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Motivation in a fast-growing firm

- challenges in an environment constantly changing

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Abstract

In a world where the competition grows stronger firms are pressured to continuously develop. Fast-growing firms are important to the economy, both by creating jobs and contributing to GDP. These firms meet challenges in the industrial environment, but also internal challenges in the firm, caused by the rapid growth. The case firm was a small firm with 20 employees and started a period of strong growth in 2006 to increase the workforce by approximately 200 people in only four years. This strong growth leads to changes in the firm, which affect all individuals in the firm as well. Changed structures and more focus on administrative tasks as well as external pressures means less focus on the organisational culture and values. By interviewing the CEO, one from the management, one with human resources responsibilities, one middle manager, and two subordinates, we tried to investigate what motivates in this fast-growing firm. The result is that focus on intrinsic motivation is the most important. The fast growth of the firm means hard work from the management and the CEO to strengthen both the leadership and the organisational culture, and to improve the communication, which we think is the key.

Keywords: fast-growing firm, motivation, leadership, organisational culture

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1. Introduction

1.1 Background

In a world where the environment and conditions are constantly changing, and where the competition grows stronger it has become more important for a firm to grow quickly and to be adaptable to different surroundings in order to survive (Teece et al., 1997). The globalization creates opportunities to grow, change, and survive in the increasingly competitive environment, due to globalization itself (Wennekers & Thurik, 1999). The forces behind globalization are technological change, international economic integration, and maturation of markets in developed countries (Kotter, 1996). To meet these forces even smaller firms must strive to keep up with the changing world of today.

For a firm that is active in an environment where no day looks like the other, the need for a management that is flexible and can motivate the employees is necessary. To adapt to the external conditions a firm is likely to have to change its strategy, structure or its values and way of working (Kotter, 1996). When implementing changes the management need to think about the employees and what effects the changes can have on them, since in an environment where a lot of new things is happening at the same time and where there is no structure, the employees can easily be resistant to the changes due to fear of what consequences the changes can have on them (Dawson, 2003). In a situation like this the need for proper information and the possibility to be a part of the decision making is important to the employees (Andersson & Tengblad, 2009). We also see a risk that the management's focus is on the growth and more external factors, forgetting about the internal ones that are more relevant to the employees.

1.2 Problem discussion

The focus in this thesis is on fast-growing firms and how to motivate the individuals employed in the firm during a period of fast growth which often forces firms to implement new ideas and strategies. Changing the working conditions and environment in a firm is far from uncomplicated. The management needs to convince the employees to accept the changes and try to motivate them to be fully committed to work under new conditions. A firm that constantly grows also meets a lot of challenges that repeatedly cause changes in the environment of the firm, from for example customers' demand of environmental certificates to smaller changes in the everyday work life of the employees that may not have great influence on their work environment. In such a firm it is necessary to work hard on correctly implementing the changes that occur, to be sure to have the employees on the same side as the management and avoid tensions in the relationships within the firm. Growth can lead to challenges and opportunities to develop, however, when using the wrong strategy growth can also make the firm lose its vision and excluding some of the employees in the process (Wiklund et al., 2003).

To succeed in the long-term under the conditions of constant growth and change it is important to have a strongly committed workforce. What motivates the employees can differ; it is, however, an important factor to succeed and it is of interest to investigate what motivators are important to the employees in a fast-growing firm. The leadership and the

organisational culture are two relevant factors that directly influence the motivation of employees and that can differ a lot among firms (Andersson & Tengblad, 2009; Western, 2008).

1.3 Research question

Earlier studies within the area of motivation are mostly directed toward employee retention and different methods to motivate employees to stay in a firm. One perception is that employees who have the possibility to express their dissatisfaction concerning their working conditions are more likely to stay in the firm (Spencer, 1986) and Mitchell et al. point out why employee retention is of high importance. A high turnover rate results in extensive costs for the firm, therefore the management and human resources department put a lot of energy, time, and money to find out how to keep the employees in the firm. Some people leave due to personal reasons, such as family situation, and some people leave because they are dissatisfied with their work situation. Losing an employee also means losing valuable knowledge, experience and contacts important to the firm, which makes motivation of employees a central discussion (Mitchell et al., 2001).

There are many theories that discuss whether a person is motivated by intrinsic or extrinsic factors. An interesting result is that using extrinsic motivational factors, such as rewards, could give unexpected negative effects and even demotivate people, not just motivate (Bénabou & Tirole, 2003). There are also theories that highlight different human needs, which people want to fulfil, and are said to be the main reasons for motivation (Maslow, 1943; Herzberg, 1968; London, 1983). Our focus is on motivation in a fast-growing firm, which means somewhat other conditions than in a regular firm. Within this specific area we have not found any earlier studies. To look at the situation from another point of view, we want to find out how motivation works in a fast-growing firm with the following research question.

What are the motivating factors in a fast-growing firm?

1.4 The case firm

To answer the research question we have chosen to do a case study on a fast-growing firm, MMT AB (Marin Mätteknik AB), which is a Swedish marine survey firm offering turnkey services. It started out as a sole proprietorship focusing on underwater photography and documentation in 1976, and is today doing different marine surveys all over the world (MMT AB, 2011). What caught our interest for this firm is the fact that MMT AB was a small firm with only about 20 employees that in 2006 suddenly started to grow rapidly. Since then the firm has employed over 200 persons, with an increase of more than 20 percent each year in employment rate, which makes it a fast-growing firm according to the definitions¹ stated by OECD (OECD Statistics Directorate, 2009). Today approximately 250 persons work for MMT AB and with a workforce where the majority of the employees are adventure-loving the

¹ OECD defines fast-growing firms as firms that have had a growth each year at least 20 percent over a three year period, measured in employees or turnover, starting out with at least ten employees (OECD Statistics Directorate, 2009).

firm has succeeded in having a remarkably low rate of employee turnover. The firm has also had rapid financial growth over the last four years.

MMT AB meets some daily challenges, even without the fast growth. The management and some middle managers work at the office; however, most of the employees work most of the time on vessels somewhere on the sea. The working conditions on the vessels can sometimes be hard, with long workdays, weeks in a row. The teams on the vessels are put together from different departments to fit each project. After the time on the vessel the employees have some time off, followed by some weeks' work at the office. The management today consists mostly of the core employees that have been in the firm a longer time. Out of the employees working on the vessels most of them were hired as a result of the fast growth starting in 2006.

When the firm started its fast growth the need for a human resources department, a marketing department and a finance department increased. MMT AB, which originally was a very flat organisation, grew and became a more hierarchical firm. The founder, Ola Oskarsson, is still holding the position as the CEO and has a burning interest in marine biology. After meeting him and some employees we can see a lot of passion for the firm and the adventures on the sea. There have been periods in the firm filled with challenges and turbulence, due to a high pressure from customers and the change of the government's regulations of ocean trade support that has left the firm without the economic support that the competitors abroad receive, as well as internal restructurings. The economic situation of the firm and the political troubles with regulations in 2010 is the reason why the firm had to give some employees notice of termination this year, which caused further anxiety and incomprehension, however, was later withdrawn. The period of fast growth that started in 2006 has not stagnated yet, in terms of number of employees.

1.5 Delimitations

We made the decision to only investigate one firm, to have the possibility to go deeper into it and perform more and better interviews. This means that the results in this thesis may not be compatible with other fast-growing firms. We have also chosen not to discuss the development and the future prospects of the firm out of an economic perspective, just focusing on the internal relationships and the management of the firm.

1.6 Disposition

In the introduction chapter we discuss the reason for choosing this subject and introduce the research question. Here is also a short presentation on the case firm, defining some important conditions concerning work tasks and external challenges.

The second chapter gives a picture of the chosen methodology and how the theories will be compared with examples from reality by means of some interviews in the analysis. Here is also information on the validity and reliability of this thesis as well as on the preparations for and performance of the interviews, including information on how the case firm and the respondents within the firm were chosen.

To get a further understanding of the complexity of motivation and the importance of a firm to be adaptable, the third chapter will present the theoretical framework. This will be

used in the analysis and consists of theories within the areas of fast-growing firms, managing change, motivation, leadership, and communication.

In the fourth chapter the empirical findings will be introduced, based on interviews performed with the CEO of the firm, one member of the management, one with human resources responsibilities, one middle manager, and two subordinates. The results will be presented within categories such as the change process, motivation, leadership and communication, comparable to the breakdown of the theory in chapter three to give a clear view of what perception employees and the management have on each subject being discussed.

In the fifth chapter an analysis of the comparison between the theoretical framework and the empirical findings will be made and these comparisons discussed. In chapter six follow some of our own opinions and conclusions of the result, and our experiences from writing this thesis. For those who are interested in fast-growing firms and motivation a suggestion for future studies will be made in the end.

1.7 Definitions

To make it easier for the reader to follow the theories and empirical findings in this thesis, we want to clarify some definitions. First, we have chosen not to call the case firm a *gazelle*, since it does not match the most common definition² of this expression (Birch, 1979). We often refer to the *period of fast growth* and by that we mean the period from 2006, when the fast growth took off, until the present. We talk a lot of *changes* and by that we mean all changes in an individual's work life, everything that can have the smallest effect on that person. Since we presuppose that a period of strong growth results in a lot of changes, we sometimes only mention changes and not specifically changes in the period of fast growth. This, however, is equalized. We sometimes use the expressions *political pressure* or *change of government's regulations*, by which we mean the firm's loss of the ocean trade support described in the section 1.4.

Throughout the thesis we use some phrases describing persons of different grade or location in the case firm. The CEO of the firm is always referred to as the CEO. Sometimes we mention *the management*, which is the group of managers leading the firm, however, we have chosen not to include the CEO in this expression. Referring to *the employees*, we mean everyone in the firm, except the CEO. *Subordinates* is the word used while referring to the employees working only on the vessels and not at the office, and are not yet promoted to some kind of managers.

2. Methodology

2.1 Defining the question

As we started working on this thesis we had a different research question, still concerning motivation of employees in a fast-growing firm. We have learned a lot about the case firm within the area of motivation along with the work, hence we changed the research question

² A firm that has had a 20 percent growth each year over a five year period (Birch, 1979).

somewhat to make it more interesting. In the end the finished research question was more interesting and more specific, reflecting more the purpose of this thesis.

2.2 Choosing the case firm

When planning for this thesis, we knew that we wanted to do a case study to get an example from real life. At first we had two ideas: to either compare how different fast-growing firms work with motivation of employees, or to choose only one firm with the possibility to go much deeper and to do an analysis that would be more like reality. We decided to do a case study on only one firm, because our interest in the question wanted us to go deeper in the analysis. We chose the case firm because a friend that works at the firm told us about the fast growth and the challenges it has met since he was employed.

After learning about the firm and performing the interviews we realised that the case firm has some special characteristics, hence the results of this thesis may not be comparable to other fast-growing firms. Some of the characteristics of the firm are identified in chapter 1.4. Firstly, the work is performed under extraordinary circumstances, and secondly, the majority of the workforce has a huge interest in the activities of the firm and some of them enjoy challenges, which are reflected in their attitude to change. Thus, the resistance to change is more or less absent and if we had chosen to do a comparative study instead of just focusing on the case firm, we might have discovered different attitudes and ended up with other results. However, the firm is also a useful example for our study, in that change and challenges really are a part of the everyday work life. We think that some of our conclusions and the model discussed in the end of this thesis can in some extent be used in discussing other firms experiencing changes as well, fast-growing or not.

2.3 Defining the theoretical framework

To enable an interesting analysis of the interviews we start this thesis with a theoretical framework, which includes theories out of different perspectives within the areas of *fast-growing firms, managing change, motivation, leadership, and communication*. The areas were chosen first, from our assumptions before performing the interviews of what we would need for the analysis, and second, from our further thoughts after compiling the interviews. To enable an analysis of the relationships in the case firm a chapter is about fast-growing firms, their environment, and their importance. How to manage change is an important area as well and motivation is the main purpose of this thesis. We found that the motivation in this firm was highly dependent on the leadership, thus we added some theories about leadership with focus on the followers' perspectives. We also found that communication is the key factor to success in a state of change, hence a chapter about communication.

We have briefly summarised some basic theories as well as some more modern theories and chosen the ones connected to the research question. Some theories may seem irrelevant because of the age; however, within some areas they are important for the understanding of the more modern theories. The theories are compared to the empirical result in the analysis chapter and a basis for our conclusions. The chapter ends with a summary on the most important thoughts to remember from this part.

2.4 Collecting data

When collecting data we have used primary data only. To get a broad and fair picture of the firm, we have chosen to perform six interviews with both the management and employees at different positions in the firm and who entered the firm both before and during the period of fast growth. We also talked to someone from the human resources department. This selection of respondents was due to the different perspectives we wished for, and to see the whole picture. The management and the subordinates may have different perceptions of what the period of fast growth has meant to the firm, and the CEO, who founded the firm, jet another perspective.

To begin with, we first had a meeting with the vice president of the firm, who gave us information on the firm's processes as well as a list with names of four people to contact for interviews, who all work at the office. We realised this could give us a twisted impression of the firm, partly due to the fact that they all work at the office and not at the vessels, and partly because the vice president had selected who he thought would like to take part in an interview. It is possible that they were chosen because they were easy to contact and because the vice president knew them well and knew that they would probably be in for an interview. However, there is a risk that they were chosen to give *the right opinions* about the firm, which would lower the reliability of this thesis, but we doubt this to be his intention. Based on this, we later contacted other employees that work on the vessels and were hired just a few years ago, on our own initiative and performed another two interviews. This gave the thesis a wider perspective.

When planning the interviews and deciding the interview questions, we selected questions within five main areas; *perceptions about the company*, such as vision, values, and relationships among co-workers; *communication, the change process, leadership and motivation*. When deciding on what questions we wanted to ask the respondents our aim was to concentrate on areas that seemed relevant for our research question. The questions were not directional, but rather encouraged the respondents to talk about the areas of interest. As we started working with the research question we had the hypothesis that the intrinsic motivators would prove to be important as well as the leadership and that the subordinates' perception of what motivates would differ from the managements' perception. This could have affected the focus of our questions. Our thought was to have similar questions for all respondents, but with some adjustments to suit the work situation for each person, since the work tasks and experiences of the management differ from those of the subordinates.

Some of the respondents wished to see the questions before the actual interviews took place. Thus, the material was sent by e-mail to all the respondents, which gave them a possibility to prepare for the interviews. We perceived that the respondents felt more relaxed and were able to give us more detailed and well thought-out answers due to this.

The interviews were semi-structured (Blumberg et al., 2008), with structured questions that at the same time left room for the respondents to talk freely around the questions. If we had chosen to perform more structured interviews with all the respondents, we would have been able to improve the comparability of the answers, however, performing semi-structured interviews gave us the possibility to come up with new attendant questions during the interviews, to clarify something or just out of interest. Other methods, such as surveys (Blumberg et al., 2008), could have been used to collect data, however, we think this would

not have given us the detailed answers or the stories we were interested in, and it would have taken too much time to collect all the answers and compare them.

At the beginning of each interview we gave the respondent the possibility to ask us some questions about the thesis and the end product. We chose to record all the interviews, not to forget any information, and afterwards the interviews were transcribed. The material was later sent back to the respondents so that he or she had the possibility to read it through and clarify some statements. However, only two of the respondents had comments on the collocates. After interviewing the CEO, one representative from the management, one middle manager, one with human resources responsibilities and two subordinates we think we have been able to combine the different perspectives to get a reliable picture of the firm.

2.5 Processing data

We started by putting the six different interviews together, summarising the results within the areas; change process, managing change, motivation, leadership and communication. Thereafter we discussed the outcomes to highlight the most important differences and similarities, and thought about how to use this in the analysis. The results were compared with the theoretical framework trying to describe the reality in the case firm. In the analysis we also discuss our own thoughts about what really motivates employees in a fast-growing firm. By analysing the five areas chosen we think we have been able to find the most important areas that help answer our research question.

All respondents were asked whether they wanted their name in the thesis and since some asked us not to be mentioned by name, we early decided to anonymise all employees, only revealing the name of the CEO in the thesis, since his statements remarkably differ from the others.

3. Theoretical framework

This theoretical framework is composed out of different theories within the areas: fast-growing firms, managing change, motivation, leadership and communication, and will be the framework within which we will do our analysis. The objective of the theoretical framework is to help understand what conditions lay behind the firm in which the empirical research was done.

This chapter starts with a short introduction about fast-growing firms to emphasise the importance of those firms and highlight some differences to other firms. This is followed by a chapter on how to manage change to give a background on the problems that change can result in an organisation if it is not managed consciously or carefully prepared. This chapter also includes a model for implementing change that is used in the analysis. The third chapter is motivation and starts with some basic and frequently quoted theories and models on motivation, followed by reward systems and theories on self-determination, where the focus lies on intrinsic and extrinsic motivation. The fourth chapter is about leadership and contains theories that are associated with charismatic leadership, since we after performing the interviews saw the need for such theories in the analysis. The chapter also includes some not so common theories, where the focus lies on the followers instead of just the leader. The last

chapter in the theoretical framework is about communication, which is a key issue considering change in an organisation.

The theoretical framework ends with a summary, which briefly describes what this part is about and what is important to remember when reading the analysis and conclusion chapters.

3.1 Fast-growing firms

The key to our research question is the fast-growing firms and the purpose of this chapter is the understanding of what distinguishes such firms from other firms and why they are interesting, not just to this paper, but to the economy as a whole.

3.1.1 Characteristics of a fast-growing firm

“...high levels of ambitious entrepreneurship are more important to the macro economical growth than high level of general entrepreneurship.”

(Institutet för tillväxtpolitiska studier, 2007, p. 80)

In a report published in 2007 by *Institutet för tillväxtpolitiska studier* (in English: Swedish Institute for Growth Policy Studies), firms with a high growth rate are emphasised. Such firms are sometimes called *gazelles* both in this report as well as in other literature within this area. Birch (1979) is the first to use this expression about a fast-growing firm and defines it as a firm that has had a 20 percent growth each year over a five year period. OECD uses a definition of fast-growing firms (high-growth enterprises), where the criteria is the number of employees, and defines them as firms that have an “average annualised growth in employees (or in turnover) greater than 20 percent a year, over a three year period, and with ten or more employees at the beginning...” (OECD Statistics Directorate, 2009, p. 28)

The report also states that medium sized firms are most productive and contribute the most to the economy; however, the smaller firms gain more and more importance as well. Normally a firm competes by incremental internal changes in costs and quality. There is frequently seen evidence of fast-growing firms that, instead of competing in an already existing area, find openings in the market, thus increasing their value. Together with ambitious entrepreneurial skills this also has a positive effect on the technological development (Institutet för tillväxtpolitiska studier, 2007).

Another report published in 2009 by *Myndigheten för tillväxtpolitiska utvärderingar och analyser* (in English: Swedish Agency for Growth Policy Analysis) finds what factors fast-growing firms have in common. Fast-growing firms exist in all industries; it indicates, however, that they are more common in some, for example the transportation, communication, and computer consulting industry. Most of them are young and smaller relative other firms and in a smaller firm the leader, who is sometimes also the founder, hence dedicated to the firm, is the one shaping the organisation and the future (Wennekers & Thurik, 1999).

The strategy a firm uses to grow differs with age, size and industry, hence fast-growing firms have different growth patterns. Smaller and younger firms often have an organic growth and usually occur within emerging industries compared to the older and larger ones that often

grow through acquisitions (Delmar & Davidsson, 1998; Penrose, 1995). Among researchers growth is often associated with entrepreneurship (Gartner 1990), since entrepreneurship can create new organisations as well as new economic activities (Gartner 1988; Low & MacMillan, 1988). Stevenson and Jarillo (1990) describe entrepreneurial behaviour as a quest for growth through innovation, which is one way of describing the importance of innovation to be able to develop the market, offering new products and services. Firms that are innovative and contribute to the increased possibilities the possibility to buy new products on the market are often the firms that grow more than other firms (Tushman & Anderson, 1986).

3.1.2 Importance of fast-growing firms

Fast-growing firms, and especially the smaller ones, are important job creators (Birch, 1979). While a firm that grows through an acquisition moves jobs from one organisation to another, a small firm that grows as a result of its own development creates new jobs on the market (Penrose, 1995). Contributing with new job opportunities is important for the economy, and together the top ten percent of the fast growing firms are the source to a disproportionate part of the employment and added value in the economy. The fast-growing firms strengthen the economy by creating a huge number of all new job opportunities, even though they only account for about three percent of the firms in total (Henrekson & Johansson, 2010). 2004 through 2007 these firms generated a little over ten percent of the Swedish GDP (*Myndigheten för tillväxtpolitiska utvärderingar och analyser*, 2009).

The importance of economic growth is substantial, particularly for the developed countries, including both economic development and growth of GDP. Wennekers and Thurik (1999) focus on the connection between entrepreneurship and economic growth. The entrepreneur is often more frequent in smaller firms, since the entrepreneur is an individual and the leader in a small firm has the possibility to shape the firm and the firm's culture more directly than a leader in a larger firm. However, the authors clarify that entrepreneurs can be found in larger firms as well, although more corporate and on decentralised levels. Not many growth models are adaptable to entrepreneurship, however, it is clear that this, together with innovations created by the entrepreneurs, is important to strengthen the nations in the increasing competition of today and “in modern open economies it is more important for economic growth than it has ever been” (Wennekers & Thurik, 1999, p. 51). Globalisation and the rapid development of the information and communication technology are two reasons for that.

3.2 Managing change

In a fast-growing firm changes is a part of everyday life³ However, change is not always easy and there are many aspects that have to be taken into consideration when implementing new ideas and strategies in organisations or processes. Here are some theories to help understand the failure and success factors behind change in a firm and an eight step model for implementing change in an organisation. Why some people resist change will also be discussed.

³ This was our assumption and was also confirmed in the empirical research.

3.2.1 The problems with change

Since many employees tend to identify themselves with their workplace; changes can have a great impact on an individual's life (Jackson & Carter, 2002). The work is more than just the source of income, it gives a person the possibility to develop and grow through different learning processes and many people spend more hours at work than they do at home, which likely makes the colleagues as important as family. Sometimes employees are unwilling to cooperate because they are afraid of how the changes are going to affect their identity. To assure that, for example, the new strategy is being implemented throughout the whole organisation, the employees need to trust the management and to fully understand what consequences the new ideas will have (Heide et al., 2005).

3.2.2 Implementing change

In fast-growing firms change is a part of everyday work and people can feel uneasy and intimidated by increased challenges because of smaller or larger changes in their working environment. When deciding to implement changes in a firm, the management has to be careful and aware of the effects it can have not only on the firms' decision processes and allocation of power, but also on the information paths, the group structures and the employees' well-being. To reduce the chance of complications and disagreements decisions about changes should involve all parts of the firm, not just the management (Kotter, 1996). For the implemented changes to remain in the firm it is necessary to get an approval from the majority of the workforce. The management needs to win the employees' trust to enable them to feel as a part of the process and to influence the decision making. An open discussion, where the employees have the possibility to question the propositions and where the management can explain their reasons for implementing the changes can facilitate the understanding and hurry up the process (Nilsson & Waldemarsson, 2005).

Researchers mention that a process of change is divided into three different phases; *the motivation phase, the phase of change, and the stabilizing phase* (Nilsson & Waldemarsson, 2005). Originally the phases are called: *unfreezing, changing, and refreezing* from the theory of Kurt Lewin (1951). First you have the motivation phase where the management tries to convince the employees that they need to implement the change and tries to win their trust. It is important to define the driving forces and the divergence to manage the situation in the most effective way (Nilsson & Waldemarsson, 2005).

The second step, the phase of changes, is to actually implement the change. This period is by many people often perceived as a time of chaos. A lot of things happen at the same time and many new impressions affect all in the firm and some confusion can arise about the employees' positions in the organisation. To welcome the new strategies the existing attitudes and behaviours among the employees have to be changed. However, it is not only the values of the employees that have to be considered. It is also important to be aware of how the organisational culture is affected. A firm has certain values and rules, which decide the behaviours of the employees. Thus, to be sure that the changes are implemented throughout the firm, the culture has to be changed as well (Western, 2008). This is necessary in order to reach a long-lasting result and not only a temporary change.

The final phase, the stabilizing phase, is the last effort to make the change work efficiently and to become a natural part of the firm. The management tries to stabilise the

chaos. To reach a successful result the management needs to have motivated the employees to take part in the changes and have convinced them that they have nothing to lose by implementing them. Organisational changes take time, therefore the employees and management need to be patient and give it some time before the wanted result appears (Nilsson & Waldemarsson, 2005).

3.2.3 8-Step Change Model

Both employees and management experience a great insecurity by implementing change, even though the change is required. Kotter is an expert within the area of change and wrote about the eight-step change process, which can be used to implement larger changes in organisations (Kotter, 1996). The meaning of this model is a lot like the meaning of Lewin's (1951) model, however, it includes more detailed steps about the behaviour of the management during the implementation phase. In both models the preparations by the management is emphasised.

Step one is to create urgency and thereby unite all persons in the firm in a common belief that the forthcoming change is required. Developing a sense of urgency and motivating the employees in the start-up phase is critical to the management. This includes an open dialogue about the firm's position in the market, understanding about the background of the change as well as scenarios of a possible future. If this is a success the management could get the employees to work together to help achieve the objectives of the change. This step is important to build up a strong base, which enables success with the next seven steps.

The second step is to form a powerful coalition. When managed to show the employees scenarios of a possible future it is important to make everyone in the firm see the change as necessary. The management needs to find the key persons in the firm to lead the change, which do not have to be any of the management, and to continuously keep working on the first step and continue to convince the employees of the necessity of the change.

Third, the management needs to create a vision for change by gathering all the change visions and combining them to one short believable vision of the future and strategy for achieving it. A clear vision strengthens the understanding among the employees, clarifies the values and is more task-oriented.

Step four is to communicate the vision clearly and frequently to the employees and to include it in all the work. Using the vision in daily decision making increases the awareness of it and shows the employees how to work for change. It clarifies the management's vision if the expected behaviour is shown, not just told.

The fifth step is to remove obstacles and to look into structures and processes that may prevent the changes from happening. Building up too high expectations about the future can leave some employees resistant to the change and unwilling to participate. Hence, the importance to make sure that the organisational structure is in line with the vision and strategy and removes obstacles.

Sixth, the management has to make sure to create short-term wins and show an early return that is clearly connected to the change to further motivate the employees. This way the employees can start to believe in the change and the predicted future. Short-term objectives

should be set up to ease the way towards the more long-term objective, whereby each success will motivate and further encourage the employees.

Step seven is to build on the change. To really make a change in the organisation it is not possible just to focus on short-term success, but to continue to work on implementing the changes and keep looking for opportunities to see what can be improved is important. Finally the eighth step, to anchor the changes in corporate culture. The final step is to make the change a part of the organisational culture and to make it show in the firm's values and daily work. It is important to make the change apparent and that the management continuously work on implementing it to also involve new employees by engaging the right persons and telling success stories (Kotter, 1996).

3.2.4 Resistance to change

As mentioned above there are models to follow when trying to implement changes, however, there are more factors to take into consideration when changing the work environment, which for many employees can be seen as a second home that gives them a sense of security. Even though the large trends in the society today are change and flexibility, and people are pressured to be adaptable, the management needs to know when it is necessary or appropriate to implement changes, and not just follow a trend that might be temporary. When implementing changes the employees are being exposed to a new environment with a lot of new routines, which can make the employees feel insecure about what consequences the changes will have on their lives (Dawson, 2003; Nilsson & Waldemarsson, 2005).

A person's attitude to changes depends on his or her background, values and prior experiences. People who perceive that they are treated in a fair way often have a more positive attitude to changes (Ford et al., 2008). However, some people might be more resistant to changes and the main reason why people are uncertain about organisational change is the fear of what consequences it will lead to. The fear of maybe losing the job, getting a lower status or rearrangements of existing groups and teams, together with fear of diminished control or prestige are personality factors that influence (Watson, 1971). When the management implements changes and rewrites employees' working conditions it can break their accustomed way of working and bring insecurity into their lives (Dawson, 2003). To avoid this it is important to secure that all employees can take part of the information being spread about the changes, so there is no risk of misunderstanding (Ford et al., 2008). Changes can be harder to accept if they are hard to withdraw, introduced large-scaled, or incompatible to the values of the firm or the employees (Watson, 1971). Resistance to change, however, does not have to be a negative quality, on the contrary it can be valuable to take a minute and think about why the changes are being implemented and what effects they will have on the firm. Really thinking through the ideas' quality and competitiveness helps you to see if they can survive on the market (Ford et al., 2008).

3.3 Motivation

To avoid resistance to change and win the employees' trust, it is important for the management to succeed in motivating its workforce. Since our research question is about motivation, this chapter will first emphasise some of the basic theories within this area of

research to give a more comprised perspective on motivation, which is useful in our analysis. Our focus will be mostly on the theories in the second half of this chapter, which is about reward systems and self-determination

3.3.1 Motivation theories

Motivation is a very complex area with many different theories trying to explain what the driving forces behind a person's decisions are and what makes someone perform a certain task. One theory is that "...motivation to work is not about desire to work; it is about the desire for the rewards that are tied to that performance" (Jackson & Carter, 2002, p.194). However, the idea that the large motivator to work is payment is not the whole truth. Not everyone acts in a certain way due to external stimuli, they can be motivated by a feeling of following their heart and doing what is right for them as well. However, this does not mean that payment is irrelevant as an incentive system. There are some different motivators to work: good relationships with the co-workers, family expectations, respect, personal identity, social status, responsibility for others, and enjoyment (Dawson, 2003).

Maslow (1943) has influenced the research within the field of motivation by defining five different levels of needs that motivate people. In his model these are put into a pyramid with the most basic needs at the lowest level. When one need is fulfilled a person is motivated to reach the next level with a higher need and at the end reach the top level. However, a new and higher need only emerges after the basic needs have been satisfied. For a person to feel that he or she has reached the highest level consisting of *self-actualisation*, the steps are to meet the *physiological needs*, *safety needs*, *belonging needs*, and *esteem needs*. The substance of each level of needs does not have to be the same for everyone and varies with personality.

Maslow's hierarchy of needs has to some extent been criticised, but nonetheless it was a revolutionary model that had a great impact on later theories. The criticism points at the model as being just a theoretical model, without empirical testing (Scheuer, 2000). Researchers also mean that human needs do not have to be that hierarchical and they question the presumption that only one need at a time can be focused on, as well as the fact that the concept of needs is not defined (Wahba & Bridwell, 1976).

A very similar model is Herzberg's *Motivation and Hygiene Theory* (Herzberg, 1968), however, this theory does not assume human needs to be hierarchical. This theory was empirically tested and is therefore more accepted by other researchers (Scheuer, 2000). It discusses the possibility for a person to be motivated or dissatisfied either by external stimuli or by intrinsic factors. These two perspectives are divided into *motivator factors* and *hygiene factors*. The motivator factors are intrinsic and consist of e.g. achievements, the work itself, and an employee's possibility to grow and take on responsibility. Hygiene factors, on the other hand, are more of an extrinsic nature, including the degree of supervision from the management, the relationships among co-workers, salary, and working conditions. While the motivator factors can create satisfaction the objectives of the hygiene factors are not to motivate, but rather to avoid dissatisfaction (Herzberg, 1968).

Some of the factors, like salary, working conditions, and job security which are supposed to have a motivating effect on employees, are now more seen as legal rights, at least in the developed countries. An effect is that the management now needs to reconsider what

strategy to use and what methods to apply to motivate its employees in the best way (Herzberg, 1968).

3.3.2 Reward systems

“Reward an action and you will see more of it. Punish an action and you will see less of it”
(Pink, 2010, p. 39)

As Maslow and Herzberg express there are different factors that can motivate people. At work places it is not only of importance for the management to motivate the employees, they also to some degree need to supervise and control the employees.

Punishment and rewards were earlier accepted as the most effective ways to control people and their actions. Sometimes the punishment and reward systems are so integrated in our culture that we do not even reflect over being punished or appreciated (Pink, 2010). It is not as during earlier centuries where the punishments were in a very psychical form, however, supervision is another way of controlling people's behaviour. Knowing that one is being supervised or that the performance at work is measured will consciously or unconsciously lead to a behaviour that might not be the usual behaviour if no one had been watching. Foucault (1987) describes the supervision of people and declares that "...an actual subjugation arises mechanically from a fictitious relation" (Foucault, 1987, p. 203). This means that punishment is not necessary to guarantee a performance or behaviour according to the management's wishes. It builds hierarchies and declares power, since, within an organisational culture, where supervision is used; employees often start supervising each other as well.

Many people seem to be unaware of the fact that economic incentives are very powerful tools. By rewarding the workforce the management can change the way the employees think about themselves, their values and their perceived skills. In a situation where an employee acts in an unwanted way the management often offers rewards or punishment to change this behaviour, however, in reality maybe finding the underlying problem would be the right solution (Pink, 2010).

Using a reward system has shown both negative and positive effects depending on the nature of the industry in which it is being used. In a firm where the job assignments are very basic and where there is no need for creativity, a reward system can give positive results. However, when working in a business that requires employees to be creative, to come up with new ideas, and to solve complicated problems, another type of incentives should be used. Effective incentives that can be implemented are for instance to enable empowerment and career paths. In this type of business reward systems with short-term objectives are only effective in the short run. The effect declines with time and can even show negative effects in the long run. The reason for the different effects of the reward is that people, who go to work every day doing the same tasks, are rarely motivated by the job itself, but rather by the payment offered to them. Meanwhile people who work in a complex environment forcing them to be creative and flexible are more motivated by the challenges the job offers them (Bénabou & Tirole, 2003; Pink, 2010).

3.3.3 Self-determination

To avoid the feeling of being controlled some firms encourage a certain degree of self-determination. People have a native need for autonomy, and want to set their own goals and decide what strategy to use to reach them. However, in a hierarchy where the majority of all the decisions are made by the management and where there is no autonomy, letting subordinates be involved in the decision processes can make them feel as a jack in a game. The feeling of being controlled creates a working environment where the pressure from the management leaves little room for personal creativity, and therefore diminishes the employees' intrinsic motivation (Pink, 2010; Deci & Ryan, 1987).

A management supporting co-determination and who does not only see things from its own perspective, giving useful feedback and encouraging creativity, stimulates the employees to increase their productivity without reducing their physical or psychological well-being. As a result the employees become more satisfied with their work, leading to a low rate of employee turnover.

Due to the *Self-Determination Theory* constructed by Deci and Ryan (2000) people possess three types of innate psychological needs, which when gratified lead to motivation, productivity and happiness. These psychological needs are: *competence*, *autonomy* and *relatedness*. Employees in a firm can be motivated by improving and learning new things, when they feel that they can make their voice heard in decision processes or if they see themselves as being part of a group. The three psychological needs together with social background and social and cultural values make people react differently to economic incentives (Dalton, 1948; Deci & Ryan, 2000).

Self-determination has wrongly been associated with only intrinsic motivation. It is fully possible for a person to be extrinsically motivated and feel both controlled and self-determined. It all lies in how a person perceives the situation. One person can for example feel that he is being pushed to reach a goal, while another does it because of intrinsic satisfaction (Deci & Ryan, 1987).

The American author Daniel H. Pink (2010) defines two categories of people: *Type I* and *Type X*. He was influenced by a theory about Theory X and Theory Y by McGregor (1960), who described that some people are more suited to leader roles than other. Some people are more likely to accept responsibilities and are devoted to work, while other people are in need of more control and guidance due to their unwillingness to take responsibilities for important decisions. The latter are therefore more suitable to work *on the floor* (McGregor 1960). Pink's (2010) first category, *Type I*, includes people who are motivated by the satisfaction aroused by the job itself, while *Type X* characterizes people who are more focused on extrinsic rewards. What is important to know is that people are not born into a certain category, it is the external environment and prior experiences that influence a person's attitude to extrinsic or intrinsic motivation.

Pink (2010) also describes that Type I or Type X can be implemented in whole organisations. The management can perform leadership differently, giving more or less room for self-determination. The words employees use when talking about the firm are important. If they are talking about the firm as "we" the firm encourages Type I behaviour, which differs a lot from "it"-firms where Type X behaviour is common. Focus on control, which often

characterises a firm of Type X, gives conformed employees; however, self-determination gives commitment to the firm and the work tasks. People who work in teams that they have chosen themselves are more satisfied than others and if they can perform work tasks they really want to perform, it leads to more creativity. Commitment is also a product of being able to try and master new assignments (Pink, 2010).

3.3.4 We and I culture

There are two ways of describing the culture within a firm, *I culture* and *We culture*. This can be noted by observing how the firm communicates, both externally and internally. The *I culture* is characterised by the belief in the individual and his or her self-determination and independence. Here the people in the firm focus the communication on upholding their own opinions and to advance in the firm. Sweden and USA are two examples of countries where the belief in the individual dominates. A management who encourage an individualistic culture and empowerment give the employees the best conditions to work with. The individual has the responsibility over its own goals in life, and needs to choose what strategy to use to reach those goals, without anyone telling them what to do. When it comes to situations at a work place the management can show its support and have some guidelines, but in the end the individual has a high degree of self-determination. In a *we culture*, which is common in countries like China and Japan, the interdependence among colleagues is high. Here the internal communication focuses on understanding each other and agreeing about differences. The collectivistic way of living creates strong relationships within the family and between friends and groups. At a work place the loyalty among co-workers is expected to be high and it is the management who makes all the important decisions (Nilsson & Waldemarsson, 2005).

3.3.5 The Sawyer-Effect

As an end of this part about motivation we want give an example from the book *Tom Sawyer's adventure*, written by Mark Twain, that really reflects the power of rewards and how it can affect peoples' perception about work. According to Deci et al. (2001) rewards and punishments in school can remove a person's intrinsic motive to perform a certain task. This has also been seen as the case in voluntary work (Pink, 2010). If someone suddenly gets paid for doing charity the motive for helping people is weakened or even destroyed. An example to describe the effects rewards can have is taken from the book *Tom Sawyer's adventure* and retailed by Pink (2010). Tom has been told to paint his aunt's fence and he is not offered a reward for doing so. While standing there painting his friends pass by and they tease him for doing such a boring job. But Tom answers that this is actually quite fun and that he is intrinsically motivated to do the job. This makes his friends curious and they even offer Tom gifts to take over his job. The friends perceive the painting as just a fun game, because no one has forced them to it, but Tom sees it as a job. Tom's plan with tempting his friends to do his job turned painting the fence into a game instead of a job. This effect, turning a job into a game, or turning a game into a job has been named the *Sawyer-Effect*.

3.4 Leadership

Our assumption is that leadership has a great impact on the relationships between co-workers in an organisation, which we saw in the last chapter is an important motivator.

Hence, this chapter deals with some leadership theories. We have chosen just to include the theories that may be adapted in a fast-growing firm with a strong entrepreneurial leader, thus leaving other theories out that are not relevant to the case firm. In the end of the chapter a view of leadership is considered, where the perspective is changed to the follower's view instead of the leader's perspective.

The leader has an important role of including and also guiding the employees by clearly expressing the firm's vision and values. New leadership theories focus on the leader as more of a symbolic leader and a source of inspiration, visions, and values that emotionally and intellectually stimulate the followers. Earlier theories focus mostly on the leader as advisor and director (Shamir et al., 1993).

3.4.1 Charismatic leadership

"Gandhi is a classic example of a charismatic leader - a strong leader character that is filled with his cause and that is seen as outstanding, reprieved and endowed with special skills."

(Levay, 2009, p. 317)

In the literature on charismatic leadership synonyms such as visionary or inspirational leadership are used. The expression *transformational* leadership is sometimes also mentioned in connection to the theories on charismatic leadership. There are a lot of similarities in these two theories; in fact charisma is the major stone in transformational leadership. However, they are two separate theories, which are sometimes confused (Bryman, 1992). In this paper we have chosen just to include charismatic leadership.

Bryman (1992) retails Max Weber's statement that there are three types of authority: *legitimate*, *traditional*, and *charismatic*. Characteristic of a charismatic authority is that the leader seems to offer a solution to problems in hard times and gathers devoted followers (Levay, 2009). In a company a leader or manager can be seen as a charismatic leader if employees identify themselves with the leader and appeal to his or her ideas and visions. Followers are convinced that the leader is special with unique skills and a true source of inspiration. Max Weber, who is seen as the originator of the idea of charismatic leader focuses on charismatic leadership as the true power, through a common interpretation that the leader's governing is legitimated.

According to Levay (2009) the word charisma means that people follow the leader because they want to and because they expect him to do revolutionary and overwhelming deeds. A classic example is Mahatma Gandhi. However, in real life charismatic leaders are not defined, but exist in combination with some kind of power, due to hierarchical structures and elections.

The common manager in a firm is not elected by the employees, but chosen on the basis of qualities, such as experiences or contacts. However, the manager can still be seen as a charismatic leader, especially if a leader manages to help the firm in bad times or change the organizational culture. A leader often works hard on constructing and maintaining charisma, through rhetoric and interaction with critical employees by expressing a clear vision and showing the employees through risk taking that he cares about them and the organisation.

Even constructed charisma is important, since a manager's work is much easier if the employees trust and respect him or her, and this charisma is as real as non-constructed charisma (Levay, 2009).

Shamir et al. (1993) focus on charismatic leadership as a state where the leader has extraordinary effects on his or her followers. They commit to the leader's vision and are even willing to sacrifice themselves, their needs and time and to contribute beyond what is necessary. The followers are not only working for money or for the firm, they are emotionally attached to the leader, which increases the purpose of the work and continues to add even more engagement from the followers. This motivates through creating interest, not just in work-tasks, but in more intangible worth. The authors note in the article that the risks with strong charisma can be as large as the utility and they compare to both Gandhi and Hitler. However, we will not focus on that in this thesis.

"Such leadership is seen as giving meaningfulness to work by infusing work and organizations with moral purpose and commitment rather than by affecting the task environment of followers, or by offering material incentives and the threat of punishment."
(Shamir et al., 1993, p. 579)

Researches about charismatic leadership's impact on motivation of employees have shown that charismatic leadership has a great impact on the followers' inner worth, i.e. their work satisfaction, self-esteem as well as their performance⁴

3.4.2 Motivational effects of leadership

Shamir et al. (1993) mean that motivation is activated by two leadership styles: *role modelling* and *frame alignment*. The first one, role modelling, describes the leader as a representative of the firm and an inspirational source by defining the values in the way he or she behaves. By own risk taking and sacrifices he or she encourages the followers to commit. Second, is the frame alignment, where the leader often uses symbols and historical events, slogans and phrases as well as pictures of the future, which together gives a feeling of continuity. Together with linkages between behaviour and situations the leader shows clearly where the firm has been, why it is where it is today and where it will be tomorrow.

The situation around the firm and the leader, as well as the personalities of the followers, affects the possibility of charismatic leadership. It is more probable to appear under circumstances where the values of the firm do not contradict the values of the society itself. In some cases it is more common in firms with highly educated employees and high technology. It is rare with charismatic leadership in firms having an environment encouraging extrinsic rewards. This kind of leadership is also more appropriate when a situation requires sacrifices or exceptional effort in a state of change or crises. In such situations the need for orientation is large; however, these are not necessary conditions (Shamir et al., 1993).

3.4.3 A follower's approach to leadership

One approach is to focus on the followers' interpretations of the leader's image instead of the leaders' real action. Meindl (1995) does not focus on how the leader acts, but how the

⁴ "...unfortunately the literature does not give any explanation of how" (Shamir et al., 1993, p. 578).

followers perceive the acts of the leader under the presumption that the leadership cannot exist without followers. If leadership is defined by the followers, this leads to the fact that the leader's behaviour is seen and constructed by several individual followers separately. In this approach the relationship between leader and follower, which was focused on in the theory on charismatic leadership above, exists in the mind of the follower and, thus, influenced by the network of actions and processes the follower experiences. "Leadership is considered to have emerged when followers construct their experiences in terms of leadership concepts..." (Meindl, 1995, p. 332). The article gives another perspective to charismatic leadership theory and shows how an employee first is influenced by processes on an individual level, as well as on a group level, which construct the social aspect of the leadership. Thereafter the individual defines its followership and on what scale to commit to the leader and then takes action (Meindl, 1995).

According to Conger et al. (2000) charismatic leadership "... is an attribution based on followers' perceptions of their leader's behaviour" (Conger et al., 2000, p. 748). As mentioned above, the charisma of a leader is often constructed by exceptional rhetoric and constant communication of the firm's visions and values. The followers, however, choose to follow a leader because of the extraordinary capacity they presume the leader to bear. The model measures the charismatic leadership in three stages. The first stage is the *environmental assessment stage* and considers the leader as a charismatic leader if he or she leads into the future as well as sees the followers' needs and captures every opportunity. The second stage, *the vision formulation stage*, analyses how well the leader manages to create, enhance, and spread the firm's vision. However, the vision does not just need to be clear, it also has to appeal to the follower and bring answers to their needs. The third stage, *the implementation stage*, is where the leader shows his or her concern and caring about the firm as well as the employees by making sacrifices of time and effort and going through certain risk for the firm. This makes the leader more trusted and worthy of the followers' respect and if the leader manages to bring out the firm's vision and communicate in a more unconventional way, that will build even more trust among the followers, hence it strengthens the belief in the leader as exceptional (Conger et al., 2000). We see that a charismatic leader takes risks and sacrifices own time and money is recurring in the theories.

When the employees notice that the leader behaves as described in these three stages they will change the way they act and be more open to what the leader wants from them. Three components have a strong relation to charismatic leadership: *leader reverence, follower collective identity, and followers' perceptions of group task performance* (Conger et al., 2000). The first, leader reverence, derives from the fact that employees put a higher trust in the leader, so high that they believe in the leader as capable of having exceptional powers. This, together with admiration and the thoughts that the leader takes high risks, makes people view the leader with reverence. Second, the sense of a collective identity among the followers, where a charismatic leader thrives by engaging the followers in the values and missions of the firm, thus gets the followers to work for the firm's goals instead of their own personal goals. A collective identity leads to a high psychological pressure to involve even more in the firm and be even more committed. The third, the followers' perceptions of group task performance, coheres with the second stage. If a collective identity is reached and the

followers at the same time get recognition for accomplishments they will look at themselves as a part of the group and the tasks. Hence, the followers will also accept higher performance goals and it will also help employees to stay in a firm in a state of disturbance (Conger et al., 2000).

3.4.4 Employeeship

Even if a group can work a longer time without an authorised leader, leadership is in the end a necessity for a group. However, that does not mean that a leader must always act as a leader. Andersson and Tengblad (2009) argue that a tight communication and relation between leader and employee, which melts boundaries between the two and where the employees are a natural part in decision making and can be called co-leaders as well as co-workers, motivate the employees. This is the spiritual meaning of employeeship.

Two extremes can be described: one where the leader controls every part of the process, as well as the decision making, and one where the employees have a total influence on the work activities and the leader is almost unnecessary. Normally a firm lies somewhere in between these two with weight towards either. Swedish management is of importance to employeeship and the key is that the focus is moved from the leader as an individual to the relation between the leader and the employees. Andersson and Tengblad (2009) argue that employeeship is defined by the degree of the capacity of own initiatives and responsibility taking.

Employeeship requires three foundation stones: *patient, responsibility from both the leader and the employees for their relation*, and sometimes *a high degree of development and change in the organisational culture*. Four pairs of words then exist in a cycle where they all have an impact on each other: *trust and openness, belongingness and collaboration, engagement and meaningfulness, and responsibility taking and initiatives*. If these four factors exist it should motivate the employees and at the same time require a much stronger sense of responsibility, however, employeeship must always be worked on and if some of the pairs of words in the cycle weaken, the leader and employee must both take the responsibility to work hard on getting back on track (Andersson & Tengblad, 2009).

3.5 Communication

A key component in all firms is communication and this chapter supplements the previous chapters with this important subject. The communication theory focuses on communication in a firm, mostly between management and employees, where the aims are to avoid misunderstandings and at the same time facilitate change implementation.

3.5.1 The importance of communication

The management in a firm has had different roles during the years. Today it has become more important to be good at communicating the objectives and strategy of the firm in a way that the employees easily understand. A common goal for many leaders is to avoid having just a top-down, one-way communication and instead try to open up for communication in both directions. Unfortunately, this is seldom the actual result (Simonsson, 2002).

In a world where the competition grows stronger and where conditions constantly are changing, organisations need to be flexible and willing to follow the new rules. For a firm in a process of changes it is important to communicate to the employees why certain changes are

being implemented, which problems are there and how are the changes going to affect the business and the employees' daily work to avoid resistance to change (Boyens, 2007; Ford et al., 2008). The management needs to influence and inspire the employees so that everyone wants to be a part of the change, thus calmer and less worries among the employees, as well as a feeling of stability (Dalfelt, 2005).

It is actually seldom the resistance to change that is the problem, but rather the lack of information given (Heide et al., 2005). Since people are acting differently depending on how they perceive things the management needs to prevent the employees from misunderstanding and misinterpreting the information being spread. Therefore the management needs to be very clear about how it expresses itself and through what media (Jackson & Carter, 2002). Interaction increases the chances for an employee to fully understand what is being said. It is the personality and the authority of the person sending the information, together with the organisational structure that influence how information is being spread within a firm (Heide et al., 2005).

Summarised, the main role of the internal communication during a phase of changes is "to create involvement and commitment, prevent the spread of rumours, create a democratic phase of change, reduce anxiety and stress, and convince employees of the utility of the change and to introduce a new language and symbols representing the new organisation..." (Heide et al., 2005, pp. 155-156).

3.6 Summary of the theoretical framework

In the theoretical framework some theories within the areas: *fast-growing firms, managing change, motivation, leadership, and communication*, are emphasised. All these areas are important to the understanding of the case firm as well as the analysis in chapter five.

Fast-growing firms are important to the economic growth and of special interest in the modern economies, due to job creation and contribution to GDP growth. They are often smaller and younger firms with an ambitious entrepreneur as a leader that drives the firm forward and shapes the future and the vision. Fast-growing firms exist in all industries, however, are mostly found in the transportation, communication, and computer consulting industry. One key to success is to compete in a market where a new need has been found. To constantly grow means constant change; hence a chapter follows on how to manage change in a firm.

The constant growth results in repeated changes in the firm that affect all the people involved, not just directly, but also indirectly. Some may feel unpleasant about the fact that their everyday life somehow changes and it is important for the management to consider if the change is really necessary. There are some steps to think about before starting to implement new changes and the chance of succeeding is much higher if the employees in the firm already feel as part of the firm and the processes. To have all employees and the management on the same side is the first fundamental step in Kotter's eight-step change model and the meaning of the whole model is to work as a team for the same goals and vision.

The management must focus on the organisational culture to be able to motivate the employees under such circumstances, to do a good job, and to keep them in the firm. What motivates us differs among people. Under some conditions people are motivated to work and under some they are not. Self-determination is a large motivator and of great importance to

make change go easy. An employee that can work with interesting things because he or she chooses to is far more motivated at work and also more open to new ideas. Reward systems, such as bonuses or extra payment for more work, can be very successful; however, they can also have the opposite effect, which means that the management in a firm should consider whether, for example, bonuses are the best way of increasing performance. From this chapter we also learned that people are suited for different work tasks and finding the right task is necessary to reach full motivation.

The leader can be important for the motivation of the employees as well and how he or she acts can influence the relationships throughout the firm. The charismatic leadership builds on the relationships between the leader and the followers. Ascribing a leader charisma means that people follow the leader because they want to and because they expect him or her to bear extraordinary powers. The leader has a clear vision that is well-known in the whole firm and encourages commitment to the firm and work tasks by strengthening the followers' inner worth, i.e. their work satisfaction, self-esteem as well as their performance. The leader can create charisma through rhetoric; however, charisma is really shaped in the eyes of the followers. If the employees see that the leader is sacrificing his or her own time and effort and takes high risks, they understand that the leader really cares about the firm and the employees and they get emotionally attached to the leader.

The theories discussed confirm the importance of communication, especially in times of change. It is important for the management to include everyone in the process and inform the employees of the existing problems and challenges, to avoid a feeling of insecurity and not to risk that the employees get resistant to change. It is also essential to have a clear communication of the firm's visions and to be able to motivate the workforce to perform and accept the changes.

4. Empirical results

In total we interviewed six persons: the CEO, one with human resources responsibilities, one from the management, one middle manager, and two subordinates. We wanted to interview a mix of people, both in management positions and subordinates. We also wanted to hear the opinions from people who have worked for the firm a longer period and experienced the period of growth from the beginning as well as the decision to expand, but also people who are relatively new in the firm. The respondents were hired in 1996, 2005, and 2008 respectively. In this chapter the interviews are compiled and compared to each other.

By interviewing the CEO and the employees at MMT AB we did not just get information about the situation in the firm, we also got to accompany them and MMT AB on a journey through the history, filled with dreams, entrepreneurial spirit, passion for the sea, distress, success, setbacks, friendship, and love of adventure. We got to accompany the CEO through the change from a sole proprietorship to a modern corporate group going on high speed into the future. After taking part of the story about the firm out of six different views we have the possibility to compare the different perspectives, trying to understand what motivates in this particular fast-growing firm.

4.1 How it all started

The CEO of the firm is also the one who in 1976 originally started the firm out of nothing but passion for the sea, a huge interest in marine biology, and the strong belief that it is possible to map the sea in the same way as the land above it. Crucial was also the burning desire to “discover the undiscovered”, his stubbornness, and courage. After finishing the military service as a diver he bought a camera and started to take pictures under the surface. The strong interest soon led to a business plan, even though the profit interest was low, and after finding a sunken ship using new technology the development of the firm slowly started.

4.2 The strong growth

The firm had small growth in the first years of the 90's and grew slowly until 2006. The economic situation was rather troubled, hence the CEO and the group of about 20 people, who represented the firm at that time, had the choice to either invest, risk, and expand or to cut costs through for example letting employees go. They agreed on investing and the decision was the start of the period of strong growth, which still goes on today. The CEO invested his own private savings in the firm and the employees also invested through absent holiday payments. Today MMT AB is a “real” firm with over 250 employees, several vessels, the possibility to predict the finances over a quarter of a year, and resources to take on more than one assignment at a time. The firm grew out of the office, moved to a larger one, grew out of that as well, and moved again. As a result of the more complicated administration, due to the increased number of employees, several organisational and structural changes became necessary. Thus, an accounting department was build up to take care of the increasing amount of wage payments and business transactions, a human resources department was built up to manage the contracts of employment and the increasing demand of specific agreements of terms of work. The need of an IT department, a marketing department, and a technology department was also met and the organisation was organised into a more hierarchical structure, adding middle managers to support the CEO in controlling the activities. Even though the firm has a more hierarchical structure today, the project teams, which are put together from different departments and with a manager specific for one project, seem to diminish the hierarchical feeling.

4.3 The challenge of the change

The number of employees was almost ten folded over a period of only four years (2006-2010). This strong growth has taken the firm to a whole new level than before, but has also implicated a lot of friction in the firm, which led to more interesting challenges for some and troublesome turbulence for others. The CEO has always known that his firm has potential to grow and is not at all surprised by the development, however, today as well as before; he needs to be sure that he has the whole firm on his side. At the time before the large investments, that enabled the strong growth, this was easy and all the employees were prepared for changes. He also states that the development of the firm is so rapid that they are “always one step behind”. The employees that have been in the firm since before this period talk about challenges and just some friction, however, employees that entered the firm at a later phase talk more about turbulence and problems. The firm keeps on changing continually, which is confirmed by employees that have worked for MMT AB three years and define huge

changes in structures as well as the organisational culture. An important question where the opinions differ between subordinates and managers is whether the culture and spirit in the firm has remained strong. The newer employees notice a remarkable change in the firm from only three years ago, while the management is somewhat proud about the fact that the firm has managed to keep the spirit and values through all the changes.

There are several positive aspects of the organisational changes as well. Developing the organisational structure also strengthens the firm. The pressure from the customers and the government defining new regulations forces the firm to work extra hard on defending their market position. Due to the fast growth and the increased number of employees the new structure is necessary to manage the firm. The hierarchy is more complicated today and it sometimes takes longer to decide upon subjects. However, the structure is clearer today, which helps reduce the chaos due to the fast growth, and it would be impossible for one person to manage over 200 employees by himself.

4.4 The organisational culture and values

The management as well as the subordinates talk about the MMT-spirit, which obviously is something frequently mentioned in the firm, and ascribe this expression a similar meaning. Common are the phrases belongingness, all-for-one, and to support and help each other. However, what distinguishes the subordinates from the management is that the former question the existence of the MMT-spirit today. They remember it from when they entered the firm, but are not sure that it is still present. Compared to the management, which states that the culture and MMT-spirit “permeates the whole organisation”, an employee says “everyone has a role and everyone helps everyone. That, however, was before”. The management talks about openness, to be a part of the whole process, commitment, fairness, honesty, freedom with responsibility, and a “no blame culture”, and believes these values to be “deeply rooted in the walls”. The subordinates find it harder to find common denominators for the organisational culture; however, they talk about the spirit on the vessels similar to the MMT-spirit. Both management and employees mention the “Swedish culture” and compare the firm to foreign firms with the result that it is easier to talk to people regardless of their grade.

MMT AB has earlier been seen as more of a family business, but since they built the human resources department the degree of external recruitment has increased. “It is important not to be blind to the needs of the own organisation” and people with experiences from other industries and firms can help to see things from a new perspective. When hiring new people the aim is to include them as part of the group as soon as they enter the firm.

When it comes to the vision of MMT AB almost everyone can mention something, however, there is a difficulty in sorting out what could be the stated vision of the firm, since the answers are somewhat scattered. It is mentioned that MMT AB “shall be the best”, “the industry leader”, “shall map the sea in the same way as the land”, “shall be able to measure all deeps between 0 and 2000 meters”, as well as “shall reach a turnover of 500 million (SEK)”. The management has no difficulties in thinking of visions and objectives and is also of the opinion that the vision and the objectives are well-known throughout the whole firm, because of the frequency of which the vision is told, at least to the meaning, if not literally. The subordinates, however, are unsure about both the vision and the objectives.

The organisational culture is also expressed in the way the management and the employees talk about the firm. When talking to the management and the people who work at the office, they are proud of being part of the firm and talk about “we”, meaning MMT AB, while the subordinates talk about “they”, “MMT AB”, and “the firm”, referring to the people working at the office.

4.5 What motivates?

The CEO himself still feels motivated by adventures, both out on the sea and in managing the growth of the firm. He believes strongly in intrinsic motivational factors and less in bonuses to reward people. There exists a system of profit sharing according to the level of responsibility taking in MMT AB. The CEO sees this as more fair than bonuses and he is also working on a potential new system where the employees are offered the possibility to buy shares in the firm. He tries to motivate by “trying to make people understand that we do care about them, that we listen to them and that they are actually able to influence their work and work environment”. He also sees the importance of trying to create career paths for the employees to give them a motivator to develop and stay in the firm, and realises the difficulties of motivating the approximately 250 employees now, compared to the 20 before. To work in MMT AB he identifies that one has to be passionate, intuitive, and really stubborn. The key is to have work that motivates by itself, since “motivation cannot be sold just through words”. The management agrees on the fact that the key words to motivation are commitment, fairness, to be able to develop with the work, to feel as part of the whole process, and to be able to influence their own everyday life. One manager differs somewhat by talking more about importance of encouragement, fun at work, and that the commitment must come from both sides. They all agree on the fact that the employees in the firm are not attracted to money, but by the great interest and love of adventures. “There are some that are attracted to money, but they are few and this is probably not the right firm for them”.

The employees talk more about what motivates them, than motivation in general. It is confirmed that MMT AB is not an ordinary work place; it is filled with much more adventures and a range of work tasks. The excitement was greater before, but it still matters. Participation, to be noticed, challenges, to have fun at work, and belongingness are keywords mentioned. Important to note is that one employee states that with less adventure, he feels less committed to the firm as well. Overall the employees also find intrinsic motivation more important; however it is not that obvious.

4.6 Leadership

As the founder of the firm the CEO is a part of all processes, however, not as much as before. He describes himself as a straight forward leader not afraid of fast decisions, sometimes made too fast in the belief that everyone agree. This he defends by saying “I rather make an incorrect decision than no decision at all”. He prioritises the meaning of good teams and the well-being of all employees, with the aim that the employees should work independently. However, the situation in the firm today requires more symbolic work from the CEO, and his tasks in the firm are mainly to maintain and spread the soul of the firm. He is not a controlling leader and the power following the CEO-title is nothing he wants to emphasize. To him it is more important to have a well-functioning firm than pointing out who holds what position.

The middle managers are managing all the subordinates on the vessels, and they as well see his most important task today as working on visions and spreading values. They also talk about independence at work, however, with some control from managers. The larger firm requires more from each department with both economic goals and responsibility for valuable technology. Everyone describes the CEO as a charismatic person. Not everyone knows him personally, but they can all tell stories about him, his work, and the history about him and the firm. The philosophy is that everyone shall meet him when they are hired and at a gathering at least once a year. However, this is hard, due to costs and work assignments far away. The CEO does his best to spread the visions and values throughout the whole firm; however, the firm is larger now, which complicates the dissemination of information. The philosophy also shows in the fact that the management welcomes employees to come into the office if there is anything that needs to be discussed; however, this feeling of openness is not shared by the subordinates.

In a firm facing the challenges MMT AB does, the management thinks calm, but energetic leadership, is possibly needed, with a leader that listens, is not afraid of conflicts, with an interest in the work activities, and the spirit to never give up. These are features that most of the employees ascribe the CEO, what is important though is the middle managers that are the subordinates' closest relations to the firm. The leadership features are needed on that level as well, if not even more. As the firm grew, the first employees were promoted into middle managers to build up a structure compatible with a larger firm. The problem was that these were not always the right persons for a manager position, and some had to be repositioned. Today the management just mentions this as a former problem, the subordinates, however, see this as a great problem. The effects of the in-house recruitment of managers are on the one hand that the managers has knowledge about the activities, but on the other hand they lack experience and education in leadership, are sometimes perceived as afraid of conflicts, and sometimes also are afraid of forwarding criticism to a higher level. Although the leadership skills are somewhat questioned, the subordinates feel that they can talk to the middle managers.

It is impossible for the leader to have the same relationship with the co-workers today and it is harder to meet the CEO in person. Some employees think that he is probably more visible among the workforce compared to other CEO:s in a firm the same size as MMT AB. Even though some subordinates have not met him they agree with the management on him being important and valuable to the firm.

4.7 Communication

The key to both the success and the problems in the firm caused by the fast growth is communication. “The communication has not developed at the same speed as the firm has grown”. It is a challenge to communicate the visions and goals understandable to everyone regardless of grade in the firm, since every time the firm has made up plans for the future they have quickly changed. This is partly due to the fast growth, which enabled the firm to reach its goals earlier than expected, and partly due to the continuous change of external conditions, to which the firm needs to adapt. During the process of change the management has an aim to include everyone and open up for discussions. However, as the firm started to grow the openness and forums for discussing became less available. At the beginning everyone could

access information about everything happening in the firm, but as the firm became more hierarchical with different departments, there was no need for all employees to have access to information concerning other departments. Even though the distance between the CEO and the employees has grown with the firm, he still hopes that everyone feels free to contact him if there is something to discuss.

The employees on the vessels usually work in periods of four weeks, followed by a few weeks off, but this can differ somewhat. Thus, the information is mostly spread through e-mail, which is a communication channel that, under these conditions, facilitates the spread of information. However, a commonly shared perception is that the communication is inadequate at all levels in the firm, especially from the management to the subordinates. There is a wish for the management to be better at spreading information about the ongoing processes and what challenges the firm currently meets. The employees also sometimes experience that they do not get a response to their critiques, hence a feeling that their opinions are irrelevant. The management seems to be aware of the problem concerning information sharing and the lack of feedback and works hard on improvements, since this is an essential part in a firm, especially in times of changes. At the same time they make an active choice to rather wait with spreading information than giving the employees information based on unclear decisions that might lead to anxiety. What the management is good at is to inform the employees about things that are written about the firm in the media, thus there is no time for the employees to get worried.

4.8 The future

The CEO hopes that the core values and the openness of MMT AB still exists and thinks that this is the key to the success of the firm. He always believed in the firm's ability to grow and develop and always knew this day would come. Despite the more administrative tasks he has today, the love of adventures is still present and he still leaves the office sometimes to join the vessels on more adventurous travels. His role in the firm is a lot different today and he is now more aware of the fact that his word as a CEO is relevant to all the employees, hence he must think more about what he says and how he says it. He is aware of all the struggles the firm has gone through along with the fast growth and that he also made several mistakes along the way, however, to have grown together with his firm has been inspirational and he still learns new things every day. "It is very exciting to continuously, after so many years, learn so many things and meet so many wise people, who come from industries and environments that I did not know about at all before".

The shared opinion is that it would not be the same firm if the CEO was replaced. With a new CEO it would still go on as it does today, since the firm is structured and retains a lot of competence in the area, however, it is important to keep the founder as a person in the firm in some role to also keep the spirit. "His values and thoughts are built into the walls".

5. Analysis and discussion of results

In this chapter the theoretical framework and the empirical findings will be compared, to see whether the theories can be applied to our case firm. Here we include our own thoughts and

try to find the motivating factors in this firm. We also give our opinions to what the management could work harder on.

5.1 The challenges

To hire as many as 200 persons in an originally small firm in just four years can really challenge the unwritten rules and ways in a firm as well as the whole organisational culture. However, even if this fast growth would not exist, the firm meets some challenges interesting to define to see what impact the fast growth really has. To start with, the fact that the employees in the firm do not have the same physical workplace obstructs the communication between the management and the subordinates as well as between subordinates working on different vessels, and by that also reduces the experienced belongingness. The management is situated at the office, where the subordinates spend some time between the travels; however, the time they spend there differs. The fact that all employees at some times work in the office is a strength that could be used more effectively by the management. On a vessel the belongingness is strong, which we note in how the subordinates talk about the culture of the group on the vessel being stronger and better than the culture of the whole firm. This creates a strong feeling of *we and them*, which strengthens the feeling of belongingness on that specific vessel as well as the alienation from the firm, and the result is that the expressions “boat people” and “office people” are used by almost everyone. Being a firm that has its workforce spread all over the world, there is a risk of developing different cultures with their own visions and goals, as seems to be the problem with the attitudes toward the firm on the vessels.

External factors, such as environmental certifications, customer demands, and political actions are problems MMT AB faces. They can either cause a great insecurity and anxiety in the firm, or they can be seen as a common enemy which the people in the firm face together. The change of the government’s regulations is a factor that creates a common enemy among the management, however, among the subordinates the uncertainty of now knowing whether they can all stay in the firm cause anxiety and disunion the subordinates and the management. The challenges change every day, which leads to a more short-term thinking in the whole firm. It is a challenge to motivate the employees on the vessels, both out at sea far away from the office with 12 hours working a day and only some channels to contact them through, and on their time off, to still keep them connected to the firm. The firm lacks the connection between the management and the subordinates that is necessary to implement changes, motivate, and to change the organisational culture (Western, 2008).

The firm is currently in a period of strong growth, which increases the everyday challenges. Structural changes have been necessary to enable the firm to grow this fast, thus time and energy is taken from the activities and processes of the firm. An increased number of employees give both new energy and competencies to the firm, however, they must also be included in the organisational culture and educated, which takes focus from the work tasks for all employees and makes it hard to feel continuity. With new structures, new employees and new managers it is hard to find one’s place in the organisation and the firm is on its way to grow out of its core features.

MMT AB cannot be identified as a *gazelle* according to the definition of Birch (1979); however, it can be defined as a fast-growing firm by the definitions of OECD (OECD

Statistics Directorate, 2009). The firm had a strong economic growth during the years 2006-2009 and a fast increase in number of employees 2006 through 2010; hence it is an important firm for the labour market. The firm tries to create a niche by only using the latest technology and by being the only firm that is able to measure both shallow and deep areas of the sea (Institutet för tillväxtpolitiska studier, 2007). The firm is not that young, but still small, going on middle sized, hence the CEO is still important to the firm, not only as the founder, but also as the protector of values and culture. His role as a leader is not as important today as a few years ago, but to the spirit and motivation of the employees he is still relevant.

5.2 Managing change

Changes are a part of everyday work and constantly affect the individuals in the firm as well. In MMT AB one important moment is the decision to expand that started the period of fast growth. This as well as the daily changes today is of interest when discussing managing change. At the time for the big decision the firm organisation was flat, all employees were gathered, they all knew and trusted each other, and had the possibility to take part in the discussion. In addition the situation was special, since there was also a risk in not expanding, and the CEO had almost everyone on his side. The firm was facing a large change and followed the two first steps by Nilsson and Waldermarsson (2005), by first motivating everyone to be a part of the result of the discussion, and in the implementation of the change. Motivating the employees seems to have been easy, since everyone was very involved and understood the importance of the decision. The implementation is somehow still going on today, since the expansion has not slowed down. At first it went well, since everyone in the firm strived towards the same objectives, followed the same vision, and were close as co-workers as well as friends. However, along with the growth new employees were hired that were not a part of the firm as this period of growth started and the fact that the third phase of the model, the stabilisation, which makes the change work, never came, may have an impact on the relations in the firm today.

Seeing it that way MMT AB is in a constant state of change, with a lot of small changes which demand preparation. However, it can be a problem that the management today has experienced many large changes, hence is not able to see the smaller ones as problems and does not perceive them in the same way as the newer employees do. Kotter's change implementation model (Kotter, 1996) is maybe not compatible on small changes that occur irregularly and are not specified, however, we think the spiritual meaning of preparation and togetherness of the model can be used. In the implementation of some changes in the daily work MMT AB has forgotten some of the steps, among others the first and fundamental, that everyone in the firm shall participate in and understand the meaning of the change. The communication in the firm does not reach out to all employees, which excludes some. Also the third step, to create visions for the change, is doubtfully fulfilled. There are some more general visions, but no specific for one change. As step five advocates, the firm has managed to change their structure, both to enable the changes and because it became necessary. The short-term objectives according to step six, however, seems to be absent. To leave out such important steps can have an impact on the motivation of employees. The last step describes the importance of working hard on the organisational culture along with the change. Here we see a great problem in the management, which seem to think that the organisational culture is

as strong and clear as before, however, the newer employees do not agree. Maybe the management is aware of this and keeps up a positive appearance to not totally lose the hold on the firm. It is also possible that they are unaware of this fact, because it is easy to forget about the culture while focusing on larger challenges. Different attitudes can also matter, since the management has experienced a row of changes the last few years and might be used to the fact that they will face changes every day, they maybe do not even notice. To the newer employees, however, these small changes may appear large, due to less experience of changes. Clear communication is the key in order not to risk misunderstandings (Dawson, 2003).

5.3 Motivation

Maslow's (1943) fundamental needs can partly apply to working life as well. The importance of safety can apply to the feeling of having a job and a safe employment and at the time it has been somewhat turbulent in MMT AB with people getting notice of termination due to economic problems and also because of changes in governmental regulations, which creates anxiety. The feeling of belonging to a group is clearer and strong on the vessels, but decreases when talking about the firm as a whole. The firm tries to secure career paths and potential for everyone to grow as a person, however, this could be clearer and communicated to make sure to help the employees to the top of their pyramid. Herzberg (1968) talks about the extrinsic and intrinsic factors motivating people and preventing dissatisfaction. Within MMT AB everyone agrees on the intrinsic motivator being the most important motivator. In the firm the employees work freely under responsibility, with great possibilities to develop skills within the area of interest, to take on assignments in other areas, and to solve problems. As extrinsic motivators the CEO wants to make sure that there are possibilities to make a career within the firm and enables profit sharing during good years. Introducing stock options available for all employees of the firm to buy, is a way of thinking more long-term, since when owning a part of something people tend to care more about it and want to see a positive result. Another intrinsic factor of importance that is found on all the vessels is the belongingness among the employees.

In MMT AB creativity is important for the development of the firm, thus, according to Bénabou and Tirole (2003), creativity should be encouraged. The management talks about creativity as one of the most important factors for motivating employees, however, the subordinates state that they feel more controlled today, which inhibit new ideas as well as the intrinsic motivation (Pink, 2010; Deci & Ryan, 1987). The fact that the firm has no bonus system is only discussed by the management, and not mentioned at all by the subordinates. Our experience is that the subordinates do not request bonuses. However, they talk about the wage, which has not increased as much as they would want it to. One of the values in MMT AB is to encourage self-determination. The vessels are often far away from the office, hence flexibility is important in both the work tasks and decision making, and this is appreciated by the management and a prerequisite for all activities. However, this philosophy by the management is not clear to the subordinates, who perceive the situation differently and as more controlling and do not know that this is one of the management's core values. This difference in perceiving a situation can originate in different experiences, hence different comparisons are made. It is also a fact that with increasing numbers of employees, more

expensive technology, and increased demands from customers, mistakes are more expensive and influence larger parts of the firm; thus the management has to keep control over some processes.

The three psychological needs, *competence*, *autonomy* and *relatedness* (Deci & Ryan, 2000) are partly met in MMT AB, however, the degree to which they are met decreases. The competence in the firm is strong, constantly increasing for each individual as well as for the firm as a whole while hiring qualified people. The need for the employees to have influence over their work situation and make their voices heard is not that strong, neither is the feeling of being a part of the firm. However, as discussed the feeling of belongingness is strong on the vessels. MMT AB has grown out of their structures for including all the employees, which can lower the motivation to stay in the firm. The employees are included in decision makings concerning their own department, but they want more information about the firm as a whole to feel more as a part of it. This may be another effect of not working hard enough on including new employees. That the perceptions of the firm's culture differ is not a big surprise, but rather evidence of it being difficult to unify a workforce working under totally different conditions.

The key to the motivation in MMT AB is the fact that the work is filled with adventures, seeing new places, and meeting daily challenges. Both the management and the subordinates agree on this being the overall most important motivator. This, together with the fact that no bonuses are being portioned, can indicate that the success by keeping the employees in the firm is due to the Sawyer-effect, where work can be perceived as a game you play just because you want to (Pink, 2010). However, today the new employees are talking more about the salary and less about the adventures, compared to the management and also compared to how these employees experienced the same questions three years ago. It is of interest that the employees that have worked for the firm since before the fast growth started seem to find the changes motivating, while the employees that have been in the firm three years seem to experience more frictions and problems due to the changes.

5.4 Leadership

The power following the CEO-title is nothing the CEO of the firm wants to emphasise. To him it is more important to have a well-functioning firm than pointing out who holds what position. During this period of change and strong growth he tries to be very clear about his role as a leader and what results he wants to achieve, never using punishment as a method to motivate the employees to commit to the new processes. To be a successful firm it is more important to the CEO to have employees that are satisfied with their work situation and that are intrinsically motivated to perform. Thus, he tries to create a stimulating work environment and tries to offer possibilities to learn as well as career paths. Since the majority of the employees have an interest in discovering new things and meet new challenges there is a need for the leader to offer job assignments that elicit the joys of discovery among the employees. Of course the financial goals are of importance as well, however, if the employees have no passion for their work, the financial goals would be harder to achieve.

The CEO is described as a charismatic leader (Levay, 2009; Bryman, 1992 & Shamir et al., 1993), by the employees as well as the management. He is a strong, charismatic individual who has the capacity to persuade people to accept his ideas. He has not succeeded in

spreading a clear vision; hence the employees working on the vessels can only tell vaguely what the vision of the firm is. The reason could be that the CEO wants so much and has so many different visions, giving an ambiguous impression to the employees listening to him. On the other hand, he has succeeded in creating a positive spirit among the employees, who show a fighting spirit, unwilling to give up. Everyone in the firm knows how hard the CEO has worked for the success of the firm, and knows about all the struggles in the past as well as today, which indicates a frame alignment leadership style (Shamir et al., 1993). It is apparent that the people working closer to the CEO and the people who work at the vessels show different degrees of the so-called “MMT-spirit”. The capacity to motivate everyone to follow his visions has diminished with time and this could be either because he does not see that it is less effective today or he does not think it is necessary any more. Today the CEO works more as a role model for how it was before, with a fighting spirit that encourages people to commit themselves to the work, than he works with symbols representing the future goals. Maybe he would be a stronger and clearer leader again by specialising on either being a role model or frame alignment?

Still, the CEO of the firm has an important role as a charismatic leader, maybe a larger role than the CEO himself can understand. When asking the employees what would happen to the firm if the CEO suddenly decided to leave his position the majority agree that nothing would stay the same. However, his values and thoughts are so integrated in the firm that if he left, there would still be signs of him left and the firm would probably survive. While talking to the employees that work on the vessels, not regularly meeting the CEO face to face, we still hear about his charisma, however, not as persuasively as from the managers. The distance influences how they perceive him, what he says, and the way he runs the firm (Meindl, 1995). The communication from and the visibility of the CEO is not perceived as regularly by the employees working on the vessels as by the management. According to the Conger-Kanungo Model of Charismatic Leadership (Conger et al., 2000), which measures the charismatic leadership, the CEO has some things to work on to be a thoroughly charismatic leader. He captures possibilities and leads into the future; however, sometimes it is difficult for him to see the present because of the constant change and the focus on the future. The visions of the firm do not reach out to all the employees, positive words do, but no clear vision. The structural and organisational changes as well as political questions and other external pressure have taken the CEO’s focus out of the activities of the firm, and the trust in him and the collective has decreased along with the visibility.

When talking about leadership the management refers to the CEO, while the employees who work at lower levels, mostly refer to the middle managers. A problem to some subordinates is the appointing of new middle managers. Along with the increasing number of employees the possibility for the CEO to be available decreases and a lot of trust is put into the middle managers. Most of the managers are internally recruited and still have great knowledge about the activities and how the subordinates are doing out on the vessels. As a result of the fast growth some of the employees were promoted too soon and ended up in a position not appreciated by themselves or others. This problem is confirmed by the management and the CEO and some have been replaced or sent on leadership educations. The subordinates, however, do not think that the problem has been solved. Some know their closest manager as a friend, which can complicate the manager-subordinate relation. There is

still a lack of leadership skills, thus the feeling among the subordinates that the managers are not interested in their development, which lowers the commitment to the firm. There are also problems in bringing up criticism towards the firm, resulting in the subordinates' apprehension that the middle managers are not listening or not being courageous enough to pass on the information to his or her closest manager or the CEO. Pink (2010) has an idea about two types of people, Type I and Type X, where one type is more suitable as a manager. In this case people have been promoted within an area where they are able to do good work, but with too high or the wrong responsibilities, expectations, or work tasks. This could have a damaging influence on the subordinates' attitude towards all the managers of the firm, if only one middle manager shows such behaviour.

5.5 Communication

The key to success or failure in a firm growing this fast is communication. When the information spread throughout the firm is unclear and inadequate the risks for misunderstanding and hence insecurity increases. At MMT AB everyone seems to be aware of the importance of communication, however, the communication channels do not work as well as the workforce and management want it to. They all wish to improve the communication, but external factors and challenges make it hard to create a fully functional communication network.

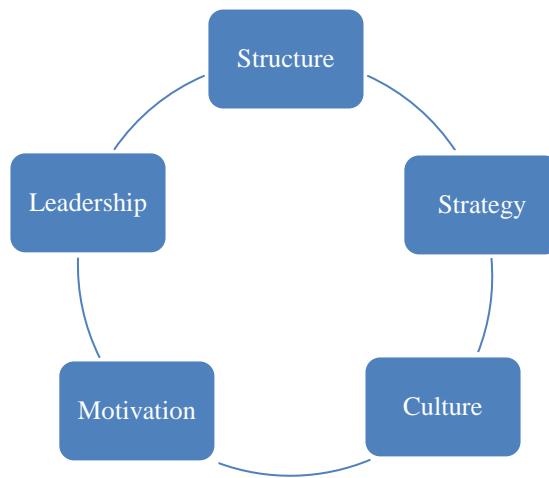
When growing at high speed it becomes difficult to adapt the organisational structure and especially to extend the communication channels to include everyone. From being a group of 20 people with a business idea to being a firm holding more than 200 employees the distance between the leader and the employees working at lower levels in the firm increases and some information now needs to pass through the middle managers before reaching the employees. The information flow takes longer and there is always a risk of receiving the information too late, or that it stops somewhere on the way.

During a process of change it is extra important to communicate to the employees why the changes are implemented and what effects they will have on the firm as well as the employees (Dalfelt, 2005). This is essential to ensure a commitment from the entire workforce and the diminishing organisational culture is a result of this sometimes being forgotten. To facilitate for communication the management often tries to send information via e-mail to reach out to everyone, including those who are not at the vessels or the office at the time. Unfortunately the one-way communication is far too dominating and there is also a wish from the management's side to get feedback on the information they share. To hold the firm together and to guarantee that everyone knows about the values of the firm and what its visions and goals are, it is essential to have a well-functioning communication, avoiding employees from going their own ways and working in ways not coinciding with the MMT-spirit (Heide et al., 2005). A CEO working in a firm like MMT AB needs to work extra hard on creating a feeling of belongingness and to ensure that the visions, goals and values are being spread throughout the whole firm.

5.6 Our thoughts about the change

The state of constant growth leads to changes and affect the relationships in the firm, especially between the management and the subordinates. Since this strong growth started in

2006 the firm is characterised by turbulence and rootlessness. Our conclusion is that there are five areas in the firm that have to co-operate to ease the processes and relations during a period of fast growth: *Organisational structure*, *Strategy*, *Motivation*, *Leadership*, and *Organisational Culture*. We think these areas are linked together and affect each other. If one of the areas is dramatically changed, the other four areas must also be reviewed and adjusted to keep up with the changes. The key that connects the five areas and enables a smooth growth, we have identified as *Communication*.



As the firm changes the vision and objectives are likely to be remodelled as well, due to new conditions, and the strategy must be changed along with this. The structure of the firm must suit the size of the firm, and along with the growth MMT AB has developed and changed the structures concerning more clear departments, the hierarchy, decision making, and support activities as financial departments. Out of necessity these structures had to be changed along with the increased number of employees, however, the change was also a prerequisite from a certain number of employees to enable further growth. MMT AB succeeded in building the new structure; however, the concerns of the other three areas have not obtained enough focus from the management. The change of the structures has had a great impact on the individuals in the firm, hence the motivation of these. MMT AB is a typical firm that has to work harder at motivating the employees, due to changed structures.

As well as the motivation needs to be focused on, a changed structure may demand a changed leadership as well. In a firm facing the challenges that MMT AB does, a strong leader is needed. We think the current CEO is the right leader for this firm at the time. He is a charismatic leader and bases his leadership on strong values as well as understanding of the processes. However, along with the growth and changed structures the CEO is now more distant to most of the employees, since he can no longer know everyone personally. This change demands a clarification in how the leader expresses himself and it is clear that the vision and objectives of the firm as well as the values are not communicated clearly or frequently enough. Positive words are often heard, but not a clear vision and we think the CEO as well as the firm would gain from defining a clear vision, some clear objectives, long-term and short-term, and to communicate these more often.

A stronger leadership with regard to this could help the fifth area to develop along with the firm as well, the organisational culture. The feeling of belongingness is an important motivator and was really strong before MMT AB started to grow this fast. Along with a changed structure and larger structural distance between the CEO and the employees on the vessels the organisational culture must also be strengthened. Feeling as a part of the firm and its processes is crucial to the firm and by not focusing on the organisational culture's needs the management does not see that this feeling diminishes throughout the firm. The management seems to think that this feeling is still strong; however, the employees on the vessels disagree. A reason for the undermined organisational culture today can be that the focus has been on other things, or that the organisational culture that existed before does not fit the new larger firm. The management, the CEO, and the middle managers have an important role in strengthening the organisational culture again and including all the employees, especially the newly hired, and keep the competencies in the firm.

The key that connects the five areas is communication. Most of the issues mentioned by the subordinates, the management is aware of and works hard on, however, this information does not reach out and the subordinates remain unaware of this fact. The situations under which MMT AB operates are sometimes difficult to communicate in; however, this is such a crucial area where the management as well as the subordinates must work even harder.

6. Conclusion

After following MMT AB on a journey through the history of the firm, analysing the areas: managing change, motivation, leadership, and communication, we have been able to come to some conclusions. There are multiple factors with impact on the motivation of employees in the firm as well as possibilities for the management to motivate, and it is complicated to see which factors lead to what behaviour. The conclusions are a result of our own thoughts after completing the analysis.

In MMT AB intrinsic motivation is the most important factor to motivation along with some extrinsic influences. The love of adventures and fun at work impregnate the whole organisation and desire to support and help each other are values clear to us visitors. We have learned that the firm is special, due to the conditions under which it operates, and have found that some of the motivation factors may be specific for MMT AB. It appears that everyone on all levels in the firm agree on what are the best motivating factors, however, their opinions on whether they are practised properly in the firm still differ. This was rather surprising to us; since our hypothesis was that the apprehensions about what are the important factors would differ between the management and the subordinates. What is even more interesting is that the employees that have worked in the firm for three years say that this kind of motivators and the whole organisational culture was stronger and clearer as they entered the firm, and a lot weaker today. Our conclusion, after performing the interviews and analysing the results, is that the fast growth and the changes as well as a changed focus are the reasons. The strong culture and the focus on intrinsic motivation used to be the strength of the firm and what defined the success of MMT AB, however, the diminished focus on those values can be a risk in losing employees in the future.

The employees that have worked in the firm a longer time and experienced changes from the beginning, today as well as before working closely to the CEO are in some extent motivated by the growth itself and the following changes and the challenges. This differs from the newly employed that experience more friction due to the changes and find it as a problem. It is clear to us that more focus on intrinsic values and continuously working on strengthening the organisational culture are necessary in a firm in fast growth. Otherwise the intrinsic motivators can be replaced by extrinsic and the spirit and passion is lost in the long-term perspective. We think the leader becomes even more important in a period of fast growth. He must work hard on including the employees into the firm's spirit to keep up the motivation and strengthen the whole organisational culture. A charismatic leader is a strength, however, he must also be clear in the communicated vision for this to reach out, not just talking about positive things. Perhaps the limit has been reached for how large the firm can grow without balancing the organisational culture with the strategy, leadership, motivation, and the organisational structure and maybe there will be some negative effects due to the diminishing commitment to the firm's vision and objectives.

As mentioned above, our conclusions about this particular firm are maybe not generalisable, however, the discussions about the five areas of the firm and the importance of continuously keep working on all five areas to succeed, we think could in some extent be applied to other growing firms as well. In a firm going through a period of fast growth characterised by constant change the intrinsic motivation factors are the most important: belongingness, interest in the area of work, individual development, and fun at work. Working hard on strengthen the organisational culture and maintaining a good communication is important to commit the employees to the firm, thus making them appreciate the changes.

7. Suggestions for future research

Our research was limited to one fast-growing firm only, with some specific conditions. It would be interesting to see how this question would be answered in other fast-growing firms. Do they meet the same challenges that cause the same difficulties? Are the intrinsic motivators always the most important, or is this affected by the fact that the case firm is originally a family firm with the founder as CEO? It would also be interesting to go back and visit the same firm again in a few years time to see what has happened and why.

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Appendix 1

Guide to the interview with the CEO of MMT AB

A short presentation on yourself

1. Where does your interest for marine biology come from?
2. What inspired you to start the firm?
3. What motivates you?
4. How has the firm changed during the years?
5. What motivates you in the firm at the moment?

Communication

6. Have you been able to spread your visions and objectives to the employees in this period of rapid growth?
7. Have you actively worked on spreading the firm's visions and goals?
8. What perceptions do you have on the communication?
9. Is there room for employees to give their opinion and to make their voices heard?

The firm before and after the period of growth

10. How many people has the firm employed during the last few years?
11. What changes has the rapid growth brought into the firm?
12. Was the period of growth turbulent?
13. How do you think the employees have perceived the adaption to the changes?
14. How do you look at the openness among the employees today, after recruiting so many new people?
15. Did you see the expansion and period of fast growth coming?
16. Were you able to prepare the employees for the expansion and changes?

The role as leader and CEO

17. What do you think about your role as leader?
18. How do you think the employees perceive you as a leader?
19. Do you think that all employees accept your visions and goals for the firm?
20. Does the firm use some kind of reward system?

Motivation of employees

21. What are the key aspects in motivating employees during a process of changes?
22. What do you think about going from a sole proprietorship to a corporate group?
23. Do you see yourself as an important part of the firm?
24. Do you think the firm and the employees could continue to work in the same way if you decided to leave the firm?

Appendix 2

Interview guide to employees at MMT AB

A short presentation on yourself and how you perceive MMT AB.

1. How long have you been working for MMT AB?
2. How did you get in contact with the firm?
3. What values represent the firm and are they visible?
4. What was your first impression of the firm?
5. Did you perceive it as if you were part of the group right from the start?

The firm before and after the period of change

6. What changes have occurred in the firm during the years you have worked here?
7. Has the period of growth been turbulent?

Communication

7. Do you know about the firm's visions and goals?
8. In what way are the visions and goals communicated throughout the firm?
9. Do you feel that you are well informed about the management's plans for the future?

Leadership

10. Have you ever met the CEO of the firm?
11. Do you communicate with your supervisors?
12. What features do you seek in a leader during times of challenges and changes?
13. What role do you think that the CEO has in the firm?
14. Could he be replaced without the firm's culture and values being changed?

Motivation

15. What makes you stay in the firm?
16. Do you feel that you are part of the firm and its processes?
17. What motivates you?