LIFE-CYCLE MOVEMENTS: THE ENTREPRENEUR-FIRM IDENTITY INTERPLAY (INTERACTIVE PAPER)

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An organization’s ability to change and adapt to new circumstances, in relation to both changes in operations (i.e., what they do) and identity (i.e., who they are), is central to achieving competitiveness (Greenwood and Hinings, 1996), effectiveness (Huy, 2001), and long-term success (Ahlstrom and Bruton, 2010; Gallego, Rubalcaba and Hipp, 2013; Klarner and Raisch, 2013). There is, however, scarce understanding of the role of the founder-entrepreneur for such adaptation in small-and-medium sized enterprises. This is a shortcoming since the founder-entrepreneur can be both a catalyst and gatekeeper for necessary life-cycle related changes to take place in an efficient manner. In the present study, we recognize this and examine how and why identities of founder-entrepreneurs and organizations relate to continuous organizational change.

Method

Given the need for theory-building, an interpretative, qualitative approach was suitable for this study. We used a qualitative multi-case study and analysis was built from interviews, on-site observations, and longitudinal firm documents.

Results and Implications

Our inductive model suggests that failures have the power to begin change in an organization, but the process might be inert because of the entrepreneur’s and organization’s identities. During a first step, failure might create crisis rather than immediate change. Repeated failures might be met rigidly by the organization, the reason for which is that both the founder-entrepreneur’s and organization’s identities make it difficult to grasp opportunities to learn that failures offer because learning outcomes rarely align with current identity beliefs. This makes the organization focus harder on existing values, and consequently inhibits change. Rigid responses reinforce a pattern of repeating mistakes. Eventually, these responses result in organizational members (both entrepreneurs and employees) questioning what and how they are doing things, which results in organizational crisis.

The study makes several contributions. First, results highlight the role of the founding-entrepreneur’s identity in organizational change. Second, organizational members sometimes resist change, and deploy a variety of defenses to maintain the organization’s self-esteem and core values. The present study identifies how identity protection slows organizational change, or even resists it. Third, whereas extant literature suggests that founder-entrepreneurs shape values, beliefs, routines, and strategies during startup, the present study suggests that this influence extends to the organization’s lifespan.

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