the Startup Team, they never had the same end goal. Thomas from *Case F1* stated:

> *"One night, Jakob took a solo decision to delay all products to perfect the remote.*
> *He's our product developer and therefore only thinks of development and not*
> *selling. That decision slowed us down a lot as the disagreements ended up in us*
> *not focusing on the actual problem; developing the platform for our change of*
> *business model."*

This lack of shared vision resulted in the Startup team trying to go in different directions simultaneously, which became highly inefficient, time-consuming, and cash consuming. In the end, the team had many different viewpoints, which their functional differences might have caused. In this case, their functional differences hindered the Startup team in finding agreement and executing a Successful Pivot. Similarly, in *Case F1,* the Startup experienced major conflicts as two out of three co-founders wanted to change the business model, and by that, Pivot. However, Mathias from *Case F1* mentioned that the third co-founder did not have the same vision, which resulted in conflicts: *"When we told him about changing the business model, he wanted to get out of the company."* Due to the company's third team members' experience and functional position, he did not see the same value in pivoting as the other co-founders did. The other co-founders had different skills and knowledge, making them highly knowledgeable of different segments and how different business models would work. However, the Pivot failed due to conflicts resulting from different viewpoints, and they were unable to establish a shared end goal to succeed with their Pivot.

4.5   Overcoming Conflicts

After analyzing each case, one interesting variable appeared in all cases. It was found that conflicts played a significant role in all four cases, whether the teams are highly functional diverse or not. Conflicts can occur when team members are too diverse, as in *Case S1* and *Case F1*, because each member sees situations and outcomes differently due to their prior experiences within their area of expertise. Likewise, as seen in *Case S2* and *Case F2*, conflicts can also occur due to a Low Level of Functional Diversity. In *Case F2,* conflicts occurred because the team members were very much alike and got stuck in the Pivot process due to frustration over a lack of knowledge and information. The interesting finding was that all teams experienced conflicts; however, the teams who were able to overcome conflicts were also the teams who Successfully Pivoted and were able to take advantage of their functionalities. To overcome conflicts, the two successful teams both had a shared vision within their team members and could get past their initial conflicts. Furthermore, teams who were able to set up a strong structure in roles and responsibilities were able to ensure efficiency, helping the team overcome conflicts and finally pursue a Pivot success.

5   Discussion & Analysis

In Chapter 4, multiple findings were discovered on how Functional Diversity in Startup Teams can impact Pivot outcomes. The following chapter will discuss and analyze the findings presented in Chapter 4 and relate them to previous research, as well as the research question. The chapter will be structured following contributions as stated in Chapter 2.3.

5.1   Understanding the Influence of Functional Diversity

Functional diversity can significantly impact team performance in both a negative and a positive way. These impacts are especially high when a team has a High Level of Functional Diversity, allowing the team to either take advantage of their Functional Diversity by creating multiple business opportunities or creating conflicts within the Startup Team due to their different viewpoints and opinions (Wegge et al. 2008). The findings, therefore, support Horwitz's (2015) findings that argue a team's Functional Diversity will positively or negatively affect accomplishing tasks. The following sections will discuss and analyze how the findings can positively or negatively affect Pivot outcomes.

5.1.1   Challenges Within Startup Teams

Empirical findings of this thesis indicate that a Startup Team will often experience conflict within the team while pursuing a Pivot. As seen in all four cases studied, these conflicts happen for both Startup Teams who will Succeed with their Pivot and Startup Teams who will become Unsuccessful in their outcome. This study then suggests that it is the Startup Team that can get past these conflicts that will be more likely to reach a Successful Pivot outcome. Building on this, the authors found that there can be several reasons why teams will experience conflicts. Teams with a High Level of Functional Diversity can experience conflicts due to their prior experience and knowledge within their fields, causing them to have different viewpoints and opinions. These findings align with previous scholars who found similar results regarding how Functional Diversity can create conflict within teams (Knight et al. 1999; Pelled, Eisenhardt & Xin, 1999). In addition, empirical findings of this thesis found

that team conflict can also occur due to a lack of Functional Diversity as the Startup Team may find it challenging to cope with a lack of business model opportunities, as Alexander explained: "*It's frustrating when a team member who has vital skills leave your company. It kind of leaves you stuck with a business you cannot move on with.*". These findings add a new thinking to Baker, Miner and Eesley's (2003) research, arguing a homogenous team will often find the quickest and easiest solution as they share the same interests and visions. While Highly Functional Diverse teams can experience frustrations as they have a more challenging time of finding agreement due to their differences, a Low Level of Functional Diversity can cause the team to become frustrated due to a lack of abilities to change direction. Therefore, this thesis argues that a Low Functional Diverse team might not face the same conflicts as a Highly Functional Diverse team. A team with a Low Level of Functional Diversity may experience other disputes such as frustrations over a lack of skills causing the team to lose vision for the desired Pivot, as seen in *Case F2*.

Relating back to the existing literature on Functional Diversity, a common finding among scholars has focused on time as a potential moderator to influence how a Functionally Diverse team can achieve more promising results, as teams gain experience by working with each other for a more extended time (Harrison, Price & Bell, 1998; van Knippenberg & Schippers, 2007). Though, the result of this thesis does not support these arguments. The two Successful cases explored in this research had not worked together for a long time. In fact, in both cases, the team members had worked together for less than a year before pivoting. For example, as Simon from *Case S1* explained: "*I had known the others for some time, but not professionally.*". While the team had less experience working together, they still managed to execute a Successful Pivot. At the same time, the team members of *Case F1* had worked together on a different work-related project for years, as Thomas explained: *"We actually founded another company before this and knew each other well."*. However, *Case F1*, which consisted of a High Level of Functional Diversity, still failed in its attempt to Pivot. In this research, time as a moderating factor shows no positive impact on Functional Diverse teams and their abilities to obtain better results. The findings in this research, therefore, challenge the current literature on these findings.

5.1.2   Opportunities In Functional Diverse Teams

It is possible that specific moderators can influence how certain teams will respond when facing challenges. For example, research has found that Functional Diversity might allow teams to perform better in particular industries, groups, or task complexities (Joshi & Roh, 2009; Wegge et al. 2008). The results of this thesis support these findings as a Low Level of Functional Diversity may not hinder the Startup in executing a Successful Pivot if the team possesses the necessary skills for their area of business (*Case S2*). In our sample of four Digital Businesses, the teams with the most vital skills for their initial value proposition were able to Pivot successfully. These findings suggest that functional skills within a team can enable a venture to Pivot; however, the team will only be able to Pivot if the team possesses the right skills for their desired business model. These findings add a new perspective to Easley and Wu's (2020) findings, who argued that Successful Pivots are performed when the venture is combined with a mentor or the right network ties to support the Pivot, meaning that the right resources and information is essential for the Startup to Pivot. Hence, if the Startup Team can compose a team with the right functionalities for their initial Pivot, the likelihood of a Successful Pivot will increase. Simultaneously, the results adds to Wasserman's (2012) findings, explaining that many Startups are convinced that a broad range of relevant functional skills will help Startups overcome challenges.

Our results suggest that while a team with a Low Level of Functional Diversity overlaps human capital and makes them more likely to lack critical skills (Taylor & Greve 2006), it is more a question of founding a team posing the right skills for their area of business or finding the right outsourcing to fill in the required skill. Hence, Functional Diversity will increase the chance of teams possessing the right skills for their area of business. Several findings in this thesis indicated the opportunities that come with a High Level of Functional Diversity. For example, Thomas explained: *"We often discussed business models which were completely out of our scope*.". Mik follows by stating: "*When your team is good at selling and good technically, you realize the opportunities you have*". Teams should, therefore, evaluate their value proposition and their skills before changing towards a business model they are not capable of pursuing. Though a High Level of Functional Diversity will increase the opportunities a Startup Team can pursue, as Functional Diversity creates advantages, such as better abilities to solve problems (Cummings, 2004) or more opportunities for organizational changes (Williams, Hoffmann, & Lamont, 1995).

5.2   Understanding How Startup Teams Can Become Aligned

To further stimulate a theoretical expansion, this thesis introduces two ways that can allow Startup Teams to take advantage of their Functional Diversity. Findings in this study suggest that teams with a shared vision of the end goal will be more likely to execute a Pivot successfully. The two Successful Pivot cases in this thesis were both able to establish: (1) a shared vision to help them overcome conflicts and (2) a strong structure in their roles and responsibilities.

Regarding a shared vision, these findings align with Mundell (2020), who argued that to Pivot Successfully, the Startup must plan on what direction to go. The results of this thesis suggest that teams who can align and find motivation through a shared vision will be able to both get past conflict and take advantage of their Functional Diversity. Moreover, these results align with Haas and Mortensen's (2016) findings, who presented a framework for 4-D teams (diverse, dispersed, digital, dynamic) to attain high-performance teams. Here Haas and Mortensen (2016) indicated that teams who have: (1) a compelling direction, (2) strong structure, (3) supportive context, and (3) a shared mindset would achieve more outstanding team outcomes. Building on this, the findings of this thesis suggest that teams who undergo a Pivot will only be able to follow a shared vision if the founding team can set their perspectives and ideas aside. As Frank mentioned: *"Building a business that made money was more important to me than the product we were selling."*. Instead, the founding team should find motivation through a shared team goal or product.

Second, empirical findings of this thesis indicate that a strong structure within the Startup team will allow the team to overcome challenges and be more likely to Pivot with Success. The two Startup Teams who Successfully Pivoted established a strong structure during their pivoting process by dividing roles and responsibilities. Again, these findings align with Haas and Mortensen (2016) (as explored above), who defined a strong structure as: *"Optimally designed tasks and processed, and norms that discourage destructive behavior and promote positive dynamics."* (Haas & Mortensen, 2016, p. 72). Building on this, empirical findings of this thesis support a strong structure within teams, as seen throughout the two successful cases, for example, Frank explains: *"After each member in our team got their responsibility,*

we were able to focus more on the process.". Mik follows, "*Dividing the responsibilities within our team helped us develop a roadmap for reaching our goals*.". In our findings, both cases started their company by not focusing on role division and task responsibilities; however, the pivoting process encouraged both cases to create a stronger structure. Although a team with a High Level of Functional Diversity will be able to adapt better to change (Keck, 1997; Wiersema & Bantal, 1992), our findings argue that a team with a High Level of Functional Diversity like a team with a Low Level of Functional Diversity, will not be able to Pivot Successfully if they do not have a strong structure of role division and responsibilities to support their change of direction and thereby adapt to change.

6 Conclusion

The following Chapter presents the aim of this research, main findings, implications for practice, and suggestions for future research.

6.1 Aim of the Thesis & Main Research Findings

This thesis aimed to examine how Functional Diversity in Startup Teams can impact Pivot outcomes. Specifically, the authors studied the impacts Functional Diversity has on four Danish Startup Teams who pivoted within the Digital Business industry. The contribution of the findings can be found in three ways. Firstly, the thesis finds that conflicts play a significant role in Startup teams that pivoted. Secondly, Functional Diversity was found to create positive opportunities for teams that pivoted. Thirdly, supported by data collected on the pivoting process, this thesis presents two ways Startup Teams can get past conflicts during their pivoting process.

Regarding the first contribution, this thesis found that conflicts played a significant role in all four cases studied. These conflicts occurred whether the team possessed a High Level of Functional Diversity or a Low Level of Functional Diversity. In teams with a High Level of Functional Diversity, conflicts occurred due to different viewpoints and opinions (Pelled, Eisenhardt & Zin, 1999). Oppositely, in teams with a Low Level of Functional Diversity, conflicts occurred due to frustration over a lack of the right skills or disagreement on the vision for the company.

Secondly, the study identified that Functional Diversity could create multiple business opportunities for Startup Teams that aim to Pivot. Functional diversity can positively impact the outcome of Pivots as Functional Diversity can create advantages in teams, such as better abilities to solve problems (Cummings, 2004) or more opportunities for organizational changes (Williams, Hoffmann, & Lamont, 1995). However, the result of this thesis also indicates that a High Level of Functional Diversity can only create a positive impact if the team can get past controversies during the pivoting process.

Lastly, this thesis found two strong patterns that connected the Startup Teams who Successfully Pivoted and allowed them to get past their conflicts. In the two teams who Successfully Pivoted, this thesis found that both teams were able to: (1) create a strong structure in their roles and responsibilities and (2) establish a shared end goal to ensure all team members were aligned. The two Successful teams used these two findings to get past their conflicts and instead focusing on creating value for their customers. Hence, the findings and contributions in this thesis allow for an answer to the posed research question:

How does functional diversity in startup teams impact the outcome of pivots?

This thesis argues that Functional Diversity in Startup Teams can impact the outcome of Pivots both positively and negatively. As found in this specific research, Functional Diversity can create opportunities for Startup Teams to go in multiple directions and not being limited to a specific field of business. However, Functional Diversity will only positively impact the outcome if the Startup Team can get past conflicts and take advantage of their Functional Skills. To overcome conflicts, Startup Teams should: (1) establish a shared end goal and (2) establish a strong structure with clear roles and responsibilities. Oppositely, Functional Diversity can negatively impact the Startup Team by creating conflicts due to different viewpoints and opinions if: (1) the team is not able to establish a shared end goal or (2) is not able to define clear roles and responsibilities. The negative implications will keep the team stuck in controversies and not being able to focus on the process of changing direction and taking advantage of their Functional Diversity.

6.2   Practical Implications

The practical implementations presented in this study aims to help Startup Teams possibilities of Successfully Pivoting. Though, two implications for practice should be addressed. Firstly, the suggestions in this study may help Startup Teams get past complications in the pivoting process and allow teams to take advantage of their Functional Diversity; however, there might still be other factors that could hinder their venture in gaining traction after pivoting. Such a factor could be timing to market. A venture might create a shared vision, get past conflicts, and develop a unique product while pivoting; however, if the timing is not right, the change of

direction could likely end up in failure. To take advantage of the findings in this research and create the best possible chance of gaining traction when pivoting, we suggest deep market and customer research within the Startup Teams' area of business before deciding to change direction. Secondly, all teams should consider themselves, their area of business, and how the result in this study suits their team's unique situation best. Although a new division of roles and responsibilities was found as a potential moderator for pivoting success in our results, it might not be that a new role and division is the best for all teams and their current situation.

6.3   Future Research

This study builds on previous studies by emphasizing the complications Startup Teams experience while undergoing a Pivot. From a practical perspective, our results provide insights that allow Startup Teams to better understand the hindering that can cost their team in an Unsuccessful Pivot and instead seek opportunities that increase the probability of a Successful Pivot. The results in this thesis suggest that the Startup Teams who can get past conflict would increase their chances of succeeding with their Pivot, especially if the team contains a High Level of Functional Diversity as it allows the team to go in multiple directions. The authors expect these results to generalize to Startup Teams in other business industries than Digital Businesses. However, the authors acknowledge the limitations of this thesis and recommendations for future research. This study involved only four Startup Teams and, in some teams, only one founder was interviewed. Future research could expand the data collection by interviewing more teams to explore whether their data align with the findings in this study. This would provide more credibility to the results and help develop a framework for Startup Teams undergoing a Pivot within Digital Business.

Moreover, in this research, we only interviewed ventures within the Digital Business area. Future research could expand by analyzing cases within other industries to understand how Functional Diversity impacts different industries and branches. As such, additional themes and impact on Pivot outcomes might be identified. This could help cross-compare cases between business areas and find similarities and differences between different industries. Summarizing, the authors encourage future research to expand the data collection conducted in this thesis, as more research is needed to support the findings in this study.

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Appendix A: Interview guide

Interview Questions

Introduction

Can you give us an introduction of yourself and your background?

Can you give us an introduction to your company?

What is your role and responsibilities in the company?

Body - Pivot

Can you tell us about the change of direction that you pursued?

When did you pursue the change of direction?

Why did you pivot? Did you feel a need for a change of direction, or was it more a desire?

Why was it a need? / Why did you want to change direction?

Body - Functional Diversity & Startup Team

How many people are a part of your startup team?

How many people were a part of your team when you decided to pivot?

For how long had your team been together when undertaking the pivot?

Can you elaborate on your team members' roles and responsibilities?

Why is your team composed as you described?

Did you feel that your team had the right skills and functionalities to perform the pivot successfully?

What team functionalities could have changed the outcome of your pivot?

Closing

Do you have any additional information regarding your pivot or team functionalities that you would like to discuss?

Appendix B: Consent form

LUND UNIVERSITY
School of Economics and Management

How does functional diversity in startup teams impact the outcome of pivots?

Niclas Meyer & Peter Møller
Interview Consent Form.

This letter serves as a consent form regarding the research "Pivoting in Startup Teams". I have been given information about the research aiming to answer: *"How does functional diversity in startup teams impact the outcome of pivots?"* and discussed the research project with *Peter Møller and Niclas Meyer,* who is/are conducting this research as a part of a master's degree.

I understand that by participating in this project, I give my consent and, I will be asked to give the researcher approximately *2 hours* of my time participating in the process. I understand that my participation in this research is voluntary, and I am free to refuse to participate at any time.

By agreeing to the interview, I am indicating my consent to participate in the research *anonymously* as it has been described to me. I understand that the data collected from my participation will be used for the thesis and journal publications, and I consent for it to be used in an anonymously manner. Furthermore, the data will be strictly confidential.

Appendix C: Coding

Table 15: Quotes of Prove - Thematic

Criteria	Case S1	Case F1	Case F2	Case S2
Pivot type	*"... And you can say we went back and looked at our products and services. We concluded that COVID-19 hit many retailers. Many of them had closed. Therefore, we made our magazine and marketing platform be our main product and our go-to-market strategy. So, the retailers could buy marketing spots in the magazine."*	*"We wanted to make software, we will still sell bulbs, but the idea is that our software would be what was selling. Imagine, after a long working day, you have one app for your entire smart home. You log into the platform and put music on, a movie, or lights in colors that fit your mood. Also, the lights can match the music, so party music equals party lights."*	*"... Small business but with huge potential. We started to gain recognition from companies, instead of regular consumers, who now wanted to buy large volumes."* *"... So, the real change of direction that we tried to do was to offer more products within security."*	*"... we discovered that our product was solving problems for the customers, and they didn't care how the system looked."* *"We found that our customers were only using one part of the solution. They didn't care about fancy features but just wanted an easy tool to gather data."*
Pivot trigger	*"It was dictated by the market. We would never have changed product sales where you can make 2,000 KR. Per sale with a market, like the magazine initiative, in a competitive market with very low margins. It was because of the global pandemic, and no*	*"We still care about the light bulbs and still want to sell them. The problem was that people don't want to buy light bulbs that need to be controlled by another device from another company... Or maybe they do, but then it has to be way cheaper than competitors, which we were, but*	*"... Electronic retail chains in Denmark started to offer the same products at the same price. It became difficult for us to sell through our more or less unknown web shop than the big chains. But also, because companies started to contact*	*"... but the UX and UI caused frustration for our programmer and our customers because it was hard to convince customers to use our product. At the same time, competitors started to enter the market, and their solutions looked much better*

	one bought suitcases or traveled"	*that also meant lower margins."* *"... We had to create some kind of tech solution to compete with Philips Hue."*	*us, we thought B2B was a better fit for us."* *"... We wanted to do it because the market showed a need for the product, but at the same time, the market lost interest in our initial model."*	*than ours and more modern."*
Pivot success/ fail	*"... There was an excellent response, and in the first week, we got a customer."*	*"We do not have a tech guy, and we need a tech guy, so it's not possible without. We can't make this technology even though we believe so much in it. To ever succeed with this change, we need someone who can actually develop this, and we don't have those competencies."*	*"When we informed the last guy about the situation, he wanted out."* *"We started to try to figure out how to get in touch with the right manufacturers of the RFID cards, but it was challenging without our last co-founder who knew how to do all this. That was why the company never became anything spectacular."*	*"... well, yes, it ended up as expected. Good. The market accepted our solution in another way, and we grew our company to be present in multiple countries."* *"We are now in several countries."*

Types of Functional Diversity	*"We have a CGO. His responsibilities are marketing. Then we have Simon, who is in charge of tech and digital. Then we had a designer, who was in charge of drawing the products but was also the creative director."* *"... My responsibilities were very much focused on supply chain, finance, and sustainability."* *"... Then a sales process started, that I know very well."*	*"We have X1 who is developing our products and knows his way around the supply chain. Then we have X2 who is like in charge of daily operations...."* *"... yeah, and I'm responsible for sales and marketing, and then X3 is like our creative dude who builds and designs websites and social media and stuff like that. Very creative mindset, but also likes to execute on things."*	*"Yes, so we were three co-founders, and my main responsibility was the technology and development of the website... and the finance part."* *"Okay, so one of them, who had the idea, was responsible for all graphics and marketing stuff..."* *"The third guy was completely focused on supply chain management and had all contact with suppliers."*	*"My role in the company is to act as the CTO. So yeah, this means my responsibility is to secure the development and the business side work well together..."* *"... but you know all three of us could have been the CTO because we're all strong on the technical side. But we just needed to divide responsibilities to fit all classic business roles."*