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Impact of Shared Value Activities on Cultural Differential Advantage

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Abstract

Purpose – In this paper, we address the academic absence of information on intangible effects from shared value creation activities by investigating how a social enterprise within an emerging market affect the company's cultural differential advantage.

Design – This study is a qualitative single case study with an abductive research approach. The case company is the Swedish IT company Beetroot AB, with head office in Kiev, Ukraine. Data from the study is collected through semi-structured interviews and analyzed through content analysis.

Findings and Analysis – We identify the three main characteristics of Beetroot AB's organizational culture as flat structure, entrepreneurial mindset and family style. These factors enable the company to generate a cultural differential advantage over its competitors as they help provide high loyalty towards the employer, create high working efficiency, function as an alignment tool to identify employees and clients and enable fast scale-up in size. The social enterprise has a positive effect on the cultural differential advantage of Beetroot AB. This happens due to strong similarities between both organization's cultures and a successful fit of their business activities. The social enterprise also creates a sense of happening and gives the opportunity to hire students.

Implications – Academically, our study provide new information to the field. Practically, we encourage IT companies within an emerging economy to implement SVC if it fits the organizational culture and aligns to the corporate strategy because it should then yield the company a cultural differential advantage.

Keywords - organizational culture, shared value creation, cultural differential advantage, social enterprise.

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1 Introduction

In this chapter, we will introduce the changing role of the corporation in society and alternatives to ease the societal needs. We will moreover show how our thesis is relevant; what it will investigate and why.

1.1 Background

Margolis and Walsh (2003) discuss the situation of a world in need of repair and the increased pressure on companies to take a stand and create value not only for their shareholders but for the society as well. They argue that the most efficient solution for each and every company is to implement a social agenda for a problem within their own operating area. The company should identify and probe a purposeful agenda where it is both able to contribute to easing societal ills and compensated doing so. Allocating resources with optimal efficiency, the company should look at the extensiveness of the problem, how they could contribute to it, and how their involvement could affect the problem, society at large and the company itself (Margolis & Walsh, 2003).

The concept of Shared Value Creation (SVC) was framed by Porter and Kramer (2011) as a way of reinventing capitalism and spur innovation and growth. Alike Margolis and Walsh (2003), Porter and Kramer (2011) stress the fact that corporate activities can have a huge impact on their surroundings and companies have therefore been under increasing pressure from the society. Narrow and outdated corporate views on value creation have led to the point where companies are blamed for societal failure (Porter & Kramer, 2011). In their view, Porter and Kramer (2011) argue that if companies really want to promote sustainable social or environmental well-being they must move beyond the point where social activity practices are tied to a specific budget, covering only chosen operations of the company. Rooted in the virtue of the fact that both social and economic factors define the market because flaws in one

will damage the other, SVC encapsulates the interrelatedness of the two (Porter & Kramer, 2011). SVC implementation aims to cover all corporate operations of a company (Porter & Kramer, 2011). Thus, the company can eliminate trade-offs by reinforcing prosperity of both company and community. To reach organic growth, Porter and Kramer (2011) state that companies must meet the demand of the people, for instance by creating job opportunities, whilst simultaneously efficiently benefit the business itself and becoming more competitive. There are three identified opportunities to achieve SVC (Porter & Kramer, 2011, p.65):

1. Reconceive products and markets
2. Redefine productivity in the value chain
3. Enable local and cluster development

1. Reconceive products and markets

The company should investigate their possibilities to meet societal needs while better serving its existing markets, accessing new markets, lowering costs through innovation, or technological advancements. Fundamentally, such processes start with an identification of societal needs and the company's ability to meet them. Additionally, the company should question if its existing products/services are helpful or are harmful to the society.

As an example, Novartis searched for a way to solve the global scale issue of lacking medicine and health care accessibility. Focusing on rural areas of India, the company launched a for-profit social initiative called Arogya Parivar (meaning 'healthy family') to offer relevant and affordable medicine to fight regional health issues. One major innovation in the initiative was simply to decrease the packaging size so that people living on daily wages could better afford them (Novartis, 2014).

2. Productivity in the value chain

Societal issues can be a major cost factor as they may disturb the value chain of companies. Therefore, the synergy between the social and economic aspects stress the companies to innovate and create new ways to operate more sustainably. Value chain productivity covers internal cost savings from increased efficiency quality, quantity, logistics, location, and usage of natural resources. This is well exemplified by Nike and in particular their footwear

manufacturers, which since succeeded spare costs from bisecting their energy consumption per unit since 2008 (Nike News, 2016).

3. Enabling local cluster development

“No company is self-contained. The success of every company is affected by the supporting companies and infrastructure around it.” (Porter & Kramer, 2011, p.72). Clusters refer to when companies within a specific area are spurred by the access to resources needed to operate efficiently. Examples of such resources are reliable suppliers, functional infrastructure, talent, and workforce. The geographical closeness enhances abilities of cooperation between companies and the private sector. From their point of view, Porter and Kramer (2011) argue that cluster development is a major driver of productivity and innovation, exemplified with the successful IT cluster of Silicon Valley, USA. Not only the companies within the clusters benefit from the situation, but likewise, does the local society of the clusters region. To maximize the potential outcome of the cluster, companies may strategically address existing flaws in the conditions of the surrounding society to meet their own needs. Presented here are two statements of cluster development by Kathleen McLaughlin, CSO of Walmart “At Walmart, we aim to use our strengths and collaborate with others to transform the systems we all rely on.” and “We believe that the value-maximizing strategy is the one that creates shared value for customers, business, and society.” (Walmart, 2017).

Companies can view the effects of social activities with different lenses. As in the latter citation from the Walmart Chief Sustainability Officer (CSO), much focus appears to be on what affects the initiative have on their external stakeholders, such as customers and society at large. However, the importance of the internal stakeholders should not be neglected. Scholars argue that company’s attitude towards society deeply affects employees’ attitudes towards the company and improvements in loyalty, productivity or identification with the firm can be achieved (Bhattacharya, Sen & Korschun, 2008). Expressing this in a more academical formulation, shared value activities can affect the cultural differential advantage of a company. The relation between these two concepts is the research questions of our thesis that will be explained in the following chapter.

1.2 Problem Formulation

Evaluating no less than 127 previous studies on the correlation between social and economic activities, Margolis and Walsh (2003) clarify that financial impacts from social activities are well covered in academia. They claim that the relationship appears to be positive even though there is a missing link between social and financial performance, thus the cause of the positive relationship remains vague. The main problem is, due to the sole focus on financial outcomes, very little is known regarding what other effects social activities may have on the core business (Margolis & Walsh, 2003). By this information, we got interested in investigating non-financial effects from social activities.

In recent years, social activities got broad attention. Rooted in the virtue of the fact that both social and economic factors define the market, Porter and Kramer (2011) explained the interrelatedness of the two factors through the concept of SVC. Because there are large flaws in emerging economies, the impact of shared value tends to be greater in such economies (Porter & Kramer, 2011). Their concept has inevitably been in the spotlight since then, as many multinational companies have incorporated it into their core organizational strategies. Society is emphasizing these corporations strive to create value. Fortune has a ranking of the top 50 companies contributing to global change through addressing social needs (Kramer, 2015). GlaxoSmithKline for example, is releasing drugs from patents to lower their price in poor nations without losing money, by improving goodwill and building a strong market presence; Nestle is investing in small farmers in more than 50 emerging markets and purging labour child; Fibria Celulose is providing around 900000 hours of sustainable harvesting training to their suppliers in Brazil and improving its supply chain efficiency (Fortune, 2017). These are clear examples of how companies can positively affect emerging markets and simultaneously create financial value for their shareholders.

One common way for an organization to engage in social initiatives is through creating a social enterprise. The social enterprises are recognized as an organization of which the founder(s) bear the responsibility to manage the organization and the economic risk of the venture (Nyssens, 2006). The organization continuously provide goods/services benefitting the target group and its local community, and these activities represent the mission for which the organization exists. It may or may not distribute profit. If the organization does so, it should be limited as the organization should not urge to maximize its revenue (Nyssens,

2006). Furthermore, the social enterprise is of collective nature where the active group shares the same goals and values. Developing our objective further, we wanted to investigate how social enterprise activities affect a company within an emerging economy.

Porter (1998) states that strategy is an array of activities aligned to deliver a particular mix of value to the customer and the right mix of activities can create a sustainable competitive advantage over competitors. Thus, we decided to apply the sustainable competitive advantage and investigate its dynamics under the effect of shared value activities. In order to provide viable research results, we decided to decompose the sustainable advantage and analyze one of its subparts. The sustainable competitive advantage can be separated in comparative advantage and differential advantage (Porter, 1998). As stated above, because we were not interested in shared value effect on the financial performance of companies, we decided to work with differential advantage. In his well-acclaimed article, Coyne (1986) decompose the differential advantage into four components, all derived from intangible resources. In order to decide which component to analyze, we looked at studies of intangible resources. Hall (1993) claimed that organizational culture was one of the most influential factors. From Peters and Waterman's (1982) study on 62 successful firms, the organizational culture was identified to improve employee independence and innovativeness, product/service quality, customer communication. Thus, we decided to work with cultural differential advantage. In his works Coyne (1986, p.58) defined cultural differential as "organization's ability consistently to innovate and adapt more quickly and effectively than its competitors." He emphasized mostly team's ability to launch more innovative products or services.

No studies were found particularly on integration between SVC and organizational culture. According to Crane et al. (2014), shared value is very similar to CSR, thus in order to find at least some similar studies to ours, we looked on the relationship between CSR and organizational culture. A study by Jaakson, Vadi, and Tamm (2009) explored what affects organizational culture played for corporate social responsibility (CSR) in service firms in Estonia and could not empirically confirm their hypothesis that organizations with higher CSR are more relationship or task oriented, but found some relationship between strong organizational culture and strong CSR. Galbreath (2010) studied 280 large size companies in Australia and identified organizational culture as one of the main drivers of CSR. Lee, Park & Lee (2013) conducted an empirical study on 163 employees to analyze their perception of CSR, mostly their loyalty and performance. Bhattacharya, Sen and Korschun (2008) found a

positive relationship between successful CSR activities and employee retention and motivation.

Most studies we found had the approach of investigating how organizational culture affects the CSR activities and very few on how CSR affects organizational economics. We were more interested in how the more modern concept of CSR - SVC, affects a potential outcome of organizational culture - the cultural differential advantage. By this explained funnel approach, we believe that our investigated problem was relevantly narrowed down to a significant thesis topic.

1.3 Purpose

Due to the continuous widespread of the ever so popular concept of SVC and a changing role of the firm in today's society, we believe that it is of importance to understand how social activities may affect the organizational culture. Our thesis aim at contributing to bridging this existing academia gap by conducting a single case study investigating how social enterprise activities can affect an organization's cultural differential advantage.

1.4 Research Question

The guiding question of our research is:

“How does a social enterprise within an emerging market affect the company's cultural differential advantage?”

1.5 Delimitations

Among many boundaries in our study; time had the greatest impact. As shown in the problem formulation (section 1.3) a more general perspective on the relationship between competitive advantage and SVC could have been investigated. However, it is our belief that because our study had strict time and space limitations of approximately 10 weeks and 25000 words

respectively, we were not able to provide a solid in-depth exploration on this rather complex topic. The scope would simply have been too broad in our opinion. For the same reasons, we chose to stick with a single case study rather than multiple and to solely investigate cultural differential advantage, even though other types of differential advantages exist.

2 Literature Review

In this chapter, we will use a funnel technique to help the reader better understand the theories related to the research question by narrowing down from the broader concepts to specific questions that are of high interest in this thesis. In the first section, we will start with explaining the general concept of strategy and how competitive advantage is incorporated into it. In the third section, we will discuss the differential competitive advantage and its components. The fourth section will explain organizational culture and how it creates a cultural differential advantage. Fifth and finally, we will present latest studies on researched topic.

2.1 Strategy and Sustainable Competitive Advantage

According to Porter (1996), strategy means doing different activities from the competitors or doing the same activities but in *different* ways. In other words, strategy or competitive strategy, as Porter names it, is about deciding what different actions from your competitors a company should do to create a unique mix of value for its customers (Porter, 1996). Elaborating more on this concept, Porter (1996) states that strategy is all about combining the right activities and creating a fit among them. Company management always faces trade-offs in deciding what actions to undertake and strategy is the tool to decide what not to do.

In his view, Aaker (1989) emphasizes more assets and skills, rather than just activities, and claim that the essence of strategy is developing and maintaining meaningful assets and skills and selection of the right strategies to sustain a competitive advantage. He argues that a business strategy should answer three questions: The way you compete (product strategy, positioning strategy, pricing strategy, etc); Where you compete (market selection, competitor selection); Basis of competition (what assets and skills) (Aaker, 1989). If these three

dimensions are managed correctly, a sustainable competitive advantage (SCA) will be created.

Academia often integrated SCA into strategy. For example definitions as “competitive strategy is an integrated set of actions designed to create a sustainable advantage over competitors” are often used in business literature (Coyne, 1986, p.86). Coyne (1986) argues that even though SCA is a powerful asset for the company, it does not guarantee financial success, other companies can succeed over competitors who possess a SCA or even pursuing a SCA can be detrimental for the general strategy of the firm.

According to Aaker (1989, p. 98), a competitive advantage must be “both a point of difference and an advantage as defined with respect to the firms regarded as competitors”. Thus, a skill that all the rivals possess cannot constitute a SCA. A SCA should possess the following characteristics in order to be of importance to a company (Aaker, 1989):

- Relevant to the market – it should create value for customers, either by creating something different or by a price advantage.
- Feasible and cost effective – the SCA should be cost effective to develop and maintain and it should fit the general strategy of the company and be compatible with the organizational culture of the firm.
- Sustainable – the SCA should not be easily neutralized by competitor’s counter-moves or the competitors should be unable to respond to the threat.
- Relevant to the future – the management should anticipate how the market, technologies or customers’ needs will evolve while crafting a SCA.

In order to create a SCA, managers should develop assets and skills that are (1) *linked to business objectives* of the company, this will help the management team to focus on the long-term strategy and ignore the short-term financial gains, and (2) *fit with strategies* be in the same context with other strategies and in the right market environment (Aaker, 1989).

Coyne (1986) presents another three conditions when a SCA becomes meaningful for strategy of the company: (1) customers acknowledge an important difference between producer’s product and his competitor’s products; (2) this difference appears due to a capability gap between the companies; (3) the difference itself and the capability gap can be sustained over time.

Aaker (1989) argues that managers can exploit three routes of creating a SCA: (1) *patent and trade secret protection* – patents are more important in products rather than processes and industries as chemical and pharmaceutical rather than IT and communications where they become easily obsolete. (2) *Preemptive strategies* – being the first who enters a market can create a strong SCA that will inhibit rivals from countering it. (3) *Exploiting synergy* – combining several business activities to create a value for the customer can create a substantial unique benefit that will be hard to copy for competitors.

Porter (1998) says that there are two directions a company can undertake to create a SCA, either it creates greater value for its customer – differential competitive advantage, or it creates value at a lower cost – comparative advantage. This can be achieved only by establishing a difference that can be sustained over time (Porter, 1998).

2.2 Differential Competitive Advantage

A differential competitive advantage exists only when the difference between the producer's product and competitor's product is felt by the market (Coyne, 1986). This difference is reflected in a product/delivery attribute that is anything that affects customer's perception of the product; examples could be quality, aesthetics, availability, after-sale service or others. Everything else that does not influence the customer's perception should be ignored. In addition, it is important not only the process of generating the differential competitive advantage but likewise is the application of the additional profits that were created due to this advantage into making a business advantage sustainable (Coyne, 1986). All the product/delivery attributes combined create a key buying criterion for the customer that influence his or her process of choosing a product and thus create a footprint in the market of certain depth (how strong is the preference towards a product) and breadth (how many customers are influenced by this criterion) (Coyne, 1986).

In order for a competitive advantage to be sustainable, a gap should exist in the capability that defines the differential advantage that will separate the producer from his rivals (Coyne, 1986). Coyne (1986) was the first one to define that gaps and he structured them in four categories:

- Business system gaps – ability to perform several business processes better than competitors do. Examples may be better technical or engineering skills will result in a better final product.
- Position gaps – results of some past decisions of the management to pursue a successful strategy or just circumstances as geographical positioning of some facilities (a smelter build near an iron ore source).
- Regulator/legal gaps – implications from the government to limit some actions of the competitors or licenses, patents, import quotas acquired by the company.
- Organizational or managerial gaps – a firm's ability to innovate and adapt better than its competitors.

Several years later, Hall (1992) developed Coyne's theory (1986) and introduced the notion of intangible resources in his framework. His main argument was that intangible resources are the "fuel" to power the four differential advantages that he renamed in: functional differential, positional differential, regulatory differential and cultural differential (Hall, 1992). In order to identify the most important intangible resources, managers should look at the existing competitive advantages on the market, understand what differential opportunities they create for the companies that possess them and identify the intangible resources that enabled them (Hall, 1992).

Another framework for identifying core competences was proposed by Prahalad and Hamel (1990). They said that firstly, a core competence should provide access to new markets, and secondly, it should affect the customer's key buying criterion and lastly, it should be difficult for rivals to imitate it. If the competence possessed by a firm meets all three criteria, it can be considered a core competence and usually, companies don't have more than six core competences (Prahalad & Hamel, 1990).

A year later after publishing his first work, Hall (1993) conducted a research and summarized his findings related to differential advantage in a new well-acclaimed article. He divided the capability differentials into two groups, based on competences (functional and cultural differential) and based on assets (regulatory and positional differential) (Hall, 1993). Figure 2.2.1 (adapted from Hall 1992, 1993) presents the intangible resources separated in assets and competences and their connection to differential advantage as done by Hall.

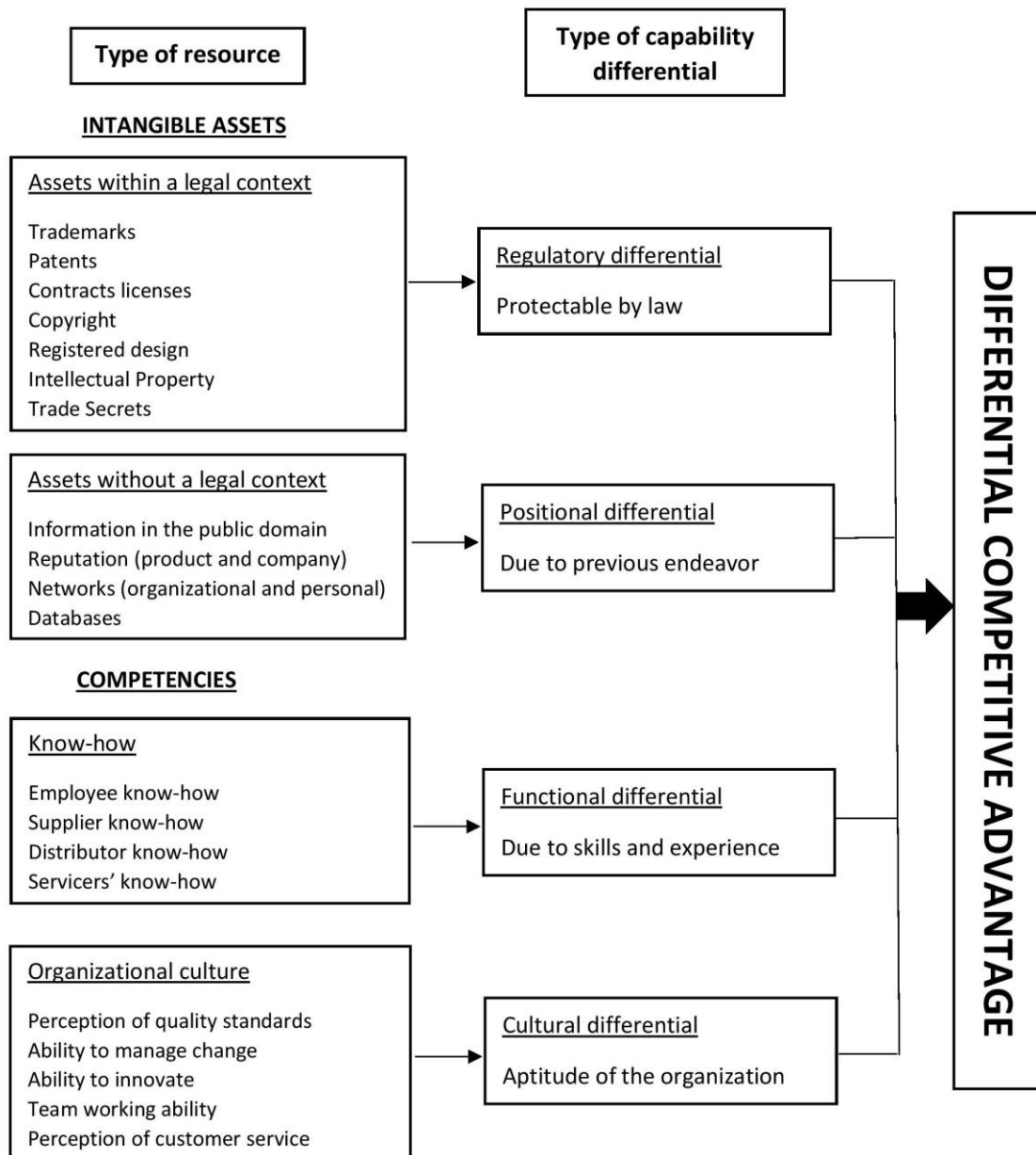


Figure 2.2.1 Decomposing Differential Competitive Advantage (Adapted from Hall 1992,1993)

2.3 Organizational Culture

Above we argued that intangible assets as knowledge are an important fundament for building a competitive advantage and knowledge issues are strongly connected with organizational culture (Davenport & Prusak, 1998). Culture is an important component that determines how organizations function on every level, from strategic long-term decisions to everyday micro

management, from how executives relate to company's most important stakeholders, to how employees communicate with customers (Alvesson, 2012).

Organizational culture is a broad concept and if one wants to research the cultural phenomena, he or she should look at things that are related to history, are difficult to identify and should be interpreted, have to be shared by members of an organization, are interconnected with meanings, beliefs and knowledge and are very emotional rather than rational (Hofstede et al. 1990; Trice & Beyer, 1993).

"We are what we repeatedly do" said Aristotle (Watkins, 2013). Observable patterns of behavior in organizations can be defined as a culture, because culture is consistent (Watkins, 2013). According to Heijes (2011), culture should not be understood as a static concept, as a homogeneous force, but as something dynamic, flexible and co-created in dialogue. In his view, Alvesson (2012) argues that organizational culture is a more complex umbrella concept that is formed of values and assumptions and agrees with Frost (1985, p.17) explanation of culture:

Talking about organizational culture seems to mean talking about the importance for people of symbolism – of rituals, myths, stories and legends – and about the interpretation of events, ideas and experiences that are and shaped by the groups within which they live.

Alvesson (2012) develops this definition further and says how important it is not to confuse culture with social structure. Culture has to be regarded as a cohesive system of meanings and symbols, where social interaction happens, thus according to Alvesson (2012, p.5) culture is:

A frame of reference of beliefs, expressive symbols and values, by means of which individuals define their environment, express their feelings and make judgements.

Speaking of an ideal culture it can be defined as:

The ideal culture... is characterized by a clear assumption of equity... a clear sense of collective competence... and an ability to continually apply the collective competence to new situations as well as to alter it when necessary (Alvesson, 2012, p.43).

Hall (1992, p.139) determined culture as “constitutes the beliefs, knowledge, attitudes of mind and customs to which individuals are exposed in an organization, as a result of which they acquire a language, values, habits of behavior and thought”. These values separate one company from another and blend in the teammates together. Over time organizational culture can influence employee’s attitude towards their competences as perception quality standards that they have to deliver to the customer, ability to manage change, to innovate, their experience of working in teams with other colleagues or the way how they should communicate with their clients (Hall 1992, 1993).

Another definition of organizational culture is “complex set of values, beliefs, assumptions, and symbols that define the way in which a firm conducts its business” (Barney, 1986, p.657). It helps identify the company’s relevant stakeholder, understand firm’s relationship with it and strengthen the strategy and company structure because they are closely related to firm’s values, beliefs, and assumptions (Barney, 1986).

In our research, we will use Hall’s (1992) definition of organizational culture because it precisely describes the input (beliefs, knowledge, attitudes of minds) and output (language, values, habits of behavior, thought) of culture in a corporation. Even though culture is a broad concept, Hall could cover the most important concepts in a single definition and argued well why he used them. We do not tend to criticize work of other scholars, we decided to use this definition because it fits well the purpose of our thesis of researching the influence of shared value activity on a cultural differential advantage.

2.4 Cultural Differential Advantage

While conducting this research, we have a technical cognitive interest of analyzing organizational culture. According to Habermas (1972), a technical interest has to understand

the causal relationship between several variables in order to identify the right variable to manipulate so the desired goal is achieved. Practitioners of this view interconnect organizational culture and company performance (Alvesson, 2012). They think that if correctly influencing specific cultural phenomena or cultural systems a beneficial outcome can be achieved (Sackmann, 2011). This view suggests that culture can be used as an instrument to achieve performance, while a defensive view sees culture as an obstacle to achieve high performance, i.e. some difficulties that a company is having exist due to negative effects of culture as conflicts between managers and employees, low flexibility and cultural conflicts (Sackmann, 2011). Business managers also relate culture to performance. “Companies win or lose based on cultures they create” said the CEO of one of the largest retailer companies in the USA; “Over a period of time, you realize that building a very strong company and a very strong foundation of talent and culture in a company is essential to making great products” said Steve Jobs (Puffer, 1999, p.3; Ross, 2015). There are four different views on the interconnection between organizational culture and performance:

1. The most common one is called strong-culture thesis (Alvesson, 2012). It assumes that if employees and managers of a firm share the same values, beliefs and norms the company will perform better and this will result in higher profits (Denison, 1984). Academics who research this correlation emphasize a new relation between employees and managers that stands at the core of organizational culture; where employees participate in decision-making processes have more autonomy and holistic relationships (Peters & Waterman, 1982; Ouchi, 1981). A strong culture contributes to better goal alignment, it is easier for members of an organization to agree upon goals and ways to achieve them. In addition, the motivation is higher in companies with strong cultures because shared values and beliefs help people identify with the firm they work in and have a higher responsibility towards their tasks (Brown, 1995).
2. The next relationship is reversed to the strong-culture thesis and says that a high performance creates strong organizational culture (cultural homogeneity) (Alvesson, 2012). It is argued that a series of successes can lead to a common direction and shared values and beliefs in an organization. A specific spirit that is present in a workplace removes questions as “how to do it?” or “why to do it?” and a consensus between colleagues is formed and in some cases even conformism (Alvesson, 2012).
3. Another view on the relationship between organizational culture and performance states that in some particular cases a special culture is required to boost efficiency

(Alvesson, 2012). Mostly in certain organizations that are too complex to be controlled by classical means a specific organizational culture can function as a crucial regulatory instrument (Wilkins & Ouchi, 1983).

4. The last type of relationship is when “adaptive cultures” i.e. cultures that react to changes in organizations are crucial for certain companies to achieve high performance (Alvesson, 2012). Usually, this type of companies have members who are easily taking risks, have a high level of trust between each other and are good team players (Alvesson, 2012). However, some organizations are performing well in stable environments and taking too much risk for them can lead to instability and lead them in a wrong direction (Brown, 1995).

In order for an organizational culture to create a sustainable competitive advantage, it must meet three conditions (Barney, 1986):

- Culture must be valuable and add financial value to the firm as lower costs, higher margins, better sales performance, etc.
- Culture must be rare, a low number of firms should possess it.
- Culture should be hard to imitate, companies who will try to imitate their competitors' culture will bear significant costs and disadvantages.

Coyne (1986, p.58) defined cultural differential, that in his works he named organizational or managerial gaps, as “organization's ability consistently to innovate and adapt more quickly and effectively than its competitors.” He emphasized mostly team's ability to launch more innovative products or services and pointed that this capability gap is extremely important in IT or finance, when constantly out-innovating competitors will put them into a defensive position and create a differential competitive advantage (Coyne, 1986).

Multiple studies were conducted to understand organizational culture effect on the firm. In one of these studies, the CEOs of companies from different industries were asked to identify the key intangible resources that affected the creation of a competitive advantage. Organizational culture topped the list with other important resources as company/product reputation and employee know-how which denotes how much executives value it (Hall, 1993). In another study, 62 successful company were closely investigated (their success factor was determined by asset growth, equity growth, return on equity and it has to be ranked in industries top half for at least 20 years) to discover the similarities they share (Peters &

Waterman, 1982). Authors identified eight common attributes, one of them being organizational culture, that they described as an “essential quality of excellent companies” (Peters & Waterman, 1982, p.75). They state that a coherent and strong culture can improve employee independence and innovativeness, product/service quality and customer communication (Peters & Waterman, 1982).

Another popular topic for studies is how organizational culture influence employees and their behavior. For example, 900 IT employees in USA participated in a research on how organizations with strong learning culture influence job satisfaction, motivation to transfer knowledge, i.e. as an employee’ desire to use the knowledge and skills gained in training on the actual job and turnover intention i.e. a conscious and deliberate willing to leave the firm (Egan, Yang & Bartlett, 2004). Researchers found that a learning culture positively affects job satisfaction and motivation to transfer knowledge and negatively influences employee’s turnover intention (Egan, Yang & Bartlett, 2004). Another research studied organizational culture’s three dimensions of work tasks values, interpersonal relationship values, individual behavior values and how does they influence employee retention over a period of six years. Authors argued that the person-organization fit is crucial in determining employee retention (Sheridan, 1992). People who join a company that shares the same values and beliefs as they do, tend to voluntarily stay by 14 months more than persons who do not choose companies according to their values, this results in significant costs for companies who do not use their values as an alignment tool (Sheridan, 1992).

2.5 Latest Studies on the Topic

As argued in the problem formulation (section 1.3), due to a lack of the research on the connection between shared value and organizational culture, we instead present some relevant findings from studies done on the topic of CSR and organizational culture.

Jaakson, Vadi and Tamm (2009) state that social responsibility must be present in the organizational culture, in order for CSR to have business implications. According to authors, companies that have strong CSR, usually have employees that know each other, have close contacts among each other, have a sense of unity and take decisions together.

Galbreath (2010) investigated what drives firms' demonstration of CSR and identified formal strategic planning and organizational culture as the main factors. "Because values, beliefs and shared ways of doing things affect behaviour, culture relates to social responsibility; values ingrained in the firm affect decisions made throughout the organization" argues the author of the study (Galbreath, 2010, p.519). Humanistic cultures, i.e. cultures that enable harmonious relationships, carrying attitudes, thus are more sensitive towards their stakeholders, are more determinant in affecting the CSR activities of a company (Galbreath, 2010).

Studies suggest that if CSR activities fit the organizational culture of the company they are improving employees attachment and long-term performance (Lee, Park & Lee, 2013). According to authors, their findings create new implications to executives of the firm who have to make sure that the CSR is aligned with the culture of the company, so the employees think that their firm is efficiently executing CSR and for the marketing managers, who have to invest in communicating about CSR activities to employees (Lee, Park & Lee, 2013).

Bhattacharya, Sen and Korschun (2008) findings suggest that CSR can be a crucial determinant in attraction, motivation and retention of employees. To achieve the best results, managers should create CSR strategies that are defined on clear input-output perspectives, encourage employee identification and are elaborated in collaboration with employees (Bhattacharya, Sen & Korschun, 2008). Another important factor to achieve retention of employees through CSR is that employees have to play the role of the enactor, while the company should act as the enabler (Bhattacharya, Sen & Korschun, 2008).

This is the frontier of today's research within the field of organizational culture and CSR. Though, as we seek to explore a relationship between shared value effect on the cultural differential, we argue that there are not enough viable and credible studies on this topic. Therefore, we aim at contributing to the current literature.

3 Methodology

This chapter will include our choices made regarding research design, research approach, and data collection. Moreover, the case company will be presented and we will explain how we have chosen to structure our investigation of it. We will then discuss the way we will analyze the collected data, followed up by a reflection on the reliability, validity, and generalizability of our study

3.1 Research Design

In our study, we investigated a previously unresearched case, thus the study provided new and deepening knowledge to the subject area compared to what existed before. By this motivation, the study was categorized as exploratory research. With an exploration, the researchers' strive to put the phenomena in a new light and to help enhance the knowledge-base of the problem (Saunders, Lewis, & Thornhill, 2012). The explanation of the exploratory research purpose perfectly suited our case, where we investigated a specific case of cultural differential benefits from engaging in social activities through a social enterprise within the IT sector of an emerging economy. Being of non-numeric nature, our research question was most efficiently addressed by applying a qualitative approach of research, with emphasis on in-depth contributions from a relatively narrow sample. In such cases, human experiences, beliefs, and feelings (etcetera) are often useful when exploring 'how' and 'why' things played out as they did, which was the basis on which our primary data was collected (Saunders, Lewis & Thornhill, 2012).

Case studies are commonly beneficially adapted in exploratory research (Saunders, Lewis & Thornhill, 2012). According to Yin (2014, p.13), a case study is an empirical inquiry that "investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident". As we intended to gain

individual's experiences on a specific situation, it was considered most relevant to conduct the research approach of a single case study, because it allowed real-life investigations of conceptualized ideas.

3.2 Research Approach

The two most commonly used ways of approaching research are named inductive and deductive, respectively. Most often, the inductive path concern qualitative studies whilst deductive accounts to the more quantitative nature. In the inductive approach, the researchers can generate meanings from similarities between collected data, which is argued necessary for our study (Saunders, Lewis & Thornhill, 2009). However, it aspires to create theory out from the results of the investigation, which is not the intention of this study (Saunders, Lewis & Thornhill, 2009). Furthermore, it allows alternative definitions to established literature, with regards to our research question, it would be unbeneficial not to explain the concepts as in the literature because they would be less clear for the interviewees.

On the contrary, the deductive research approach refers to when theory guides the study, thus the researchers' study investigates the applicability to established literature within the field (Saunders, Lewis, & Thornhill, 2012). Our case study was guided by theory as the participants were provided with definitions and explanations that enlightened them with suitable knowledge to participate in the study. By applying existing concepts and theories to our case study, we explored how the single case study was an example of how cultural differential cultural advantage is affected by activities of a social enterprise. Therefore, we preferred to not exclude the deductive approach in terms of theoretical approach.

Because there were benefits with both inductive and the deductive approach with regards to our research question, we found it appropriate to utilize benefits from the both of the two one-sided approaches, resulting in the abductive research approach (Alvesson & Sköldberg, 2009). This approach accepts the ideas from established literature, yet include pattern recognition explaining the interviewees' interpretations of the investigated concepts, something of great importance when solving our research question. By these arguments, we labeled our research approach abductive.

3.3 Data Collection

In accordance with our research question, we claimed that our purpose was to explore a case of cultural differential advantages from engagement in social activities within the IT sector in an emerging economy. It was therefore suitable to conduct a research in form of qualitative in-depth case study to collect primary data. Case studies can take two forms; single case studies and multiple case studies. As argued for in the delimitations (section 1.6), studying one single case was the most suitable way to investigate the matter due to our time limitations, investigating many cases could lead to poor information depth per case and thus less qualitative results.

Our investigation represented the case of a company which has not been studied within this area of academia before (Flodström, 2017). Thus, the single case study represented a case not previously covered in academia, which is one situation, referred to as ‘unusual rational’, where the single case study is a relevant method to apply (Yin, 2014). Another factor of interest within the single case study is the one of ‘revelatory rational’. In such situation, the phenomenon that the researchers investigate has not been accessible for long (Yin, 2014). This was indeed true for our case, the concept of SVC is rather new, furthermore, the units of analysis (the limited liability company and the social enterprise) are both young companies (younger than the concept of SVC). Reaching both these rationales prove reason to relevantly apply a single case study. It is moreover possible to categorize the case method further, by introducing holistic and embedded units of analysis. Our single case study represented two units of analysis (the limited liability company and the social enterprise), which would categorize the study as an embedded approach due to multiple units of analysis in one single case study (Yin, 2014).

To investigate the purpose of our research question, we needed to find a company fulfilling the following three criteria;

1. Being an IT company,
2. Operating within an emerging economy
3. Engaging in social activities through a social enterprise.

With these in mind, the Ukraine IT sector was analyzed because the country has a rapidly growing IT sector and is the biggest supplier in outsourcing developers within Europe, thus also fitting the criteria of emerging market (Verbyany, 2017). Beetroot AB was identified as a potential case study because they fulfilled all of the above requirements. After contacting them via e-mail, a Skype meeting was arranged to discuss the potential collaboration in depth. The management of the company was interested in our research and agreed to participate in the study.

3.4 The Case Study

3.4.1 Ukraine

By area, Ukraine is the second largest country in Europe, with a population of 45 million people (The World Bank, 2017). Its economy relies on heavy industries and agriculture, while the IT sector accounts for 3% of country's GDP and employs around 100,000 people (Verbyany, 2017; The World Bank, 2017). If the IT sector will continue to grow at the same pace as today, it can increase its share in GDP up to 15% according to Ukrainian Economic Ministry (Krasnikov, 2016). In 2014 after the pro-european Maidan revolution, war erupted in the east part of the country internally displacing 1.4 million people and seriously damaging Ukrainian economy which decreased by 9.9% GDP per capita growth (IDMC, 2016; The World Bank, 2017).

3.4.2 Beetroot AB

Beetroot AB is a Swedish IT company that was founded in 2012 by two Chalmers University students. The company's headquarters is located in Kiev and currently has 180 people employed across three cities in Ukraine. Beetroot provides two main services to its clients:

Dedicated Teams - teams of developers and designers that are created in accordance to the client's needs. They work remotely with the client for a long term period. The client retains the control of the development process thus keeping all their knowledge in-house, while Beetroot ensures that the team stays efficient, fulfills the expectations of the team and supports the client with all operational tasks related to managing the team.

Wordpress - development of websites based on Wordpress platforms. The client pays per developer/hours, do not manage the development process, and receives the end product.

Both of these offerings requires a lot of human resources management and the HR personnel in Beetroot play a key role. Not only they hire the people to Beetroot, but they are the one responsible for creating and managing the right teams for clients, which highly expands their attributes. They are also fulfilling the role of an account manager for the client, which makes them the first point of contact in Beetroot for the clients. This points out how important for Beetroot's success are processes of hiring and retaining employees. Thus we argue that Beetroot is a perfect case study for our thesis because organizational culture plays a key role in their business model.

3.4.3 Beetroot Academy

Beetroot Academy is a social enterprise founded in 2014 by the Beetroot AB founders Andreas Flodström and Gustav Henman. The Academy operates independently from Beetroot AB as a non-profit organization. The Beetroot Academy seeks to educate people IT skills regardless of their professional background or age. For a fee of \$500 per person can undertake a four months course in which he or she will receive the necessary knowledge in form of practical group lessons with IT professionals and theoretical content that the student will have to study alone. Besides learning the relevant IT skills, students take English and career guidance courses. Currently, 70% of graduates found a job in IT and 25% out of them are employed in Beetroot. As stated on their website, Beetroot Academy missions are to satisfy the growing, global demand for tech competency, to grow a new generation of novice talents into masters, to rejuvenate a stale industry with warmth and to help forge a new Ukrainian middle class (Flodström, 2017). The revenue stream of Beetroot Academy generates is reinvested in the Academy to open new courses and new schools. Currently, Beetroot Academy is present in nine small to middle size cities in Ukraine. These locations were chosen because the IT cluster is not developed yet there, and in that way, the Academy will have the maximum impact with minimum efforts. Beetroot Academy portrays a perfect example of Porter and Kramer (2011) theory of SVC - enabling local cluster development. The Academy contributes to the creation of a middle class in Ukraine while providing several business benefits for Beetroot AB.

In accordance with Nyssens' (2006) explanation of what being a social enterprise mean, we can confirm that Beetroot academy is continuously (and increasingly) providing their service for the chosen target group - people regardless of their professional, background, or age who are interested in a career within IT. Furthermore, educating the target group within IT prove that the company exists and operate to achieve purpose of its mission to satisfy the growing, global demand for tech competency, to grow a new generation of novice talents into masters, to rejuvenate a stale industry with warmth and to help forge a new Ukrainian middle class (Flodström, 2017). Through their mission, Beetroot Academy benefits to the cluster development of the local society. For example in their first Academy in Poltava, the sector has all grown and among the three major IT companies in the city, the majority of their employees are former Beetroot Academy students (Flodström, 2017). Therefore, one can clearly see that this social enterprise benefit its target group and its local community. In the common case, a person who undertakes a four months course at Beetroot Academy pays \$500, which is charged in order to cover all expenses within the education. One could argue that it is a humble price for such education, furthermore, all economic surplus is reinvested back into the Academy. By these facts, it is true that the social enterprise is oriented towards profit maximization (Nyssens, 2006). Furthermore, being actively managed internally and including many different stakeholders as grant-providers the organization is in accordance with Nyssens' (2006) characteristics for participative nature of a social enterprise.

Including social, economic and participative nature, we can clearly define Beetroot Academy as a social enterprise by the measurements of Nyssens (2006).

3.5 Interview Approach

There are many different paths to conduct a qualitative in-depth case study (Easterby-Smith, Thorpe & Jackson, 2015). However, the data collection technique of interviews was considered beneficial because the great compliance and accessibility of the company; factors that commonly are major constraints in the attempt of conducting qualitative interviews (Easterby-Smith, Thorpe & Jackson, 2015).

Out of the three subcategories of interview structures; structured, semi-structured and unstructured, we settled for the middle alternative. Semi-structured help to uncover

underlying meanings and perceptions that individuals connect to certain events, which was our intentions (Easterby-Smith, Thorpe & Jackson, 2015). Furthermore, this interview technique was suitable because it followed a an interview guide that helped to keep the interviews on a relevant topic.

Our questions were constructed from knowledge conducted in the literature review (Interview Guide Appendix A). Simultaneously as structured in compliance with our thesis purpose, the semi-structured interview technique allowed us to ladder up and ladder down, and to probe the interviews (Easterby-Smith, Thorpe & Jackson, 2015). By laddering up, we could reveal the individual's beliefs and values regarding a discussed fact, typically by using 'how' and 'why' questions. Laddering down allowed, on the other hand, to obtain exemplifications of situations (Easterby-Smith, Thorpe & Jackson, 2015). Probes helped us to sharpen the interviewees' answers without making them biased by involving our own framing. Probing is commonly done by asking connecting answers to certain events, for instance by asking "what makes you..." or "have you thought about..." (Easterby-Smith, Thorpe, & Jackson, 2015, p.143). Through flexibility from the ability to exemplify, elaborate, and explain questions for more in-depth information without increasing the bias, and simultaneously keeping focus to what matters in the study, the semi-structured interview was the most suitable interview style for our study.

According to Saunders, Lewis and Thornhill (2009), complex matters are best discussed face-to-face for the interviewers to grasp the in-depth responses ultimately, because it allows less bias compared to other techniques. For instance, in face-to-face interviews can take body-languages, facial expression into consideration, which is not possible in for instance phone-interviews. Different methods carry different characteristics, pros, and cons, thus they do perfectly compare to each other (Saunders, Lewis & Thornhill, 2009). For this reason, we did stick solely to face-to-face interviews because it was the clearest option thus yielding the least biased results.

3.6 Sample Selection

3.6.1 Purposive Sampling

Our study categorized as non-probability sampling due to the lack of representation of the larger population (Easterby-Smith, Thorpe & Jackson, 2015). Possibly, one could identify the chosen sample as a convenience sample, gathered due to accessibility (Easterby-Smith, Thorpe & Jackson, 2015). However, we would like to disagree with this. Easterby-Smith, Thorpe and Jackson (2015, p.82) exemplify convenience sampling with “A student who uses a list of friends on Facebook for their dissertation is taking a convenience sample.” As the researchers of this study, we claim that neither the company nor its employees were within our convenience zone to reach.

In purposive sampling, the researcher has a clear idea of what sample units are needed according to the purposes of the study, and then approaches potential sample members to check whether they meet eligibility criteria. Those that do are used, while those that do not are rejected. (Easterby-Smith, Thorpe & Jackson, 2015, p.82).

We conducted a single case study to investigate the IT sector within an emerging economy, more specifically to find how a company was affected in terms of cultural differential advantage, as an effect from its social enterprise’s activities. Thus, the selection of the case company itself was purposive. When Beetroot was identified as a suitable case study in line the criteria of our study, we came up with the three categories of employees in order to investigate the AB and the Academy, and to find patterns between the organizational cultures of the two and to confirm these patterns through confirmatory information from former students. We therefore argue that the objectives of our research had a clear purpose, by dividing interviewees into the three groups argued for above, we did choose our interviewees thoughtfully in the attempt of maximizing the insight gained from the interviews to benefit our research most efficiently. In that sense, our decision was selective and we therefore argue that our interviewees account to a purposive sampling method accordingly (Easterby-Smith, Thorpe & Jackson, 2015).

When deciding which people to interview, we arranged a meeting with the co-founders. On the meeting, we explained our research purpose and question, and our idea of interviewing

Beetroot management, academy management and former students of the academy in order to gain different groups in-depth perspectives on the organizational culture. When the co-founders were informed on what was the purpose of our research, they suggested possible interviewees who have in-depth information on the relevant topic. However, we still had free to interview anyone one in the company. Nonetheless, due to our purposively chosen interviewee categories, a very limited employee base would help to maximize the informative insights in our study case. The top management of both Beetroot AB and Beetroot Academy consists of a very limited amount of people due to company size and managing style. As a matter of fact, we interviewed all management who have been part of Beetroot AB and Beetroot Academy from the beginning or at a significantly early stage of development of these organizations. However, being non-probabilistic sampling method, our study could not be claimed to represent any larger population.

3.6.2 Application of Sample Selection

We wanted to investigate how the social activities of Beetroot Academy affected in cultural differential advantages for Beetroot AB. For this purpose, three categories of employees were chosen for interviews;

1) The Beetroot AB Management:

1. Andreas Flodström - Co-founder, Chief Executive Officer
2. Gustav Henman - Co-founder, Chief Financial Officer
3. Sebastian Streiffert - Marketing Chief Officer
4. Wes Gleeson - Team Operations Coordinator

2) The Beetroot Academy Management:

1. Uve Poom - Fundraising and Partnership Manager
2. Axel Nordfeldt - Development Manager
3. Natasha Dmytrenko - Local Manager
4. Denys Serheyev - Product Manager

3) Former Students of Beetroot Academy, now employed at Beetroot:

1. Vlad Romanenko – Team Leader and Front/End Programming Teacher

2. Anastasia Kuznetsova - Junior Word Press Developer
3. Roman Yukhimchuk - Word Press Developer
4. Valeria Tonkoshtanova – Content Manager

The purpose of categorizing the interviewees into these three groups was to gain different in-depth subjective perspectives on the organizational culture of the company. The interviews were similarly structured but questions were different for each group, so while analyzing the gathered data we could compare the answers given on the same topic by different stakeholders, thus representing a different point of view.

The Beetroot AB Management interview was structured in two categories, questions related to the mission of the company, their competitive advantages, the role of the organizational culture and questions related to Academy, the initial scope of its creation and Academy's effect on their mission, culture, and relationship with stakeholders. Interviewing both co-founders and other top executives gave us the possibility to understand the big picture and the logic behind strategic decisions undertaken in the company.

The Beetroot Academy Management answered questions related to their business model and how are they cooperating with Beetroot AB. We interviewed people who participated in the creation of the first Academy, who were responsible for fundraising from international organizations and people who are managing the daily activities in the Academy located in Poltava. The access to employees with different positions, but in the same time working on the same mission, helped us get valuable insights about the social enterprise and its effects on the Beetroot and the social environment the organization operates in.

Former students currently employed at Beetroot were interviewed to get another perspective on the Academy and Beetroot. Not involved in the management of these companies and knowing both organizations from the insight, their answers reduced the bias of the research and portrayed a different view on the research questions.

3.7 Data Analysis

Easterby-Smith, Thorpe and Jackson (2015) define content analysis a rather deductive approach of analysis, where codes are systematically explored from the collected data. The

somewhat fuzzy expression ‘rather deductive’ of content analysis could be clarified by explaining that it blends quantification (usually a measure of nature science) with the generally interpretative approach of the qualitative study (that accounts to social science). This adds a new dimension to the data analysis process as the researchers are allowed to count how often a specific fact is mentioned, how many of the interviewees that claim the same thing. The quantification can help the researchers to search for patterns in the collected qualitative data and arrive at conclusions from these (Easterby-Smith, Thorpe & Jackson, 2015).

The process of content analysis is explained in six steps by Lundahl and Skärvad (1999):

1. Qualitative studies (within social science) are about humans or groups of humans, to make relevance of the investigation, it is therefore important to delimit the problem of interest. Thus, the purpose should answer for whom will be in focus and what aspects will be investigated. In our purpose (section 1.4), we stated that a group of humans (an organization) running a social enterprise within an emerging economy would be in the spotlight of our study. What was investigated, thus the purpose of the study, was to find out if and how the social enterprise generated cultural differential advantages from its activities.
2. The case study should follow the research purpose without formulating a formal hypothesis because the researchers should approach the data collection without predetermined views on their investigation. In line with the guidance from Lundahl and Skärvad (1999), we conduct the open research question “How does a social enterprise in an emerging market affect the company’s cultural differential advantage?”
3. The researchers should identify and utilize reliable sources of information. Current information, findings and contributions (of which the majority was academic articles and textbooks) relevant for the field of interest was found primarily on Google Scholar, Web of science, and Scopus. Peer reviewed sources and a stable amount of quotations was a benchmark when choosing the secondary sources. All established literature contributing to our topic was not primarily developed for the same purpose or in the same field as our study, meaning that our study did put established academia into new contexts (Easterby-Smith, Thorpe & Jackson, 2015).

4. The researchers should identify the persons and/or the case that will represent the primary data of the research. In qualitative research, this is most commonly done in a non-probability sampling approach, because the researchers tend to investigate people and/or cases that will add valuable knowledge with regards to the research question. In order to answer our research question, we argued that conducting single case study is the most appropriate path (section 3.4), and in the sample selection, we clearly argued for our choice of interviewees.
5. Our primary data was collected from semi-structured interviews. In order to conduct our interviews face-to-face, we went to Ukraine between 1-15th of April 2017. At Beetroots head office in Kiev, we interviewed all AB management, the Fundraising & Partnership Manager of the Academy and the Development Manager of the Academy. We then went to Poltava where the company established its first academy and today has an office with 70 employees. There, we interviewed the remaining two persons of the academy management and all four former students currently employed at Beetroot. Each interview was within the range of 45-75 minutes. Both researchers were present during all of the interviews. All interviews were recorded with an audio program (on a smartphone), which allowed us to focus on the interviewees, and to ladder up, down and probe the interviews relevantly (Saunders, Lewis & Thornhill, 2009). Moreover, all interviews were held in English, which is considered benefit due to less translation bias compared to when multiple languages are used.
6. The collected primary data is analyzed in two steps. First, the researchers search for patterns, concepts, and themes that help the researchers to interpret what is of interest for the study. In the second step, the researchers categorize concepts that are of the same content, and when interpreting, a theory is developed from relating the different categories to each other (Lundahl & Skärvad, 1999).

We transcribed the interviews by writing down the entire content of the interviews using the recorded audio files and Microsoft Word. When we had all the collected data on paper, we compared the interviews of the Beetroot Management and the former students who are currently employed at Beetroot AB. By doing so, we found three main characteristics of their organizational culture. When we furthermore included the Beetroot Academy management interviews, we found four elements of cultural differential advantage that organizational culture creates. These findings were then integrated with existing literature from the literature review, thus a merged findings and analysis chapter was created.

Concluding in Figure 3.8, we present a summarizing model that provides an overview of the methodology and methods of this study.

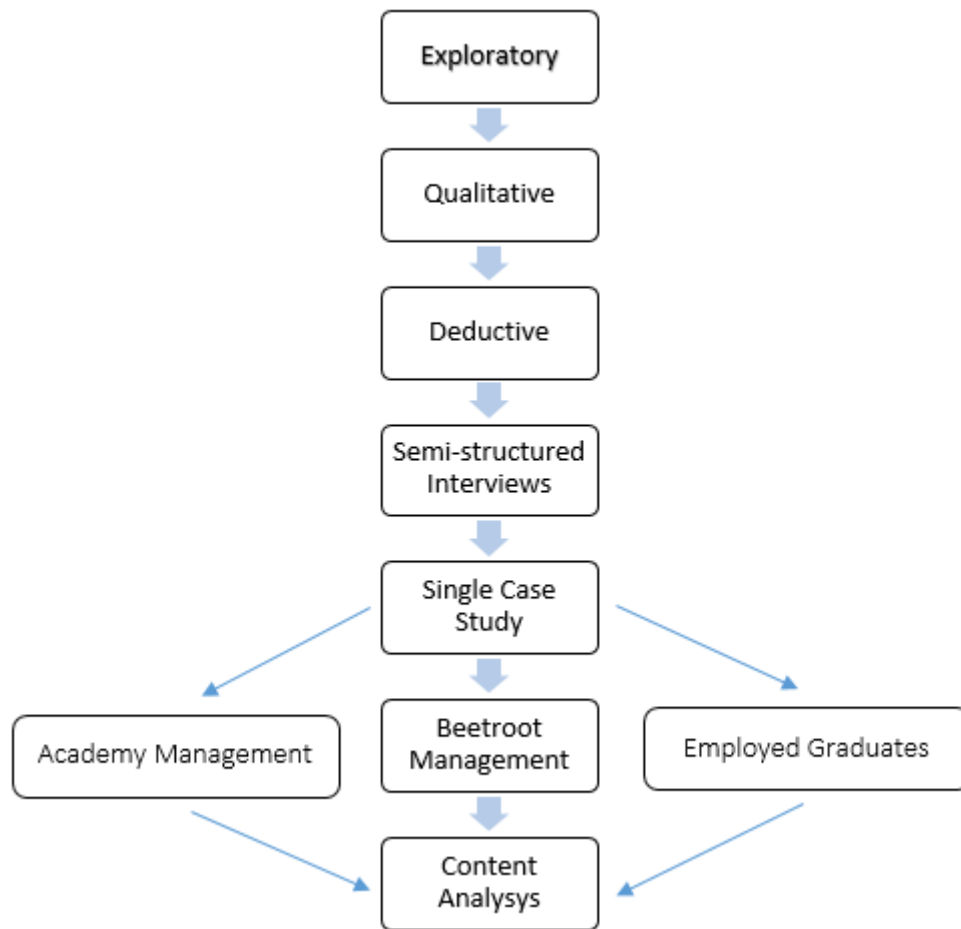


Figure 3.7.1 Summary of Methods

3.8 Reliability, Validity and Generalizability

Underpinning avoidance of getting the research answers wrong are research reliability and validity (Saunders, Lewis & Thornhill, 2009). *Reliability* concern the consistency of findings. One should look at if measures yield the same results regardless of when the data is collected (Saunders, Lewis & Thornhill, 2009). A reliable qualitative study should yield the same outcome regardless who makes the research and the circumstances under which the investigation take place. In an investigation with solid reliability, very little bias appears out of coincidences (Lundahl & Skärvad, 1999). Considering that we only interviewed people who are currently working within Beetroot, we investigated the people who ‘had succeeded’.

Therefore, we do not know if the same attitude towards the company culture is true for others, for example fired employees or those who did not get a job within the company after completing the Academy. Furthermore, bias could have occurred because interviewees could have answered what they thought that the higher hierarchy wanted to hear, either out of fear or out of personal gain (Saunders, Lewis & Thornhill, 2009). However, this issue was considered low in Beetroot due to the flat structure of the company.

A way to increase the reliability is through implementing elements of question standardizing actions into the investigation so that they are carried through as identical as possible (Lundahl & Skärvad, 1999). To avoid misinterpretations and to keep to the purpose of the study, our interviews was framed by the interview guide. Reliability was furthermore increased through triangulation, which deepened the analysis by involving multiple perspectives of theory (Saunders, Lewis & Thornhill, 2012). What is more, the risk of observer error was decreased by having more than one person are formulating the questions in an interview (Saunders, Lewis & Thornhill, 2009). Similarly in the data analysis, by having two persons separately categorizing and analyzing the data, comparing and combining the findings, we enabled multiple viewpoints in data analysis, thus increasing reliability further (Saunders, Lewis, & Thornhill, 2009). However, by nature, qualitative studies are subjective and therefore to some extent formed by the researcher's personal assumptions and pre-understandings (Bryman, 2008). This was considered a bias in our case because we both came from similar academic backgrounds within business administration, thus our assumptions and pre-understandings could be of similar logic.

As previously mentioned, reliability includes if other researchers would yield the same outcome as we did (Saunders, Lewis & Thornhill, 2009; Lundahl & Skärvad, 1999). By openly providing research design, approach, interview guide, data analysis and information on the company, with each interviewed individual presented, we argue that we made future studies on the subject feasible to the greatest possible extent.

Reliability is a necessity condition to achieve *validity* in a qualitative study. Validity means the absence of systematic measurement errors, thus asking if the semi-structured interviews really investigated what they intended to investigate (Lundahl & Skärvad, 1999). Being of social science nature, this is tricky considering that questions and analysis were done by humans, thus the study cannot fully avoid biases (Denscombe, 2010). By the virtue of this fact, we aimed at diminishing our own impact on the study as much as possible by remaining

neutral when formulating our research question, writing the interview questions, gathering data, and analyzing the data.

Within study cases, one can measure validity through the three areas; construct-, internal- and external validity. In construction validity, Yin (2014) suggest the researchers to use multiple sources of primary data collection. In our study, this criterion was not met because we were limited ourselves to semi-structured interviews within our single case study. Apart from that, our study followed the suggestions by Yin (2014) for construction, as we linked established evidence for our study (in our literature review) and took advice from fellow students at a mid-seminar, and our supervisor through multiple meetings with him. Internal validity regards how if the interview measures what is supposed to measure (Lundahl & Skärvad, 1999; Yin, 2014). According to Yin (2014), this issue primary concern case studies of explanatory nature. Thus, we acknowledge that it would be challenging to confirm the internal validity of our study, however, see it as a secondary concern.

Usually conducted in a premature phase within research field, the exploratory case study was appropriately conducted in our aim of adding new knowledge to the field of SVC activities affecting cultural differential in an emerging economy (Eisenhardt, 1989).

Lastly, external validity considers the generalizability of the study. Conducting 12 face-to-face semi-structured interviews, each with the length of 45-75 minutes, we argue that our investigation clearly provides understanding for our exploratory single case, thus we fulfill the purpose of this thesis.

Though precautions were made to strengthen the study to the best of our abilities, it remains crucially important to understand the limits of a study. Due to our choice of investigating a single case study, we had a non-probability (purposive) sampling. Following the advice of the top management have lead to more biased data because such people are likely not neutral, on purpose or not. However, in our situation, taking assistance and advice from the co-founders on this was not considered a major bias because due to our purposively chosen interviewee categories, a very limited employee base would be able to help to maximize the informative insights in our study case. However, the non-probability (purposive) sampling method used in our case creates lower credibility of the study compared to those of probability sampling (Saunders, Lewis & Thornhill, 2012). This in mind, we want our audience to be informed that our exploratory single case study is not to be generalized. Rather, we claim that it is a first

step into a narrow, previously under-researched, and relevant area that should be further investigated in order for generalizations to be drawn.

4 Results and Analysis

This section will present results of the analysis and how these findings may or may not relate the established literature to the field.

4.1 Beetroot Organizational Culture

After analyzing the interviews of Beetroot Management and former students who are currently employed at Beetroot AB we have identified three main characteristics of their organizational culture.

4.1.1 Flat Hierarchy

According to all interviews conducted with the Beetroot management, the corporate hierarchy is highlighted as a pillar of organizational culture. Andreas states that “We want the main ingredient of the culture to be - no hierarchy, we even call the mindset reverse hierarchy pattern.”

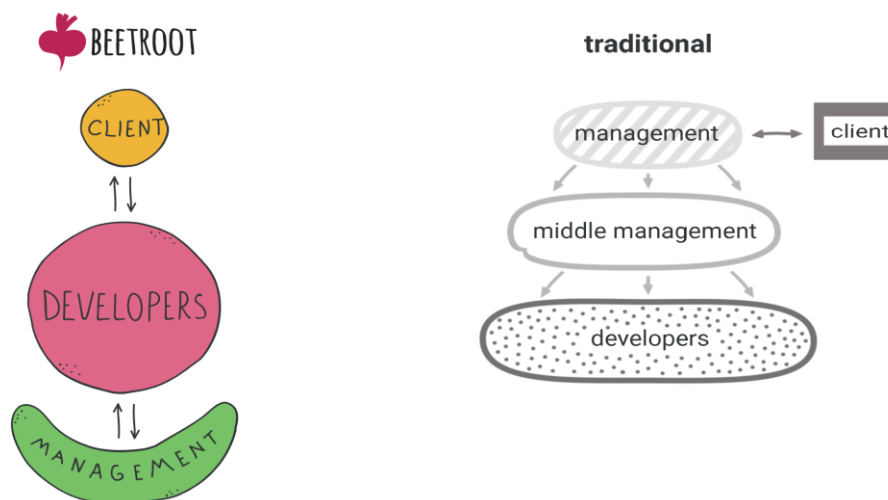


Figure 4.1.1 Beetroot Hierarchy Compared to Traditional Hierarchy (Flodström, 2017)

Figure 4.1.1 used by Beetroot for their corporate communication, displays how their hierarchy model is different from the classic “pyramid hierarchy” (top-down hierarchy). According to the management team, the model creates a disrupted responsibility, which creates equality, freedom and a high level of autonomy. This gives each employee a lot of trust and freedom in their everyday work (Sebastian). In the top-down approach (right side of image 4.1.1), communication goes out from the clients to the management(step by step) until it reaches the developer who creates the ‘actual product’ (Andreas). When the management is acting as a middle hand between the client and developer, it creates a distance which causes a risk of developers not fully understanding the client and their product they have to delivery (Sebastian; Andreas). Thus the situation may harm both client and the company itself (Andreas). On the contrary, the no hierarchy model (left side of image 4.1.1) allows to eliminate the distance between developers and clients, enabling a better relationship and better mutual understanding (Andreas). Instead of acting as middle hand, the management has a supportive role towards the developers to enable their work to run as smoothly as possible. The absence of hierarchy indeed allows more responsibility for the developers, and a structure that is very goal oriented (Andreas; Wes; Sebastian; Vlad; Valeria).

Among the most important reasons behind Beetroots experienced success with the hierarchy model is the influence of dual cultures; blending the best of the Swedish and Ukrainian factors (Andreas; Gustav; Denys; Wes). The interviewees argue that besides positive outcomes as good branding effect and easy access to the Swedish market, being Swedish has clear benefits in cultural settings. In Sweden, it is often spoken of ‘flat hierarchy’, suggesting a much more equal internal corporate picture compared with other countries. In Ukrainian companies, it is common to have stiff hierarchies, which makes them completely different from the Swedish style. Furthermore, Beetroot management says that they apply an ‘anti-hierarchy’, ‘reversed hierarchy’ or ‘no hierarchy’, which is extreme even for Swedish measures (Andreas; Sebastian). The Ukrainian input is also claimed to provide a cultural advantage because Ukrainian people, in general, show great loyalty towards their employers (Andreas; Gustav; Sebastian).

It appears that the management comments on the corporate hierarchy structure align well with the employee’s views on that topic. For instance, Vlad mentions:

We have a different structure from many other companies. We (team leaders) are not on the top of the pyramid, we are in the bottom and trying to help everyone in the team to connect to the client and do the job, we are not someone who say who should do what. We are more of a support to them, assisting them to finish the job in time and giving them professional freedom.

Vlad, Valeria and Roman argue that the developers have freedom in how they chose to do their tasks, meaning that even though people are wrong at times, the management encourages the employees to try to accomplish the task again in a new way. Gustav says that this non-hierarchical way acting has a huge effect on the organizational culture; he exemplifies this by stating the following:

When some things are not working, we don't go in yelling 'it's not working!' Instead we ask questions, kind of fishing for the employees to realize themselves what is going on, what has to be done, and what is the outcome is. It's a very Swedish way, but even extreme for being Swedish.

The flat structure as described above creates a lot of freedom for employees which leads to the generation of the second characteristic of Beetroot organizational culture – entrepreneurial mindset.

4.1.2 Entrepreneurial Mindset

Another pillar on which the organizational culture of Beetroot stands according to the management and employees it is a strong entrepreneurial mindset. This comes in strong synergy with the flat structure. Together with the management, each employee set up their own goals, which leaves much room for personal development (Andreas). “Strong culture based on responsibility and ownership of tasks” according to Wes, empowers employees to go beyond their basic requirements and strive for a better result. Andreas states the following:

We (both founders) have just been delegating roles, creating teams, and when we have been doing this we have focused on not trying to implement our personal way of doing things. It's more of an open approach, as long as the outcome is something that is in line with Beetroot, then we can allow a lot of personal spice in how things are done.

The entrepreneurial organizational culture was promoted from the first steps of establishing the company and this portrays how deeply enrooted it is in the collective mind of the employees. Furthermore, management argues that they don't do any micromanagement in the tasks that they have delegated, but rather accept people's way of doing this. The structure thus allows a lot of personal flavor for how tasks are completed, because the employees have the full responsibility towards their own tasks and clients, thus it's their responsibility to handle the relationships between the client and Beetroot (Andreas; Gustav; Sebastian).

Thus, teams as sales, HR, and admins are working independently as clusters. In addition, all of the management interviewees state that it is important to have a relatively high-level task, in order to make the employee feel challenged by and motivated to accomplish them. This mix of freedom and total ownership of the task puts the employee in the shoes of a real entrepreneur, who has to take decisions that will affect the company performance.

4.1.3 Family Style

Andreas and Gustav stated that they wanted to create a company with an environment that they would enjoy working in themselves. Beetroot culture has its roots in the student lifestyle, as both co-founders went straight from graduating to starting the company (Sebastian). The 'student-identity' can be seen in the open and welcoming atmosphere where a lot of events are happening and people meet to socialize and learn new things within their interest areas, arrangements like yearly employee ski trips, the Beetroot song-book with their own company songs, the company's celebration of each employee birthdays, daily 'fika breaks', et cetera. It can also be seen by material measures, the founders don't believe in putting resources on status factors such as 'unnecessarily flashy' offices (Andreas). Andreas said that "When you go to work it feels like going home, you colleagues are friends and extended family." He describes the company as a team of good friends solving tasks together. Equality, trust, and responsibility are central to the culture of Beetroot, as essentially as in a family. In Beetroot, you don't need to formally greet anyone with titles or last names, there are no dress codes and people are encouraged to wear slippers to feel like at home (Valeria). There is no prestige and even though the company is growing at a fast pace, people remain humble and focused, and it is in Beetroots intentions to keep that spirit in the company (Anastasia). Vlad, an ex-student of the Academy who currently teaches there mentioned that "When I started to study in the

Academy, Andreas said that we are all a team, and I try to teach the same with my students now”.

Due to the lack of hierarchy and family feeling, there are no limits of whom speaks to whom. Sebastian exemplified that passion projects are openly welcomed by the company. If a person wants to diversify his current tasks, it is fully reasonable that the person spends some working hours on something of personal interest. Beetroot is open to dialogues that fulfill employees and creates some form of value. The value of open dialogue is also brought up by the former student Vlad, who state that anything can be discussed with anyone and that the company is interested in listening to suggestions and feedback - opinions matter and can change things within the company.

Sebastian said that compared to his previous experiences, Beetroot was unique because the company truly cared about their mission, argued by the fact that the decisions are made not for solely generating profit. This is aligned with the underlying thought of the founders to go beyond merely making money, something that Gustav stated by expressing that:

To run a company just to make money does not make any sense to me, money creates possibilities to do other things, it's more a platform to actually achieving something more meaningful.

4.2 Cultural Differential Advantage

Working with primary data from the interviews and combining it with relevant literature we have identified four elements of cultural differential advantage that organizational culture is creating.

4.2.1 Alignment Tool

Beetroot is efficiently using their organizational culture to align their interests with their stakeholders as clients and employees. Culture is an important component that determines how organization function on every level, and for a company with strong values it is important to attract the right kind of employees who will fit with this values, promote them furthermore and thus enhance the functionality of the firm (Alvesson, 2012). Andreas states

that it is a strong advantage to attract a certain kind of people who have a certain kind of mindset because it brings people to the company who are usually more responsible and long-term oriented, rather than opportunistic ones who seek short term benefits. This is indeed confirmed by empirical studies, Sheridan (1992) said that values as interpersonal relationship, individual behavior, and tasks perception can be used as an efficient tool to create a fit between the organization and employees to increase workers retention. There were multiple cases when developers from other firms joined Beetroot only because they heard certain things about the company, which made them leave their old employer and join Beetroot to experience this personally (Sebastian). This confirms that Beetroot's organizational culture is unique and rare and creates certain types of benefits as employee attraction (Barney, 1986). All of the four interviewed employees told that the family feeling present in the company played an important role in their decision to join Beetroot, making it the most desired workplace on their personal list (Valeria; Anastasia; Roman; Vlad). This clearly applies to Hall's (1992) argument that cultural values separate one company from another.

Secondly, the organizational culture helps select the right clients to work with, Andreas told that:

We are disqualifying a lot of companies. There are many companies with an according to us immature view of outsourcing. They see the team as delivery and not as people. It is extremely important for us that our clients is aligned with us when it comes to values.

This proves that the organizational culture is used as a tool to identify the right clients. Academia argues that culture can help identify the important stakeholders for a company and elaborate the right relationship with them (Barney, 1986). We said that Beetroot is currently working with a big client who switched from their old supplier to Beetroot only because "they missed the family feel and they don't want to be treated as a number". According to Andreas, from their experience, they recognized that sales persons who were closer aligned to Beetroot's organizational culture performed better than the one who was not (some sales persons operated outside the Beetroot office in different countries). Management team confirmed that the right alignment with clients leads to long-term collaborations, while a good fit with employees reduces the turnover rate and enhances productivity.

4.2.2 Loyalty

Researchers found that a positive learning culture affects job satisfaction and lowers employee's turnover intention (Egan, Yang & Bartlett, 2004). According to Sebastian, the company is not only focused on expansion but simultaneously puts great effort on creating a corporate ecosystem that is sustainable. Beetroot is not trying to be the most attractive employee for everyone, but for those who share Beetroots values. Being unique in terms of value meters, Beetroot does not compete for status thing such as nice offices, salary bonuses or stock options (Andreas; Sebastian). As Andreas explain, Beetroot is competitive, however, "It is not that Beetroot offers 100 dollars more that should be the reason". He says that for Beetroot, it is more about mindset and values and that social benefits are most central. A workplace that is equal and enjoyable for the employees and where they have the chance to make a difference in society, help retain employees to a greater extension than its competitors due to employee satisfaction (Gustav; Sebastian). Manager's' words are confirmed by statistical data. According to Wes, on the popular Ukrainian website dou.ua allowing employees to rate their jobs (Ukrainian equivalent of Glassdoors.com), Beetroot have 95% employee satisfaction rate, which positions the company in a top 10% among the IT companies sized between 80 and 200 people in Ukraine. Studies have confirmed that a person-organization fit is significantly affecting employee retention (Sheridan, 1992).

Loyalty benefit does not apply to employees only, but to clients also. Being able to keep talent in the company generates advantages. Wes says that in IT industry, clients want to have long-term collaborations with their providers, thus for them is important to have the same developers in the team. Beetroot is saving a lot of time and money because the developers stay longer in the company and they do not have to spend time training them to fit the client's need (Sebastian). As a result, the trend seen is that Beetroot is able to make business with clients far longer than its competitors (Gustav). Sebastian states that Beetroot beat their competitors with double digits at retaining clients. In the vast majority of the cases, the company-client relationship is ongoing and commonly increasing in size (Gustav).

4.2.3 High Productivity

Another important outcome of organizational culture is a high productivity of Beetroot employees. The mix of the flat structure and entrepreneurial mindset enhances the work

abilities of employees, this fact was confirmed during the interviews with all four managers, while employees told that they have a strong motivation to deliver the tasks and perform well. The freedom, responsibility, and ownership of the task values increase employee's efficiency (Andreas). Gustav states:

The benefits of our culture is that it is both connected to the personal and professional improvements, that is maximized with this sort of responsibility, like "we own this thing" which also increases the efficiency.

The existing academia interested in the human resource management praises cultures where employees have a more informal relationship with managers and where people possess more autonomy (Peters & Waterman, 1982). They argue that this is increasing productivity because the employees identify themselves with the organization they work for and they tend to achieve better results because they have a higher responsibility (Brown, 1995).

According to Wes, the confirmation of the Beetroot team's high productivity comes from the clients as well, who are saying that the issues that they raise are immediately faced and dealt with, which Wes attributes to organizational culture. Organizational culture indeed can have a large impact on employees' perception of quality standards that they have to deliver to the customer (Hall 1992). What is more, Peters and Waterman (1982) also mention customer communication as a positive consequence of having a coherent and strong culture, and furthermore argue that such culture moreover brings high quality of service and employee independency.

Wes argues that in a flat hierarchy, you can get things done fast, while in a stiff top-down hierarchy it needs a list of approvals which slows down the business processes. The fact there is no micromanagement, helps people concentrate on the right things and let employees take care of themselves (Sebastian). Because of the high level of autonomy and responsibility taken by each employee, the management is enabled to focus on other things rather than just making sure that the employees are working (Andreas). Furthermore, Beetroot is very simple when it comes to reporting information, because of the ease of hierarchy. The employees are not spending a lot of time and effort on reporting the 'right information' to the 'right people' spending hours and hours on presentations and what to say (in multiple steps) because of the absence of formality and hierarchical steps within the corporate structure. By being more independent, employees can spend more time and effort on actually completing tasks rather

than convincing others that they are doing so (Gustav). Wilkins and Ouchi (1983) argue that in certain types of organizations culture can function as a regulatory instrument if the organization structure is too complex or if classical instruments are not efficient and Beetroot's culture is a good example of that.

Beetroot family management style implies that everyone in the team has to agree with the taken decision. Thus, people do not work because they have a task from above, but because they really agree with it. This makes the employee feel valuable and that is why he achieves better results being more motivated (Denys). Three out of four interviewed employees state that Beetroot is a lot about the personal growth, with no psychological borders between employees, which makes them very motivated to grow professionally and thus improve productivity (Anastasia; Vlad; Valeria). These motivations are strengthened by existing research, as organizations in which the employees participate in decision-making processes have more autonomy and holistic relationships with the management (Peters & Waterman, 1982; Ouchi, 1981).

4.2.4 Fast Growth

Andreas argues that in a traditional top-down approach, the hierarchy is the bottom line for growth in terms of all decisions. This means that the bigger the organization gets, the slower decisions are made. He suggests that if possible to build an organization cluster based, with initiatives within each cluster of individuals, at the same time trying to be organized enough to coordinate the cluster, the organization could grow bigger and healthier. Trying to accomplish exactly that, Gustav explains that since the start of Beetroot, the founders have been delegating roles in order to create units or teams. When doing this, they have been careful not to influence or micromanage how to do things but rather being open minded towards the way of doing things. As long as the outcome is something that is in line with Beetroot, they will allow a lot of personal touch in how things are done. Because of the openness, the teams that have taken form become their own managers, functioning completely independently. Initiatives are taken within the specific teams rather than at the top-management level. Gustav argues that this makes the company horizontally scalable. Teams or modules could be duplicated without adding new vertical dimensions to the hierarchical pyramid (Gustav). Therefore, the company can grow without adding complexity to the company hierarchically, which is argued to be a pillar for fast growth. Scholars claim that one

of the main advantages of a cultural differential advantage is better dynamics compared to competitors, as the ability to innovate, growth faster and adapt to change due to better cultural settings (Coyne 1986; Hall, 1992).

Even though both founders argue that the structure is up for approval in the future due to the increasing size of the company and plans of further expansions, the technique has proven itself functional for Beetroot so far. Andreas says that:

If we would have run a traditional kind of hierarchy, we would not have been able to grow from 50 to 180 people in 15 months. Now when we are around 180 people, me and Gustav has much less time. I think if this culture should work, which it has so far, it should scale cluster based, as a living organism.

Figure 4.2.1 presents Beetroot's organizational culture and the cultural differential advantage derived from it.

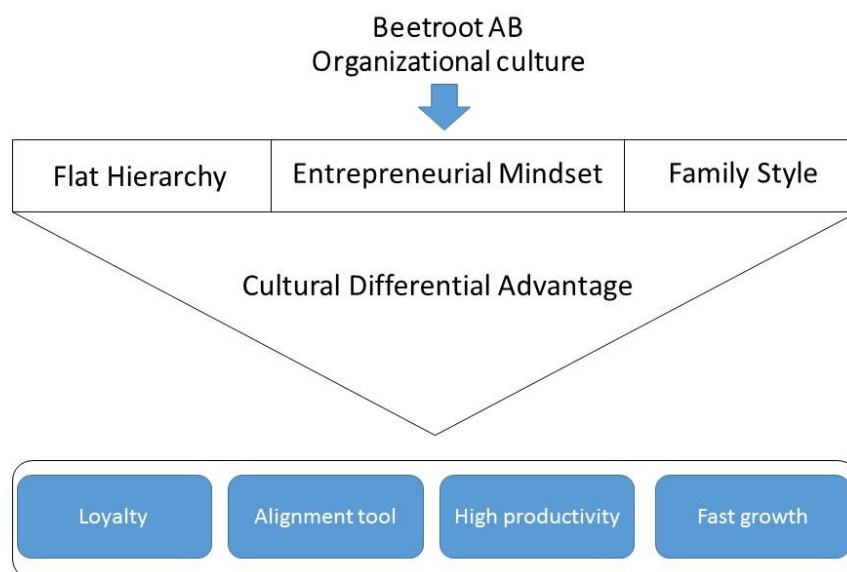


Figure 4.2.1 Beetroot Cultural Differential Advantage

4.3 Influence of the Academy on Beetroot AB Cultural Differential Advantage

After performing our analysis of all the interviews, we had identified four ways of how Beetroot Academy is influencing the cultural differential advantage of Beetroot AB. In the next sections, we will extensively describe each type of influence and what component of the cultural differential it is affecting.

4.3.1 Synergy with Other Activities

According to Beetroot AB and Academy management, both organizations work hand in hand in order to achieve their goals. This synergy happens on two levels, a practical one related to business processes and a more conceptual one related to the organization's vision and mission. Speaking about the practical one, both organizations have the same person as CEO; a lot of cooperation happens in marketing and HR, when the HR specialists of Beetroot AB help the Academy in the process of recruitment; Beetroot AB developers help create the courses for Academy which are about solving real life tasks, that's why their daily experience is an important addition to the theory part of the course (Axel; Denys). Beetroot AB management often organizes the same team building events for employees and students, where according to former students, they could easily communicate with developers and better understand the culture of Beetroot (Uve; Valeria; Vlad). Another important aspect of their close collaboration is the fact that senior developers who are employed at Beetroot AB are welcomed to lecture at the Academy, this helps the developers grow professionally and personally (Denys). Also, specialists who were initially invited to teach at the Academy got employed at Beetroot AB which enables the dynamics of human assets in both directions (Denys).

The other dimension of this synergy is the alignment in their vision and mission. One of the main scopes of Beetroot Academy is to rebuild the Ukrainian middle-class, which perfectly matches with Beetroot AB mission, this is achieved doing different activities, offering vocational education on one side and offering good working possibilities on the other side (Uve). Currently, the Academy management is preparing co-branded meetups that will take place in the Academies or other locations where students and employees of Beetroot AB will

be invited along with other people outside the company. The meetings will seek to promote Beetroot values and will strengthen the Beetroot brand (Uve). In addition, Beetroot Academy is one of the few IT schools on the market who does not position itself as the shortest way to get a highly paid career, but rather one who promotes personal and professional values and provides more than just financial profit (Uve).

Overall, the for profit company Beetroot AB works extremely close with the social enterprise Beetroot Academy, which was well exemplified by Axel:

Everybody works under the same conditions, everybody has the same health bonus, and the same health insurance... people work with Beetroot management and Academy management in just the same way. Everyone is treated as part of Beetroot. I do not really think of it as two separate organization influencing each other, but more as two very close friends going through life together.

A successful strategy is about combining the right activities and creating fit among them (Porter, 1996). Only by creating a certain unique mix of values, a company can create sustainable competitive advantage (Porter, 1996). In addition, this successful exploitation of synergy creates a benefit for the customer that is hard to copy for the competitors (Aaker, 1989). The strong fit of activities and alignment of visions between Beetroot AB and Beetroot Academy creates a unique mix of values and thus affects the cultural differential advantage of Beetroot AB. This empowers loyalty, as employees feel that the company they are working for are not blindly seeking financial benefit, but are also helping the society they live in (Valeria; Roman; Anastasia). In addition, because the Academy is a strong beacon of Beetroot values, this works as an important alignment tool to attract the employees, partners and clients who share the same values as Beetroot.

4.3.2 Sense of Happening

Another way of influence that the Academy has on the Beetroot AB cultural differential is caused by the fact that both institutions are based in the same premises. Currently, the Academy operates in the offices of the Beetroot in all three cities where Beetroot AB is present - Kiev, Poltava, and Odessa. Not only the Academy management shares the offices with Beetroot AB, but the classrooms are also situated in the same office, which means that

there is a constant influx of young people in the office. Gustav made the following comment regarding this:

To have this student environment is very positive and brings a lot of energy, it's a good vibe to have people coming and growing here in the evenings, it's a dynamic feeling.

Sebastian also mentioned the importance of sharing the same location:

The Academy creates a sense of happenings. When you have all of these stuff happening, events in the evenings, masses of people going in and out, new hungry students, people that are going to the Academy to join the office eventually. It makes you feel part of a more significant thing and I know that it affects everyone to a certain extent.

Three out of four interviews of Beetroot AB management spoke about the benefits of having the student atmosphere in the offices (Gustav; Andreas; Sebastian). They mentioned the energy and creativity that is generated from this union that is felt by Beetroot AB employees. This was confirmed also in the Academy interviews. Denys argued how important is for students to come in a real working environment and see how developers work. The strong family feeling that is present in Beetroot AB let students approach developers and interact with them, ask work related questions and observe how they act (Roman; Anastasia). This creates a lot of interaction between these two groups. In addition, the developers have the opportunity to teach for the Academy, strengthens this exchange of energy between the two groups (Gustav). We argue that this successful location of Academy creates a unique atmosphere in Beetroot AB offices, which strongly affects its cultural differential of by enhancing employee's productivity and loyalty.

4.3.3 Identical Organizational Culture

All interviews stated that the organizational culture of Academy is similar to the of one Beetroot AB and it is based on the same pillars: flat, entrepreneurial and family style. While describing the organizational culture of Beetroot Academy, Axel said:

We value trust and responsibility a lot, I am sure you heard those two before, talking to other people here. What that essentially mean is that we do not really have anybody telling everyone else what to do. Everybody owns their areas, so we give people a lot of trust and we expect a lot in return. It is a very flat kind of organization, and very direct, like we try to minimize steps that don't really add any value.

This denotes the flat structure that is defining the organizational culture of Beetroot AB is likewise present in the Academy also. This applies to students as well, according to Natasha:

For example, we do not ask people or check on them how they are working with assignments, we believe that they have got the right knowledge have the abilities needed and will try their best. If developers are also teachers, they share this mindset to the students so that it becomes the way for them as well.

Entrepreneurial spirit is dominating in the Academy too; Uve said how important it is to promote autonomy in their students:

On the top of my head one of the things that we are pushing is autonomy so we believe that our students should be independent thinkers, problem solvers, workers and that applies to the beetroot company as well.

For Beetroot, the autonomy is an important value to develop not only in students but in employees as well. This was well explained by Axel:

Local managers, who run their local academies, and they are essentially responsible for all parts of it. Like they are the ones responsible for courses running smoothly, for finding good teachers, recruiting good students, and they set up their own workdays, they solve their own problems through their heads, as opposed to say Andreas (CEO) figuring out what to do then having me telling them, that's one unnecessary step. We functioning more as consultants.

The family feeling is embedded in Academy culture also, according to Anastasia who says that:

Andreas and Gustav are our friends and this is very important when the directors are your friends. We address them in informal manner and it's not a problem. We celebrate our birthdays together, we have fikas, we work in slippers, we have a lounge

zone to rest. It's a very pleasant atmosphere. If we have a problem, we can always talk about it.

Both organizations promote the same values, them being accountability, responsibility, trust, transparency and ownership (Uve; Denys; Axel). According to Hofstede et al. (1990), organizational culture is present only when accepted by members of the organization and they are interconnected through meanings and beliefs, such is the case of Beetroot AB and Beetroot Academy as presented above. Thus, the identical organizational culture of Academy is strengthening the culture of Beetroot AB and its cultural differential advantages.

4.3.4 Employment of Students

Today, around 40 students that graduated the Academy work in Beetroot AB (Andreas). This represents more than 20% of all people employed at Beetroot AB. According to Andreas, the employment of students has several benefits:

There is always a challenge to find good people. Then building your own competence base is of course good to be able to. Of course we educate people who are able to work wherever they want, but from doing those educations we both can direct what you learn so that it fits good with the client, and after 4 months we already know the people very well so we are sure we bring someone onboard that it is someone who is culturally aligned and they usually have a strong loyalty already when they start.

Employment of students has some strong HR benefits for Beetroot AB, but it as well strengthens the organizational culture of the company. According to all former students, due to same organizational culture in both organizations, it was extremely easy for them to integrate at Beetroot AB. Vlad, one of the first and the youngest graduates of the Academy gave the following answer while asked how easy was for him to integrate into Beetroot AB:

It was easy, I was 17 when I started. I could easily talk to people who were older than me, the atmosphere was very friendly and it was easy for us to adapt. It was not stressful at all, it was very interesting to get into this.

The HR personnel gets to know the students very close during the academic courses so the risk of employing the wrong candidates lowers (Denys). People who finish the Academy have

already created a loyalty towards Beetroot brand and most probably want to join the company. All of the four interviewed former students said that they knew that they want to join Beetroot after they finish the Academy. When asked if she wanted to join the Beetroot AB after graduating Anastasia said the following:

I wanted to, it was a dream for me. IT was an amazing place, amazing people as Andreas, Gustav and others. They do a big deal in Ukraine, for ukrainian people. They want to create a middle class and bring more girls in IT. I think it's a big deal.

The loyalty also is generated because according to Andreas, Beetroot AB often hires teams of students, who worked for four months together so some team dynamics is already in place and these people want to stay together. Another important factor is that these teams are organically created, thus their productivity is higher from day one if compared to hiring four or five people who have not worked together before (Andreas). According to Hall (1992), the ability to work in teams is one of the important outcomes of a well-functioning organizational culture.

5 Discussion and Conclusion

After presenting the results and comparing them to the existing literature in the previous chapter, we will now discuss our findings and elaborate on their meaning. Relevant conclusions will be drawn and limitations and practical implications will be presented. Finally, we will present what research we find relevant within the field in a future perspective.

5.1 Beetroot AB Cultural Differential Advantage

In the previous chapter, we presented our findings obtained from analyzing the interviews and combined it with relevant literature. We defined Beetroot AB's organizational culture using three concepts. Flat hierarchy is creating a lot of equality and trust between the members of the organization. The absence of middle managers who delegate and control how tasks are done is eliminating the micromanagement process that gives the employees a lot of freedom and total ownership over the task. This mix is enabling the entrepreneurial mindset in the collective mind of the organization, employees have the right to achieve the task using their own methods and to decide independently what steps to take further in order to complete the strategic plans set by the company. The autonomy given to employees allows a lot of personal growth that is appreciated by employees. Family style is another pillar of Beetroot AB's organizational culture. It creates a very friendly and cozy environment in the offices and enables a personal relationship between coworkers.

We argue that Beetroot AB has a well-built culture that is persistent on all levels of the organization and fits Alvesson (2012) thesis of "strong-culture" which claims that if employees and managers of a firm share the same values, beliefs and norms, the company will perform better and will have higher financial results. We identified four benefits of the Beetroot AB's organizational culture:

- Alignment tool - identification of relevant internal and external stakeholders who share the same values and beliefs as Beetroot.
- Loyalty - identification of the employees with the company lowers turnover and creates stimulus for clients to stay longer in business with Beetroot.
- High productivity - autonomy and ownership of the task stimulates employees to perform better.
- Fast growth - high independence of the teams and their ability to adapt to change enables a more efficient growth of the company

The Beetroot AB case perfectly portrays how a company can use its organizational culture as a tool to achieve desired goals (Sackmann, 2011). Even though the culture was organically implemented from the creation of the company, it well fits the industry and market requirements as fast delivering terms, high agility and long-term collaborations. Wilkins and Ouchi (1983) claim that organizational culture can be used as a regulatory tool to achieve higher performance if other instruments are inefficient. Indeed, due to the total exclusion of bureaucratic management processes and high autonomy of the employees, Beetroot AB is achieving higher performance and meets the expectations of their clients.

We claim that the benefits of the organizational culture of Beetroot AB can be defined as a competitive advantage, or better said: cultural differential advantage. Beetroot AB's culture fits all three requirements of a culture that can create a competitive advantage (Barney, 1986). Firstly it is valuable as it adds value to the company due to higher productivity, longer retention rates, and faster growth. Secondly, it is rare and unique for the Ukrainian market, where classical top-down hierarchies are historically and culturally incorporated in the business world and manager subordination is a common phenomenon. The uniqueness of culture is confirmed because candidates want to join Beetroot because of the friendly environment in the company and clients choose Beetroot because of the good connection they can create with the developers. Thirdly, it is hard to imitate because the culture is based on the values and beliefs of the founders who promoted them from the first days of running the company and it is organically spread to their teammates.

Scholars argue that developing the right skills and assets might be even more important for creating a competitive advantage rather than focusing only on activities (Aaker, 1989).

Organizational culture is indeed an important asset of Beetroot AB and it creates a competitive advantage that is:

- Relevant to the market - customers gain value from the highly efficient developers who stay longer in the company.
- Feasible and cost effective - culture is spreading and sustained organically for now in Beetroot and new employees easily adapt to it.
- Sustainable - being shared by all members of the organization the culture is strongly enrooted in Beetroot. As well, having a unique mix of values it is hard to copy for the competitors
- Relevant to the future - most probably, the client's need of having long term productive collaboration with their providers will not change, thus it is a long-term benefit.

5.1.1 Reflections on Risks of Beetroot's Culture

We identified a few risks of Beetroot AB organizational culture that may surface in the longer run. The high autonomy of employees and low control over their performance is creating a lot of freedom that may be used with a wrong scope. As there are no performance measures, management can realize that an employee is shrinking from his tasks at a late stage or in a critical moment. When the company grows bigger in number of employees it is harder to sustain the organizational culture (Alvesson, 2012). As explained in Results & Analysis (chapter 4), teams as marketing, sales or admins in Beetroot are independently self-managed. There is a risk that other than Beetroot values will emerge in an independent team that will override the culture of the company and will create certain conflicts between the team and the management. Lastly, as the company will grow in numbers, it will be hard to sustain the family values that are based on personal relationships and home feeling. As the number of people working at Beetroot will get bigger, the relative number of colleagues a Beetroot employee knows will progressively grow, making for him harder to identify family values in the company.

5.2 Beetroot Academy's Influence on Beetroot AB's Cultural Differential Advantage

Beetroot Academy, as a social enterprise that teaches people IT skills, has a strong effect on Beetroot AB's cultural differential advantage and identified are four types of this influence: synergy with other activities, sense of happening, identical organizational culture, and employment of students. To discuss this further, we analyzed how every component of a cultural differential advantage is affected by Beetroot Academy.

The strong synergy that exists between Beetroot AB and Beetroot Academy helps to promote the mission and vision of Beetroot AB. This helps Beetroot AB to shape and deliver the right message to their internal and external stakeholders. Thus, customers, clients, society and other stakeholders can better understand the values and beliefs of Beetroot AB, which enables them to efficiently react to company's activities. We argue that this attracts potential employees and clients and position Beetroot AB as a responsible company in the collective mind of the society. Thus, the *alignment tool* advantage that is created from the organizational culture of Beetroot AB is strengthened due to presence of the Beetroot Academy.

People who work in Beetroot AB daily see students coming to their office to learn new skills and to grow professionally. Employees understand that this is happening due to the sole effort of the company they work for. This feeling of new energy coming from people who are eager to learn something new, mixed with the social vision of their employer helps them identify with Beetroot and support them in their mission to create a middle class in Ukraine. This is affecting their personal values and aligns them with those of Beetroot AB. Thus, employees tend to have a higher *loyalty* towards their employer.

The *high productivity* that is derived from the company flat structure and entrepreneurial mindset is also affected by the presence of Beetroot Academy. As argued in Results and Analysis (chapter 4), both organizations have the same culture and they strengthen each other. Students that come to work to Beetroot after graduating usually have high loyalty towards employee and try to deliver their best result. Also due to a better understanding of Beetroot mission and vision, employees easier identify with the company and tend to deliver better results.

If opened in a new location, the Academy can become the first step for opening a new office in that city. Due to a better understanding of the local market, acquired knowledge and presence of potential employees (graduates) Beetroot gains an incentive to open a new office in that location. This happened in Poltava and managers can replicate their success in future. In addition, the possibility to hire teams of students who already have a chemistry between them and a loyalty towards Beetroot also enables *fast growth*.

Our findings align with the results from the latest studies within the field, as brought up in the literature review (section 2.4). Being a company with strong social responsibility feeling, Beetroot AB employees have indeed a strong personal connection and a sense of unity as proposed by Jaakson, Vadi and Tamm (2009). The organizational culture of Beetroot easily can be described as a humanistic one and as claimed by Galbreath (2010) companies with humanistic cultures have a higher responsibility towards their stakeholders and thus more substantial CSR activities. We argued that due to the strong cultural fit between Beetroot Academy and Beetroot AB, Beetroot AB employees have a higher loyalty and performance. These findings were proved by an extended empirical research performed by Lee, Park and Lee (2013). Finally, Bhattacharya, Sen and Korschun (2008) argued that in order to achieve a high perform in CSR activities, employees of a company should be the actors and company the enabler, this is the case of Beetroot AB, where their developers have the right to work as teachers at the Academy and lecture students. By these arguments, it appears to us that there are clear connections between our case of a shared value creating social enterprise and the studies on the relationship on organizational culture's correlation with CSR.

5.3 Limitations

One should bear in mind that the phenomenon of interest of this thesis – organizational culture, is a physiological concept, meaning that concerns personal perceptions, experiences, feelings and beliefs (Hall, 1992). Therefore it is complicated to put it into a generalized context because findings within such study illustrate the opinion of the interviewed individuals. What is more, as explained in the section sample selection (3.5), our qualitative study was of non-probability sampling. The participants were not randomly selected, and thus an obvious selection bias existed. Therefore, the investigated sample of this study was not representative for a larger population (Easterby-Smith, Thorpe & Jackson, 2015). We claim

that our study is a first step into a narrow, previously under-researched and relevant area. The study contributes to the field of relationship between shared value effect on cultural differential by implementing an exploratory single case study within the IT sector of an emerging market. Our study shows an interlink between our collected data and the established literature within the field. However, due to the brought up limitations, we argue that our finding cannot (safely) be generalized and that the field should be further investigated for generalizations to be drawn.

Moreover, we believe that our study displays an interesting example for other organizations to look at. It is our belief that the more alike organizational structure, sector and type of market, the more likely is our findings to be true for the specific company. Thus, our case would be most relevant for companies within the IT sector of a similar emerging market to Ukraine. One should also be aware that our thesis explores the case Beetroot AB in its current environment. The fact that Beetroot enjoys an advantage of cultural character today does not mean that it necessarily will have it in the future too. With other surrounding circumstances, the case would not necessarily be the same in the future, because economies and competitive circumstances change over time.

5.4 Practical Implications

Continuing with what our practical contribution for companies, we argue that companies that are working within the IT sphere in any market can consider creating an organizational culture alike the one of Beetroot AB. The reason for this claim is that according to our findings, supported by existing literature within the field suggests that being hierarchically flat, entrepreneurial in mind, and having family style feeling indeed allow the company competitive advantages over its competitors.

Further implications are suggested for companies specifically within the IT sector of an emerging economy. Such companies should consider doing shared value activities when:

- a) The social activities fit the organizational culture.
- b) The social activities align with all other activities of the organization, thus align to the corporate strategy.

If able to implement social activities accordingly, it should yield the company a (sustainable) cultural differential advantage.

5.5 Further Research

The existing lack of research leaves many opportunities to investigate in the future. In the larger picture, the general correlation between SVC and competitive advantage at large is not yet outlined in academia.

We investigated one single case study within the field. To strengthen our findings and to gain further knowledge on the area, it would be interesting to investigate and compare to new cases in similar environments. Thus, further exploratory single case studies similar to ours could contribute with new information and enable mapping the subject in a wider extent. It would be interesting to investigate other IT companies within Ukraine, and furthermore to investigate other IT companies within emerging economies similar to the one of Ukraine. Another alternative would be to conduct a multiple case study within the field, which would be a more compelling and robust alternative to single case studies (Yin, 2014). However, such study would require more time, space and resources available in this master's thesis, thus we would suggest such study for more advanced researchers.

What is more, we decided upon studying specifically cultural differential advantage, because we had to delimit ourselves and it appeared the most attractive subject to study for the particular case of companies within the IT sector. However, there are in total four categories of sustainable competitive advantage. Any one of the other three; functional, positional or regulatory differential advantages (or all of them) could relevantly be addressed to provide knowledge within the field. This could potentially create larger significance to investigate other sectors than merely IT.

As a last notation, our study investigated the social enterprise's effect on organizational culture. One could convert the study, thus investigate an organizational culture's effect on the social enterprise, which would further enrich knowledge and understanding about how the two relate to each other.

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Appendix A

Beetroot Management Questions:

Beetroot related questions:

1. What are Beetroots vision and mission?
2. What are Beetroots main competitive advantages?
3. How would you describe the Beetroot culture?
4. Is the culture implemented and sustained for any specific reasons?
5. Is culture important for your clients?
6. Are you communicating about Beetroot's culture to your stakeholders ?
7. What makes you proud working in this company?
8. Anything else of importance that you want to add?

Academy related questions:

1. Which where the initial reasons for starting the academy?
2. Has these reasons changed in importance? If so, what are the changes? Why have these occurred?
3. What is Beetroot's Academy business model?
4. Is the Academy in accordance with other Beetroot activities?
5. Is the Academy helping your stakeholders understand the general mission/strategy of the Beetroot?
6. Is the Academy an activity that differentiates you from the rivals?
7. Anything else of importance that you want to add?

Beetroot Academy Management Questions:

1. What are Beetroot Academy's mission and vision?
2. Has the Beetroot Academy priorities changed over time?
3. Could you explain the Beetroot Academy business model?
4. How close you are working to the Beetroot management team?
5. How would you describe Beetroot Academy's organizational culture?

6. Do you think there are any similarities or differences between the culture of Academy and Beetroot AB?
7. How many people get employed in IT sector after finishing the Academy? How many of them get employed within Beetroot?
8. Are you doing any events in Beetroot Academy not related to the course curriculum?
9. Is there anything else that you would like to add?

Beetroot Academy graduates currently employed at Beetroot AB questions:

1. What did you do before Beetroot?
2. What made you chose Beetroot Academy? What other options did you have?
3. Can you describe your educational process at Beetroot Academy?
4. Could you explain the Beetroot Academy organizational culture?
5. Would you say that the Beetroot Academy culture is similar to Beetroot AB culture?
6. Do you think that the organizational culture is different from other companies in Ukraine?
7. Do you think that you have adapted to their culture?
8. Did this influence your personal traits as an employee?
9. Why you decided to get employed at Beetroot AB?