Sensemaking effects on employees' actions in a changing startup environment:

An interpretative case study of how sensemaking can have repercussions on employees' actions to change initiatives in the startup environment

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Christoph Liebig & Ivo Sommer

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We hope you enjoy reading.

Abstract

Title
Sensemaking effects on employees' actions in a changing startup environment: An interpretative case study of how sensemaking can have repercussions on employees' to change initiatives in the startup environment.

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Authors
Christoph Liebig and Ivo Sommer

Supervisor
PhD Tony Huzzard

Key words
'Startup', 'Organizational change', 'Sensemaking', 'Sensegiving', 'Operating model', 'Employee responses', 'Growth'

Purpose
The purpose of this thesis is to understand how sensemaking about change affects employees' actions in hypergrowth startups. Although the focus of this study is on the implementation of a NOM at FinUP, we also aim to provide valuable insights into organizational change theory as a whole. Our goal is to complement existing sensemaking theory with empirical research that uses Weick's (1995) sensemaking concept as the primary analytical lens.

Methodology
Our study uses an inductive approach, as it helps us explore employees' actions resulting from sensemaking within a startup environment and develop a theoretical explanation based on data collected and analyzed.

Theoretical perspective
Our study is based on Weick's concept of sensemaking and further extends Smollan's model of responses to change.

Empirical support
The empirical data generated in this study was derived from 15 semi-structured support interviews with participants from the company that is the focus of the case study. Supporting empirical material was also generated through on-site observations and document analysis.

Conclusions
Sensemaking depends on companies' sensegiving initiatives. We found that especially in startups, where sensemaking is often based on non-existent past experience (frames) of individuals, inadequate sensegiving initiatives can sometimes lead to the fact that *No Response* towards the company's change initiative (cues) can be recognized. This prior experience is often nonexistent, as startup jobs are often employees' first professional experience after graduating from university.

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Acronym used in the thesis

Abbreviation	Meaning
NOM	New operating model

Chapter 1: Introduction

The introductory chapter of this thesis establishes the core phenomenon of interest. Afterward, we will put it into its theoretical context, which leads to a line of reasoning, and the problematization establishes the core phenomenon of interest. Subsequently, we will put it into its theoretical context, which leads to a line of reasoning and the problematization. We commence with a brief overview of our chosen research area, which is situated in approaches to organizational change, Weick's (1995) concept of sensemaking, and types of responses to change. The remainder of the chapter provides contextual background about the company we conducted research at for nine weeks — a Copenhagen-based FinTech founded in 2015 that is currently experiencing strong growth. Due to confidentiality, we use FinUP as a pseudonym for that company. The investigated phenomenon is the implementation of a new operational model (NOM) and simultaneously growing the workforce from 500 to over 1,000 in one year. Ultimately, we then turn this discussion into the statement of our research question before proceeding with the disposition of our study.

1.1 Background

At its simplest, organizational change can be characterized as new ways of organizing and operating a company (Dawson, 2003). However, throughout this thesis, we will show that there is much more to the concept of organizational change than this simple definition initially suggests. Many researchers agree on one topic: Organizations need to continuously change and innovate to maintain competitiveness in the short term and survive in the long term (Nohria & Beer, 2000; Harper & Porter, 2011).

Nevertheless, precisely planned and quickly implemented organizational change projects seem obsolete (Alvesson & Sveningsson, 2016). This assumption is supported by a study by Beer and Nohria (2000), whose results show that 70% of all intended change initiatives fail. Isern and Pung (2007) corroborate this figure, finding in a McKinsey Quarterly global survey stating that out of 1,536 executives involved in various change initiatives, only 38% considered these initiatives successful. Only 30% felt that they contributed to lasting organizational improvement. Advocates supporting a process perspective suggest that change initiatives have limited predictability and probable unpredictable outcomes (Alvesson & Sveningsson, 2016; Weick & Quinn, 1999). Correspondingly, there are calls to move the focus from conventional identifiers such as structures, systems, or financial factors to the micro-perspective of each stakeholder, encompassing local interpretations, understandings, and translations, as an effective change must receive employee support (Beer & Nohria, 2000; Alvesson & Sveningsson, 2016; Meyer, Srinivas, Lal, Topolnytsky, 2007; Kotter, 2012).

1.2 Organizational change methods and sensemaking

It is essential to understand why and how organizations change. Henry Ford allegedly stated: "If you always do what you've always done, you'll always get what you've always got." Technology is becoming an increasingly important part of people's daily lives, and to cope with intense time pressures and survive in dynamic markets, startups must continuously make important decisions about whether to change direction or remain on their chosen path (Bajwa, Wang, Duc, Abrahamsson, Maglyas, Lamprecht, 2016). Change can be made through many different approaches. Sveningsson and Sörgärde (2013) define two categories and differentiate between *episodic* and *performative* change. We will elaborate on both in the following sub-chapter and explain the difference.

1.2.1 Organizational change methods

Episodic change is considered infrequent and discontinuous and is often caused by a misalignment or divergence of the organization and its environment. In the episodic view of change, organizations are viewed as static entities which change on specific events, usually in response to an external force, such as a deliberate management action. Smircich and Stubbart (1985), who advocate the "enacted environment" viewpoint, equally argue that "the external environment" is a construct grounded upon individual perceptions. In fact, within even a single organization, managers are likely to interpret what is occurring in the external environment differently and come to different conclusions about change that can be desirable or undesirable.

Thus, organizations cycle back and forth from long periods of steadiness to short episodes of change (Sveningsson & Sörgärde, 2013).

Performative change approaches are process-based and view change, in somewhat stable terms, as the natural state of organizational life. Since change is constant, evolving, and cumulative, organizations are viewed as continuously constructed and performed. Change occurs every day, resulting from adjustments, experiments, improvisations, and adaptations triggered by a focus on everyday mishaps, exceptions, requirements, and other coincidences (Sveningsson & Sörgärde, 2013; Orlikowski, 1996). These repeated, shared, reinforced, and sustained adaptations can lead to noticeable and salient organizational changes over time (Orlikowski, 1996). Therefore, we do not entirely disagree with Henry Ford's statement but rather endorse the words of the German philosopher Friedrich Schiller, who allegedly said: "Wer nicht mit der Zeit geht, geht mit der Zeit. "(Who does not move with the times will eventually not be present anymore.)

Correspondingly, managing and implementing change is problematic, exclusively relying on a "top-down" diagnostic procedure but disregarding the "bottom-up" viewpoint, especially since it is the latter that discloses the complications of change and the way we can address it (Sveningsson & Sörgärde, 2013). Therefore, we need to recognize that "businesses, organizations and working life are very much made up of – or understood as – highly ambiguous phenomena" (Alvesson, 2004, p. 49). Thus, oversimplifying complicated issues such as organizational transformation tends to be the nemesis of reflexivity, requiring more profound analysis, as "major change is usually impossible unless most employees are willing to help" (Alvesson, Blom & Sveningsson, 2017; Kotter, 2012, p. 24).

Furthermore, following Alvesson and Sveningsson's (2016) suggestion of pursuing a bottom-up approach requires a framework that considers the change differently than the diagnostic approach. Therefore, the literature calls for a more continuous change approach that considers the diversity of people participating in a change project and their context. In the same vein, Weick (1995, p. 6) argues that "sense may be in the eye of the beholder, but beholders vote and the majority rules." Accordingly, the sensemaking framework provides a valuable analytical tool for understanding how sensemaking about change affects employees' actions (Weick, 1995).

1.2.2 Sensemaking

Weick's (1995) sensemaking theory is a more dialogic approach to change than the aforementioned diagnostic approaches. Processes of sensemaking are at the center of a great deal of research in organizational studies, which attempts to explain how people in organizations confronted with events try to make sense of meanings (Brown, Colville & Pye, 2015). In times of change, the employees form a picture of the planned events and their effects (sensemaking) (Palmer, Dunford & Buchanan, 2017). Managers cannot stop this process as it evolves locally. Nevertheless, managers can influence the individuals' interpretation by presenting their understanding of events (sensegiving) (Dunford & Jones, 2000; Palmer, Dunford & Buchanan, 2017). Thus, language plays a vital role in sensemaking which can be expressed through narratives.

Today, sensemaking is a clear perspective in organizational research and is closely related to study in the interpretive, social constructivist, and phenomenological fields (Brown, Colville & Pye, 2015). Recent literature has also focused more on sensemaking and organizational change, given the subjective and individualistic nature of how social actors make meaning. Thus, it focuses more on meaning-oriented management approaches that are more sensitive to individual differences. For example, Robert and Ola (2021) emphasize that sensemaking is a crucial activity when organizational ambiguity and sensemaking gaps occur among members of an organization. Therefore, the significance of a somewhat humanistic and meaning-based approach was ignored in the predominant diagnostic approaches used in these projects.

When individuals are confronted with change at work, they will respond at cognitive, affective, and behavioral levels depending on how employees perceive the change. Behavioral responses result from cognitive and emotional reactions being conveyed and facilitated by various factors, including some within the employee's context, some within the change manager's context, and others within the organization's context (Smollan, 2006). However, we agree that managers must estimate how workers might react on all three levels no matter what type of change is considered (Smollan, 2006). *Section 2.5* of our thesis will elaborate on the different levels and explain different reactions, such as resistance to change.

As there is limited information on how organizational change methods, sensemaking, and responses to change occur in startups, we have chosen FinUP as an example to shine light into that unexplored area. Therefore, we will provide contextual information about FinUP in the subsequent section and further define the connected problem.

1.3 Contextual background

To better understand the context of our research, in this section, we will shortly explain how a hypergrowth startup is defined, as FinUP is currently in that stage. The OECD (2008, p. 61) defines "all enterprises with average annualized growth greater than 20% per annum, over a three-year period [...], as high-growth enterprises." Therefore, growth can be measured by the size of the workforce and by revenue. According to Ricard (2020), "hypergrowth occurs when an organization's compound annual growth rate (CAGR) exceeds 40%." Regular growing companies usually have a CAGR of less than 20%. Both cases apply to FinUP, as we will further elaborate on throughout this section.

Moreover, we will provide background information about FinUP and its ambitions, as well as the European startup scene. FinUP is a Copenhagen-based FinTech and was founded in 2015. FinUP has raised triple-digit venture capital and is utilizing it for exponential growth. FinUp is one of many companies in Europe nowadays using venture capital to grow. European startup funding has been steadily increasing within the last ten years and has experienced unprecedented growth in 2021, with $116 billion invested (see figure 1), corresponding with FinUP's headcount growth in 2021 of 254. That is a 159% increase compared to $45 billion invested in 2020. Less than $8 billion were invested in European startups a decade ago. In 2012, European venture capital funding accounted for 13% of total global funding. Almost ten years later, in 2021, that share was at 18% (Teare, 2022). Part of the reason startups can raise record amounts of money is today's low-interest-rate environment. Globally, interest rates are low, meaning money is inexpensive. Affordable money means that people can raise capital for little cost. On the contrary, people do not get high interest at the bank, thus seeking alternatives to investing (Wilhelm, 2021).

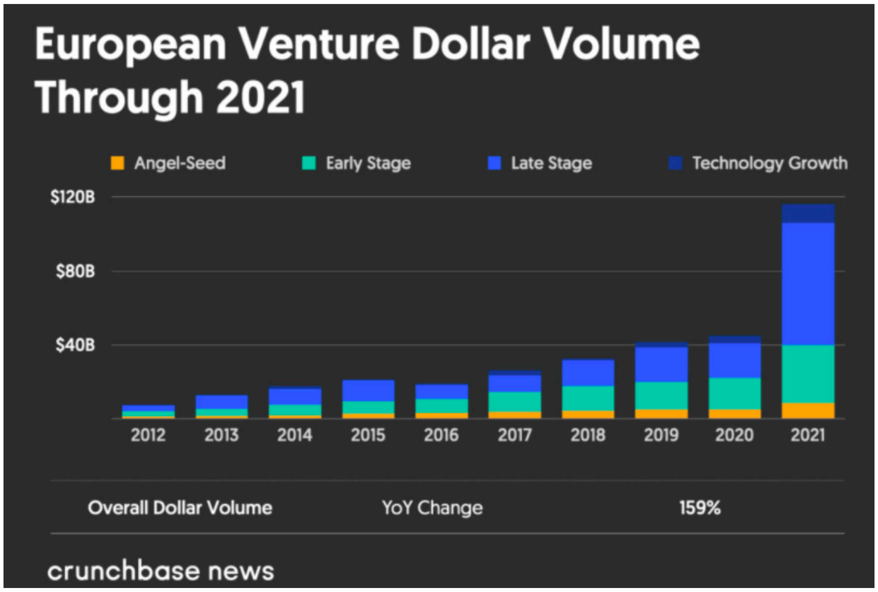

Figure 1: European Venture Dollar Volume 2012-2021 (Teare, 2022)

As startups with a popular product often double or triple in size quickly (Grosse & Loftesness, 2017), so do the expenses for their staff. Startups have become an essential part of the global employment market. "Without startups, the last decades would have yielded no net employment growth at all in the US economy (Roland Berger, 2021, p. 13)." However, startups also play an essential role in the labor market in other countries, including Germany. From 2018 to 2020, startup employment rose by 55%, corresponding to an absolute increase of 148,000 jobs, so that in 2020 415,000 people were employed in startups (Roland Berger, 2021). We are referring to the German employment market as an example since approximately 70 of meanwhile 600 employees of FinUP are employed in their Berlin office.

1.4 Problem statement and rationale

FinUP is currently implementing a NOM involving many new processes, rules, and regulations, and FinUP's employees are heavily involved in the change. The reason for the implementation of the NOM is that FinUP is experiencing exponential growth, and its old structures would hinder the company from staying efficient. In other words, FinUP wants to remain as agile as it was when it was a small startup rather than a company approaching the 1,000-employee mark. The NOM is based on how Spotify structures its operations - also known as the Spotify Model. In the Spotify

Model, "each autonomous cross-functional squad is empowered to select and tailor its own development method. Secondly, each squad is aligned to common product development goals" (Salameh & Bass, 2020, p. 1). This yields benefits such as improved creativity and productivity while mitigating the risks of deviation from common development goals through alignment practices (Salameh & Bass, 2020). Staying agile, creative, and productive is vital in exponential growth phases. Grosse and Loftesness (2017) found out that a team with more than 20 employees that try to double its headcount in less than a year is likely to run into problems because it wastes time on staffing issues, introduces product failures from poorly trained new employees, morale drops, and meetings become inefficient. Therefore, fast growth leads to declining returns, meaning the productivity per employee decreases (see figure 2), and FinUP tries to encounter that through the implementation of the NOM.

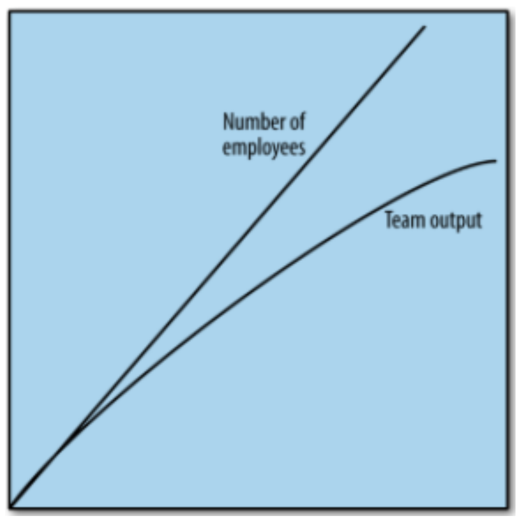

Figure 2: Rapid growth leads to declining returns (Grosse & Loftesness, 2017)

Given that the introduction of a NOM creates complex events that trigger ambiguity and uncertainty (Smollan, 2006), there is considerable latitude within NOM projects to raise awareness to guide people through such complexity. Therefore, the purpose of this thesis is to understand how sensemaking about change affects employees' actions in hypergrowth startups. Although the focus of this study is on the implementation of a NOM at FinUP, we also intend to provide valuable insights into the theory of organizational change as a whole. Our goal is to complement existing sensemaking theory with empirical research using the sensemaking concept as the primary analytical lens. Since our research focuses on startups, we simultaneously contribute to a theoretical deficit in which change projects in startups are overlooked from a sensemaking perspective. Many scholars agree that sensemaking is crucial to understanding change (Tucker, Hendy & Barlow, 2015).

However, there is limited research about how sensemaking occurs in the startup context. Thus, we try to fill that gap and use Smollan's (2006) model of responses to change as a foundation and combine it with Weick's (1995) theory of sensemaking, as we found that sensemaking is particularly important for employees in startups due to less experience among the workforce. Our study yields valuable insights on conceptual and practical levels by improving our understanding of how sensemaking occurs in hypergrowth startups. For academics, this research highlights an insufficiently theorized area of the literature on organizational change and sensemaking and further underscores the call for further research in this field. For practitioners, a better comprehension of the phenomenon we studied may help develop sensegiving techniques in organizational change. To address these premises, we studied the implementation of a NOM in a Copenhagen startup company to answer the following research question:

How does sense-making about change affect employees' actions in hypergrowth startups?

1.5 Main findings

Our empirical findings are based on the phenomenon of the NOM implementation at FinUP, which used the Spotify model to bring more structure into the company to grow more efficiently. On the one hand, most employees understand the necessity for the model to reach their objectives. On the other hand, most employees have trouble understanding how the NOM affects their daily business or team. This led to people feeling overwhelmed and uncertain. Moreover, we could perceive that employees are concerned about FinUP becoming too corporate, which is interesting as most employees have never experienced a corporate environment. Thus, they are partially afraid of the unknown. There is consensus about the fact that FinUP needs more people to become the market leader in their business area. However, some employees cannot understand the pressure of hiring so many people, and sometimes it appears that FinUP hires just for the sake of hiring, with sometimes more than 100 new people per month. FinUP introduced the NOM through a kick-off event and two-day workshops for their employees. The way FinUP conducted sensegiving resulted partially in an information overload. However, the company added that people should embrace the change, which hindered them from being motivated to understand it and led partly to “No response” as an action.

1.6 Disposition

In the following chapter, we present the literature we used in our work, using Weick's (1995) concept of sensemaking as a guiding principle for the analysis of our empirical material. Chapter 3 explains the methodological deliberations we undertook in designing this study and outlines the process undertaken to engender and analyze our data. Chapter 4 introduces the empirical data we obtained as part of our study and explains our findings by explaining the context around NOM and how FinUP staff make sense of it. Chapter 5 analyzes and discusses these empirical data using Weick's (1995) sensemaking theory. Ultimately, in Chapter 6, our study generates concluding remarks, reflecting on our findings' theoretical and practical contributions and proposing directions for future research.

Chapter 2: Literature review

This chapter provides theoretical background regarding organizational change methods, talking more closely about diagnostic and dialogic change. Furthermore, the concept of sensemaking is introduced, and its implications for organizational change are outlined. Lastly, the related concept of sensegiving is explained and theoretically linked to change projects. Eventually, types of responses to change will provide a theoretical understanding of which process employees are going through on their way to action as a response to change.

2.1 Diagnostic change

Theories and analyses of organizational change seek to explain why organizations change and the consequences of change. Even though the field of organizational change receives vast attention, more than 70% of change initiatives fail (Nohria & Beer, 2000). 70% is a significant chance of failure, as we presented in *section 1.3* how much money investors put into startups nowadays.

Many organizations are guided by a diagnostic, planned approach to change. Early scholars in organizational development argue that one of the primary tasks of a change agent is to create valid data, as it is assumed to reflect an underlying reality that people cannot see (Argyris, 1970; Beckhard, 1969; Bennis, 1969). Many researchers believe that this approach rationalizes the complexity of managing change by taking a "top-down" perspective and considering change as a discontinuous, episodic, and linear process (Alvesson & Sveningsson, 2016; Palmer, Dunford & Buchanan, 2016). This has led to a set of diagnostic tools in the form of n-step models that the change manager should follow to achieve successful results regardless of the type of change. Foundational to this is the three-step model by Lewin (1947; 1951), which is composed of three stages: unfreezing, change, and refreezing. Sveningsson & Sörgärde (2013) use the metaphor of an ice cube to simplify the understanding of Lewin's (1947; 1951) model.

The first unfreezing step of the organizational change begins with destabilizing the status quo, i.e., the prevailing norms and values. For example, this is done through projects, education, or persuasive conversations. The second step, change, is about cognitive restructurings, such as changing language or learning new norms and judgments, which moves the "organization to a new and, for organizational members, acceptable state" (Alvesson & Sveningsson, 2016, p. 22). The third, and last stage, refreezing, is about stabilizing the new equilibrium (Lewin, 1951). Bushe and Marshak (2009) argue that when change is approached diagnostically in this way, it is even possible to transfer successful change efforts from one organization to another. Thus, n-step models are believed to simplify the successful implementation of change. (Palmer, Dunford & Buchanan, 2016). Naturally, Lewin's ice cube model is not the only model in organizational change literature.

Another well-cited model is the "8 steps to leading change" developed by Kotter (2012), which proposes predefined steps that one should rigorously follow to achieve a successful outcome. Lewin's (1947; 1951) and Kotter's (2012) models represent only two of several n-step models in the change literature. However, the majority are characterized by the same underlying linear steps of approaching and managing change, which are diagnosis, analysis, planning, implementation, and evaluation (Dawson, 2002). A presumption underlying this diagnostic framework is that change managers act as rational actors within organizations, capable of making thoroughly rational decisions within a change process (Bushe & Marshak, 2009; Palmer, Dunford & Buchanan, 2016).

Nevertheless, Alvesson and Sveningsson (2016, p. 38) argue that such rational models towards change do not have a substantial influence on change efforts, and as soon as *“they leave the drawing board and get set in motion in an organizational setting, a variety of problems occur that make planned change problematic.”* From our perspective, it is a valid statement by Alvesson and Sveningsson. The diagnostic approach tends to oversimplify complex change initiatives, providing change agents and involved stakeholders with too positive expectations of a rapid change process. Nevertheless, the diagnostic approach to change supplies the change manager with precise instruments, making the change processes easier to grasp and understand for the persons affected. Due to that, and despite the critiques of diagnostic change models, they are widely utilized (Graetz & Smith, 2010; Sveningsson & Sörgärde, 2013).

2.2 The human being in the process of change

Alvesson and Sveningsson (2016) argue that the change diagnosis approach overlooks that people tend to make sense of and interpret change initiatives differently. The complexity of dealing with human beings' way of making sense and acting accordingly is elucidated by Jonassen and Land (2000, p. 102), stating that "people are all simultaneously members of various communities (the community in which they live, the community within which they recreate, and the professional community in which they work)." Individuals constantly have to change their beliefs and behaviors to adapt to the expectations of the different groups that are socially mediated.

Conflicts often arise between roles in different communities, leading to transformational activities necessary to reconcile these conflicting expectations (Jonassen & Land, 2000). For instance, while individuals at the top of organizational hierarchies may take a more strategic view of projects, individuals down the hierarchy may take a more local view. As a result, individuals at lower hierarchy levels have a different approach to making sense of a project because they are affected at a different intensity by the project. Even though the latter might be the patriarch at home and has to keep an overview of all family-related processes (Weick, 1995). Furthermore, the initial stakeholder present in the context may eventually move on, and the successor may evaluate problems in an entirely new way and give them a different meaning based on the experience of the successor (Baxter & Sommerville, 2011). Therefore, while the simplistic solutions that adhere to the diagnostic approach may sound appealing, we believe these approaches lack substance regarding how change should be accomplished, meaningful and sustainable (Alvesson and Sveningsson, 2016).

2.3 Sensemaking

2.3.1 Sensemaking - an introduction

To understand how individuals perceive and interpret change processes, especially the implementation of a NOM, we base our study on Weick's (1995) sensemaking theory, which explains how individuals make sense of their environment. According to Brown, Colville & Pye (2015), sensemaking was introduced in the late 1960s by literature published on how organizations create meaning for their employees. Especially since the 1980s, the concept of sensemaking has attracted more attention in management and organizational research (Allard-Poesi, 2005).

The groundbreaking work of Karl Weick helped to advance the research by bringing together different literature on the creation of meaning and meaning-making (Brown, Colville & Pye, 2015). The theoretical model acknowledges the diversification of sensemaking by personalities within the different organizational contexts (Weick, 1995). Cues for sensemaking can be any event that corporate members face, such as organizational changes. These can be at both the macro and micro levels (Weick, 1995). Nevertheless, while the focus in organizations is frequently on micromanagement, sensemaking explicitly illustrates a picture of how such activities influence the macro-level (Zilber, 2007). Weick (1995) elaborates that individuals in organizations can be seen in two entities, the individuals as themselves and the individual representing a collectivity. Hence, when individuals embody the values and beliefs of the organization, they act on a more macro-level as usually recognized (Weick, 1995). Consequently, the sensemaking of an individual representing a collectivity can be crucial for an organization.

Weick (1995) points out that organizations are more dynamic than static institutions and socially constructed through sensemaking by multiple individuals. Sensemaking can be explained as assigning the attention or meaning to events in the environment based on previous experiences and corresponding values and beliefs (Gephart, 1993; Thomas, Clark & Gioia, 1993; Weick, Sutcliffe & Obstfeld, 2005). Furthermore, Weick, Sutcliffe & Obstfeld (2005) clarify that sensemaking is about the individual's attempt to recognize positions from the past, present, and future. This depends on the individual's understanding of what has happened and their ability to undertake potential activities (Weick, Sutcliffe & Obstfeld, 2005). The sensemaking theory is crucial for our study because it helps us understand the responses and, thus, potential actions towards implementing the NOM at FinUP.

2.3.2 Sensemaking and organizational change

"Organizational change is often suggested to be as inevitable as death and taxes. This may be particularly evident in contemporary society where pressures for change in order to sustain organizational survival are said to be greater than ever […]. " (Sveningsson & Sörgärde, 2013, p. 3). As presented in *section 1.2.1*, the episodic approach and the performative, continuous approach are well-known perspectives to work on change.

Our study focuses on the reactions from sensemaking triggered by implementing the NOM at FinUP. FinUP is acting in a fast-paced environment as a hypergrowth startup within the fintech industry, continually evolving and changing. The sensemaking theory views change processes as a continuing process resulting from individuals' day-to-day interactions instead of a diagnostic, static approach to change (Sveningsson & Sörgärde, 2013). A dialogic view of organizational change requires understanding how managers influence the process of sensemaking of a change attempt and how individuals collectively make sense of that (Gioia, Thomas, Clark & Chittipeddi, 1994; Alvesson & Sveningsson, 2016).

Additionally, Sveningsson and Sörgärde (2013) question the episodic change by acknowledging the management's importance of other factors next to leadership. Thus, they emphasize factors beyond managerial control, such as the sensemaking of individuals, and point out how they influence a successful change process (Sveningsson & Sörgärde, 2013). Bushe and Marshak (2009) add that top management does not necessarily initiate change since it emerges naturally in a subjective dialogic form. While individuals at the top of organizations may take a more strategic view, employees at lower hierarchy levels are affected differently by the change and thus make sense differently (Bushe & Marshak, 2009). Throughout the organizational change process, meanings and understandings and their shape become significant (Sveningsson & Sörgärde, 2013). Meaning is negotiated during the organizational change process (Jian, 2011; Thomas, Sargent & Hardy, 2011).

According to Balogun (2006, p. 43), "We need to move away from reifying change as something done to and placed upon individuals, and instead acknowledge the role that change recipients play in creating and shaping change outcomes." This suggests that the sensemaking concept in change management emphasizes how events are interpreted and understood. To some extent, individuals modify the strategic plans for a change process in unpredictable ways. Therefore, the reactions of organizational members are crucial for a successful change process. They cannot be only seen as potential resistant factors that need to be overcome since they are essential factors, and the sensemaking of those involved needs to be seen as critical (Helms Mills, 2003). In addition, Baxter and Sommerville (2011) point out that sensemaking recognizes the complexity of change management instead of simplifying it and not considering the various stakeholders.

2.3.3 Sensemaking in operational change projects - the case of an implementation of a new operating model.

Since information technology has moved forward and new backend systems have already been developed, entry into the fintech market is easier (Huang, Chang, Li & Lin, 2004). Additionally, through organizations like FinUP, the market has been sensitized to finance products powered by information technology. Consequently, the competition is increasing. To continue to grow at high speed, remain competitive, and run the business model successfully, managers try to leverage their agility through improving information flows and reducing costs (Huang et al., 2004). As a result, an increase in the development of agile business methods can be seen. Through such methods, organizations are trying to cope with more complexity by improving their communication, coordination, and collaboration between several small cross-functional teams (Sutharshan & Maj, 2010; Salameh & Bass, 2018). An example of that is the Spotify model, which has become influential and often serves as a basis for other organizations trying to implement a new working method to become more agile (Salameh & Bass, 2020). The Spotify model is an example of large-scale agile tailoring. The model implemented by Spotify tried to improve agility by creating autonomous teams (Salameh & Bass, 2018).

Organizations usually tailor agile methods to fit their values, strategies, culture, needs, and project-specific requirements (Campanelli & Parreiras, 2015). Nevertheless, changing an organization's processual development is a critical decision (Salameh & Bass, 2018). Implementing a NOM is complex and changes the way of working for individuals. Moreover, most individuals who face that situation do not have prior experience (Salameh & Bass, 2020).

Consequently, the sensemaking theory is used by individuals affected by the change and thus confronted with uncertainty and ambiguity to interpret the situation (Maitlis & Christianson, 2014). Nevertheless, managers have the opportunity to guide uncertain employees by enacting responses to make sense of the circumstances and process of change to create favorable outcomes (Cornelissen, 2012; Holt & Cornelissen, 2014).

In addition, managers can help employees clarify uncertainty by taking cues from the environment and interpreting them (Maitlis & Christianson, 2014). Weick (1995) defines a *cue* as an interpretation of a particular event to make sense of it. Those sensemaking activities are primarily based on an individual's and organizational background (frames) (Weick, 1995). Goffman and Berger (1986) explain a *frame* as the organizing principles that govern events and subjective participation. Thus, the term *frame* refers directly to the dimension of meaning based on the background and setting (Goffman & Berger, 1986).

2.4 Sensegiving

The concepts of sensemaking and sensegiving help create a shared purpose that facilitates the change process (Dunford & Jones, 2000). Attempting to influence others' understanding through efforts of sensegiving is considered an essential activity for the outcome of change initiatives (Maitlis & Christianson, 2014). Through the use of suggestive language, narratives, or symbols, managers or leaders can influence the sensemaking process of individuals in the organizations toward their intended objective (Maitlis & Lawrence, 2007).

Moreover, the use of narratives can help employees understand the change process. It helps to make sense of uncertain situations, inspire employees and show them the opportunities from change (Alvesson & Sveningsson, 2016). Waterman (1990, p. 41) states that managers help individuals how to make sense to "structure the unknown." This implies that, for instance, senior management has the power through sensegiving to provide individuals more structure and hence more trust in their work and the change process (Benford, 1993; Haines, 1996). In addition, management of meaning is also essential in technological change projects. Especially in startups, one sees constant change, including introducing new technologies and changes that can trigger critical events in the organizations (Griffith, 1999; Weick, 1995).

The endeavor to influence the sensemaking process is referred to by Gioia and Chittipeddi (1991) as sensegiving. Change agents begin by making sense of the new situation themselves and then move on to influence the process of sensemaking, and thereby the construction of meaning by others into their preferred organizational reality (Gioia & Chittipeddi, 1991).

Figure 3: Models of sensemaking and sensegiving (Gioia & Chittipeddi, 1991)

In figure 3, Gioia & Chittipeddi (1991) symbolize the sequential and reciprocal cycle of sensemaking and sensegiving in an organizational context. They argue that the impulse for change comes from the CEO at the highest hierarchical level. In the following, he/she engages in sensegiving to the next level, the Top Management, which is first engaged in sensemaking, and in the following, also in sensegiving to the next level to convey the meaning to the other members (Gioia & Chittipeddi, 1991). Consequently, they argue that the initial meaning for change by the CEO is adapted throughout this process of sensegiving to lower levels (Gioia & Chittipeddi, 1991).

Sensegiving can also have a negative influence on the sensemaking process. If conducted incorrectly by the management, it can increase resistance if the employees do not value how the organization interprets the change (Fiss & Zajac, 2006). Eventually, an organizational change process can trigger different types of responses by individuals. The change manager hopes that individuals comply with the initiated change process and support it (Smollan, 2006). Nevertheless, this is not always the case: Individuals are influenced by various factors that form their sensemaking process. This can lead to various responses to change, as further demonstrated in the subsequent section.

2.5 Types of responses to change

Those responsible for change hope, if not expect, that the organization's workforce will buy into the initiative for change and, ideally, support it enthusiastically by taking suitable action (Piderit, 2000). When it comes to responses to change, one would naturally think that people either comply or resist. Resistance to change is an often discussed topic in organizational change literature. However, responses to change can be way more multifarious than what naturally comes to one mind, as compliance and resistance to change neglect a respondent's emotions (Ashforth & Humphrey, 1995; Ashkanasy & Dorris, 2017).

Furthermore, we must remember that change is often a protracted process, sometimes spanning years, and that human responses are equally dynamic as change itself (Paterson & Cary, 2002; Isabella, 1990; Piderit, 2000; Smollan, 2006). More complex changes will probably evoke more negative or intense emotions as well as resistance and therefore require more care and sustained leadership (Kiefer, 2005; George & Jones, 2001). Therefore, we believe that managers must estimate how workers might react on cognitive (remembering and using knowledge), affective (emotion), and behavioral levels no matter what type of change is considered (Smollan, 2006; Oreg, 2003; Palmer, Dunford & Buchanan, 2017).

To better understand how to explain the phenomenon happening at FinUP at the moment theoretically, we use the *model of responses to change (see* figure 4) as a foundation for our theoretical contribution to change in startups. Figure 4 illustrates how organizational change elicits cognitive responses (positive, negative, neutral, or mixed evaluations) conveyed through perceptions of the beneficial nature of the results and the fairness, scope, pace, and timing of the change (Smollan, 2006). Cognitive responses affect and are influenced by affective responses (positive, negative, neutral, or mixed feelings) (Lazarus, 1991). Before acting, people usually think about the impact of their behavior, as exemplified by Piderit (2000), who suggests that employees seldom demonstrate recalcitrant attitudes oblivious to the potential personal implications.

However, we believe that this depends entirely on the situation to which a person is reacting and that sometimes reactions can be purely emotional and regretted in retrospect. The cognitive, affective, and behavioral responses are driven by factors within the individual, change leadership, and factors within the organization. Ultimately, employees' responses might affect some aspects of the change initiative, which underscores the dynamic and circulatory character of the process (Smollan, 2006). While the model applies to a broad spectrum of change events, the type of change will impact employees differently. Thus, reactions in the case of a NOM introduction at FinUP are likely to be different from downsizing in an enterprise. Chapter five will draw on the *model of responses to change* and bring our insights from our empirical data to modify the model and create a theoretical extension of the change literature for startups.

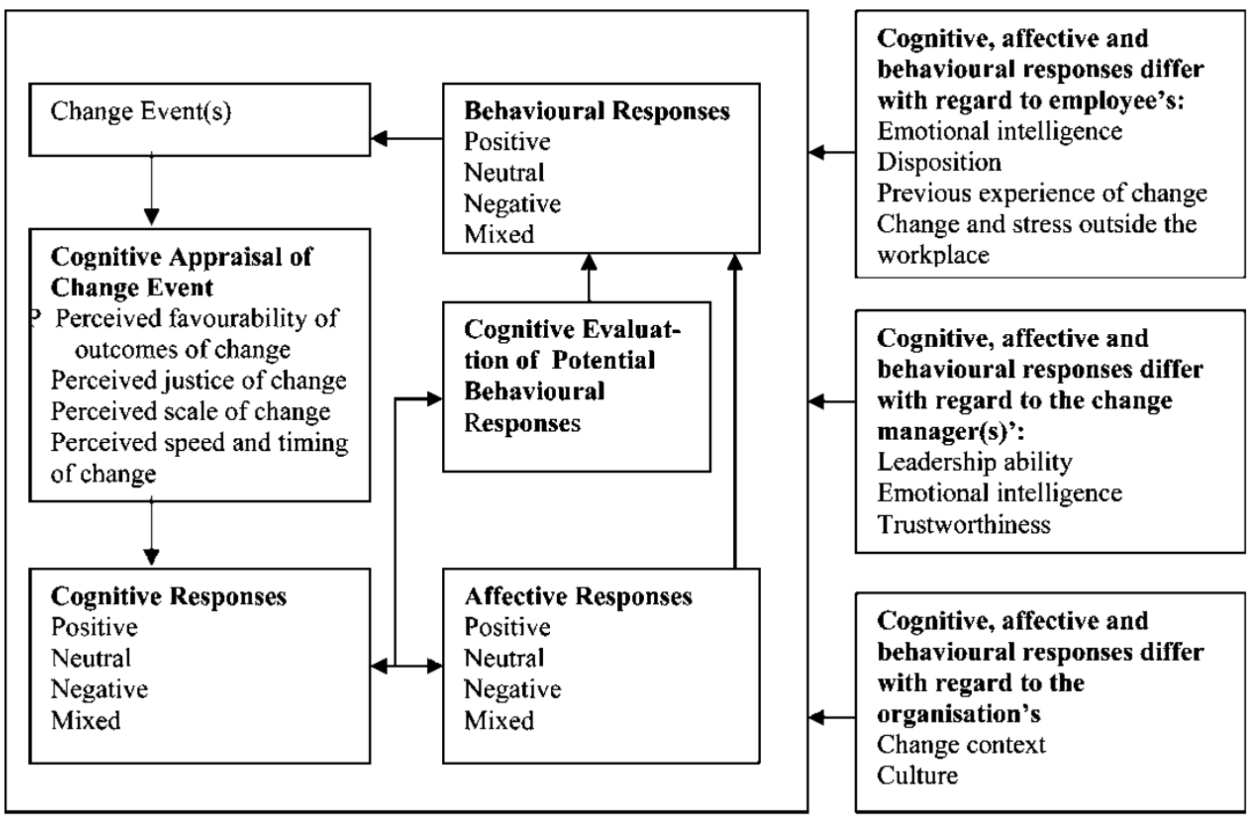

Figure 4: Model of responses to organizational change (Smollan, 2006)

2.6 Literature review summary

Even though the field of organizational change receives vast attention, more than 70% of change initiatives fail. Many organizations are guided by a diagnostic, planned approach to change, which can be stated as a “top-down” perspective. The top management initiates it in a linear and episodic form. The diagnostic approach tends to oversimplify complex change initiatives, providing change agents and involved stakeholders with too positive expectations of a rapid change process. The diagnostic approach overlooks that people tend to make sense of and interpret change initiatives differently. Additionally, it tends to overlook the complexity of dealing with human beings' way of making sense and acting accordingly. To understand how individuals perceive and interpret change processes, especially the implementation of a NOM, we based our study on Weick's (1995) sensemaking theory, which explains how individuals make sense of their environment.

To continue to grow at high speed, remain competitive, and run the business model successfully, managers try to leverage their agility through improving information flows and reducing costs. However, changing an organization's processual development is a critical decision. Implementing a NOM is complex and changes the way of working for individuals. Moreover, most individuals who face that situation do not have prior experience. Individuals may interpret their environment in many ways, following engagement in the sensemaking process of extracting cues that are interpreted as plausible and connecting these with their existing frames, drawn up by their experience and understanding of the world around them. Through the use of suggestive language, narratives, or symbols, managers or leaders can influence the sensemaking process of individuals in the organizations toward their intended objective.

Therefore, we believe that managers should try to understand how workers might react on cognitive, affective, and behavioral levels. This helps to map out a more successful change process. The theoretical background presented throughout the literature review will be used as an analytical lens for our study. In the following methodology chapter, we further elaborate upon how the initial theoretical concepts, alongside the design of our study, will guide us toward our research objective of creating an explanation for the phenomenon of different types of responses to change.

Chapter 3: Methodology

To structure the methodology appropriately, we use the Research Onion by Saunders, Lewis & Thornhill (2019). The research onion describes six distinct layers that explain a particular phase of the research process: Philosophy, Approach, Methodological Choice, Strategies, Time Horizon, and Techniques & Procedures (Saunders, Lewis & Thornhill, 2019). Each layer of the research onion has a logical structural relationship. Consequently, the Philosophy of the first layer must be decided to proceed to the second layer and eventually reach the core. For a visualization of the Research onion (Saunders, Lewis & Thornhill, 2019), see Figure 5.

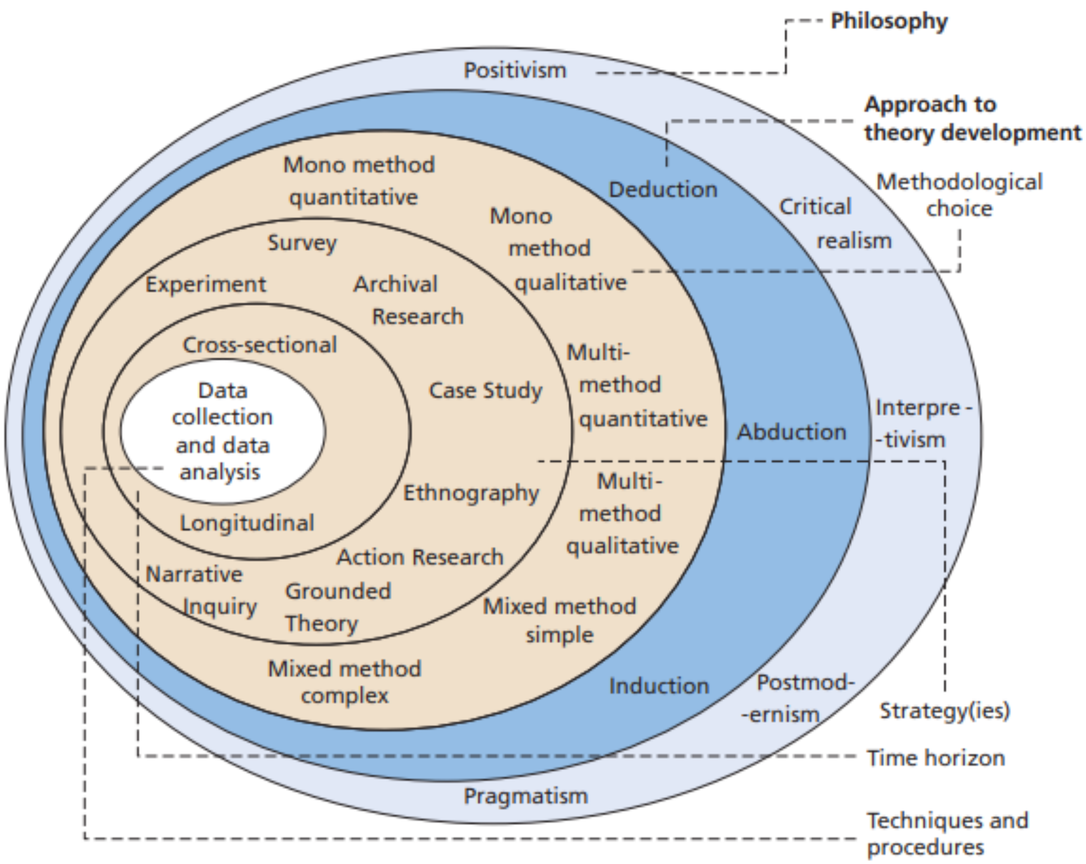

Figure 5: Research Onion (Saunders, Lewis & Thornhill, 2019)

3.1 Research philosophy

Our study focuses on examining employees' actions at FinUP resulting from their way of making sense of the change. Consequently, our study is qualitative since it attempts to understand the phenomenon from the employees' meanings (Merriam, 2002). Thus, our research is based on the post-positive tradition discussed by Prasad (2017) in her book *Crafting Qualitative Research: Beyond Positivist Traditions*. Prasad (2017) explains four main traditions as part of the post-positive tradition: Interpretative, deep, structure, critical theory, and traditions of the post.

The interpretative tradition focuses on the meaning and understanding of certain phenomena and is applicable since we will solely collect qualitative data (Prasad, 2017). Therefore, best understood by studying the subjective interpretations of the various actors (Sandberg & Targama, 2007). By following interpretive reasoning, we acknowledge that the measures of interpretation and sensemaking socially construct reality. Moreover, we aim to understand how the employees of FinUP understand, interpret and classify reality and react accordingly to it (Prasad, 2017). This indicates that our study has implications for epistemological considerations. Epistemology refers to assumptions about human knowledge, what is acceptable, valid, and legitimate knowledge, and how knowledge is communicated to others (Burrell & Morgan, 2016 as cited in Saunders, Lewis & Thornhill, 2019).

After clarifying our study's epistemological assumptions, another methodological aspect had to be addressed. A primary distinction is made between the three methodological approaches concerning acquiring scientific knowledge. In a deductive approach, hypotheses are derived from existing theories and tested by observations. In an inductive approach, specific observations are made, leading to theoretical correlations, while abduction combines both methods (Prasad, 2017). We have selected an inductive approach, as it is helpful to explore a topic and develop a theoretical explanation based on data collected and analyzed (Saunders, Lewis & Thornhill, 2019). Existing theories and concepts were analyzed and adopted throughout the literature review. However, the study's objective is to understand how the sensemaking of change affects particular actions of employees in a hypergrowth startup. Consequently, we revised Smollan's (2006) *model of responses to change* and combined it with Weick's (1995) sensemaking theory to address our research problem.

3.2 Research Design

In section 3.1, we discussed the research philosophy and approach and peeled away the outer two layers of the research onion. In this section of the thesis, we present a general plan of how we have gone about answering the research question. The research design must be appropriate to the nature of the project studied (Saunders, Lewis & Thornhill, 2019).

3.2.1 Research choice

Our research was conducted by utilizing qualitative data collection, where our success depended on having access to the interviewees, building rapport, and proving sensitivity to access to data that yielded insights into their inner selves (Saunders, Lewis & Thornhill, 2019). Since we have conducted both virtual and in-person interviews and additionally observations at FinUP's Berlin office, we have conducted a multi-method qualitative study (Saunders, Lewis & Thornhill, 2019).

3.2.2 Research design purpose

We have chosen the exploratory approach, as it allowed us to ask open questions to discover what is currently happening at FinUP and gain insights into how sensemaking concerning change initiatives affects actions. Moreover, "What" and "How" questions enabled us to explore and understand this phenomenon, underlining the exploratory nature of our research. We chose the exploratory approach because it gave us the flexibility to start with a broad focus and change our research focus after conducting the first initial five interviews to narrow down our research focus (Saunders, Lewis & Thornhill, 2019).

3.2.3 Research strategy

The research strategy represents how the researcher responds to his or her research question. Saunders, Lewis, and Thornhill (2019) argue that only four strategies are used in a qualitative research design: Ethnography, action research, grounded theory, and narrative inquiry. Our research is based on the grounded theory. However, some observations were conducted in the spirit of ethnography. Therefore, it is not a mix of these two but has characteristics of both.

Therefore, even though not entirely applicable, as ethnography is conducted over a more extended period, and not in nine weeks, we studied the culture and social world of FinUP and thus, created a written representation of the company's phenomenon, which is of ethnographic nature (Saunders, Lewis, and Thornhill, 2019). However, we used the grounded theory approach to match our usage of qualitative research. We initially based our study on a research question, a main character of grounded theory. As we reviewed the data collected, ideas and concepts emerged. Afterward, we labeled the data with codes that concisely summarized our findings. Eventually, the grounded theory involves using inductive reasoning (as discussed in *section 3.1*), which matches our approach since we developed a theoretical explanation of the social phenomenon evident at FinUP (Glaser & Strauss, 2010).

3.2.4 Time horizon

Due to the time constraint of approximately nine to ten weeks, this study was cross-sectional as it focused on the current change process and how FinUP's employees react to it (Saunders, Lewis & Thornhill, 2019). Given that this study was conducted over nine weeks, we opted for a cross-sectional study examining the phenomenon at one point in time. Therefore, we only analyzed the current situation at FinUP and did not conduct a longitudinal study to examine the situation over a period of time that could have examined changes/developments in FinUP employees' sense-making. However, some aspects had the character of a retrospective process study as FinUP staff reflected on the past and explained how things have changed (Saunders, Lewis & Thornhill, 2019).

3.3 Data collection procedure

This thesis section will present and reflect on what kind of data has been collected. Therefore, we will present information about secondary- and primary research as well as utilized sampling techniques and primary data collection procedures.

3.3.1 Secondary research

To understand what has been written on change processes in hyper-growth startups, we have conducted secondary research to gain an in-depth understanding and detailed information. Consequently, the library of Lund University was primarily used to access academic and scientific research publications and books concerning organizational change, sensemaking, or resistance to change. Additionally, we used Google Scholar to expand our search. Thus, we used journals, such as the Journal of Applied Psychology. Each journal article selected for this research is peer-reviewed to guarantee validity and reliability. Therefore, the literature review was compiled by secondary data collection to establish the theoretical groundwork for studying the phenomenon at FinUP and building our study's foundation. In this way, we artificially established a critical discussion between the authors and reflected critically on meaningful statements ourselves.

3.3.2 Primary research

Initially, we conducted five initial semi-structured interviews with FinUP employees with different tenures, positions, and locations to narrow down the scope of our research. The five initial interviews ultimately indicated that there might be a difference in sensemaking related to an employee's tenure. However, the following ten interviews rejected that assumption, and thus, our objective was to investigate how sensemaking about change affects employees' actions at FinUP without focusing on their tenure. Even though we were focused on specific questions (appendix A), the sequence and emphasis were adjusted accordingly to the course of the particular interview (Saunders, Lewis & Thornhill, 2019). Interviews were conducted virtually via Zoom or face-to-face in FinUP's Berlin office and were recorded to ensure a precise transcription. In advance, all interviewees had to give their permission for the recording.

Additionally, while being present in the Berlin office, we undertook observations. The role of the observer was that of the *complete observer*, as FinUP employees perceived us as Master students who were solely conducting interviews (Saunders, Lewis & Thornhill, 2019). Therefore, we did not reveal the whole purpose of our visit. Consequently, we could be present at events, such as calls with customers in the open space, conversations in the office, and lunches (please refer to table 2 for further information about the observations).

Since our research aims do not require statistical generalizations, we used non-probability sampling. The techniques allowed us to choose a sample purposively and reach certain target population members (Saunders, Lewis & Thornhill, 2019). As indicated in *section 3.3.2*, the five initial semi-structured interviews indicated that there might be a difference in sensemaking related to the tenure of employees. Consequently, the following interviewees were chosen based on their tenure divided into a short tenure (< 1 year at FinUP) and long tenure (> 2 years at FinUP). We used the purposive sampling technique using the deviant case sampling approach since the data collected is supposed to help us analyze how sensemaking about implementing a NOM in a hypergrowth startup affected employees' actions (Saunders, Lewis & Thornhill, 2019). Interviewees worked in different departments, had different tenure, and were of different genders and ages. However, the following ten interviews rejected that assumption, and thus, our objective was to investigate how sensemaking about change affects employees' actions at FinUP without focusing on their tenure. Since the workforce of FinUP was already at approximately +600 at the time of our research, we could not reach full data saturation with the 15 interviews. However, we gained diverse insights from people.

We scheduled every interview without a strict time frame but tried to keep them within 45 minutes. In the beginning, we provided a short explanation of the research objective and then asked the interviewees about their role at FinUP to contextualize the following information and create a relationship and comfortable environment. Approximately half of the interviews were conducted in person. This allowed us to observe nonverbal communication. However, for the remaining interviews, observation of nonverbal communication was limited. Since we promised confidentiality to all interviewees, we do not disclose information such as name, tenure, location, or position at FinUP. Therefore, table 1 lists the pseudonyms we used instead to have a better reading flow instead, e.g., "employee A."

Interview Partners	Pseudonyms
N = 15 employees of FinUP	Marie
	Aaron
	Nele
	Shawn
	Axel
	Pavel
	Duke
	Larry
	Nadir
	Alexis
	Gina
	Maddy
	Nell
	Jarred
	Daria

Table 1: Interviewees listed with pseudonyms

The observations were conducted as a complete observer and were conducted spontaneously whenever the researcher got aware of relevant exhibits from conversations. Those occurred during the day in customer conversations, conversations among FinUP employees, or casual conversations during lunch breaks. Please refer to table 2 for our observations at FinUP's Berlin office.

Date	Occasion	Example of observation from fieldwork
Apr 4, 2022	Chat in the office	We explained the reason for being present, which we explained as conducting interviews. When we explained the topic of our research and that it is regarding the NOM, we were asked by two employees whether we could explain the model to them.
Apr 5, 2022	Lunch break	One employee stated: "[FinUP] should rather focus on implementing new features instead of launching a new market every two weeks, to stay competitive."
Apr 5, 2022	Lunch break	We saw people introducing each other at lunch, even though they had worked together for more than three months. That is an example

		of growth and how it is not like it used to be when everyone knew everyone else.
Apr 6, 2022	Office talks	A team lead received the info that there was a new hire in her team (for another country), and she just received the info when that person was already hired. The non-transparency did not amuse her.

Table 2: Observations in FinUP's Berlin office

We interpreted the primary data collected in terms of language and body language. This helped us understand the employees' knowledge and emotions about the changes within FinUP. Additionally, we examined contextual data, such as a presentation with more than 100 slides about the NOM, the market FinUP is operating in, information about their headcount growth rate, and strategic ambitions.

3.4 Data analysis

We utilized various analytical techniques to record and extract adequate material for our study. Further in this section, we will explain how Saunders, Lewis, and Thorhill's (2019) five-step procedure guided our empirical data analysis. The considered steps are: Becoming familiar with the data, coding the data, searching for themes, recognizing relationships, and refining themes.

3.4.1 Becoming familiar with the data

After confirmation by each interviewee, the interviews were audio-recorded to transcribe and analyze the data. After each interview was conducted, we used a transcription software called Otter.ai. Through Otter.ai, we could save much time by not transcribing every interview by ourselves. Although this software was used, we went through each transcript in the interest of accuracy to make sure it matched the corresponding recordings and changed minor errors in spelling. After we checked the transcription, we returned them to the respondents for a final review. Therefore, the validation technique of member checking was applied (Birt, Scott, Cavers, Campbell & Walter, 2016). By reading through the transcripts, following our coding procedure and thematization, we discovered several relationships on topics between the interviews, such as the information provided by FinUP and the resulting uncertainty among employees.

3.4.2 Focus on the analysis

Based on the focus of our research and the subsequent research questions, 'How does sense-making about change affect employees' actions in hypergrowth startups?', we determined the focus throughout the analysis. Hence, we used Atlas.ti and inserted the interview transcripts accordingly.

3.4.3 Coding the data

The primary data collected through the interviews were reported into the software Atlas.ti to facilitate data management and realizing linkages between themes and data. Atlas.ti enabled us to compare the material directly. We could structure the interviews' topics and disregard material irrelevant to our research scope. Open coding was the first step to breaking the data into discrete parts and creating codes to categorize the different parts. We conducted the first level of analysis separately before discussing what we thought were the crucial excerpts from the empirical material. This allowed us to make an unbiased assessment of the transcripts to determine what we individually thought was most interesting before consulting with each other and agreeing on a set of open codes.

3.4.4 Searching for themes and recognizing relationships/refining themes

After we classified the data, we used axial coding to find relationships, such as understanding the NOM or sensemaking, and consequently condensed and organized them further. The focus was always on answering the main research question during that process. Besides, we analyzed if the categories and the linked material were opposite or supportive of each other. Thus, we identified frequently classified categories. After a critical review, we summarized similar codes as sub-codes under one main code to better understand the main factor and evaluate if the corresponding data was meaningful in the context.

Moreover, we combined the main concepts contained therein and used them to interpret the data consecutively. Finally, in a later research stage, selective coding created a core category representing our central thesis (Saunders, Lewis & Thornhill, 2019). Please see in table 3 examples of how the coding was conducted with the help of Atlas.ti.

#	Original text	Codes	Themes
1.	"I don't know. How do I feel about this? It's exciting. Overwhelming. I mean, this isn't only my opinion, but also when I talk to my colleagues, we are always like life is going on at like 180 kilometers per hour at the moment. "	Being overwhelmed	Repercussions of change
2.	"We could have more process but I hope it doesn't become more corporate."	Cultural change	Afraid of the unknown
3.	"I would say there's definitely an information overload."	Introduction to NOM	Understanding the NOM
4.	"So I think that changing into this new operating model was, I think, one big necessary step to do so. Because before that, decision making processes, yeah, got really long. And it	Sensemaking of NOM	Sensemaking

	always took long that that decisions were made.”		

Table 3: Example of coding themes

3.5 Trustworthiness and authenticity

Malhotra, Nunan, and Birks (2017, p. 160) define reliability as “the extent to which a scale produces consistent results if repeated measurements are made on the characteristic.” Moreover, they define *validity* as “the extent to which a measurement represents characteristics that exist in the phenomenon under investigation.” However, the effectiveness of these metrics in qualitative research has been questioned because qualitative research generally lacks the aspect of measurement (Bell, Bryman & Harley, 2019). Therefore, Lincoln & Guba (1985) established two criteria to replace validity and reliability in qualitative research: Trustworthiness and Authenticity. Considering the qualitative nature of our thesis, we decided that trustworthiness and authenticity are more appropriate for evaluating our research.

3.5.1 Trustworthiness

Trustworthiness comprises four nether criteria: credibility, transferability, dependability, and confirmability (Bell, Bryman & Harley, 2019).

Credibility, the first criterion, highlights the need to work according to accepted research practice and have knowledge corresponding to observations of social reality. Furthermore, credibility relates to the probability that the research findings provide multiple versions of social reality (Bell, Bryman & Harley, 2019). We used multiple sources of primary data and secondary data throughout the research process to increase the credibility of the findings. Triangulation is commonly used to consider multiple distinct social realities, which means cross-checking results using more than one method or data source (Malhotra, Nunan & Birks, 2017). Since we conducted several interviews, used observations, and used several different data sources, we argue that our research is credible.

The second criterion, transferability, demonstrate similarities to external validity and centers on whether the study's outcomes are transferable outside of the central research context (Bell, Bryman & Harley, 2019). Typically, qualitative research focuses on the rigorous and in-depth study of individuals or small groups. Thus, it is particularly pertinent to challenge the ability of findings to be transferable to a different context (Bell, Bryman & Harley, 2019). Our research examines how sense-making about change affects employees' actions in hyper-growth startups. The additional developed theoretical knowledge can be transferred to other companies that undergo a change process. However, it needs to be considered that similar events solely took place at FinUP.

The third criterion, dependability, addresses the study's trustworthiness in notes, transcripts, interviewees, and any other instruments utilized throughout the research process. Dependability assures that detailed records are kept throughout the research process. As mentioned in *section 3.3.2*, we used in-person interviews, observations, and material collected through meetings. This naturally resulted in large volumes of data, and thus, we early agreed on specific guidelines to manage the data efficiently. These include the transcription of interviews, notes about observations, and minutes of meetings.

The fourth and final criterion, confirmability, centers around the consciousness that it is impossible to conduct entirely objective qualitative research. Scholars should, therefore, ensure that personal opinions and preferences do not influence the research process or the findings (Bell, Bryman & Harley, 2019). By using triangulation in the form of interviews as well as conducting observations, and in the end, cross-analyzing each other's interviews and proceeding with agreed interpretations, we minimized subjectivity.

3.5.2 Authenticity

Besides trustworthiness, Bell, Bryman, and Harley (2019) describe authenticity as a foundational criterion for assessing qualitative research. The overarching criterion of authenticity comprises several sub-criteria and revolves around the broader political impacts of the research in question. The first sub-criterion, fairness, emphasizes the importance of providing a good picture of the investigated case, meaning that different perspectives of various stakeholders should be presented (Bell, Bryman & Harley, 2019). We have conducted 15 interviews with FinUP employees from various departments, locations, tenure, and hierarchical levels, so we provide a fair study picture.

The remaining sub-criteria are ontological authenticity, educational authenticity, catalytic authenticity, and tactical authenticity. These criteria relate to how researchers work to develop, train, improve, and guide study participants (Bell, Bryman & Harley, 2019). As the primary purpose of this research is to investigate how sense-making about change affects employees' actions in hypergrowth startups, the fairness criteria within authenticity are considered most important. To summarize, we started from the two criteria of trustworthiness and authenticity and continually considered them during the entire research process. Therefore, we have achieved a high level of trustworthiness and authenticity by adhering to and honoring the implications outlined above.

3.6 Research ethics

In the research setting, ethics refers to the norms of conduct that guide behavior concerning subjects' rights to or affected by a researcher's work (Saunders, Lewis & Thornhill, 2019). According to that, we carried out integrity and objectivity to our best knowledge and ability. All interviewees were informed about the project's intent and consented to participate. Further, we asked the participants for permission to audio record prior to the interviews. As mentioned in section 3.3.2, we used pseudonyms to guarantee all participants and the organization's anonymity (Saunders, Lewis & Thornhill, 2019). Moreover, no information such as tenure, location, or position was disclosed.

3.7 Research limitations

During the research project, several constraints and difficulties occurred. First of all, the arrangements of interviews lead to restrictions. Due to cancellations or postponing, unforeseen timing issues arose. Another underestimated constraint was the time needed for the data collection and analysis. A vast amount of data was collected through the interviews, consuming more time than estimated for transcribing and coding the data. Moreover, due to the time limitation of about nine weeks, it was only possible to interview a certain amount of people and analyze the current situation instead of conducting a longitudinal study, as mentioned in section 3.2.4, time horizon.

Chapter 4: Findings

To investigate our research objective, *how sensemaking about change affects employees' actions in hyper-growth startups,* this chapter presents the primary data from our study of an organizational change project at FinUP involving implementing a NOM. The first section of this chapter attempts to outline the context in which our study was conducted, including an overview of FinUP and the NOM implementation. Following this, we have segmented the findings into understanding the NOM and sensemaking to structure our empirical findings logically. Referring to various statements, we created excerpted commentaries to present our analytical points (Rennstam & Wästerfors, 2018). Although the following empirical material was generated mainly through 15 semi-structured interviews conducted with FinUP employees, we will occasionally use empirical data from observations or corporate documents to provide additional insight into the interview data.

4.1 The company (FinUP)

FinUP is a Copenhagen-based FinTech, founded in 2015 and has raised triple-digit venture capital, and is utilizing it for exponential growth. Between 2015 and April 2022, the company has hired 645 new employees and meanwhile has offices in five countries. Considering that FinUP plans to grow from less than 500 employees in 2021 to more than 1,000 in 2022, this would represent an annual growth rate of 276% (see headcount growth per year in Figure 6). Around 200 sales employees are solely planned to be hired in their new office in Lisbon, which should serve as a sales academy. Apart from that, we point out that the 304 new hires for 2022 were only counted through May 2022, when we received the data. One aspect that stands out is that many of the people who start working at FinUP these days are recent graduates from university, resulting in an approximate average age of 32. However, we must acknowledge that we do not have access to the number of employees who have left the company, but we have received information that the annual turnover rate is around 15%. Additionally, the company's ambitions are to multiply most of their figures, such as revenue, customers, and spending volume through their product, by ten between 2021 and 2025.

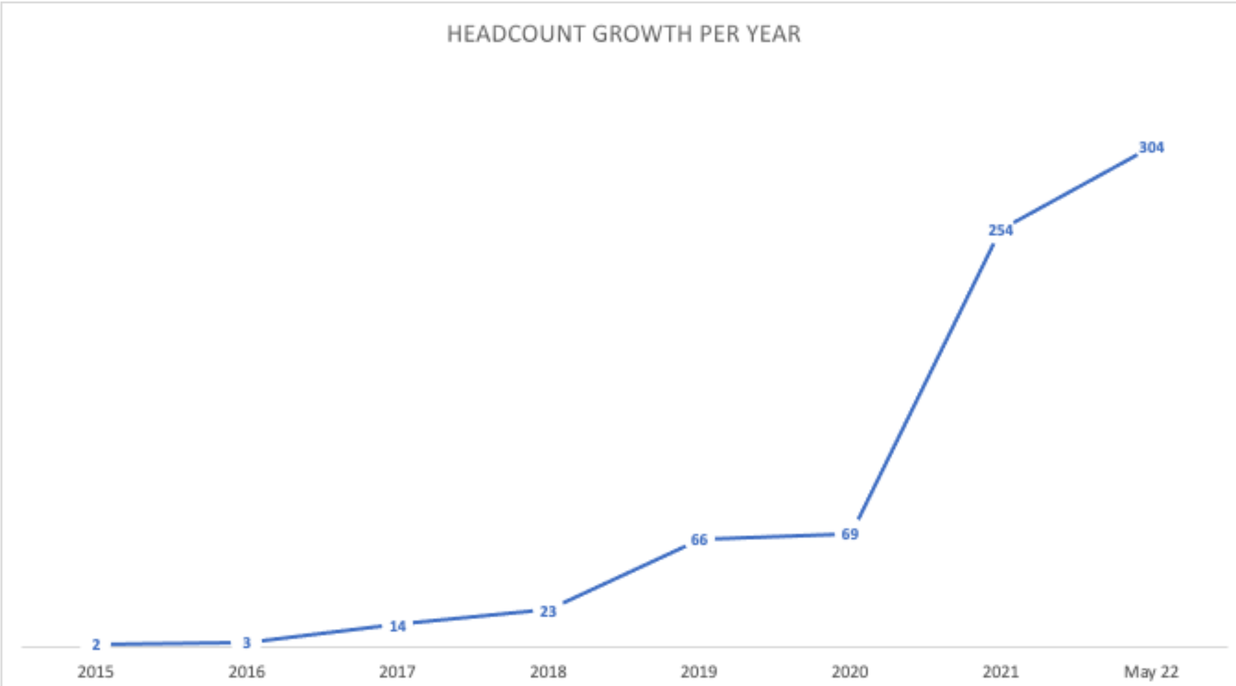

Figure 6: New employees hired from 2015 until May 2022

4.2 The new operating model

FinUP structures grew naturally without any particular underlying plan in the early years. Now that it is growing faster than ever, they have decided to introduce a NOM to bring more structures, processes, and efficiency to the company. In other words, FinUP is changing the way they organize how to get work done. This is because the company cannot keep up the pace of growth with the old, naturally grown structures without losing too much of the overview. As FinUP continues to grow, the company wants to keep the trust, compassion, autonomy, and entrepreneurial thinking and emphasize people growth, clear accountability, and fast decision-making.

Even though we are not allowed to disclose how the operating model works, we can say that it involves building smaller teams, acting as companies within FinUP to work towards a common goal, and working together on smaller projects. Although there is no maximum about how big the teams are, Product Teams rarely go beyond six to eight people, and Commercial- and Support Teams may go up to ten to 15 people. A team can consist of many competencies, e.g., Product Marketing or Engineering. Team Members have the same Team Lead, driving and orchestrating the team toward the same goal. At the same time, these Team Members might have different Competence Leads responsible for the individuals' development that may or may not sit in the same team. Therefore, employees are accountable for team targets towards their team lead they directly report to, and their development goes via the Competence Lead. Thus, it may be that someone from the marketing department is working on the same overall goal as a product engineer, each reporting to the same Team Leader but to different Competence Leaders. This again is assigned to a Tribe such as market expansion, which is subordinated to a Tribe Lead, who reports directly to the C-Level, although the Tribe Lead still receives support from a so-called Tribe Leadership Member and a Tribe Support. During our fieldwork and later analyzing the empirical data, we have learned that frequently the discussion went around the understanding of the NOM and how employees make sense of it. Therefore, the remainder of this chapter will discuss the understanding of the NOM and its sensemaking.

4.3 Understanding the new operating model

Among the majority of the interviewees, it became apparent that they understand the necessity of the NOM and why FinUP is motivated to implement it:

> *"I think they're implementing it to grow faster, grow more efficiently, and keep on being dynamic and not slowing down by having slow processes. So I think that if you have little projects and smaller teams working on a goal, you can move faster." - Nell*

Employees tend to refer to Klarna, or Spotify, as they have implemented a similar way to organize their daily operations. Therefore, they understand that FinUP has been growing so fast within the last two years that its own growth hindered them from operating efficiently. Their market has become quite competitive, and FinUP is launching many new markets at the same time, which is is another reason why it has to bring in new structures to keep up the pace, as we see in the following exhibit:

> *"I think the problem was, or why we needed a new kind of structure, we were just too slow. And, we also felt that not only on the product side but also, I mean, we're going into so many new markets with so many new things we have to consider. It's just not working that way anymore, that we have this global setup, that everything is guided from the headquarters. And then from the different functions, we need to be fast, I mean, the whole space where we are operating, and you can see also based on VC investments, like so much money thrown at it. So many competitors are coming in, so we need to be fast, also, like in terms of expansion. Now, the opportunity window is open. So we have to jump on it. And that also means growing as crazy as we're currently doing. Also, if you compare it to companies like Klarna, how many people do they hire, and how fast have they grown? And we were just too slow."* - Maddy

However, some employees are not satisfied with the fact that the investors are putting so much pressure on FinUP:

> *"That irritated me a little bit, that we had investors kind of dictating culture."* - Jarred

Even while referring to Klarna and Spotify to get a better understanding, it became apparent that the majority have trouble understanding the NOM in-depth:

> *"I think in the beginning, nobody really knew what it meant, it helped me quite a lot that they were referring to Klarna or Spotify."* - Maddy

> *"I could tell the importance of it, I could tell that it was a really big thing and a big change. But I don't think I've fully grasped exactly how, and how it could affect day to day."* - Daria

Even though it can be recognized that the understanding of the NOM must have improved, it still appears that the employees have not fully understood it:

> *"It was like a long time in the beginning and was quite blurry. Okay, what does it actually mean? And how does it work then, on a daily routine."* - Maddy

> *"So we should be well informed. And we kind of are, but then like, I don't know, if I still feel that it's a bit fishy."* - Pavel

The continual incomprehension leads to people being overwhelmed:

> *"Honestly, I'm feeling quite overwhelmed at the moment with it. I've really haven't got to grips with it. There's a lot of different words going around."* - Daria

> *"I also feel very overwhelmed that we're expanding at such a scale."* - Duke

However, it gives the impression that FinUP employees do not entirely feel that they have to understand it to exert their jobs:

> *"So I must say that I have not understood it 100%, so I haven't had a deep dive into it."* - Alexis

> *"I mean, there's still many questions in terms of practicalities of how it's gonna work."* - Axel

> *"I don't think I've fully grasped exactly how, and how it could affect day to day."* - Daria

> *"I also think there are a lot of questions still unanswered, but that's something we need to figure out as we go along."* - Axel

The examples mentioned above are just a few. The NOM is bringing in new hierarchies that have not been present previously and are supposed to make their operation more efficient yet more complex. Interestingly, when we were present in FinUP's Berlin office, we were approached by employees and asked whether we could explain the NOM to them, as we are probably more informed than they are due to our thesis. The reflections on the phenomenon continued into the interviews:

> *"I mean, that's a pretty new concept. So I'm not completely aware how that leveling is going down. Probably, you know more about it, and then I do, to be honest."* - Larry

One employee used the metaphor of a "Monster" to describe how extensive the NOM is and showed indulgence to FinUP that it must be nearly impossible to make everyone understand it at this stage. Other excellent examples of the NOM's complexity, when we asked them to describe the NOM's characteristics, were:

"New and at first glance complex." - Larry

"Good question! Not quite sure." - Pavel

Since we have learned that employees do not fully understand the NOM and that they do not necessarily have to understand it to execute their work, we also wanted to understand the reason why people do not understand it and, to some degree, do not feel urged to get to the NOM's ground. One employee's theory is that it makes people uncomfortable to think about how to adjust to the NOM. We can imagine that people who recently joined a company do not bother to understand and adapt to the NOM. However, employees who have been working there for a longer time might feel overwhelmed with the situation since it changes the routines they learned over their last months and years:

> *"I think everything that is new and put upon you, at first glance gives you this sort of repulsing feeling of knowing something new, something, you know, that I need to get adjusted to. So I think that's part of the reason why people probably also haven't made the effort necessary to get behind it and completely understand it."* - Larry

Other people mentioned that employees were not informed enough to understand the NOM, which gives us the impression that not only were employees unable to learn about the NOM but that the information is too diffuse:

> *"I think it's also just like, some people thought it was going to provide more than it has. But maybe that's just because they weren't as informed."* - Jarred

On the contrary, a different employee had the perception that people do not fully understand the NOM because there is too much information out there, and it is not possible to process all that:

> *"I would say there's definitely an information overload. I mean, it's impossible to present this monster to the whole company, in the meeting, or in two even."* - Alexis

In addition to an information overload, another aspect of not completely understanding it is that employees seem not to understand how it might affect their daily business, and we have mentioned that people seem to be able to execute their jobs without fully understanding it:

> *"Too much information. I can't really keep track, because I've been added to some new slack groups. And there's been a lot of talk about it. So probably too much at the moment, and not really in not in a sense of Okay, how's it going to affect me? How's it gonna affect my team? So that is confusing me a little."* - Daria

> *"I mean, everything has been explained right in these kick-offs and whatsoever. But it's a super complex topic, obviously, if very, very smart people worked on this for over half a year. And probably also because I just observed information that was very, very relevant for me at that particular moment. So and I also don't know if I have to understand more."* - Alexis

Even though all employees seem to comprehend the necessity of the NOM and are aware of its benefits, some voices also expressed worries about what the future will bring. Based on the exhibit below, we feel that Gina perceives a lack of participation due to the current situation.

However, as lack of participation will not play a further role in the remaining part of our thesis, we will not take upon it again later on:

> *"Because just as an example, like last week, we had, we had a whole Sales team here. So all the ones that actually work remotely, came to the Berlin office. And we usually bond a lot together and do team activities. And then they had dinner, but only for the regions. And I felt very excluded. So I think we still have to be careful that we don't divide it too much."* - Gina

> *"It's gonna be harder for [FinUP*] *to retain the culture to retain the same values as they had."* - Duke

Moreover, it became apparent that the employees are not wholly satisfied with the aspects which are brought in through the NOM:

> *"And it feels strange to not know all your colleagues, right, because that was always the case for me, basically, for at least two years, or one and a half years of the three years that I'm here. And so that's definitely something that I need to adjust to and that I don't completely like about this."* - Larry

A frequent concern that was raised through our interviews was that people started worrying about FinUP becoming too corporate:

> *"I think for a lot of people, it kind of rang alarm bells that is this kind of the start of us going corporate."* - Daria

> *Do I like it? No, I signed up for a startup. I didn't sign up for corporate.* - Larry

4.4 Sensemaking

To understand how individuals perceive and interpret change processes, we are analyzing how employees of FinUP make sense of the implementation of the NOM. Consequently, the sensemaking and employees' reactions to the change can be unpredictable. Nevertheless, they are crucial for a successful change process since they can modify the strategic plans of FinUP. As written in *section 4.2,* FinUP initiated the NOM to have more structure in their business model and leverage their agility to keep their growth rate. This goes along with the reasoning of the contingency theory, which explains that organizational effectiveness results from fitting characteristics of the organization to its contingencies that reflect the organization's situation. Contingencies include the parameter of organizational size (Child, 1975) and corporate strategy (Chandler, 1962), both applicable for FinUP since they adjusted their organizational strategy and thus are massively growing and changing in organizational size. Organizations are motivated to avoid the mismatch that occurs when contingencies change, and they do so by adopting new organizational characteristics that fit the new levels of contingencies. Therefore, FinUP is shaped by the contingencies, in this case, especially the size of the organization, because it must adapt to them to avoid performance degradation (Donaldson, 2001):

> *"I think, obviously, if you add 500 plus people, things need to change in order to keep efficiency and in order to keep basically an operating organization alive." – Alexis*

However, as explained in *section 4.3*, it was and is still not that clear for everyone:

> *"And I think it took some weeks for people to really understand what was going on, and why and how this would help us."* – Larry

The data gathered through the interviews provided us mainly with sensemaking by individuals regarding the topics of competition, growth, efficiency, and how sensegiving was conducted throughout the change process, including the implementation of the NOM. Moreover, it also became evident that the way employees understand NOM varies among themselves and differs from how FinUP intended.

4.4.1 Growth & Competition

It is crucial to understand how individuals affected by the change at FinUP and thus confronted with uncertainty and ambiguity are interpreting the situation. Larry explained the reason for the change in the following:

> *"Why it's growing as fast as it is right now? Because we want to be the number one solution in Europe. And it's taking it all or nothing, right? So, we need to expand as fast as we can. And we need to grow as fast in order to, to well basically settle us as the number one solution in the markets. "* – Larry

> *"I also guess we have to because there's more and more competition coming. And yeah, it's like in many cases, it's just a race of who gets where first and scales the fastest."* - Alexis

It became apparent that the majority made sense in the same way by agreeing on the growth factor, in terms of people and the business, as the main driver for the change and hence the NOM implementation:

> *"I think that's very simple. It's simply because we need the people if we are to succeed with the ambitious goals that we have.* – Axel

> *"In order for us to hit the goals that we have got in a place like reaching 1 million users, we need to have more people. And if we want to break into all of these different markets, we need to have people on the ground. So it seems like at the moment, we are just getting all of the talents in, and then we are going to drive the growth."- Daria*

Employees made sense of the NOM related to the growth rate as an effective and natural process and again referred to Spotify and Klarna as an example:

> *"And if it is not evolving, then we also doing something wrong, because we're stuck in an old model."* – Nadir

> *"Because initially, it's just easier to coordinate between teams when you are a few people. But now we have so many teams to coordinate and so many markets that we're expanding in, it becomes more and more difficult. And that's why you have this underlying operating model, which has to operate together as an organization."* - Duke

> *"It is, I think, a market trend where successful companies like Klarna and Spotify, sort of showed us a little bit the way and I think three, it is for us to be more agile and fast and sort of still keep this startup speed while operating in a more structured way."* - Nadir

Throughout the interviews, it also became visible that employees of FinUP value their product and thus want to push it into new markets and expand:

> *"Why do I think [FinUP] is growing that fast? I think it's just like a whole untapped market that is available for us. And we just like barely scratched the surface. And this is such a critical problem statement. And it's so easy for us to solve with our product. So it's only natural that we capture as many markets as possible and serve as many customers as possible. I think to be able to do that, we just need people. And we just need to scale, and that's why I think it's a good opportunity for us to expand now because I think we have 95% of the solutions that people are looking for their problem."* - Duke

> *"Because we have a great product. It's a great business model. So it definitely makes sense that we expand it. And I see that there's a huge workload. So we need to people."* - Gina

> *"Because the product is working to a level that you just can expand and offer it in different markets. We also have the financial resources to do so."* - Alexis

As discussed in *section 4.1*, FinUP has raised triple-digit venture capital through its recent series of investor rounds, which attracts much attention but can also lead to mixed feelings:

> *"I think there is a lot of pressure on us for our investors following the latest series we raised. So there is definitely a lot of pressure there."*- Daria

> *"And then, of course, the expectations from investors, if you get X million of funding, obviously, return needs to be there, and the first KPI is obviously growth on all levels. And growth can only be achieved if you have the workforce to do"* – Larry

However, as Covid hit, the investors were urged to show that they acted according to the crisis. They let go of 5% - 10% of the workforce and adjusted the focus on processes. Nadir made sense of it in the following:

> *"Investor pressure, okay, stop hiring. You need to make sure that you have robust processes and set up to grow, which, obviously, in my opinion, slowed us down." - Nadir*

Challenging some employees during the interview by questioning the need for such a growth rate triggered some energetic and spirited answers. While answering, Maddy's response seemed to become protective, and she started with counter questions, which seemed that she had no other option than to rely on her way of making sense, as everyone seemed a bit uncertain:

> *"First, my question to you would be more like, what would be the alternatives? If you are growing so fast? And if you just like being structured more traditionally, is that a better option? Or what? What other options are there? And I think that is just the best way to approach it actually to cope with all the change. So I do not see any other alternatives. What could be better?"* – Maddy

Nevertheless, some employees interpret and perceive the rapid change through the growth rate in terms of hiring more employees and consequently of expanding their product into new markets in a different way:

> "*I definitely see some issues with that. Potentially at least, I mean that if you can, you can grow the company from five to ten. But can you grow up to 500 to 1000 without making dubious hires without pointing someone in a leadership position they were not ready for?*

> *So I think within the next six months, we will start to see potential problems of people not either behaving or being ready for the job they got and consequently being not the right hire."* – Axel

> "It is *interesting because I often sit and think, why do we have to grow this fast? Especially the pace of the growth is something that impacts me a lot. People want to push more products in more and more countries. And the more people we are, the more we will grow. It stresses me out. I do not know why there is the need to do it so quickly. It is stuff that I don't know the true meaning behind."* - Marie

> "The *biggest fear of me is that we like front-load too many of one certain profile into a team. Or we don't have a particular profile of another person at all in a team, and the team really needs that profile to execute, and they become frustrated."* - Jarred

> "*Yeah, it worries me. I know, it has to be done. It's just that I think I know it will change a lot now. And I think we've all got to kind of embrace that and understand that it is a business, and at the end of the day, we have to do that. But yeah, I can really, I mean, I'm in the head office. So 75 people joined the other day, and they were all upstairs. And that's when it hit me. I'm trying not to think too far ahead. Because it worries me and I, I get a bit sad about how much it's going to change."* - Daria

On the contrary, we also heard comments emphasizing the benefits of more anonymity at FinUP. Such as, Axel criticizing a too homogenous workforce might hinder FinUP from being critical or innovative:

> *“I think one of the things I experienced really soon after starting was that the upside of having a very friendly and almost like friends, like atmosphere and colleagues, is that it can become a little bit too homogenous, you become a little bit too friendly. And you don't maybe challenge on decisions, because what if he or she doesn't like me at the meeting, because we also have to eat lunch afterwards, you know, that sort of thing. And I think it was more it was more a notion, not something that I had experienced myself, necessarily, but I had the idea there was it was just a little bit too friendly.”* - Axel

Additionally, the fear and the consequences that FinUP and its employees might face regarding the hiring of so many people are expressed by Larry towards their expansion strategy. The fear might result from not being innovative enough with the product and focussing too much on penetrating more markets. As a result, the employee might worry that competitors can improve their product, and FinUP might lose unique selling points:

> *“[FinUP] should rather focus on implementing new features instead of launching a new market every two weeks."* - Larry

4.4.2 Efficiency

Consistent with the contingency theory, the main objective of FinUP is to become more agile by adapting its characteristics with the implementation of the NOM to the changing contingencies (the size of FinUP) (Donaldson, 2001). Reaching efficiency is also a necessary step expressed by the management throughout the introduction of the NOM. Based on their frames, the employees made sense in the following way:

> *"For me, it's clear. It has to be like that. Otherwise, you cannot operate efficiently. And we have clear goals. And if we need to achieve them, this needs to happen."* – Larry

> *"Yeah, I think the problem was a while we needed a new kind of structure is that we were just too slow. And, and we also felt that not only on the product side but also, I mean, we're going into so many new markets with so many new things we have to consider, and it's just not working that way anymore, that we have this global setup., That everything is guided from the headquarters. We need to be fast, the whole space where we are operating, and you can see also based on VC investments, like so much money thrown at it. So many competitors are coming in, so we need to be fast. Also, like in terms of expansion. The opportunity window is now open. So we have to jump on it."* – Maddy

Pavel agrees with that by stating that the new structures make processes faster and more flexible:

> *"So like having this operating and flexible structure, having a specific person from like marketing in each team makes life so much easier, you know, where you can go. I think that's also a bit of a, I mean, not a bit, but a huge plus."* - Pavel

Based on FinUP's growth plans, we could hear perceived benefits resulting from NOM implementation:

> *"As we get more people, we can sort of like, have those things being a bit more focused, which means the iteration cycles are less spaced*

> *out. Consequently, we can speed that process up. You have people that are experts and sort of becoming experts in doing that"* - Jarred

> *"So I think that changing into this new operating model was, I think, one big necessary step to do so. Because before that, decision-making processes, yeah, got really long. And it always took long that decisions to be made. And you always needed to include another stakeholder and another stakeholder because we kind of try to be democratic in a way and in clear that it's more like a decision with more people than just one person saying like, here, we're going to do it. And now it's moving more into a direction that you have dedicated people."* - Maddy

Nevertheless, we could also observe voices criticizing the success of focussing that much on efficiency through the NOM. As stated in *section 4.3*, Gina was excluded from a team dinner she usually would go to because it was supposed to be only for a few sales teams of certain countries:

> *"And I felt very excluded. So I think that sometimes we still have to be careful that we don't divide it too much."* - Gina

> *"So whereas before you were able to just think of an idea, and go ahead and do it, and now we've got so many specific teams, you've got to speak to more people, processes are a bit longer. "* - Daria

Since FinUP is splitting up departments to become more agile and efficient, it can also confuse employees, such as in Jarred's case:

> *"And yeah, I guess like, I'm still trying to work out my full roles competency lead"* - Jarred

Furthermore, Jarred expresses that:

> *"I think it's also just like, some people thought it was going to provide more than it has. But maybe that's just because they weren't as informed."* - Jarred

The statement by Jarred points out that some people were maybe not entirely informed, which leads to the fact that sensegiving was done rather superficially and not down to the lower levels. Thus, it prompts new rounds of sensegiving by FinUP's management. Through improved sensegiving, FinUP's management could have informed their employees better and prevented unclear situations for their employees throughout the implementation of the NOM (Waterman, 1990). The communication and introduction to the NOM model were channeled through a big kick-off meeting and two workshop days. Those made the whole purpose of the NOM clear. However, it was missing the communication within the teams on how individual roles are affected.

4.5 Sensegiving

Managers have the opportunity to guide uncertain employees by enacting responses to make sense of the circumstances and process of change to create favorable outcomes. There are several ways managers can help employees clarify uncertainty by taking cues from the environment and interpreting them. Among the employees interviewed from FinUP, it seemed to be that there was more emphasis on the importance instead of understanding the implementation of the NOM, even though it is probably both crucial to understanding the NOM entirely:

> *"Yeah, there was a big kickoff about it. I could tell the importance of it. I could tell that it was a really big thing and a big change. "* - Daria

> *"I think they communicated in a way like embrace the change, guys. Just expect that you don't understand everything from the get-go."* - Maddy

Consequently, Maddy was at ease since she made sense of it, she did not have to stress about it, and it was not a problem if she did not understand it in the first place:

> *"So I was like, okay, well, we'll work it out. No worries. Okay, don't stress."* - Maddy

Some FinUP employees felt unclear about the growth and the reasons behind the massive hiring process, as it seems to be causing them much extra work on top of their day-to-day operations:

> *"I can't help but sometimes feel like for my team, I've been told I need to hire, I need to have eight people by August. And sometimes I'm thinking, Gosh, is there a need for that many people. But I know that they clearly know how many people they need. It's just for us - It feels a bit uncomfortable. But obviously, I'm not involved in the discussions about that. But it sounds like they've made their calculations."* - Daria

On the one hand, after the introduction of the NOM, in the beginning, FinUP tried to ensure sensegiving by providing their employees with a designated information website:

> *"I mean, there's a notion page, like a Knowledge Center, basically about the new operating model, that by at any time, I could go in there and look for the information I want to."* - Alexis

On the other hand, this might have backfired as an overload of information, as also mentioned before in section 4.3:

> "I would say there's definitely an information overload." - Alexis

This has led to the fact that employees felt uncertain about the strategy, as expressed by Marie:

> *"There was a period of like a year when nobody knew what the strategy was. Nobody knew the direction."* - Marie

Additionally, she adds that more effort is being made to help people make sense even though Marie was still complaining about a lack of information for people:

> *"Now I can see that there is more effort being made to let people know the strategy. I still don't think there's enough effort being made for that. I don't think people are informed about where FinUP wants to go to the best degree right now. But in the past month and a half, there is an active effort to change there."* - Marie

This is a contradicting opinion to previous voices complaining about an information overload. Marie's view might result from a lack of communication regarding her role. However, as previously pointed out, Marie has much stress in her job because of FinUP pushing into many new markets and hiring many new people. Her daily workload might affect her ability to have time and mental space to think about the NOM.

4.6 Summary of empirical material

FinUP is a Copenhagen-based FinTech, founded in 2015 and has raised triple-digit venture capital, and is utilizing it for exponential growth. FinUP plans to double its workforce by growing from less than 500 employees in 2021 to more than 1,000 in 2022. The company has implemented the NOM based on the Spotify Model to structure the growth efficiently. It cannot keep up the pace of growth with the old, naturally grown structures without losing too much of the overview. The model builds smaller teams, acting as companies within FinUP to work towards a common goal and work together on smaller projects. The old structure hindered FinUP from growing effectively, and the market is becoming more and more competitive. On the one hand, most of the employees understand the need for the model to reach their objectives. On the other hand, most employees have trouble understanding how the NOM affects their daily business or team.

The incomprehension leads to people being overwhelmed, uncertain, and triggering emotional reactions, such as stress and anxiety. An example of that is that we were approached by employees and asked whether we could explain the NOM to them, as we are probably more informed than they are due to our thesis. Additionally, as more rules and processes get into place through the overall change of FinUP, people started worrying about FinUP becoming too corporate.

It became apparent that the majority made sense in the same way by agreeing on the growth factor, in terms of people and the business, as the main driver for the change. This was also pushed by investors eager to see growth on all levels. However, some employees do not understand the speed of growth. They are afraid that the wrong people will be hired, and as a result, some see potential problems in the future. From the organizational viewpoint, it is not easy since it is time-consuming to find the right people, get the people on board, and get people ramped up.

The overall agreement is that the NOM has the potential to make FinUP more efficient and agile. Nevertheless, some people see it differently. One employee explains that implementing a new idea now takes much more time because more people need to be involved and approached. FinUP conducted Sensegiving by having a big kick-off event to underline the importance, and in addition, there was a website where employees were able to inform themselves. This led partly to an information overload. FinUP conducted sensemaking by explaining that employees do not have to stress if they do not understand everything. They should embrace the change, and eventually, they will understand it.

Chapter 5: Discussion

Our following discussion endeavors to synthesize our previous empirical data and literature to establish a richer and more thorough understanding of our research. To structure the discussion, we have utilized the implementation of the NOM at FinUP as a *critical event* (Weick, 1993; Flanagan, 1954) and based it on the structure of our empirical material in *section 4*, meaning the understanding of the NOM, sensemaking, and sensegiving. A *critical event* can be defined as an organizational shock or an interruption in the ongoing flow that an individual is a part of (Weick, 1995; Flanagan, 1954). Since critical events, regardless of their perceived magnitude, incorporate uncertainty, people are forced to participate in the sensemaking process by extracting cues from their surroundings to make sense of their situation (Weick, 1995). "Interdependent people search for meaning, settle for plausibility, and move on" to cope with uncertainty" (Weick, Sutcliffe & Obstfeld, 2005, p. 419). Additionally, by basing our discussion on the excerpt commentary units from our empirical data, we ensure that the data not only "speaks for itself" but that through our active role in analyzing and critically interpreting the data, it is "spoken for" (Styhre, 2013, p. 78). Moreover, by discussing the collected data together, we ensured not just to interpret it in one way but also to gain a broader perspective.

5.1 Sensemaking about change

The field observation, the contextual background we received, and especially the interviews provided us with an excellent overview of the current situation at FinUP. The company moved from being a startup to a scaleup. Hence a lot is changing in the organization. Having raised hundreds of millions of dollars, the company is receiving more attention and is under tremendous pressure to succeed in taking its place in the market. Following Weick's (1995) definition of a critical event, we interpret implementing a NOM as a rare event and, consequently, an organizational shock. Christianson, Farkas, Sutcliffe, and Weick (2009) add that those rare events interrupt the regular workflow and trigger learning. The organizational shock in the form of the implementation of the NOM triggers questions such as, *Why do I think FinUP is growing that fast?*

Why is it growing as fast as it is right now? Why do we have to grow this fast?. The questions imply that the NOM is a complex concept that triggers uncertainty and ambiguity. Thus, we consulted Weick's (1995) sensemaking theory as an analytical tool for individuals to understand that particular organizational event.

The rapid growth of FinUP is fueled by the investors that want to see growth on all levels, such as revenue, headcount, and number of customers. Through the interviews, we understood that employees felt the pressure from the investor side. Consequently, most employees comprehended that growth is now essential and that there is no other way for FinUP to survive except for growth and expansion. The organization introduced the NOM to their employees as the solution to be more agile and efficient and hence grow faster, get their spot in the market, and eventually satisfy their investors. Nevertheless, some employees did not understand why there had to be a focus on such rapid growth. While individuals at the top of organizational hierarchies may take a more strategic view of projects, individuals who are further down the hierarchy may take a more local view. As a result, individuals at lower hierarchy levels have a different approach to making sense of a project (Weick, 1995). They were, for instance, not able to grasp why they needed to hire a specific amount of people for their department. In this sense, FinUP's sensegiving practices were inadequate, and employees had to make sense of the situations by themselves.

Consequently, an employee made sense of a future event, namely making dubious hires just for the sake of hiring. FinUP is currently trying to push into all markets and only until May 2022 hired more people as in the entire last year. Thus, it is a huge stress factor for managers to find the right personal and business fit and conduct the onboarding for so many people. Moreover, there is the danger that the company's culture might change. The culture is something precious for FinUP employees. However, when so many new people join, not all people will be a perfect cultural fit that can change or endanger their current culture. However, it is also critical from the organizational point of view next to the cultural perspective. The following stress through hiring and onboarding next to the daily work life can lead to dissatisfaction among employees. Accordingly, an explanation for their employees would help explain why a certain number of employees is needed in a department to reach a specific short-term objective which would help reach a bigger goal. More effective sensegiving could help to trigger an intrinsic motivation to assemble to reach that goal.

During the pandemic's start, investors had the urge to react accordingly to it. Therefore, they let go of 5% - 10% of the workforce. Now, however, they are ramping up growth in new hires. The influence of the investors describes how a relatively small startup is now to a significant part steered by third parties. This has already made a negative impression on parts of the workforce. They felt that the company they had built from scratch was not in their hands anymore. They fear that FinUP is becoming more and more corporate and are mad about specific changes. One example is that it was a regular occasion to have a Friday beer in the HQ in Copenhagen. Since more investors also visited the HQ, this occasion was limited to later working hours, after 4 pm. One employee felt that investors are now able to dictate and have an influence on their culture. He/she was persistent and wrote an email about it to the CEO /co-founder. This has a more considerable influence on the culture than one can expect in the first place. Many employees have families and leave on Fridays at 4.30 pm. Thus, they cannot participate in the familiar and friendly atmosphere of having a beer and expanding their network.

Hasan and Koning (2019) argue that peer effects have the potential to drive performance within an organization. The peer effect can be explained as having social interactions with proximate employees (Hasan & Koning, 2019). The Friday beers can be stated as rituals that can be considered central to a specific location's cultural life. Postponing the Friday beers to a later hour led to the fact that not all employees can participate or are not that relaxed since they need to get back to their families shortly. Consequently, it can have a crucial influence on the future peer effect.

Through the responses we received during the interviews regarding the implementation of the NOM, we can interpret that the majority of employees understand the significance of the NOM. The holistic view seems to be clear for most employees that it should help to be more efficient and agile by having shorter decision-making processes and therefore moving faster. As expressed in the previous paragraph, the urge for growth by the investors is helping them in that understanding. Nevertheless, it became evident that many employees do not understand how they are affected by the NOM. It is not clear to them how their roles and competencies have changed. This leads to uncertainty for employees. Kellerman and Reynolds (1990) explain that employees under conditions of uncertainty are usually positively associated with information seeking. As explained in the following, in sensegiving, FinUP informed their employees not to stress out and embrace the change, which prevented them from actively searching for information to end the uncertain conditions. This contradiction creates a difficult situation since the natural behavior of someone who seeks for information to understand something better is hindered.

According to Kramer (1993), it is also common for employees not to request information from the source of uncertainty, which is the change manager at FinUP who introduced the NOM. It is possible to book appointments with the responsible change manager at FinUP for clarification. However, people are probably afraid of showing their naivety. Instead, employees would rather ask peers to help them in their sensemaking. Therefore they do not have to show in front of their manager that their understanding is lacking. During our field trip to the Berlin office, even employees asked us to explain the NOM. Since we are from the out-group and grant anonymity, the employee tried to receive information without revealing their understanding of the model to peers or their manager.

5.2 Sensegiving in the change process

The company was missing the chance to fill this void by using sensegiving. Initially, FinUP tried to have a big kick-off event for everyone with a comprehensive presentation. That was followed by two days of workshops. This helped their employees to make sense of why this new model is needed to reach the organization's overall objectives. We heard during several interviews that there was an information overload. FinUP was missing to use sensegiving to structure the unknown within the teams and for the single employee (Waterman, 1990).

Moreover, FinUP took away the willingness and urge of their employees to understand the model to the fullest. They explained to their employees that it is not significant if they do not understand everything from the beginning and embrace the change. This is a friendly form to initiate a change process.

Nevertheless, employees made sense of which could be observed through cognitive and emotional components. They understood the big picture and went back to their usual workflow without trying to make an additional effort to understand how they or their team were affected. Employees can access an internal knowledge center and thus inform themselves about the model. However, they did not feel the need to work on their understanding next to the daily urging work since FinUP did not encourage them that they should do that. For that reason, next to the encouragement of employees, the sensegiving process to lower levels was missing (Gioia & Chittipeddi, 1991). It would have helped if managers were instructed, especially on how their team is affected. In the following, managers could have conducted workshops with their team to explain how each role is affected or not and how it helps reach the targets on the particular department level. Since this was not the case, employees' sensemaking is differentiated based on their personal cognitive and affective classification of actions. Nevertheless, due to not fully understanding the outcomes of the NOM regarding their roles, most employees' sensemaking did not trigger a behavioral response (Feldman, 1989).

5.2 Responses to change

To establish a more thorough understanding of how sensemaking and sensegiving about the NOM implementation can influence FinUP employees’ responses to the change, we base this section on Smollan’s (2006) model of responses to organizational change previously discussed in *section 2.5*. Therefore, we will move from cognitive to affective responses and exemplify how both affect behavioral responses to change throughout each part.

5.2.1 Cognitive responses to change

Thoughts, or more formally, cognition, are a mental process in which an individual becomes conscious of stimuli, evaluates their significance, and considers possible behavioral responses (Scherer, 1999). Through our interviews, it became evident that FinUP’s workforce understands the necessity of the NOM implementation. However, we have learned that in terms of sensegiving, FinUP did not pressure its employees to understand the NOM thoroughly.

Therefore, we feel that FinUP's employees perceive the significance of the NOM for their daily routines as not being sufficiently crucial (Scherer, 1999) to make an effort to understand it deeply. Thus, no behavioral response can be recognized, contradicting Smollan's (2006) argumentation that there would always be a behavioral response, either positive, neutral, negative, or mixed. Moreover, FinUP employees like to refer to Klarna or Spotify, which implemented a similar operating model, supporting their belief of significance. On the one hand, that gave mental peace to FinUP's employees as they did not have to stress about the NOM. On the other hand, it decreased their intrinsic motivation to get to the bottom of the complex NOM, as they perceived it as not as necessary enough to disrupt them from performing their day-to-day jobs, especially since our interviewees emphasized that enough information was available in their internal knowledge tool.

Therefore, we could observe that the NOM gave the employees ambiguity about the future, making them uncomfortable. On the contrary, they did not make an effort to understand it thoroughly, which could lead to the fact that it becomes an endless circuit with the hope that eventually they will understand it, entirely relying on the company's effort to sensegiving, and no behavioral response from employees (Smollan, 2006).

Another aspect of FinUP's growth that employees do not entirely comprehend is that it seems that the company sometimes tends to hire solely for the sake of hiring someone. The high pressure to hire people resulted in an affective response of being stressed and overwhelmed, categorizable as *negative*. From their retrospective accounts, we found out that in the beginning, the togetherness at FinUP was quite harmonious and often described that it used to be like a family. On the contrary, one employee mentioned that it is necessarily not a family, as families can also be dysfunctional. However, with that statement, that employee would imply that the company could not be dysfunctional per se, and we think this is particularly not the case, as the organization is necessarily trying to encounter inefficiencies through the NOM implementation. People appreciated that when FinUP was smaller since one would know everyone in the company, which they miss nowadays. On the contrary, we have heard about the benefits of being not as homogeneous as in the early days of FinUP, as employees describe that it can be a disadvantage if people are too friendly and are sometimes uncomfortable criticizing each other.

Nevertheless, employees describe that peer discussions have arisen that certain hires do not fit what for them is FinUP-like, described by Smollan (2006) as a cue people react to. However, other voices fear that the company is hiring too many employees with the same profile, e.g., the 200 sales employees in their new office in Lisbon, mentioned in *section 4.1*. Employees thus, evaluate the significance of the change initiative for themselves and extend this to the impact on others and the organization as a whole through primary appraisal (Lazarus, 1991; Weiss & Russell, 1996). We understand that it might be alarming that so many people are being hired, and some of them are not what senior employees would describe as a culture fit.

However, someone who is not a culture fit but a culture add could be precisely what FinUP needs to grow (Dali, 2018). According to Granovetter (1973), close friends or people who share your point of view and align with your worldview are considered strong ties, as seems to be partly the case at FinUP. People have common interests, such as having the same taste in music or going to the same bar. These shared interests and values will not inspire one to develop new ideas. On the other hand, weak ties would refer to people with different worldviews. They can provide more diverse impressions and ideas, including generating and transformative ideas (Schaefer, forthcoming). Moreover, workplace diversity can reduce lawsuits while increasing marketing opportunities, recruitment, creativity, and company image (Green, Lopez, Wysocki & Kepner, 2002).

Another example of how different the employees' and the company's ideas are about what is most crucial is one employee's opinion that the company should rather focus on improving the product instead of entering several new markets simultaneously. However, we believe that this discrepancy in importance may be related to the different levels of experience in the company, as some employees joined the company directly after university and have typically never seen another company, while the executives who drive strategy have implemented strategies in other areas several times.

5.2.2 Affective responses to change

Emotions are instantaneous reactions to environmental stimuli that are essential to the individual and usually short duration (Frijda, 2006). Throughout our interviews, we could perceive different emotions of FinUP employees. Usually, people consider the consequences of behavioral choices before they occur (positive, negative, neutral, or mixed - from the organization's perspective). On the one hand, employees rarely engage in resistant behavior without considering the potential personal consequences, according to Piderit (2000). On the other hand, some people may be moved to act on affective impulses without thinking about the consequences.

One example mentioned in our interviews was that the NOM triggers a repulsing feeling, which could be categorized as *negative* (Smollan, 2006), which leads to employees being uncertain and not making an effort to understand the NOM deeply. Even if the affective response was negative and went to what Smollan (2006) would describe as the cognitive evaluation of behavioral responses, no response could be recognized, leaving the employee uncertain.

In addition, the aforementioned new rules introduced in the Copenhagen office for the after-work beer caused employees to be affectively irritable, which we also would categorize as a *negative* emotion (Smollan, 2006), leading to the *negative* behavioral response of sending an email to the CEO, as mentioned in *section 5.1*, which was undoubtedly solely possible due to the company's culture in terms of flat hierarchies (Smollan, 2006).

Another interesting observation we made is that several employees reported that they were unsure of what to expect and afraid of FinUP becoming too corporate. However, when we look at the respondents' background, we find that few of them have had an experience of what it is like to work in a corporate environment, for example, people who started right after graduating from university. Therefore, people are afraid of the unknown, leading to resistance (Cameron & Green, 2015), which manifests itself in not trying to dive deeper into NOM with no behavioral response, respectively.

One respondent mentioned how sad they are that how much the culture is going to change. However, other voices explained the culture rather as evolving than changing, also referred to as continuous or evolutionary change (Alvesson & Sveningsson, 2016). Interestingly, we found a difference in respondents' levels in the organization. While those sad about change tend to be in a lower to middle position in the organization, those who describe change as evolving are more likely to be at the top, which could be because the latter is managing change.

One example of that is an event where all the sales employees were in Berlin, and eventually, teams were split and went to dinner, which eventually led to disappointment among employees who could not join, hoping that the company would not divide itself further in the future.

When questioned as to why FinUP is growing at the pace, it is currently, we received a short-tempered response as to what other option they had, underscoring the pressures they face from investors, competitors, and their growth ambitions. This snippy response is an excellent example of a *negative* affective response without circling back to the cognitive evaluation of potential behavioral response, as we assume that the respondent would have answered differently if their answer had been driven by a cognitive evaluation of possible behavioral responses (Smollan, 2006).

5.3 Theoretical contribution

The model of responses to change by Smollan (2006) can be applied to a wide range of change situations, but the nature of the change will have different effects on employees. A realignment of an organization to facilitate growth, supported by staff recruitment and promotion, will naturally elicit different emotions than a downsizing.

Our research found that crucial layers are missing to apply Smollan's (2006) model of responses to change to the startup context, especially in FinUP's situation. We believe that even before the initial cognitive appraisal of the change event, the outcome will depend on how companies provide sensegiving to their employees. Especially in the startup environment, sensegiving is crucial, as employees involved in the change, often university graduates, go through such a restructuring for the first time in their lives and have no idea what to expect and are dependent on how FinUP establishes sensegiving. Afterward, we think that employees conduct sensemaking (Weick, 1995) of the change situation from the initial appraisal of the change event towards cognitive responses, which is not apparent from Smollan's (2006) illustration. Thus, while understanding the event of a change process, the employee makes sense of the change event, in this case, the implementation of the NOM, through cognitive responses.

After making sense of the change process, the cognitive response, in some cases, employees develop an emotion towards the change process, which is expressed in the affective response step and can be positive, negative, neutral, or mixed. Depending on the emotional response, the individual might reevaluate their behavioral response through a *cognitive evaluation of potential behavioral responses*. However, it might also be the case that the emotional response triggers a direct behavioral response without thinking about the consequences of their behavior. That process is always simultaneously influenced by factors, such as the individuals' emotional intelligence, the change context, etc.

For example, we would like to draw back to where one employee sent an email to the CEO as a reply to the time change of the Friday bar in the Copenhagen HQ. We can see that he/she did not perceive the justice of this change in the cognitive appraisal of the change stage. Therefore, his/her cognitive response was negative, leading to a negative affective response. Afterward, we cannot reconstruct whether he/she directly sent that email to the CEO or if reevaluated his/her potential behavioral response cognitively, as this is also dependent on different factors, such as the individual's emotional intelligence or his/her previous experience. However, we believe that this event illustrates the procedure theoretically happening based on Smollan's (2006) model. Nevertheless, again, what we are missing in this model to illustrate the comprehensive process of what has happened, is the sensegiving and sensemaking layer. Therefore, we argue that sensegiving and sensemaking should extend the present model.

Another aspect we are missing in the model is that people are not necessarily responding to change events and that no behavioral response can occur, as we have seen in the example of employees not making an effort to understand the NOM fully. Therefore, we argue to extend the layer of behavioral response with *No response* to complete the model.

To conclude, we believe that Smollan (2006) provides an excellent foundation to understand how employees' responses in a change context occur. However, since change initiatives in hypergrowth startups are relatively unexplored, we argue that Smollan's (2006) model should be extended by the sensegiving and sensemaking layer and supplemented by *No response* as a potential response to change. Therefore, in figure 7, we have adjusted the model to fit the change context in hyper-growth startups.

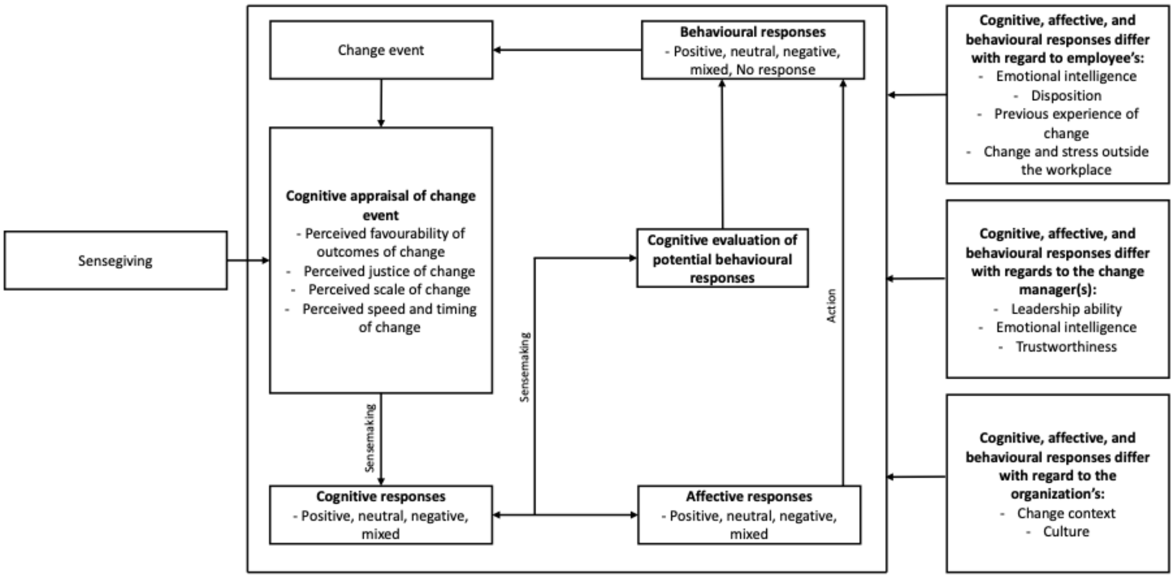

Figure 7: Extension of model of responses to change (original Smollan, 2006)

Chapter 6: Conclusion

Our study anticipated discovering and exploring how sensemaking about change affects employees' actions in hypergrowth startups. To achieve our research objective, we conducted a qualitative case study of FinUP, a Copenhagen-based fintech founded in 2015. The central point of this study is the implementation of a NOM at FinUP. We conducted 15 semi-structured interviews, a field observation in the Berlin office, and an analysis of contextual data to collect the necessary empirical material, whereas the focus was on the interviews. To complete our study, we applied Weick's (1995) sensemaking concept as a lens to research the individuals' sensemaking, including the aspects of sensegiving as the theoretical framework. Since our research focused on startups, we simultaneously contributed to a theoretical deficit in which change projects in startups are overlooked from a sensemaking perspective.

Further, we briefly discussed FinUP's current state and the startup scene in general, as well as significant literature. Afterward, we restated our findings from the discussion to answer our research question and provide insight into how the employees make sense of the change process, especially the NOM implementation. To conclude our study, we would like to refer to our research question:

How does sensemaking about change affect employees' actions in hyper-growth startups?

To better understand the individual types of responses to change, we analyzed the *model of responses to change* based on cognitive, affective, and behavioral levels. When individuals are confronted with change at work, they will respond at cognitive, affective, and behavioral levels depending on how employees perceive the change. Behavioral responses result from cognitive and emotional reactions being conveyed and facilitated by various factors, including some within the employee's context, some within the change manager's context, and others within the organization's context (Smollan, 2006).

FinUP is currently implementing a new operating model (NOM) involving many new processes, rules, and regulations. The NOM is similar to how Spotify structures its operations - also known as the Spotify Model. The Spotify model is an example of large-scale agile tailoring. The model implemented by Spotify tried to improve agility by creating autonomous teams. The reason for the implementation of the NOM is that FinUP is experiencing changing contingencies such as exponential growth, and its old structures would hinder the company from staying efficient. Therefore, FinUP needs to adapt its characteristics to remain as agile as it was a small startup rather than a company approaching the 1,000-employee mark. The NOM is supposed to transitive the repercussions of too fast growth in headcounts, such as decreasing productivity per employee. Since it generally leads to declining returns and decreasing productivity due to wasting time in hiring (Grosse and Loftesness, 2017).

On the one hand, most of the employees understand the need for the NOM implementation to reach its objectives. On the other hand, many employees have trouble understanding how the NOM affects their daily business or team. The incomprehension leads to people being overwhelmed and uncertain. An example of that is that we were approached by employees and asked whether we could explain the NOM to them, as we are probably more informed than they are due to our research for the thesis. Additionally, as more rules and processes get into place through the overall change of FinUP, people started worrying about FinUP becoming too corporate.

The majority made sense in the same way by agreeing on the growth factor as the main driver for the change in people and the business. The gain was also pushed by investors eager to see growth on all levels. However, some employees do not understand the speed of change. They are afraid that FinUP will hire the wrong people, and as a result, some see potential problems in the future. From the organizational standpoint, it is not easy since it is exceptionally time-consuming to find the right people, get the people on board, and get people ramped up. FinUP conducted sensegiving by having a big kick-off event to underline the importance, and in addition, there was a website where employees were able to inform themselves. This led partly to an information overload. FinUP sensegiving practices took away the willingness and urge of their employees to understand the model to the fullest. They explained to their employees that it is not significant if they do not understand everything from the beginning and embrace the change.

Nevertheless, employees made sense of what was observed through cognitive and emotional components. They understood the big picture and returned to their usual work routines without making any additional effort to understand how they or their team were affected. FinUP was missing to use sensegiving adequately to structure the unknown within the teams and for the single employee.

We attempted to see the findings we made at FinUP regarding their change project through the *model of responses to change* by Smollan (2016). Our results suggested that the *model of responses to change* by Smollan (2006) is missing crucial layers to make it applicable for the startup context. We believe that the outcome will depend on how companies provide sensegiving to their employees even before the initial cognitive assessment of the change event. Especially in the startup environment, sensegiving is critical, as employees involved in the change are often university graduates who started their first job at a startup. Consequently, they go through such a change process for the first time and have no experience and are thus dependent on how FinUP establishes sensegiving. After receiving the input through the information of the change event and the sensegiving process, we think that employees make sense of the change situation from the initial assessment of the change event towards cognitive responses, which would be an additional layer to Smollan's (2006) model.

After making sense of the change process, the next step is the cognitive response. In some cases, employees develop an emotion towards the change process, which is expressed in the affective response step and can be positive, negative, neutral, or mixed. Eventually, the individual might reevaluate their behavioral response due to uncertainties through a cognitive evaluation of potential behavioral reactions. Although it might also be the case that a strong emotional response triggers a behavioral response directly.

Another aspect we miss in the model is that people do not necessarily react to change events and that no behavioral reaction can occur, as we saw in the example of employees not making an effort to understand NOM fully. Therefore, we would add the *No Response* level to the Behavioral Response level to complete the model. After conducting our research, we think

Smollan's (2006) model should be extended by the sensegiving and sensemaking layer and supplemented by *No response* as a potential behavioral response to change.

To conclude this study, we would like to return to our initial research question: '*How does sensemaking about change affect employees' actions in hypergrowth startups?'*. Therefore, based on what we already know, that sensemaking depends on companies' sensegiving initiatives, we found that especially in startups, where sensemaking is often based on non-existent past experience (frames) of individuals, inadequate sensegiving initiatives can lead to the fact that no response towards the company's change initiative (cues) can be recognized. This past experience is often non-existent since their startup job often is their first professional experience after graduating from university.

6.1 Limitations

Several limitations and difficulties arose during the research project, of which most are pointed out in *section 3.7*. First of all, the scheduling of the interviews led to limitations. Unforeseen time problems arose due to cancellations or postponements. Another underestimated limitation was the time needed for data collection and analysis. We collected a large amount of data through the interviews, so more time than estimated was required to transcribe and code the data. In addition, the time constraint of approximately nine weeks meant that it was solely possible to interview 15 employees of FinUP and analyze the current situation rather than conducting a longitudinal study and observing how the sensemaking process evolves with the ongoing change initiative over several months.

As a consequence of the limited number of people interviewed, the generalizability of our findings for FinUP cannot necessarily be transferred to other change contexts in other companies, for instance. This is also the case for different offices since most of our interviewees are from the Berlin and Copenhagen offices. Despite the limitations, we understood the sensemaking process and the resulting actions, which often led to *No response*, as explained throughout the concluding section. FinUP was missing to fill that void with a structure and a clear plan of changing responsibilities.

In addition, we would like to emphasize that our study does not aim to generalize but to capture the complexity of a real organizational context. Therefore, with the richness and depth of the contextual details of our study, we hope to provide the reader with an assessment to evaluate our findings and assess their applicability to other circumstances. The extended *model of responses to change* can help to provide researchers with a lens to analyze change processes in startup environments under different circumstances.

6.1 Future Research

Our study was based on Weick's (1995) sensemaking theory to analyze how sensemaking about change affects employees' actions in a startup environment such as FinUP. We identified a failure in the non-management of meaning during the implementation phase of the NOM. We found that sensegiving plays a crucial part in how employees react towards change initiatives and that if sensegiving is not done extensively enough, it can also lead to no response among employees. Thus, it would be interesting to analyze how sensegiving within a startup environment increases employee engagement in change projects for future research. Moreover, we noted that employees who have never been part of corporate culture are precisely afraid of that and, thus, are afraid of the unknown. Thus, it could be interesting to research further *'How can startups prevent employees from being afraid to grow into a corporate culture?'*. Based on that, we argue that employee participation would probably be more substantial if done right. Therefore, for future research, we suggest investigating the following research question by asking: *'How can startups ensure employee participation in change projects by providing sensegiving initiatives in change projects?'*

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Appendix

Appendix A: Interview Questions

Introductory questions:

1. How long have you been working for Pleo?
    a. If longer than 2 years:
        i. What is Pleo doing right to keep employees like you around for so long?
2. How many people have been at Pleo when you joined?
3. Why have you chosen Pleo as an employer?
4. What is your job at Pleo?
5. Is that your first position? Has your job changed since you have started?
6. Where are you located "hierarchically"?
    a. How many people "above/below" you?

How would you explain Pleo's culture?

1. How do you perceive has Pleo's culture changed ever since you joined?
    a. If interviewee experienced change (most likely old-timers):
        i. Is there anything you miss about the "old culture"?
        ii. How transparent have you received Pleo's communication about the change?
    b. If interviewee did not experienced change: Do you think that other employees have a different perception?
2. What concrete examples/manifestations could you give that show the cultural change? (Certain decisions by top management (new policies, goals, mission statement))
    a. How do you feel about the new rule that at Pleo you're not allowed to drink on Friday's before 4 pm?
3. How important is transparency for you?
    a. How transparent was and is Pleo's journey for you?
    b. Do you feel informed when it comes to their strategy, runway, funding, etc.?

Critical events - Operational model

1. How would you describe the operational model? (If interviewee has problems explaining it, point that out and asked if that is because the person got too less info or too many (information overload))
2. Why do you think the organization is implementing the new operational model?

    a. How did you perceive the introduction of the operational model?
3. Did something change through the operational model for you?
    a. If, in what sense, is your workload impacted by the change?
    b. How much do you feel that you can influence Pleos' direction?
        i. Before, and after the implementation of the new operational model?
4. Does it make sense for you?
    a. Is there a difference in sense-making between the two groups (short tenure/ long tenure)?
5. Where do you see yourself in the new organigram?

Sensemaking of change:

1. Why do you think Pleo grows at that pace it does right now?
2. How competitive do you perceive the market Pleo is operating in?
3. How are you feeling about Pleo’s plan to grow to around 1,000 employees in 2022?
    a. Do you feel motivated or overwhelmed by Pleo’s growth pace?
4. How do feel about Pleo becoming more corporate?
5. How do you feel that people with more seniority are being hired instead of growing internal employees in that positions?