CHALMERS

Managing Organizational Problems Stemming from Successful Growth in Startups

Master of Science Thesis
in the Management and Economics of Innovation Program

ASHKAN NAMOUSI
DAVID SVENNINGSSON KOHL

Department of Technology Management and Economics
Division of Innovation Engineering and Management
CHALMERS UNIVERSITY OF TECHNOLOGY
Gothenburg, Sweden, 2014
Report No. E 2014:076

MASTER'S THESIS E 2014:076

Managing Organizational Problems Stemming from Successful Growth in Startups

ASHKAN NAMOUSI
DAVID SVENNINGSSON KOHL

Tutors, Chalmers: Jonas Hjerpe, Sören Sjölander

Department of Technology Management and Economics
Division of Innovation Engineering and Management
CHALMERS UNIVERSITY OF TECHNOLOGY
Göteborg, Sweden 2014

Managing Organizational Growth Stemming from Successful Growth in Startups
Namousi & Svenningsson Kohl

Master's Thesis E 2014:076

Department of Technology Management and Economics
Division of Innovation Engineering and Management
Chalmers University of Technology
SE-412 96 Göteborg, Sweden
Telephone: + 46 (0)31-772 1000

Chalmers Reproservice
Göteborg, Sweden 2014

Abstract

According to current literature on small business growth, companies pass through different stages of growth, where they face certain crises that must be resolved before passing on to the next stage. However, this paper presents the case of a company that has passed through several stages of growth without implementing the improvements that typically come with the growth of a business. The reason for this is that the company has struck a 'gold mine' – a business with a favorable market that generates early and massive revenues. As the company has not experienced difficulties in generating revenue, it has not been forced to implement the changes that are usually necessary when facing a crisis.

This study shows that the company has indeed experienced the issues that come with growth, but it has simply not experienced the critical need to solve them. Thus, the firm is currently faced with a host of issues of varying severity, primarily relating to the topics of organizational structure, communication, and delegation. This report presents an analysis of the core challenges discovered at the organization, providing a multitude of advice, as well as structural recommendations that create a number of distinct roles within the organization, with the primary goal of relieving top management of its duties, and improving the overall communication and efficiency of the organization.

Current literature is lacking when it comes to businesses that have not experienced difficulties in generating revenue in its early stages of growth. Further research is needed in order to identify differences and similarities between organizations that experience early success and organizations that do not – and therefore struggle. This could lead to the development of a methodology or framework where a set of criteria classify what constitutes a 'gold mine', and industries can then be evaluated based on a set of factors that determine the likelihood of gold mines being present.

Perhaps of even greater interest, a matched pairs study could compare two 'gold mine' companies that have experienced different levels of long-term success. The differences between them could be analyzed in order to answer why one business managed to continue its growth and success, while the other stagnated. Such research is crucial in making the best of future gold-seeking endeavors, and avoiding the pitfalls that come with great financial success.

Keywords: startup, business growth, organizational design, communication, delegation

Table of Contents

Table of Figures

1. Introduction

This introductory chapter will present the background of the case study that the thesis is built upon, as well as an initial description of the organizational problems encountered at the company under study. This is followed by a presentation of the overall purpose and subsequent research questions that guide the study. Finally, the delimitations of this project and an outline of the entire report are provided.

1.1. Background

A startup or small business can be defined as an independent management where the managers are usually also the owners of the business, and capital is supplied by an individual or smaller group of people. Furthermore, the operation area of the business is typically local, meaning that owners and employees are located in one home community (Scott & Bruce, 1987). Small businesses often consider growth – in terms of both employment and sales – a necessity in order to survive and increase the performance of the business in a competitive and changing environment (Georgellis, et al., 2000). However, financial gain is often not the primary goal of the entrepreneurs or small business owners (Beaver, 2003a). Instead, independence and autonomy is considered the main motivation for business management, with the organization as the arena for their expression.

However, nothing is inevitable or automatic when it comes to the development and formation of a successful small business. Instead, it has to be managed, planned, and nurtured from the top, against a seemingly endless number of external and internal constraints (Beaver & Jennings, 1995). Small businesses can fail due to one of many reasons, such as issues of finance, management, forecasting of demand, capitalization at start-up, marketing, and planning and strategy (Beaver, 2003b). Further, it is argued, for instance by Scott and Bruce (1987) and Greiner (1972), that one of the main causes for failure of organizations is the inability to adapt to a number of crises triggered by organizational growth. Thus, the managerial competence of the entrepreneurs and owners must be the principal ingredient in avoiding failure (Thomson & Gray, 1999; Jennings & Beaver, 1997). Much of the research on small business failure concentrates on internal factors of the organization, with the main factor being 'poor management', followed by various financial deficiencies (Beaver, 2003b). Dun and Bradstreet (1991) showed that 66% of documented failures were a result of management incompetence, which included an inability to analyze, plan, control or direct the business operations in a satisfactory manner (Beaver, 2003b).

This thesis presents a case study conducted at a small business in England that has experienced rapid growth since its foundation in 2008. The organization consists of YouTube broadcasters producing online video entertainment, and has grown from a two-man podcast to a company employing more than a dozen people and partnering with several large YouTube channels. The company's original and primary YouTube channel is among the most popular channels on YouTube, and in addition to the content of this channel, various kinds of video entertainment content are monetized through close partnerships with several different YouTube channels.

1.2. Problem Description

A problem can be defined as the perceived difference between a desired and current state of reality (Downs, 1967) and has been categorized as those relating to technical issues and human relations, operational or strategic issues, or organizational inputs and outputs (Huang & Brown, 1999; Drucker, 1954). However, organizations do not deal with discrete or isolated items but with portfolios of issues, problems and opportunities (Isenberg, 1984). Many issues and problems exist simultaneously, compete for some part of managers' direct concern, and are interrelated. Thus, it is essential to identify and define the core problems present in the organization, analyze their causes and effects, and manage their shifting priorities.

The company examined in this study has until now experienced rapid growth and great financial success. However, if the problems and issues that follow this growth are not identified and solved, there is a risk that the company becomes too inefficient and suffers too high costs in order to be able to successfully manage and survive any potential future market, industry or environmental changes. In most organizations, routines that prove efficient become easily embedded into the organization, and often considered best practice (Grant, et al., 2002). Although this can be a source of competitive advantage for the organization (Prahalad & Hamel, 1994), the fact that the existing routines are effective and the small organization manages to survive creates a reluctance among the entrepreneurs and owners to learn and implement new routines (Beaver, 2003c). Thus, it is important for an organization to understand that the key to future success lies within its own organization and development – something that many fail to see (Greiner, 1972). Thus, "the inability of management to understand its organization development problems can result in a company becoming 'frozen' in its present stage of evolution or, ultimately, in failure, regardless of market opportunities" (Greiner, 1972, p. 38).

1.3. Purpose

The purpose of this project is threefold: The first part is to conduct a pre-study identifying core problems and challenges that the company under study is currently facing in relation to its growing organization. The second part of the project's purpose is to relate these problems to a theoretical framework, laying the basis for a set of recommendations and proposed solutions that intend to solve the company's current problems and help sustain its growth. Lastly, any learning from the project will be related back and contributed to relevant theories.

1.4. Research Questions

In order to fulfill the purpose of the project, three distinct research questions were developed, each reflecting one part of the project's purpose. The first two questions guided the study in order to identify problems at the company, while the third was aimed toward academic contribution. The three research questions are as follows:

1. What are the most critical problems currently faced by the company under study?
2. How does current literature suggest these problems be addressed?
3. How may current understanding of growth-induced problems as mirrored in literature be complemented by learnings from this study?

1.5. Delimitations

This study concerns only one specific case: that of a company operating in the fast-changing online video entertainment industry. This might have an effect on the generalizability of the findings, since certain factors may vary between different industries, and companies within this industry. Therefore, it can be difficult to compare different companies, since the industry changes rather rapidly, but also to know how generalizable this particular industry is. Additionally, this study is limited to a certain timeframe which makes it impossible to make any comparisons or observe any indications over a longer time, which would have been the case with a longitudinal study.

During the problem identification phase of the project, certain issues were discovered by the researchers or brought up by company employees, but were ultimately considered too trivial and specific to be analyzed in any meaningful context. Additionally, some challenges were considered to merely be opportunities for improvement, rather than core problems for the company – the possibility of staff training being one such example.

Furthermore, although this report will consist of a set of recommendations for the company to handle their problems, it is not within the scope of this project to implement any such recommended actions. Also, various non-essential or sensitive details, such as interviewee names, will be excluded from this report for confidentiality and privacy reasons.

Additionally, the study is built on interpretations of the current issue – and the relationships between them – that the company is facing, based on the conducted interviews. If someone else were to perform such an analysis, the result may differ to some extent. However, the relationship between the problems and their causes has been evaluated thoroughly, and all such causalities and the reasoning behind them have been made clear.

Lastly, the company employed a new General Manager during the course of this study, and changed the role of their analyst to include managerial duties. However, as these changes occurred after the data collection, they are not accounted for in this study and there is little awareness on how these may have affected the roles within top and middle management.

1.6. Outline

Firstly, the following chapter – *Prior Research* – presents literature on business growth and common problems faced by small businesses. Following this, the *Method* chapter contains a discussion on the choice of research strategy, the work process, and the study's essential methodological challenges. The following chapter presents the company under study, including its history, organizational structure and typical working process. After this chapter, all ten *Identified Company Problems* are illustrated and described. The primary of these problems relates to three areas of theory: organizational design, communication and delegation. Therefore, a thorough presentation of relevant theory is made in the *Theory* chapter, creating a theoretical framework that is used in the subsequent *Analysis and Recommendations* chapter that is intended to analyze and propose solutions to the previously identified problems. Following this analysis, a short discussion is held in relation to the delivered recommendations, in the *Discussion* chapter. The academic contributions of the report – as well as suggestions for future research – are then explained in the *Academic Contributions* chapter. The report is finally concluded by a *Summary of Conclusions*, which essentially answers the three research questions that were posed in the introduction.

2. Prior Research

In only a few years, the company under study has grown from a two-man podcast to a company employing more than a dozen people and partnering with several large YouTube channels. However, as a business grows, the entrepreneurial leader's responsibilities and tasks – together with functional tasks – change, and employees are affected by the alteration of the organizational structure. The managerial requirements of the firm's and the entrepreneur's competencies change, and it is reported that over 90% of small business failure is due to lack of experience combined with managerial incompetence (Solymossy, 2009).

The following chapter will present literature on business growth, including the various stages of growth and determinants of growth, as well as common problems experienced by small businesses. This will not only provide a fundamental understanding of what happens in a growing small business, but will also help determine the level of uniqueness in the problems that are experienced by the company under study – this in an effort to answer the third research question, which asks how current literature may be complemented by the findings of this study.

2.1. Business Growth

When business has been successfully incorporated into the firm, the entrepreneur decides to grow the firm in order to handle scaling issues. Providing capacity to handle upcoming issues – from partnering strategies to financial planning – is probably the greatest challenge for the entrepreneur (Seifert, et al., 2008). With this growth, organizations develop in cycles, impacted by both internal factors (e.g. resources, competencies) and external factors (e.g. technology, competition, market) (Solymossy, 2009). The existence and previous stability of a company is threatened by its growth, if said growth cannot be facilitated due to unchanged structures and strategies.

It has been shown that organizational changes follow a predictable pattern, characterized by stages. These sequential developmental stages involve several organizational structures and activities, and are not easily reversed (Quinn & Cameron, 1983). Various factors, such as operational procedures, decision making and information processing, are interdependent and change between stages. As a firm reaches certain milestones or passes through different stages, organizational change is needed in the face of new issues. The once appropriate structure and management becomes an impediment for continuous growth, since they can no longer cope with the dynamics of the growth. Additionally, the entrepreneur's dominant personality and the current and established organizational patterns of behavior may act as obstacles for the needed changes and transitions. The firm's survival is threatened by this lack of efficiency and inability to achieve objectives.

There exist several different models describing the developmental stages of business growth, focusing on either milestones or certain events, or the time between the two. Schumpeter (1934) presents two stages: functionally and entrepreneurially managed firms. Additional authors have developed models consisting of three (Smith, et al., 1985; Downs, 1967) or four distinct stages (Quinn & Cameron, 1983; Chandler, 1962; Baird & Meshoulam, 1988). Others have developed more detailed models using five stages (Churchill & Lewis, 1983; Greiner, 1972; Scott & Bruce, 1987; Miller & Friesen, 1984), with a few authors even using twelve or fourteen stages in their models (Vesper, 1990; Pinchot, 1985; Carter, et al., 1996).

However, regardless of the presented number of stages, each author describes a similar progression of business development, where a firm first emerges and then experiences growth and success with different organizational configurations. Solymossy (2009) combines the frameworks of other authors, such as Greiner (1972) and Chandler (1962), and presents a framework where there exist a series of crises between six stages, which can be seen in Figure 1. These crises force the organization to implement new structural and managerial configurations. The crises become obvious when management realizes its inability to manage the increasing number of operations and at the same time remain flexible and responsive to any changes in challenges and opportunities caused by the environment.

2.1.1. Stages of Business Growth

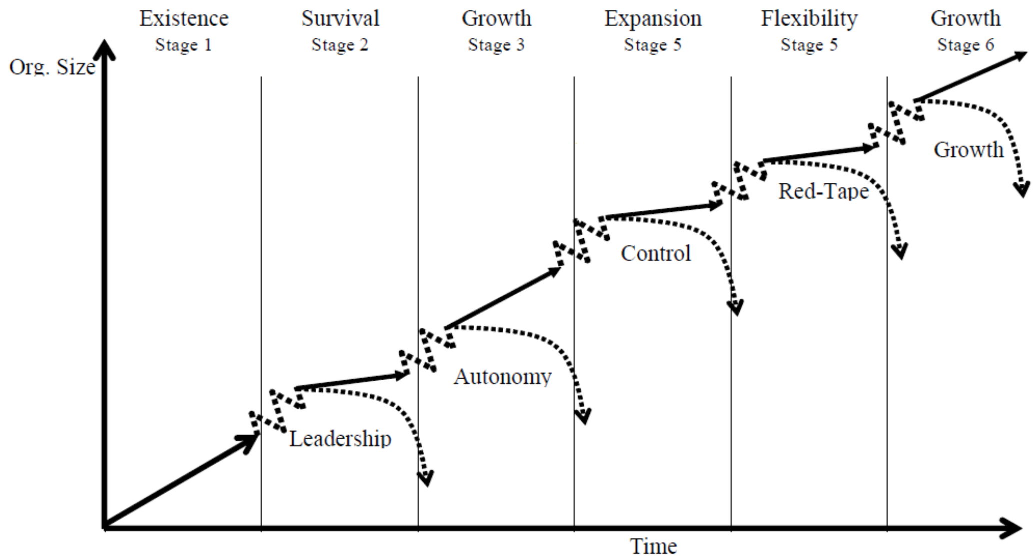

Figure 1. Stages and crisis points of business growth (Solymossy, 2009).

In the first stage, *existence*, the founding entrepreneur is working to commercialize the offering and make the company viable (Solymossy, 2009). In an entrepreneurial firm, this entrepreneur is not only the leader, but also the executioner of the organizational strategy and the initiator of structural configurations. Further, the entrepreneur fulfills and performs several functions and tasks since the staff is minimal.

As legitimacy is established for the firm it reaches the second stage, *survival*, where it grows (Solymossy, 2009). In order to facilitate this growth, employees are added to the firm, forcing the founding entrepreneur to become a supervising manager. Facing growth entails more tasks related to administration and follow-up. It becomes necessary to give up responsibilities and control, while ensuring consistency and good communication as the entrepreneur directs the work of others while remaining a productive member of the firm (Solymossy, 2009; Seifert, et al., 2008).

Following this, the third stage, *growth*, includes more complexity which makes it difficult for the entrepreneur to supervise everything personally. This demands for more hands-off delegation, instead of previous hands-on management, where personal control has to be sacrificed when tasks and authority has to be given to others (Solymossy, 2009). The entrepreneurs can experience this as a painful transition, since they just recently invested much personal energy and time into developing an understanding of different business roles, and now have to delegate these tasks and compromise the firm's processes (Seifert, et al., 2008). Although this approach is necessary, it causes many businesses to flounder. The crisis is identified by the impossibility for the entire operation to be managed by one individual, and the solution is delegation and added managerial depth. However, this solution leads to loss of control which is the next crisis.

During this fourth stage, *expansion*, the importance and focus is on implementing and strengthening communication, control, and coordination systems (Solymossy, 2009). Many experience difficulties supervising the work of others and designing the optimal incentive system and administrative structure for the growing firm (Seifert, et al., 2008). A firm's processes and decision-making system is defined by the administrative structure, and the development of this structure is critical for the entrepreneur, since it supports the handling of tasks and their effectiveness and efficiency.

With accelerated growth follows the fifth stage, *flexibility*, which drives for formal structures and bureaucracy to achieve control and efficiency (Solymossy, 2009). Firms may be organized differently depending on the business and its environment (Seifert, et al., 2008). In a firm with less formalized structure, the culture is often more open and ad hoc, with each member doing a bit of everything as it becomes urgent. Information often flows freely within the organization and there exist no clear roles and responsibilities, sometimes to the extent that rational behavior and formality is absent. Contrarily, in a highly formalized firm, the chain of command is highly structured with specifically defined responsibilities and roles, sometimes at the cost of flexibility and innovativeness. Finding the balance between these types is essential. Regardless of the level of formalization, bureaucracy is not flexible and makes the organization less responsive to rapid changes in the market.

This crisis leads the firm into the sixth stage, *growth*, where revitalization is achieved through networks or alliances (Solymossy, 2009).

Solymossy (2009) states that each crisis can be seen as a matter of life or death for the firm, with the same admonition: adapt, change, evolve, or die. But these crises in a firm's transition are crucial, given the change it entails for the entrepreneur, processes, and employees. The organization becomes more complex and formalized as it grows and evolves from startup. Fundamental shifts are undergone as organizational structures and systems are needed.

However, several authors also point out that these stage models fail to account for alternative paths, such as skipping stages or progressing through them in a different order (O'Gorman, 2001; Smallbone & Wyer, 2006; Kazanjian, 1988). The boundaries between stages may be fuzzy, and resolution of crises is an overlapping and ongoing process. The order of the stages is in reality not determined, which implies that organizations may grow by moving back and forward instead of following a continuous sequence of stages. How and where the company responds will be influenced by the entrepreneurs' past and environmental perception, and the ability to overcome a variety of challenges depends on the availability of previous experiences and access to knowledge resources (Macpherson & Holt, 2007). Different crises and possible solutions are more complex than a transition between growth stages. Thus, these models do not work as an explanation on what actually happens during growth. Instead, their value is to help identify organizational bottlenecks and problems that need to be addressed in order to be able to grow further (Smallbone & Wyer, 2006; O'Farrell & Hitchens, 1988).

2.1.2. Determinants of Business Growth

Based on an extensive study of literature on small business growth determinants, Smallbone and Wyer (2006) define four categories of variables that determine the growth of a business: management strategies, entrepreneur characteristics, environmental factors, and company characteristics. This section will present each factor, and elaborate on its impact on business growth.

1) Management strategies

There are several aspects to management's growth strategies. Based on literature by various authors, the following six strategy-related factors will be concisely described in this section: growth objective; employee recruitment and development; product market development; financial resources; internationalization and business collaboration; and flexibility.

Growth objective

Although high growth can be achieved with a variety of characteristics, the organization's controller's commitment to achieve growth is considered one of the most important factors (Dobbs & Hamilton, 2007). For some smaller companies, where one or two individuals typically combine ownership and management, growth is not always possible. In such companies, it becomes more relevant to consider the constraints created by the entrepreneurs, such as their desire to retain control over the company, or various lifestyle and family factors (Glancey, 1998). Such influences can prove to be more essential for the growth goals of a business, than any commercial considerations. Furthermore, even though management activities such as control and strategic planning influence the sustainment of growth for smaller companies, it is rare for these organizations to use formal planning, which is more of a large-organization characteristic (Smallbone & Wyer, 2006). This is partly due to larger companies' higher tendency to employ professionally trained managers, but also their greater ability to reduce the external environmental uncertainties.

Employee recruitment and development

The probability for a company to implement and maintain a growth strategy effectively is affected by its ability to attract, develop and keep skilled employees (Dobbs & Hamilton, 2007). As the employees of a company are considered a critical resource to achieving rapid growth, companies must focus on managing their human resources properly. Studies show that there is a positive correlation between firm growth and the skill level of employees and managers (Robson & Bennett, 2000), highlighting the importance of their training and development (Storey, 1994). Thus, it is important that entrepreneurs delegate responsibility and satisfy the employees' need for development and participative management.

Product market development

Research suggests that smaller companies that are experiencing high growth tend to pursue a strategy of differentiation through innovation, rather than competing on price (O'Gorman, 2001; Dobbs & Hamilton, 2007). It is important for such companies to be able to carry out R&D, deliver new technologies, and be aware of their competition and markets, in order to enhance their legitimacy and visibility, as well as gain access to greater cash flows and larger market shares – all of which are necessary for their survival and growth (Dobbs & Hamilton, 2007).

Financial resources

Financial issues are at the heart of organizations in growth (Dobbs & Hamilton, 2007). Growth can be financed by the owners in several ways, but one central decision is whether to relinquish ownership in return for external equity investments. Depending on the owners' need and wish to retain control of the company, control may be relinquished to other individuals or financial institutions with the allowance of equity investments.

Internationalization and business collaboration

Small organizations may enter several different kinds of collaborations: networks, joint ventures, alliances, trade associations and consortia (Dobbs & Hamilton, 2007). These collaborations could prove important for the growth of a business, as they may provide a broader resource base, intellectual capabilities and managerial talent. Furthermore, it has been found that organizations taking part in venture support programs manage to better capitalize on knowledge sources outside of the organization, leading to a higher survival rate compared to organizations that lack such support (Macpherson & Holt, 2007). Similar findings were made where support was provided through university knowledge, government initiatives, non-executive directors, cooperating constellations of companies, supportive customers, and specialist and professional networks.

Flexibility

It is essential for small organizations to be able to respond to changes in the market (Dobbs & Hamilton, 2007). It is an especially relevant prerequisite for smaller organizations, as they typically serve a single market, have fewer skills within their company, and operate within a narrower range of activities.

2) Characteristics of the entrepreneur

In small organizations, the relationship between owners and managers is typically much closer than in large organizations (Dobbs & Hamilton, 2007). Often, the owners fill the management roles themselves or keep a high level of oversight and control, affecting the growth of the organization by influencing its behavior and culture. There are several characteristics to the founders that affect the growth and performance of the organization: Firstly, the *size of the founding team* matters, as having more founders often entails more knowledge and final resources. Secondly, *experienced* and *educated* entrepreneurs are more likely to strive for higher performance and be equipped with the tools and knowledge necessary to achieve those standards, thus also raising the minimum performance level needed to keep the business running (Cooper, 1993). Thirdly, the entrepreneurs' *motivations* within the organization have an impact on its growth (Dobbs & Hamilton, 2007). This not only concerns the level of growth that the entrepreneurs aim to achieve (Cooper, 1993), but it is also affected by their reasons for founding the organization. For example, organizations that are set up to exploit a particular opportunity tend to experience greater growth than those that were set up due to so-called push factors, such as unemployment, dissatisfaction with current employment, or personal lifestyle reasons (Dobbs & Hamilton, 2007). Furthermore, it is also relevant to consider the entrepreneurs' willingness to make sacrifices in order to continue developing the organization; many entrepreneurs are not willing to pursue growth due to the fear of losing control or increasing their workloads, as they bring in investors, add managers or make future investments.

However, it is noted that although literature has identified many different entrepreneurial characteristics as contributors to growth, no single factor has been identified as being dominant. Rather, the characteristics of the business founders are believed to have a modest effect on the growth performance of small businesses (Smallbone & Wyer, 2006).

It is possible for entrepreneurs to through experience develop flexible and interpretive management skills (Macpherson & Holt, 2007). This can occur – given that the entrepreneurs remain willing to learn from experience – as they adapt their plans to changing environment in an iterative way. New experiences and competences are needed as the context changes and the company grows, for instance during geographic expansion or internationalization (Gartner, et al., 1999). If absent, these skills and talents can be recruited as part of wider managerial team, or as experts that are consulted in order to overcome certain crises or exploit identified market trends (Macpherson & Holt, 2007; Hill, et al., 2002). The effect of human capital becomes more significant as an organization grows, since a broader spectrum of managerial experience enables a more nuanced and dexterous navigation of the market (Macpherson & Holt, 2007). Also, it has been shown that the entrepreneurs' nature of participation and how they learn from experience determines their success at managing growth. Knowledge needed in order to adapt and grow is provided from consultation and recruitment of talent and learning from experience.

3) Environmental factors

Organizations are in various ways constrained by the environment in which they operate, impacting both their profitability and growth (O'Gorman, 2001). A company's chance of survival may be affected by factors outside of the entrepreneurs' direct control, such as the industry's carrying capacity or level of demand (Aldrich, 1990). Companies may be subject to failure if they are unable to adapt to major environmental changes (Cooper, 1993). Consequently, a company's performance is partly determined by whether or not it is 'in the right place at the right time'. Therefore, it is the responsibility of entrepreneurs to evaluate the attractiveness of the industry that the company is considering to enter, and develop suitable strategies with their environment and resources in mind (Vesper, 1990). With that said, even well-prepared companies may eventually experience failure due to unforeseen environmental changes (Cooper, 1993). When dealing with such potential threats, the company's survival may depend on whether there are proper coping or insulating mechanisms in place (Woo, et al., 1994). Organizations may create their own luck through resource frugality, incremental movement, location in protected markets, and by building networks (Low & MacMillan, 2007).

4) Company characteristics

This refers to organizational characteristics that are not related to either the background of the entrepreneurs or the employed strategy (Dobbs & Hamilton, 2007). In particular, the age and size of firms have been investigated thoroughly as possible determinants to growth. A number of studies have shown that as the size of an organization increases, so decreases its rate of growth (Evans, 1987; Hall, 1987). According to Dobbs & Hamilton (2007), three explanations have been given for this: *(1)* once the initial goals of the organization have been achieved, the entrepreneurs might lack motivation to further grow the business; *(2)* entrepreneurs might not want to risk their success by pursuing additional growth that might result in failure and a weaker company; and *(3)* entrepreneurs may want to avoid the inconveniences and possible headaches that can follow continued growth and expansion.

Internal change is another source of instability for startups (Cooper, 1993). It can be the result of turbulence in the environment, and the entrepreneurs' experimentation in trying to learn how the company should most effectively compete. Although initial methods were successful in reaching the goals of the company, they may be rendered obsolete by the growth of the organization, thus stagnating further growth. As such, organizations that grow rapidly might experience that their success ultimately causes unstable performance.

2.2. Common Problems in Small Businesses

A new business' success or failure is often determined by the ability of overcoming a number of potential barriers such as securing financial backing, ensuring adequate guidance and training, and so on. In a study of micro and small businesses, Fielden et al (2000) identifies the main barriers to successful creation of an organization to be financial difficulties and bank's attitude toward new business owners. Particularly frustrating is getting access to start-up capital, regardless of the required amount or where it was sought. The reported financial difficulties fell into two categories: barriers to external financial assistance and high internal financial demands. Additionally, 41 % of the new business owners stated that they did not have enough time for all the activities required to run a business. Additionally, Thomson and Gray's (1999) study indicates that since the transaction costs involved in obtaining equity and venture funds are considered too high and the conditions too demanding, most small businesses finance themselves on funds generated internally.

Also, mentors and more specific advice were recognized as the assistance creating the most benefits for owners of new and potential businesses (Fielden, et al., 2000). When the business idea is conceived, potential new business owners may not possess the knowledge on how to run or establish a new organization. It appears as if the majority only have a vague idea on how the business formation and management should be organized, which is why having contacts with others who can provide such information is essential (Greve, 1995). Although it is argued that there is a positive link between business planning and the success of small businesses (Schwenk & Shrader, 1993), there is also a view that the context determines the value of planning and that its benefits may vary (Castrogiovanni, 1996). Furthermore, this process is influenced by potential owners seeking advice; while 84 % of new business owners intend to seek advice on planning, only 36 % end up doing so (Bevan, et al., 1987). Difficulties regarding staff and individuals – staff management, delegation, organization – feature as major problems, and how these are dealt with distinguish self-employed small business owners from organizations with growth potential (Thomson & Gray, 1999). Organizational problems are a direct result of the often documented poor time management and reluctance towards delegation. Although there is an obvious need for development of management skills within small organizations, there is a massive reluctance towards participating in various management development activities (ibid.). However, Fielden et al. (2000) state that all the approached potential new business owners in their study of micro and small business start-up in North-West England were attending a course in business. This was considered an important way of providing business advice giving a better understanding of business and its procedures. Since those running the course had been personally involved in forming new businesses, they had the ability to point out common mistakes made by owners and potential pitfalls. It also enabled owners to solve various problems by being provided access to different professionals, e.g. accountants.

Furthermore, based on a questionnaire with 472 small businesses, Bevan et al. (1987) identified money management as the most cited barrier, 75 % expressing anxiety of not understanding VAT, tax, book-keeping and national insurance. Following this was other financial concerns, 67 % expressing difficulties obtaining finance/capital and 56 % mentioning not having a guaranteed income. Only 45 % of potential business owners mentioned the actual business operations as a barrier, e.g. acquiring clients and business. No others single barrier for starting up a business than these were mentioned to any extent.

As the organizations grow, the need to recruit new employees becomes an increasing problem for the owners as they often have too much work that needs to be done, but not enough to employ someone full-time (Fielden, et al., 2000). Further, those expanding so much they had to bring in more workers, experienced difficulties with the recruitment process itself. A few had managed to recruit individuals they had previously worked with and already knew, while others struggled to find trained or qualified people and complained about not being able to find the right people.

However, Dodge et al. (1994) claim that there is no single problem area that is dominant within small organizations. Rather, a host of internal and external problems can be identified, with little variance in prevalence. A study of 645 small businesses showed that when it comes to internal problem areas, the frequency of the different problems was rather equally distributed, ranging only between 9 % and 13.7 %. Comparatively, as shown in Table 1, the external problem areas have a greater range of distribution, with *customer contact* being considered problematic in a third of all companies.

Table 1. Small business companies' identified problems (Dodge, et al., 1994).

Internal problem areas		**External problem areas**	
Adequate capital	13.7 %	Customer contact	34.5 %
Cash flow	12.9 %	Market knowledge	24.4 %
Facilities/equipment	10.9 %	Marketing planning	18.2 %
Inventory control	10.6 %	Location	14.0 %
Human resources	10.4 %	Pricing	10.6 %
Leadership/direction	9.6 %	Product considerations	9.6 %
Organization structure	9.3 %	Competitors	7.9 %
Accounting system	9.0 %	Expansions	7.0 %

In a separate study of 973 small business owners and managers, (Huang & Brown, 1999) identified marketing and sales, general management, human resource management, and financial management to be the most commonly problematic areas for small businesses.

Within *marketing and sales*, the most common problems were promotion, training and market research. This portrays a lack of adequate marketing skills and a limited understanding of market concepts within small businesses. Although these difficulties may be remedied through courses and programs, part of the problem is that small organizations often lack the human and financial resources to take part in such activities.

In the *general management* area, the most commonly encountered problems were planning, difficulties managing growth, and a lack of previous management experience. This is rather typical for startup companies, as they are often driven by entrepreneurs who are enthusiastic about their opportunities, yet often lack previous business or management experience.

The most significant *human resource management* problems were development and training, followed by recruitment. Research shows that small business owners consider staff management to be the second-most important issue in their company, after general management. Still, it has also been shown that owners are often not aware of their failure in dealing with personnel problems, and that some owners feel frustrated that the experienced issues were beyond their control.

Lastly, when it comes to *financial management*, owners typically face the issue of inadequate cash flow and capital. This may hinder the establishment and growth of a company, resulting in a need for bank loans and government grant assistance. These cash flow difficulties may be encountered in both startups and well-established firms, often due to mismanagement, delayed payments, or lack of sales.

3. Method

The research presented in this thesis is characterized as a case study with the intention of an in-depth elucidation of the organizational problems and issues at the company under study. A case study was chosen since it focuses on the understanding of present dynamics within single settings (Eisenhardt, 1989). Furthermore, in order to increase the understanding of this case, this study makes use of systematic combining, which is a "process where theoretical framework, empirical fieldwork, and case analysis evolve simultaneously" (Dubois & Gadde, 2002, p. 554). In this case, an iterative process consisting of expert interviews, literature review, and interviews with organization members, has shaped the framework used. As stated by Dubois and Gadde (2002), constantly going back and forth between theory and empirical observations enables a better understanding of the phenomena that is under study. This is based on the assumption that empirical observation cannot be understood without theory, and vice versa. Additionally, empirical observations may reveal unanticipated but related problems that can then be further explored through additional interviews or other kinds of data collection. Consequently, this may result in a need for redirection of the theoretical framework, either through change or expansion.

3.1. Work Process Overview

The first step of the project was an initial meeting with the top managers of the investigated company. During and after this meeting, it was revealed that there exist some organizational problems within the company, and a project plan with purpose and initial research questions for the study was developed. The next step occurred at the company office located in England, where interviews were held with top managers and subsequently other organizational members, before a focus group was held in order to discuss the gathered data. After this step, three experts within business development were interviewed in order to gain a more experienced and expert-minded perspective on the various topics at hand. Before, during and after these two steps, extensive literature was reviewed in a continuous effort to develop a framework which would be used to analyze the collected data. This is in line with Dubois and Gadde (2002), who state that any research's objective is to confront theory with the empirical world, and that systematic combining enables more or less continuous confrontation during the entire research process. Finally, an analysis was created and recommendations were presented. This whole process, which can be viewed in Figure 2, will be further explained in the following subchapters.

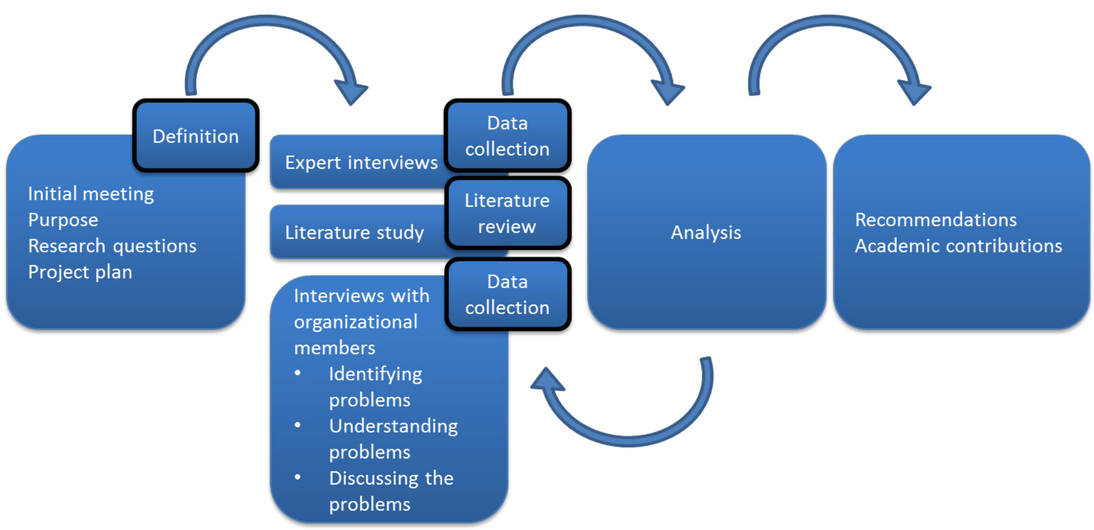

Figure 2. The work process of the case study and subsequent analysis, recommendations and academic contributions.

3.2. Process of Discovering the Problems

In order to identify the core issues and challenges that company under study is currently facing, various meetings and interviews were held with employees at the company. These were divided into three different phases with distinct purposes.

3.2.1. Phase 1: Identifying the Problems

The purpose of the first phase was to give an understanding of what top management at the company considered being the core challenges and issues facing the company today. This was achieved through four interviews with key figures at the company (interview guide available in Appendix B). The interviews were conducted in a semi-structured – rather than open – manner, as the company's situation and issues had already been touched upon in formal and informal meetings with the Managing Director/co-founder, the Vice Managing Director, and the second co-founder of the company.

Furthermore, this interview phase was prefaced by a review of various literature concerning common issues typically faced by similar companies, thus allowing for a preemptive understanding of issues brought up by the interviewees. Given the conditions of this particular company, the list of potential issues was narrowed down to seven topics: structure and roles, knowledge and learning, relationship to partnered channels, brand management, scalability, community management, and revenue and pricing. These topics helped guide the interviews conducted in this phase of the project. More specific details on each topic can be viewed in Appendix A.

The first interview was conducted with the Co-founder and Managing Director of the company. This was followed by an interview with the Vice Managing Director, whose primary responsibilities include public relations and management of projects and operations. A third interview was also conducted with a newly-employed analyst, as per the Managing Director's recommendation. Finally, in order to ensure a broader initial understanding of the company's problems, the first phase was concluded by an interview with a long-time channel partner. The second co-founder of the company was not interviewed due to his unavailability and overall disinterest in the business side of the company.

From these four semi-structured interviews, an overview of the company's structure, work flow, culture, and problems was established.

3.2.2. Phase 2: Understanding the Problems

As the problems of the company became more clearly identified, phase 2 of the process was initiated in order to gain a more thorough understanding of each problem and their importance, causes and implications. This was done by conducting more focused semi-structured interviews – based on the learning from phase 1 – with eleven employees in various roles at the company: two administrators, two sound engineers, one artist, three video editors and three video producers (interview guide available in Appendix C). These employees were believed to provide a sufficiently diverse and comprehensive view on the issues brought up in the interviews, as well as any new issues that had not been covered in previous interviews.

Due to time constraints, certain video producers and new employees were not interviewed, as their potential contributions to the interview purpose were deemed comparatively low. The same reasoning was applied to the video producers that were not stationed at the company office, since many of the company's issues and challenges were not relevant to them.

3.2.3. Phase 3: Discussing the Problems and Potential Solutions

The first two phases of the problem identification process helped develop a clear understanding of individual views on the company's core problems. As an extension to that, phase 3 consisted of a focus group that let the interviewees openly exchange, elaborate and discuss these views, thus allowing the individuals to air their issues and develop a shared view on them (list of discussed topics available in Appendix D). Furthermore, potential solutions to the problems were suggested and discussed by the participants. This focus group not only granted further insight into the company's problems, but also helped shape the search for solutions that are suitable in this particular company's context.

Six interviewees took part in the focus group: the Managing Director, the Vice Managing Director, an analyst, a video producer and two video editors. Interviewees who were unavailable or had not experienced any significant problems at the company were excluded from the focus group.

3.3. Process of Finding Potential Solutions to the Problems

Once a set of problems had been identified and understood, a theoretical framework was developed in order to help analyze the cause of the problems and how to solve them. Additionally, three experts were interviewed in connection with the company's problems, in order to complement theory with real-life, case-specific experience and knowledge.

3.3.1. Literature Study

As previously mentioned, literature was collected and studied throughout the entire research process. Literature was studied prior to the conducted interviews in order to develop a preemptive understanding of issues brought up by the interviewees, within the following areas: startups, entrepreneurship, business growth, delegation, organizational communication, organizational structure and roles, organizational design, strategic management, staff management, community management, ambidextrous organizations, organizational knowledge and learning, and case studies. Based on the data gathered from the interviews and the identified problems at the company, the *Theory* chapter was divided into three areas – organizational design, communication and delegation – with was deemed necessary to provide an all-encompassing analysis of the problem at hand. Consequently, further literature with regard to these three areas was reviewed.

3.3.2. Expert Interviews

The purpose of these interviews was to complement the gathered theory. This information was tailored more to this particular study and its similarities and differences with other startups and business developments. This was achieved by interviewing Sören Sjölander, a Full Professor at the Division of Innovation Engineering and Management, who is connected to Center for Business Innovation; Jan Wickenberg, a Senior Lecturer at the Division of Innovation Engineering and Management, who is also connected to Center for Business Innovation; and Jörgen Hansson, a startup accelerator at Chalmers Innovation who has worked with business development in more than 20 early startups and growth companies for the past 15 years.

The interviews were conducted in an open manner since the focus is on the interviewees' point of view. At first, the case was shortly presented, followed by a discussion and the interviewee's thoughts and comparisons to previous experiences. Additionally, there were discussions regarding already developed analyzes and potential suggestions in order to gain feedback and new influences. Thus, the findings from these interviews were used in the analysis of collected data from company interviews and literature, and helped form the *Analysis and Recommendations* chapter.

3.3.3. Analysis

All conducted interviews were recorded and transcribed. Once all interview data had been gathered and transcribed, each piece of relevant problem-related data was extracted. This resulted in many fragments of data, collectively describing the problems experienced by the individuals at the company, as well as the perceived causes of those problems. These fragments were iteratively grouped together and causal relationships between them were detailed through the use of affinity diagrams: a method used for analyzing participant responses and other qualitative data from field studies, interviews and focus groups (Courage & Baxter, 2004). By dividing the collected information into smaller pieces and then grouping them together based on different relationships, it is possible to identify underlying meaning and understanding of how larger concepts are developed by several fragments (Bergman & Klefsjö, 2010). This iterative process was done in a logical way to create meaning and understanding of the relatedness of all the identified problems, sub-problems, underlying causes, and their effects. The final result was a set of ten problems, which are presented in the *Identified Company Problems* chapter. The problems were further discussed in the *Analysis and Recommendations* chapter, where recommendations and potential solutions were presented as well.

3.4. Essential Methodological Challenges

In order to illustrate the reliability and validity of this kind of case study, Dubois and Gibbert (2010) encourage transparency in the interaction between empirical phenomenon, theory and method. This implies that the complexity level of the studied case is minimized, and thorough descriptions are provided for arguments and the various stages in the process, in order to make causalities, reasoning and logic as apparent as possible. However, as the process of systematic combining benefits from flexibility and allows for reconsideration of empirical and theoretical decisions, said process is often difficult to visualize and make transparent for the readers. Thus, all the findings in this study are concisely described in order to account for the iterations in between the theoretical and empirical domains, and make them as transparent as possible to the reader.

Additionally, a drawback of systematic combining in a case study is that identified patterns and relationships in processes and structures cannot be tested and verified (Dubois & Gadde, 2002). In order to increase the credibility of this study, an effort has been made to characterize its content with logical coherence. It is essential to present information that makes it possible for the reader to evaluate how adequate the outcomes and procedures of the research is (Eisenhardt, 1989). Another essential part in systematic combining is parsimony (Dubois & Gadde, 2002). It is important to be selective, and some content does not fit in the overall structure and puzzle that constitute this thesis – as they may obscure the understanding of the reader – but may still have been very important for the researchers' learning and understanding.

In order to increase the credibility and reliability of the study, experts in the area of business development were interviewed. By using the input gathered from these interviews, it enabled new influences and verification on already developed relationships. Furthermore, it enabled for triangulation in the iterative research process, which may increase the reliability and create a more holistic view as the object is studied with more than one method (Jick, 1979).

Finally, all the interviews in this study were conducted in a qualitative manner. In qualitative research, emphasis lies on formulating initial ideas for research and on the perspectives of the respondent, and rambling is often encouraged since it gives insight into what the respondent values and considers important (Bryman & Bell, 2011). This was beneficial as it enabled the interviewer to depart from the interview guide, in order to identify and investigate what was truly troubling the respondent. As a result, the interviews were rather flexible, following the direction taken by the respondent, and it also occasionally adjusted the research emphasis as significant issues or ideas emerged during the interviews. In order to decrease interference during the interviews and preserve the exact words used without any interpretation from the interviewers, all interviews were recorded and transcribed.

4. Company Description

In order to understand and analyze the problems and challenges present in the company, it is important to first understand its hierarchy and structure. Furthermore, as the company has experienced rapid and recent growth – which often brings with it certain challenges as described in the *Identified Company Problems* chapter – knowledge of the company's history is also fundamental to understanding its current problems.

Thus, this section will first detail the history and current structure of the company, based on documentation as well interviews and meetings with the company. This description of the company is then followed by a presentation of the various challenges found at the company through interviews with its employees.

4.1. Company History

The company was founded in 2008 by two of its current members, and initially gained popularity through video entertainment on YouTube. More importantly, the company has grown by partnering up with other, smaller YouTube channels, meaning that the company receives a share of the channel's advertising revenue in exchange for promotion, hardware, a working space, and access to the company's network and deals. The company currently holds such partnerships with more than a dozen YouTube channels of various sizes.

Since the creation of the organization, the two co-founders have had a very separate focuses: one has expanded his activities to become the main driving force behind the growth and business of the company – currently holding the Managing Director position – while the other has chosen to remain a strong creative force and attractive entertainer, with very little involvement in the strategy and decision-making of the company.

4.2. Current Company Structure

Based on documentation as well as interviews and meetings with the company, the roles at the company have been divided into five different structural parts. As can be seen in Figure 3, a great majority of people in the organization are primarily part of the operating core of the company, performing the basic and necessary work at the company. This includes animators, artists, video editors and video producers. Only one person has a dedicated role as an analyst, while a handful of administrators and sound engineers make up its support staff. Lastly, one person has taken on a key middle-line management role under the Managing Director. However, it should be noted that after the data collection stage of this case study was conducted, the company employed a new General Manager, as well as assigned managerial duties to the aforementioned company analyst. The potential impact of these new management roles is not included in the scope of this case study.

The goal of this structure is very much to help streamline the process of the video producers – that is, bring in dedicated artists, animators, editors and sound engineers, and divide labor between them in order to achieve more efficient video production of higher quality.

However, in reality, the structure and job roles within the company are much more fluent and complicated than is shown in Figure 3. Firstly, it should be noted that not all content used by the company is produced internally; some content, such as artwork and audio, is commissioned to outside parties. Secondly, a few employees are employed on a part-time or short-term basis, or work from home rather than the office. Thirdly, there is some overlap between the various roles. For example, one administrator is involved in artwork; sound engineers may directly create content; one video editor is expected to hold a secondary role in sound engineering; and most video producers handle the editing of their own videos.

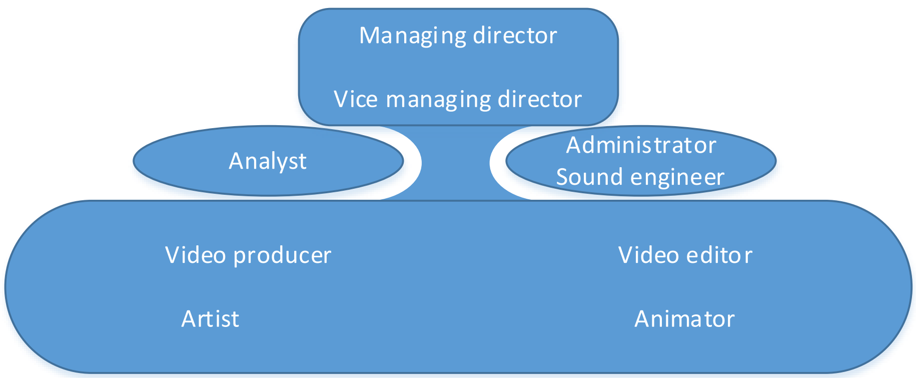

Figure 3. The identified roles and structure of the company.

However, the most significant fluency lies in the activities of the Managing Director and Vice Managing Director. The power to make final decisions rest with the former, and he is involved in all projects and programs at the company – to various extents – and micromanages many low-level tasks and decisions. He also regularly produces and stars in video content. The Vice Managing Director does not appear in videos to an equal extent, but is also involved with many aspects of the company, similarly micromanaging tasks and decisions. Additionally, his focus lies on public relations, contact with companies and partners, and the identification and development of business opportunities.

4.3. Company Working Process

The work process of a project is typically initiated by a suggestion of a project to undertake. This, and the subsequent steps in the process, is illustrated in Figure 4. The source of the project may be external, such as a company requesting a video to be produced containing their content – or internal, such as a content creator wanting to test a new product. Depending on whether the project fits the organization's image, goals, resources and competence, the managers decide whether or not the project should be carried out. The next step is to plan the project – that is, develop a time plan and determine who should be involved in the content production and post-production. This is determined by the managers in collaboration with video producers. Depending on the nature and scope of the project, the preparation for production is done by the video producers themselves, and possibly sound engineers and video editors.

The production of content is generally conducted by the video producers, but it is followed by a post-production stage that involves sound engineers and possibly video editors, depending on the size of the project, the people involved in it, and the time available to the video producers. The edited video is then published on YouTube and marketing for it may occur on various social media accounts or on the company's primary YouTube channel. This is an ongoing process for all projects, including those with episodic releases. For such releases, every episode can be considered a project operating through this process. However, the timeframe for this process varies between different projects, depending on the amount of live-action recording that is needed for the video.

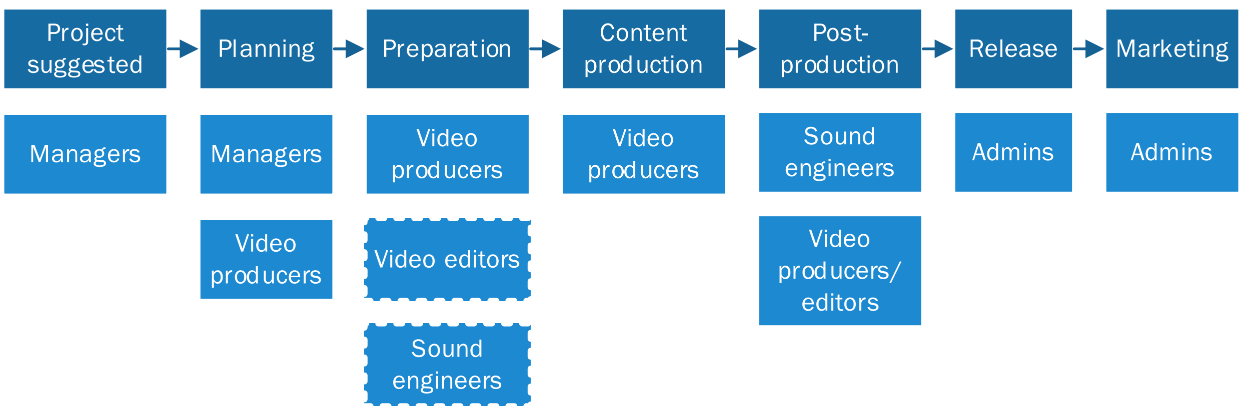

Figure 4. The working process of the company.

5. Identified Company Problems

Based on data collected through the focus group and individual interviews with fifteen members of the organization, several distinct problems of varying importance have been identified. This chapter attempts to make sense of the gathered data by grouping and mapping it into ten separate problem areas. In the following sections of this chapter, each problem is first presented in a problem map, and then described more thoroughly in the subsequent text. In addition to setting a basis for which an analysis can be performed and recommendations made to the company, this presentation is intended to help the company develop a shared understanding of its challenges. An understanding of the company's challenges is the first step in being able to solve them – regardless of the recommended solutions delivered in this report.

The problems are listed in order of importance, as decided by the scope of their negative effects, as well as their perceived prominence and importance in the focus group and interviews. The first problem stands out as the most significant and critical challenge facing the company today. Leaving it unsolved could render any other efforts ultimately useless, given its critical and fundamental characteristic. The ten problems are as follows:

1. Management overwhelmed by workload
2. No clear function- or project manager
3. Risk of fallout from conflicts
4. Unreasonable compensation structure
5. Issues not discussed and resolved
6. Loose employee roles
7. New activities not shared with employees
8. Lack of community interaction guidelines
9. Experimentation discouraged in practice
10. Scheduling discrepancy between producers and editors

It is important to note that although certain employees might consider something a major problem in their work, not all other employees share their experience – it very much depends on their roles and processes at the company. Thus, for each presented problem, its relevance to different parts of the company will also be described.

The MD (Managing Director) puts much emphasis on the importance of employees being happy and subsequently productive. According to him, an approach with few deadlines or deliverables works well with the partnered video producers, whose role mainly consists of taking part in videos. However, the full-time salaried employees are sometimes difficult to motivate, and there is no clear method of dealing with that. It is not clear to the company how to manage it, who to hire, how to hire, what new competence needs to be brought into the company, or what roles to put the existing employees in. However, the MD does believe that a higher level or organization would improve their situation – something the VMD (Vice Managing Director) believes the employees wish for, and is confirmed in our interviews with them. This could entail appointed heads of functions or project teams, who oversee their activities, as well as a structure of information and knowledge between employees, so that it is better known what projects are coming up and what is needed for them.

1) Management overwhelmed by workload

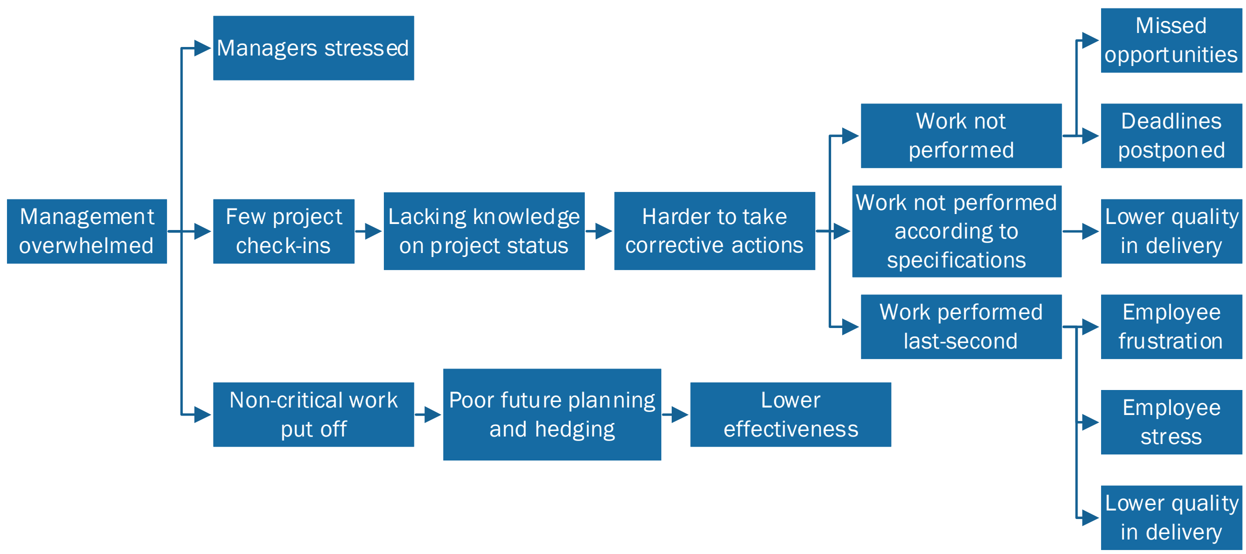

Figure 5. Illustration of the effects of management being overwhelmed.

There are only two people at the company who manage the projects, partners and employees, and essentially run the whole business: the MD and VMD. Between them, there is so much work and so many people that need to be managed, that it has become impossible to keep track of all of them to a satisfying degree. This not only causes the MD stress and takes away from his free time, but it also has great implications on the productiveness of the whole organization. Much of what the company does is directionless, and there are several projects that could be done and be of great benefit to the company, but are not being carried through. Additionally, when there is a lack of communication and dedication shown by the managers, employees may lose motivation in their work – particularly among employees that are not self-driven.

As management is unaware of the status of various projects, they have no choice but to trust that work is being performed on time and according to specifications, without being able to closely manage the project and ensure that this is the case. The result is often that work is not performed efficiently or according to expectations, potentially leading to lower product quality, missed deadlines and opportunities, lower efficiency, and increased stress and frustration. The activities that lack management are not limited to inside of the company; there are also many tasks and projects that have to be carried through by outsiders. Interacting with these outsiders can be especially challenging, time-consuming and frustrating.

"It feels like a lot of what we have is directionless, because we don't have a lot of input on [our activities], we don't have enough regular check-ins on them. And that's because we don't have enough time."
– Managing Director, personal interview, September 2013

As a consequence of management being so caught up in its current activities, it does not have the time to plan for the future and hedge against potential risks. Activities with a longer payoff are prioritized below what needs to be done in the short term. Employees in the operational core find non-critical tasks repeatedly being pushed back for an indefinite amount of time – assuming that non-critical plans are even shared with the employees, which they often are not.

The MD feels that what he does is a balancing act where he has to prioritize between different tasks. He states that it is difficult for him to give his full attention to anything, and everything he does is essentially "guesswork." At the same time, he admits to excessive micromanagement. Although he has hired employees to take responsibilities off him as the company grows, it is difficult and frustrating to hand off tasks when he finds them being performed unsatisfactorily. He likes to be in control, and gets anxious and worried that work will be performed poorly and possibly even fall apart. Similarly, the VMD has difficulties finding people to delegate tasks to. The MD wishes to structure and establish the company enough that he can leave it without interrupting its operation. At this stage, that ambition might entail hiring one or two competent managers similar to the VMD. The main concern is finding someone who will understand the job well and be capable of performing to high standards.

2) No clear function- or project manager

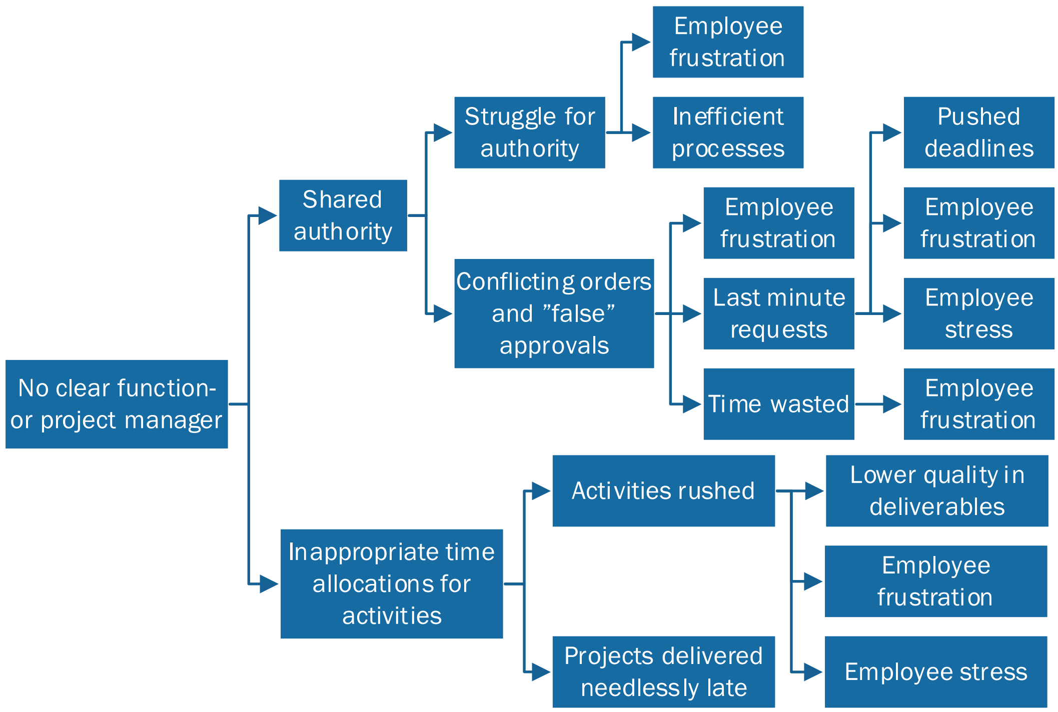

Figure 6. Illustration of the effects of having no clear function- or project manager.

There is not only the issue of content and decisions having to pass through overloaded managers, but also that there is often no single manager dedicated to a specific function or project. This primarily impacts the mood and efficiency of anyone directly involved in the function or project in question. Even when a specific employee was assigned as the manager of a specific project, there instead arose informal de facto managers, with no single person at the helm. This caused almost every decision within the project to become an inefficient debate, ultimately undermining the assigned project manager, leading to inefficient processes as well as frustration in project members. However, the shortcomings of this particular project were realized by the partaking members, and it is considered a learning experience attributed to inexperience.

Secondly, when authority is shared and unclear within a certain function or project, managers may end up making conflicting decisions or giving conflicting feedback on content. This is most prominent in the shared management roles of the MD and VMD: Although the VMD may give positive feedback to a certain video or art asset, the MD may interfere at any time and provide negative feedback and request improvements, as ultimate power in the company rests with him. This may cause problems in several ways. Firstly, time may be wasted if the VMD approves a certain direction in a project, only to have the MD nullify any work in that direction, by asking for things to develop in another direction. Thirdly, content may be finalized and approved by the VMD, but then disapproved by the

MD when close to deadline, needing certain last-minute changes. This results in stress, frustration and lack of clarity around the employee's tasks, ultimately lowering employee motivation and efficiency. This dynamic between the MD and VMD is not necessarily apparent at first, but rather something that is discovered by employees as they repeatedly have their approvals and feedback from the VMD overturned and conflicted by the MD.

> *"There is quite a lot of confliction in the direction or what type of work they want us on, as well as their opinions on how they want something done. So [the VMD] might initially present something that needs to be done within a certain time frame, and gives us a synopsis. And then when it's either in progress or finished, [the MD] comes in and has a completely opposing direction or opinion on what should be prioritized."*
> *– Artist, personal interview, October 2013*

Lastly, when there is no knowledgeable manager dedicated to a specific function, there is often not an appropriate timeline allocated for each task or project. Some activities are requested to be performed unrealistically quickly, potentially causing stress and frustration among employees, as well as lower content quality. Conversely, other activities have needlessly long time allocations.

3) Risk of fallout from conflicts

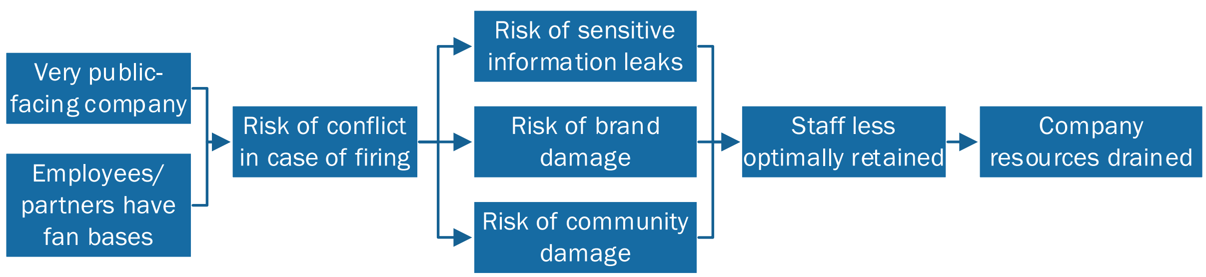

Figure 7. Illustration of the effects of the risk of fallout from conflicts.

The company's public profile in some ways hinders it from performing actions that would be beneficial to its business and environment, but possibly hurtful to its brand if made public. Most prominently, management has become very reluctant to firing staff due to the potential public fallout. Employees may have access to sensitive information – or just a large fan following – that could be used against the company in the case of a conflict. That risk creates a high barrier towards firing someone, meaning that employees are retained despite being a drain on the business' finances or working environment. Some kind of safe approach is needed towards this issue, to allow for more flexibility in the company's management of employment.

4) Unreasonable compensation structure

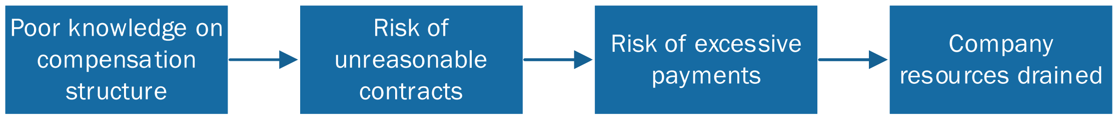

Figure 8. Illustration of the effects of unreasonable compensation structure.

As described in the *Company Description* chapter, employees and partners are connected to – and compensated by – the company in many different ways. The MD wishes for work compensation to become more uniform, consistent and reasonable. There have been examples in the past of content creators being commissioned for a certain job, only to have the contract result in an unreasonably high commission for the creator. It is generally hard for the managers to assess an individual's impact and reward it fairly without risking excessive payments. The MD wants to develop an approach to employee and partner payments where the result is a fair and sustainable structure of compensation, increasing the stability of the company's finances while keeping employees content.

5) Issues not discussed and resolved

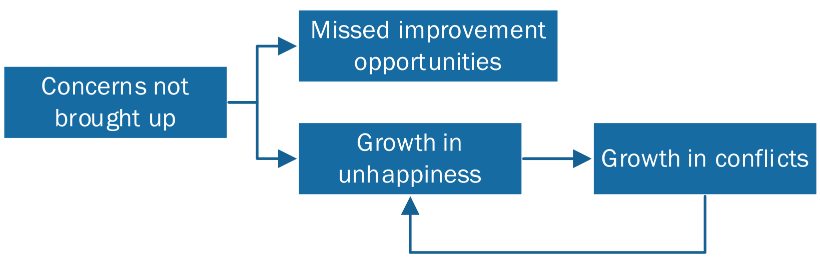

Figure 9. Illustration of the effects of issues not being discussed and resolved.

Often, concerns and requests for improvements are not brought up between managers and employees. If a manager is discontent with the performance of an employee, the manager does not always discuss and resolve his concerns, meaning that the discontentment potentially grows into resentment and unhappiness. These feelings might then escalate into unhealthy conflicts and confrontations – and have in fact done so in the past. Furthermore, potential feedback that is not shared between any members of the organization is a lost opportunity for improvement.

6) Loose employee roles

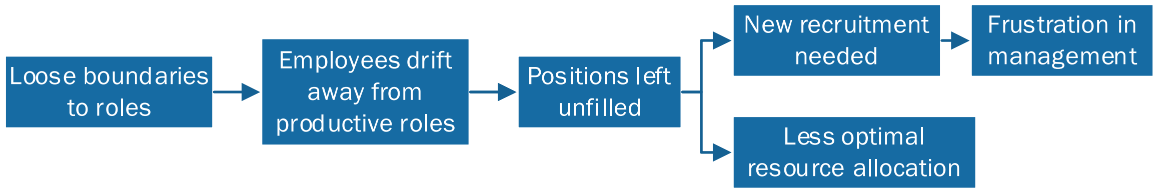

Figure 10. Illustration of the effects of loose employee roles.

It has occurred that new employees have been brought into the company in order to fulfill a specific position, only to drift away from their responsibilities. As management does not always define strict roles and confine their employees within them, certain employees have gradually moved into areas that better catch their interests, leaving critical positions unfilled behind them. Although they may wish to move into other areas within the company, it is not always in the best interest of the organization that this happens, as it is not in line with its current needs. It results in less optimal resource allocation, and frustrates managers that are now forced to repeat their recruitment for critical roles.

7) New activities not shared with employees

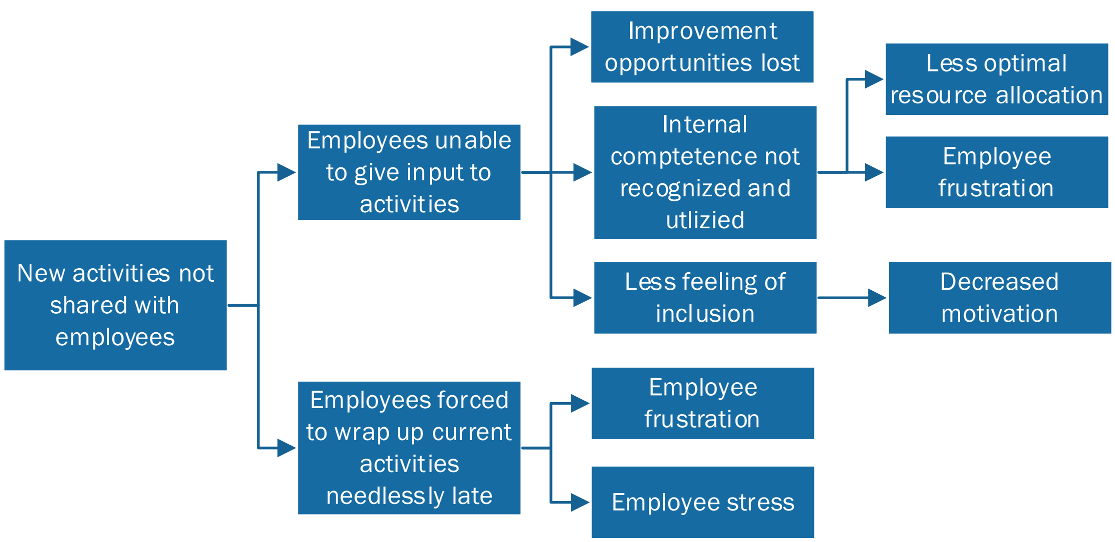

Figure 11. Illustration of the effects of new activities not being shared with employees.

There is some frustration generated as a result of how management sometimes introduces new projects and changes to employees. Often, new projects are not communicated to employees until they become a necessary component in its execution. This not only means that certain employees are not able to contribute to the earlier stages of the project and help optimize it, but that they now have to adjust their schedules on short notice in order to make room for tasks that could have been facilitated earlier, causing them stress and frustration. Furthermore, when employees are not included in the initial stages of a project, the existing competence at the company is not optimally fitted into the project. That is, outside contributors are brought in for tasks that could have been performed internally, had project managers been aware of their availability. Put together, these issues cause frustration and less efficient and effective execution of projects.

> *"I do feel that there is some skill already inside the business – across the board – that is not known of and utilized fully. There are people who have skills and abilities that aren't utilized, and tasks are given to outsiders or employees brought in, when it could have been easily handled by a member of staff."*
> *– Artist, personal interview, October 2013*

Often, employees find out about new activities and events informally and unintendedly, such as lunch room discussions or rumors. Employees may also lose motivation in their work when they are left uninformed of activities at the company, due to a feeling of being disconnected from the organization and its goals. Managers do communicate relatively closely with newer employees, but then gradually decrease their level of communication as the employee becomes more independent in his work. This has led to a feeling of disconnect and decreased motivation for certain employees.

8) Lack of community interaction guidelines

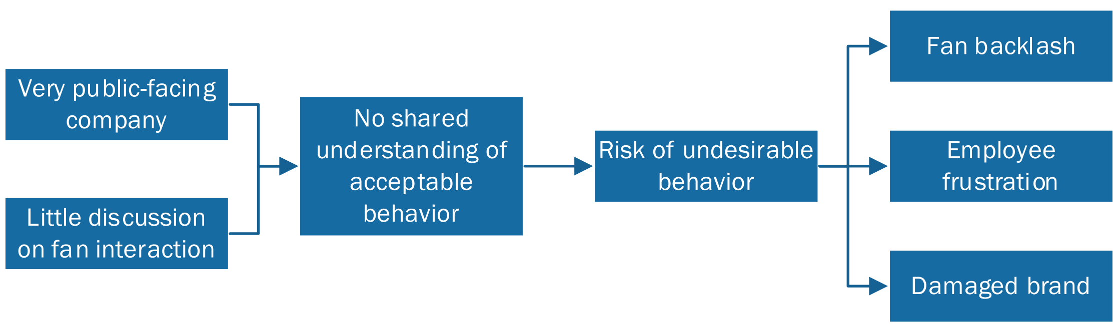

Figure 12. Illustration of the effects of the lack of community interaction guidelines.

The company under study is a very public company where most employees have a social media presence and fan base. Any conflict within the company could become public and cause arguments in the community, hurting the company's image – as has happened in the past. This is something that has to be better contained internally.

Some social media behavior may also be seen as unsuitable for the organization's image, even if not a conflict. For example, should personal tragedies be shared with a person's fan base? What kind of language is acceptable in social media? How much of the company's internal details may be publicized? These are questions that have not been thoroughly discussed at the company, meaning that there exists differing views on them between employees, which can result in behavior that causes frustration within the company and hurts its brand – something that has also happened in the past. There is no shared and uniform understanding of what is acceptable and what is unacceptable.

9) Experimentation discouraged in practice

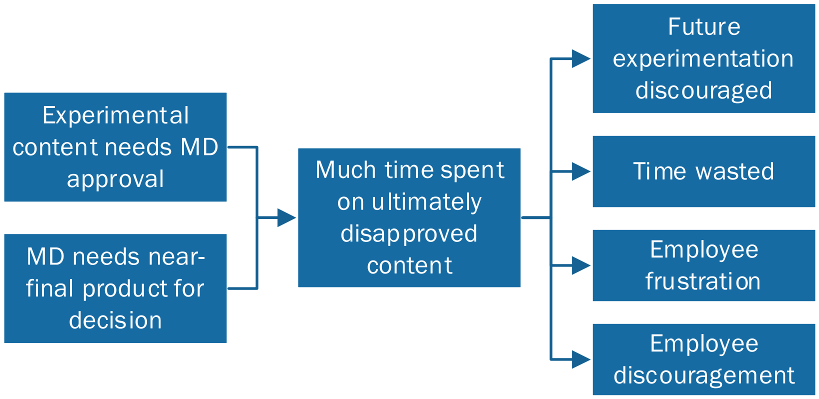

Figure 13. Illustration of the effects of experimentation being discouraged in practice.

It was stated that the open and creative freedom that is presented to new employees is not always existent in practice. Ultimately, any new and experimental content has to be approved by the two managers. If it is not liked by them, it will be discarded. Furthermore, the MD typically needs for content to be late in its development before being able to pass judgment on it. This leads to a process where content creators must spend a significant amount of time on content that may not be approved by management, thus encouraging them to remain within safe boundaries rather than spending time on more experimental content that may result in frustration, disappointment and wasted resources.

> *"[The MD] does not really know what he wants until he sees it – he has said that to me. He wants people to go the route that they feel is best, and then when we have come up with something, he will look at it and go: 'no, this is not what I wanted, I wanted more like this…' He needs to see something to know what he wants, and often you are quite close and few tweaks are needed. But sometimes you have to re-do."*
> *– Video Editor, personal interview, October 2013*

10) Scheduling discrepancy between producers and editors

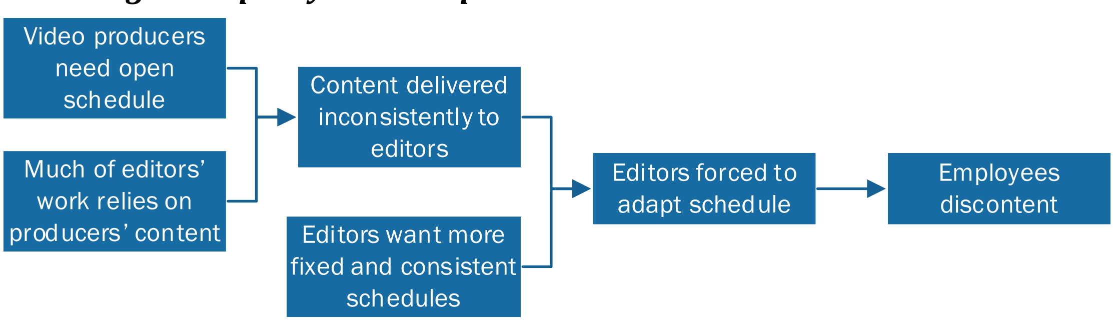

Figure 14. Illustration of the effects of the scheduling discrepancy between producers and editors.

Video content is often processed through the sound engineers and video editors. These two typically have a stricter and more fixed schedule than the video producers, who are kept on a free schedule as to retain creativity and allow them to produce videos when they feel fit for it. However, a problem arises when their produced content is dependent upon the post processing staff for its release; it is not always clear to staff when the needed material will be delivered to them, and when it is delivered, it is not always simultaneously delivered by all relevant producers. This sometimes makes it more difficult for sound engineers and video editors to perform their work efficiently and within their regular working hours.

6. Theory

Based on the empirical findings and the most important issue identified at the studied company, this chapter presents three areas of theory that are deemed most critical for the understanding of the experienced issues. These areas primarily relate to the problem of company management being overwhelmed by their workload. The first area – organizational design – helps frame the company's current structure in theory, while also presenting principles and criteria that may be followed in order to improve said structure. The second area helps develop an understanding of communication, why it is important, and how it may be improved within an organization. The third area deals with delegation, as it is deemed that much of the company's difficulties can be attributed to a difficulty in delegating work. This section explains what delegation is, the advantages it holds, and how an organization may improve its ability to delegate. Although many perspectives and areas of theory could be applied in the situation at hand, these three topics have been deemed effective, sufficient, and highly relevant in addressing the primary problems experienced by the company.

6.1. Organizational Design

According to Mintzberg (1981), an organization begins with an individual who has created an idea, and who subsequently becomes the *strategic apex* of the organization. This entrepreneur employs people to perform necessary basic work, making up the *operating core* of the company. As it grows, the organization acquires intermediate managers who mediate between top management and the employees, in what is called *middle-line management*. Additionally, organizations may to varying degrees identify a need for two additional types of staff personnel: *technostructure* and *support staff*. The former consists of analysts who manage systems concerning the control of work and formal planning. The latter provides indirect services, including everything from a mailroom and cafeteria to legal counsel and public relations. These five parts form an organization, as illustrated in Figure 15.

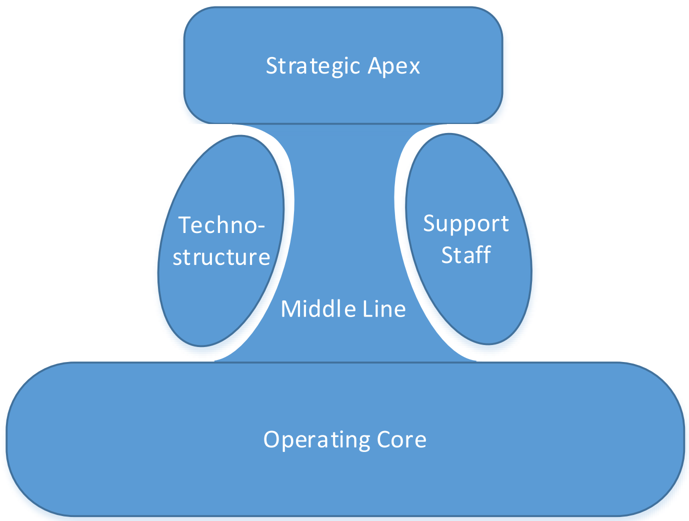

Figure 15. The five parts of Mintzberg's (1981) model on organizational structures.

However, Mintzberg (1980, 1981) states that not all five parts are essential to all organizations. Some organizations are simple and only make use of a few parts, while others are more complex and combine all of them in different ways. He develops five typical and distinct structures, with the simplest one being the *simple structure*, which is the structure most commonly used by startup companies.

6.1.1. Simple Structure

The typical simple structure has been illustrated in Figure 16. Given the young age and small size of company under study, this is the organizational type to which the company's structure will be related.

Figure 16. The simple structure (Mintzberg, 1980).

The simple structure is described as a unit consisting of one or a few top managers, and a number of operators who perform the basic work (Mintzberg, 1981). Burton et al (1998) describe the simple organizational structure as having a flat hierarchy consisting of one head for decision making and control and the remaining individuals. Thus, this structure is characterized by a loose division of labor, a small managerial hierarchy, minimal differentiation between units, and the behavior within the organization seldom being formalized or standardized (Mintzberg, 1981). There is also minimal usage of training, planning, and liaison devices, such as integrating managers, task forces and matrix structure. Since there is a lack of standardization, there is almost no need for staff analysts. Also, very few middle managers are brought in since much of the coordination is achieved by the direct supervision of the strategic apex, which emerges as this structure's key part. Even the number of support staff is minimized in order to keep a lean and flexible structure.

Flexibility is essential since the organization is operating in a dynamic environment, and the simple structure's centralized control makes the structure optimal for flexible and rapid innovations, at least of the simpler sort (Mintzberg, 1981). Growth and aging encourage organizations to become more bureaucratized, which is partly why simple structures are often rather small and young. However, many larger and more complex companies revert to the simple structure when facing environmental hostility or extreme pressure, suspending procedures and systems as power is reverted to the chief executive in order for him or her to resolve the situation.

According to Mintzberg (1981), a simple structure is the way in which almost all organizations begin their lives. In the simple structure, there may be no well-defined structure of different departments and departmental heads, and little specialization of functions (Burton, et al., 1998). This structure is usually chosen in the early stages of small owner-run companies (Flamholtz & Randle, 2000). During this time, the top manager is charge of coordination, decision making and control since he or she wants to be involved in all organizational activities. With this structure, the top manager can personally coordinate all activities and make sure that these meet the personal purposes of the organization (Burton, et al., 1998). The different tasks and activities can then be assigned to different individuals whom then are expected to complete these. There is very little fallback or redundancy. Certain assignments might evolve, but they can all be changed by the will of the manger.

This structure's weakness is that it heavily relies on the top manager. This person determines what should be done and how it should be done. The company is successful if the manager's decisions are good, otherwise, it will fail (Burton, et al., 1998). Another weakness is that the simple structure is limited to the top manager's capacity of information processing. As the organization grows in size or task complexity, there is a risk that the manager becomes overloaded and therefore unable to cope with the demands of the information. In order to decrease the amount of information that manager need to process, there is a need for task specificity about who should be doing what on a more regular basis.

6.1.2. Principles of Organization

There exists no universal way of organizing, due to the diversity of managerial types. However, Bhattacaryya (2009) lists ten principles that are widely followed when organizing. The principles are as follows:

1. Each individual should be directly responsible to one superior rather than several. This, however, does not mean that work cannot be performed when orders and directions are given from more than on superior, but it can cause confusion for the subordinate and ultimately make it difficult to achieve common goals. Therefore, it is preferable to organize people so that there is only one superior, to whom the employees are responsible and who can give them orders.
2. Authority should be given in relation to responsibility. Otherwise, it can lead to decreased initiative from the subordinates.
3. The circumstances should dictate the span of control so that it is neither too narrow nor too wide.
4. Best use should be made of specialized competence.
5. In order to avoid unnecessary bureaucracy and risk of communication loss, the number of management levels should be kept as low as possible.
6. There should be an appropriate degree of centralization. Too much centralization may lead to delays of decisions and implementation of decisions which makes it difficult for the organization to respond quickly to internal and external changes.
7. The distribution of work, both in terms of volume and variety, should be fair and reasonable.
8. In the distribution of responsibilities and duties, the employees' abilities should be put to maximum use.
9. In order to avoid 'empire building' with excessive hierarchy, the duties, responsibilities and authorities in the organization should be well-defined.
10. In order to avoid too much rigidity, which may weaken competitive strength, the organization should be flexible to accommodate change, i.e. have the ability to cut across hierarchical barriers.

When considering these principles for one's organization, it is also important to remember that an organization's structure also creates its organizational climate. There are many different forms of organizational structure, and selecting a suitable one for an organization depends on its priorities and management style. Changing an existing structure therefore requires its problems to be carefully pre-studied (Bhattacharyya, 2009).

6.1.3. Criteria for the Evaluation and Design of an Organizational Structure

Organizational structure has not been properly defined in many companies, which may cause problems that can have a negative impact on the ability to achieve goals (Flamholtz & Randle, 2000). As the organization experiences growth, there is a tendency to meet current needs by adding levels and jobs bit-by-bit. If this process continues, there is a risk that an ad hoc character is developed within the entire organization. Therefore, it is, at this point, a necessity to review the organizational structure with emphasis on these changes in business activities and level. Flamholtz and Randle (2000) present different criteria that can be used in the evaluation of the organizational structure. By using these, it is possible for an organization to identify strengths and limitations of its existing structure, and other considered structures. The criteria are as follows:

First, *the degree to which the structure supports the organizational strategy*. When addressing this, an understanding about the organization's key objectives and mission must be developed. Then the structure should be evaluated to the degree it supports the achievement of these.

Second, *the degree to which each function adds value, and/or whether new functions are needed to better support the goals*. Thus, the organization must evaluate the different roles and responsibilities of various functions with the purpose to determine each function's contribution to the organizational goals. By doing this, the organization may experience that some functions have become obsolete and providing no value or that new functions needs to be developed to better meet current needs.

Third, *the degree to which individual roles supports the achievement of the organizational goals*. The organization must evaluate if new roles need to be created or if there are any changes that need to be made in current roles in order to meet the goals more effectively. For this, there must be a clear understanding of what people's roles are, for which formal and written role or job descriptions are often used. However, for many organizations there exists no written job descriptions, or if they do, they are not up to date and do not longer reflect the job that the individuals are supposed to do. Additionally, in some organizations, there exist adequately written descriptions but they are only used as a tool for hiring and evaluation by the human resource function. When evaluating the structure in respect to people's roles, following components should be used: determination of the degree of which written role description exists, evaluation of these role descriptions' effectiveness regarding used technology and the degree of which they reflect what employees actually do, and evaluation of how the organization uses the job or role descriptions as guidance for the behavior of employees.

Fourth, *the degree to which are reporting relationships clearly defined, and whether the position holders have the needed authority to effectively execute their roles*. Although there may exist organizational charts, they may not reflect how the organization really operates. For instance, a structure on paper may suggest that each middle manager reports to a certain vice president, but in reality, everyone might be reporting directly to the owners, and whatever the owners asks is prioritized. When designing a structure, it is important to consider the decision making authority and reporting relationships of every position. Generally, the authority of decision making should, in order to reach maximum efficiency, be distributed to the lowest possible organizational level, depending on the organization's nature and the management team's level of skill.

Fifth, *the appropriate span of control that should exist within the organization in order to effectively and efficiently facilitate the achievement of its goals*. The span of control relates the number of people who directly report to a certain manager. Greater span of control means lower cost of supervision of employees. However, lack of a well-developed control system means that there is a limited number of employees who can be supervised before they begin to perform inefficiently. On the other hand, it is very expensive to acquire more managers than necessary. It is suggested from traditional management that if a position has fewer than three direct reports it is most likely to be unnecessary; if it has more than nine, effective supervision is very unlikely unless the manager has high experience. However, there are exceptions to this rule. If the organization has a comprehensive control system well-developed planning and recruits highly motivated and skilled people, the number of individuals that can be supervised by one manager may exceed nine.

Sixth, *the degree to which those in technical and management positions possess the needed skills to be effective*. When addressing this, the organization must first determine the skills needed for each position holder to effectively accomplish the responsibilities for that position, and then assess to the degree that individuals actually possess this skill set. If individuals are found to be lacking certain skills for a position, they may be provided with training or moved to roles more suited their expertise and replace the open positions. When examining needed skills, it is important to not only look at skills needed for the next year, but also those needed for the next four to five years.

Seventh, *the degree to which interdependent departments and functions effectively coordinate with each other*. This is the organizational structure's supporting system component which can be promoted through organizational control systems, the planning process, or job descriptions that are well-designed. When analyzing this structural dimension, includes identification of the units in need for regular coordination and then assessment of the degree in which the coordination is operating effectively. When designing an organizational structure, managers must determine what coordination types that are needed and the timing of these. Mechanism of effective coordination is especially important when implementing a matrix structure.

Eight, *the supporting systems that need to be in place in order to ensure that the chosen structure will function effectively*. When evaluating the organizational structure's effectiveness, the organization need to examine how the structure is supported by its planning process, operational systems, control systems, corporate culture, and management development process. A key point during the design of a new structure is that as long as the appropriate supporting systems are in place, any organizational structure will work. Thus, it is essential for managers to consider what structures, systems, and processes that are needed for whatever chosen structure.

By considering these criteria, several related analyses, as part of the audit or assessment of organizational structure, is performed. With this help, it is possible to design a more effective structure. However, the bottom line is to identify strengths and limitations of current organizational structure or any other structure under considerations.

6.2. Communication

Communication is among the most dominant recurring activities in an organization. The need for understanding and effectively using organizational communication has often been seen as an "after-the-fact enlightenment" for many people in different roles and occupations (Harris, 2002). This concerns others' inability to communicate well, their colleagues' displayed lack of listening skills, or subordinates' unwillingness to follow instructions. It is at times frustrating when others fail to communicate, and it can be mysterious how an individual does not hear or understand in the manner intended.

6.2.1. What is Communication?

For managers who understand it, communication is not about *sending messages*, but rather about *transferring meaning* (O'Rourke, 2001). Communication occurs when a receiver understand a subject in the same way as the sender – including all the complexities, context, intricacies, and details. Communication is successful when there is a mutual awareness not only about the sender's the knowledge of the subject, but also the feeling about it; or when the receiver can comprehend how important the subject is and why it is important to immediately take action. Since communication is a complex and ongoing process involving personal substances, it most often demands more than a memo to the staff to capture it all. It may take more than an email or a phone call for the transfer of meaning. The transmission of information can, according to Price (1997), occur in several ways: formal discussions between managers and employees, informal discussions among employees, different types of newsletter publications, radio and television production, bulletin board announcements, and so forth.

There is a very basic and important link between organizational structure and communication. An organization's structure determines who can or must communication with whom, creating channels through which messages can flow. These channels can either be horizontal or vertical (Harris, 2002).

Horizontal communication takes place between members on the same hierarchical level of the organization, such as in cross-functional work units, teamwork, skunkworks, interdepartmental cooperation, and people gathered together to solve problems (Harris, 2002). Five functions are accomplished by horizontal communication: problem solving, sharing information, task coordination, building rapport, and conflict resolution. It is a valuable asset in the sense that it helps organizations to effectively getting the work done. Letting people at the same level discuss ongoing issues increases the probability and ability of resolving any potential conflicts. Also, this type of cooperation increases satisfaction among employees and can increase efficiency as issues can be resolved the same level they appear.

Vertical channels are those flowing upward or downward in the organization (Harris, 2002). *Upward communication* is communication from the lower to the upper levels, and very few managers would say that they have a negative attitude towards hearing from their subordinates (ibid.). Such communication may include: suggestions, unsolved work problems, what subordinates are doing, and their feelings about a job and each other. *Downward communication*, on the other hand, may include such functions as: giving job instructions; providing performance feedback and job rationale; explaining procedures, practices and policies; and communicating information regarding organizational missions and goals. This type of communication is very important and can help build a positive climate when done well (Harris, 2002).

Both horizontal and vertical communication channels are recognized and sanctioned ways for organizations to send messages. Downward communication is typically the most used channel, whereas upward is probably one of the most effective channels (Harris, 2002). These vertical communication channels are the ones most accepted by organizations with a traditional structure. Horizontal channels, however, are vital when it comes to coordination. High performing organizations strive, without a doubt, to improve these three channels' effectiveness.

It is also important to note that communication channels either be one-way or two-way channels (Harris, 2002). *One-way communication* is often used for fairly straightforward tasks with little or no need for any response. For examples, certain safety regulations which cannot be questions and zero tolerance policies with standing rules no matter the circumstances in place to remove any doubts regarding for instance substance abuse or sexual harassment. *Two-way communication*, however, is typically more successful than one-way communication.

Obviously, there is a need for organizational stakeholders to have – or at least feel that they have – a say in the organization and its interactions. Therefore, communication has to be two-way in order to build morale. However, recent technology – more specifically email – has made some managers believe that sending digital messages is the same as effective communication. Contrary to this belief, studies show that effective online communication cannot be expected without face-to-face communication.

6.2.2. The Importance of Communication

It has been found that during a 40-hour week, 14% of time is squandered due to poor communication between management and staff (Harris, 2002). A third of the people hired as managers end up leaving their position due to an inability to establish good relationships with subordinates and peers. More than half of the problems connected to human performance are caused, to a large extent, by inadequate information about customers, organizations and individual performances. Performance can be improved by 20-50% by bettering the timeliness and quality of information received by people.

So, effective communication is essential for the existence of today's organizations. The many changes in communication technologies have contributed to a transformation of both organizational structure and work, making communication practices more important in almost every organization – especially knowledge-intensive ones. Managers spend over 60 % of their time in scheduled or unscheduled meetings (Tourish & Hargie, 2004), and team members are generally are engaged in communicative behavior 50-80% of their time (Giri & Kumar, 2010). Through a review of research, Clampitt and Downs (1993) conclude that the benefits obtained from well-developed internal communication include: improved productivity, higher quality of products and services, increased levels of innovation, reduced costs, reduced absenteeism and fewer strikes. It has also been shown that actively seeking suggestions from employees, delegating tasks and developing two-way communications builds commitment and enhances performance among employees (Tourish & Hargie, 2004).

Aside from these apparent benefits to good communication, Daneci-Patrau (2011) explains the basic necessity of communication in organizations, with the following five reasons: First, management functions and processes cannot be operated without communication. The process of objective establishment, action and initial objectives harmonization, deficiencies elimination, achievement correspondence with organizational structure, and personnel training are all based on the ability of sending and receiving messages. Therefore, communication can be viewed as every manager's first responsibility as it is crucial for the organization's survival and success. Second, communication enables establishment and maintenance of relationships between employees, giving them the information necessary for evaluation and orientation of their personal work, the work of others, and organizational and environmental demands. Third, through achieved feedback, communication allows for possible improvements of general and individual organizational performances. Fourth, communication acts as an underlying motivational process which makes it possible to use different stimuli and needs to guide employees' behavior towards satisfaction and performance. The fifth and final reason is that communication helps the establishment of effective and fair relationships with acceptance and understanding between colleagues, subordinates and leaders, and people outside and inside the organization.

The importance of downward communication

Companies with good communication between managers and subordinates have been shown to outperform rivals in a range of measures of productivity, such as employee retention, profitability and employee satisfaction (Tourish & Hargie, 2004). These companies were comparatively good at communicating what they expect of their employees at work, caring for them, showing that their opinions matter, and recognizing good performance, among other things.

When sensitive decisions have to be made, such as layoffs, the negative impact of the decision can be greatly reduced by communication; employees might feel deprived when they think they are unaware of what is going on, but involving them in decision-making processes and properly communicating decisions to them may help mitigate this (Tourish & Hargie, 2004). Three studies have shown that supervisors continuously underestimate how much their employees value "being in on things" (Kramer, 2001). In all three studies, supervisors ranked "good wages" as the motivator they believed to be the most important for employees, while "feeling of being in on things" finished last. However, as shown in Table 2, the employees themselves actually ranked "feeling of being in on things" as the second or third most important motivator, with "good wages" only finishing fifth (Kramer, 2001; Kovach, 1995).

Table 2. Differences in perceptions of communication as a job motivator (Kovach, 1995).

Rank	Employees' motivators	As believed by supervisors
1	Interesting work	Good wages
2	**Full appreciation of work done**	Job security
3	**Feeling of being in on things**	Promotion and growth
4	Job security	Good working conditions
5	Good wages	Interesting work
6	Promotion and growth	Personal loyalty to employees
7	Personal loyalty to employees	Tactful discipline
8	Good working conditions	**Full appreciation of work done**
9	Tactful discipline	Sympathetic help with problems
10	Sympathetic help with problems	**Feeling of being in on things**

Further related to downward communication, Table 2 shows a discrepancy between the supervisors' perceived importance of "full appreciation of work done", and its actual importance among employees. Employees rate it second-highest among motivators, while the supervisors believed it to be in eighth place, meaning that supervisors also tend to greatly underestimate the importance of showing appreciate of the work done by employees.

The importance of upward communication

It is argued that upward feedback, communication and open-door policies result in significant benefits to an organization. This is particularly prominent in organizations working under high uncertainty and complexity. Through a review of literature, Tourish and Hargie (2004) summarize the benefits of upward feedback as: better decision-making; improved participation; improved organizational learning; the development of forums for gathering suggestions, resolving conflicts, expressing discontent, and obtaining information; higher likelihood of employees reporting positive changes in their managers' behavior; shared leadership is promoted and managers become more willing to act on employee suggestions; and managers' self-ratings become more in line with those of their subordinates.

All of these factors lead to improved leadership that is rated more favorably by employees; it has been shown that leaders who solicit and accept negative feedback are viewed more favorably by their employees, while leaders with compliant and non-complaining followers have a more inaccurate picture of their own performance, and are viewed less favorably.

6.2.3. Improving Communication

Despite the highlighted and widely accepted importance of communication, the sad reality is that communication is often unplanned, given minimal resources, and used as a one-way street from managers to subordinates, with minimal upward communication (Tourish & Hargie, 2004). Those with lower status tend to excessively agree with and exaggerate the performance of those of higher status (Jones, 1990), making it hard for managers to rely on their 'feel' of the state of communication, as it becomes very unreliable (Huczynski & Buchanan, 2001). The purpose of this section is therefore to present how communication may be improved in an organization, with added focus on both upward and downward communication.

Although each organization is different and has specific needs, there are some general themes that may be relevant to most organizations. Tourish and Hargie (2004) present five learnings that do not serve as a replacement for a full audit of any organization, but may be helpful to most:

1. *Immediate line managers are crucial for effectiveness*

One key to organizational success is to have first line supervisors who are effective communicators. In surveys, employees have routinely stated that they prefer to receive their information from direct supervisor. These supervisors should hold several desirable traits: they take a personal interest in the lives of their employees; they show care for the employees as individuals; they listen and rapidly respond to the employees' concerns; they explain what is going on within the organization; they provide feedback on the employees' performance in a sensitive manner; and they schedule regular meetings where information can be exchanged freely. For these reasons, it is important that supervisors are provided with proper communication training, and routinely and swiftly provided with information to pass onto their subordinates.

2. *The views of employees should be regularly and systematically obtained*

In workplaces where feedback is encouraged, employees more strongly identify with the company, and more openly express and discuss dissenting views, knowing that these views will be welcomed. By contrast, in a company where feedback is discouraged, employees feel a lower degree of identification and are less inclined to share their views. This is not only hurtful to the company's productivity, but repressed dissent can also lead to resentment and animosity in the organization.

3. *Information should be widely shared*

It is in human nature to seek information. Research evidence clearly shows that being 'kept in the dark' can lead to feelings of rejection, exclusion and betrayal. The more 'secrets' are kept from employees, the lower their level of trust for what managers tell them. Rather, employees appreciate an environment where upward communication is encouraged, and they feel like an active part of the operating system. For this to happen, managers must act and give feedback on upward information and opinions.

4. *Maximum use should be made of face-to-face channels*

Despite the ever-increasing use of technology in today's communication, humans still prefer to interact with each other in person. Employees still value meeting their managers face-to-face, and their expectations on interpersonal contact are realistic, as they realize and accept how busy their senior managers are. Managers who hide away and communicate through technological means are missing out on opportunities to motivate and influence their staff.

5. *Staff value communication training*

Not only do employees report that they wish to receive systematic training in relevant communication skills, but they also want their managers to be trained in how to manage their communication effectively. Despite this, and the fact that such training has proven effective across a range of professional contexts, organizations often fail to invest in communication training and realize their staff's full potential.

These five learnings about communication could be useful for any organization to consider. In addition to this, Hartley and Bruckham (2000) present seven principles as a summary on the perspectives on communication. These principles grant an understanding on the nature of communication, and various aspects that must be considered in order to make it successful. The seven principles are as follows:

1. *Chances of success in communication can be improved if there is a clear purpose and appropriate strategies*

Effective communication is dependent on selection of the best strategy suited to achieve the communicative purpose. However, there exists no optimal strategy that will be successful in all cases. Communication is affected by various factors, and effective communication requires:

a) consideration of the communication purpose;
b) evaluation of alternative ways of achieving said purpose, taking into account that the communication will be affected by those factors;
c) and selection of the one with the greatest success chance.

2. *There is always more to communication than 'the message'*

For effective communication, there is a need for anticipation of how messages in context will be interpreted. The sender's behavior, which most likely will have an effect on the meaning, must be taken into consideration. People should avoid taking an over-simple approach to communication and focusing on the surface, and omitting to consider how others would translate the information into meaning. To support this principles, four simple suggestions are presented:

a) accept that ambiguity is an unavoidable part of human communication;
b) look for feedback and check understanding;
c) accept that others' interpretations are legitimate;
d) and realize that discussion is essential to reaching a clear and shared meaning.

3. *Social and cultural context must be considered in communication*

Communication is influenced by constraints in the historical and social context. This needs to be recognized and accordingly responded to. This principle is especially important when dealing with change. When new procedures or processes will be introduced, management has to be sensitive and consider the meaning of current behavioral patterns.

4. *There must be a match between communication and action*

The sender will not be believed, even though the communication is strong and loud, unless the actions that follow match what is said.

5. *There are always possible improvements to communication*

Even though it is accepted that some individuals are more skilled in their communication, everyone can improve their skills with the right preparation or coaching. This principle can, at first sight, appear obvious. But in practice, it is often denied or forgotten. Therefore, if there is a belief that communication can be improved, time will be devoted to at least some of these activities:

a) review of the personal behavior's impact on others;
b) feedback request from others;
c) development of plans or strategies to improve personal communication;
d) and using new techniques evaluating their effectiveness.

6. *Management has the fundamental responsibility for communication*

It is essential that management accept responsibility for the quality and quantity of the communication in the organization – otherwise, who will? In order to translate this principle into practice, it can, for instance, be asked how much managers at different organizational levels are committed to and concerned about communication. Five fundamental steps are proposed:

a) senior managers should be formally responsible for connecting all employees to the communication network;
b) communication should be systematically trained;
c) the organizational communication network should be built to include all available media, and information that indicates a need for change should be extra sensitive;
d) make sure the network works effectively through continuous monitoring;
e) and include communication regarding costs so that effectiveness can be evaluated and measured.

7. *Communication can be enhanced by new media*

Through the use of emails, videoconferencing, VOIP, forums, and other intranet and Internet technologies, today's organizations have more freedom in communication than ever before. If introduced carefully and maintained, these new media can have a positive and profound impact on the organization's communication.

Barriers to downward communication

One first problem is to decide type of downward communication (e.g. financial data, employee issues, management concerns) or content (e.g. specifics, amount of detail) (Harris, 2002). Some consulting companies argue that everything should be communicated to the employees in order to increase organizational knowledge as managers otherwise tend to decide what employees need to know. However, managers and employees seldom share the same goal or preferences of channel, so the information communicated can lack relevance. Information relevance is the second problem with downward communication. People will not be better informed by simply providing more information. Information must be useful to the individuals which most likely can be a problem. When information lacks application possibilities, it is often a wasted effort trying to communicate it. In order to avoid possible overload of downward communication, employees will filter the messages and decide for themselves which ones are more or less important.

Barriers to upward communication

As previously described, there is much to be gained from proper upward communication within an organization. Thus, it becomes important to recognize the various factors that may hinder such communication from taking place, or distort the message being sent. Some of these factors are as follows:

- Receiving negative feedback can be personally upsetting, and thereby discourages any person from seeking it (Tourish & Hargie, 2004).
- Members might fear that their performance could negatively affect their public image if scrutinized and possibly openly criticized (Tourish & Hargie, 2004).
- Seeking feedback or asking for help may be a sign of weakness and expose the seeker as being incompetent. However, if his peers are already seeking feedback, that person is likely to follow suit and 'go with the flow' (Tourish & Hargie, 2004; Harris, 2002).
- If a superior is bypassed in the upward communication, the initiator might fear that the bypassed superior feels wronged and seeks reprisal (Harris, 2002).
- The "you raised it, you solve it" tendency might discourage a member from raising an issue, in fear of having to solve it as well (Harris, 2002).
- The sender of a message may minimize any unfavorable communication while maximizing that which favors him. If a message could lead to changes that are undesirable to the sender, the message might not be sent (Harris, 2002).
- Employees might lack belief in the system, assuming that any potential communication will be for naught (Harris, 2002). It is important that the target of communication shows himself or herself as being receptive to communication and willing to give feedback if requested (Tourish & Hargie, 2004).
- The potential sender of a message might hold an overriding sense of loyalty towards any peer or superior whom the message could negatively impact (Harris, 2002).

6.3. Delegation

Leaders of successful fast-growth companies do not micromanage their company, since they are confident that they have the right people at the right place, managing the day-to-day business. Instead, they dedicate their time in ways that result in the biggest return, such as developing key individuals and planning for the future (Little, 2005). Further, Little (2005) applies the Pareto principle to time management: 80 percent of the revenue comes from 20 percent of the customers. Similarly, the best leaders realize that 80 percent of their results come from 20 percent of all their tasks. Therefore, it is essential that these 20 percent are prioritized so that time is spent on activities that really make a difference.

Entrepreneurs tend to be confident, individualistic, following their instincts and take risks when it seems appropriate (Little, 2005). Many are able, for a while, to grow a company through hard work, salesmanship, and infinite energy. It is often believed that anything can be accomplished if just enough hours are put in. As the enterprises grow, however, they often try to remain control over the decision-making, struggle to let go of key functions, and resist the pressure to delegate authority and responsibility (Little, 2005; Perez-Sanchez, et al., 2003). As time goes by and the entrepreneurs start wondering why they struggle to keep growing, the best solution would be to hire smarter individuals than themselves, clearly communicating plans and goals, and letting employees execute their tasks. This is also pointed out by Wilson and Bates (2003), who state that growing organizations often experience difficulties in distributing decision power to managers. The founders and owners, who have nurtured the organization from the beginning and made huge personal and financial investments, tend to have a perspective and view on the enterprise that is not shared among all business managers. All sides to the organization, such as staff, customers and suppliers, often have the expectation that the founders and owners are the ones having special authority and being the real decision makers. However, there will come a point when the firm's ability to grow is restricted by the founders' concentrated control and decision power (ibid.). The increased growth and complexity has made it impossible for the leaders to personally supervise everything and calls for a change from hands-on management to more hands-off delegation (Solymossy, 2009). Lack of delegation can overwhelm directors with a slew of operational problems, strip the opportunity for capable employees to grow into leaders, and hold back employee productivity.

Little (2005) describes a successful leader as someone able to go on a vacation for a couple of weeks and truly enjoy it, knowing that each manager has learnt the core values and been given well-defined goals. Such a leader has put together a terrific team and given them the possibility and ability to make the right decision without first involving the owner.

6.3.1. What is Delegation?

Delegation is when authority to carry out work is deliberately handed out to someone, when that work could have been carried out by the leaders themselves instead (Armstrong, 2013). Senter and Cadman (2003) define delegation as negotiating an agreement with other individuals with the purpose of giving them the responsibility to act on the leader's behalf, and the authority to allocate the resources needed to get the job done. Volkmann et al. (2010) define delegation in two ways: the first being a transfer of competences, e.g. authority, control rights, and decision rights, and responsibilities to other members, usually subordinates; the second, decentralization of competences to relevant units at relevant organizational level and decision locality. In organizations today, leaders do not have the ability or the expectation to do everything by themselves (Turregano, 2013). Trying to do so may cause issues like missed deadlines, burnouts, and being too thinly stretched. Being reluctant or failing to delegate can result in a leader being demoted, fired or reaching a career plateau. Delegating effectively is mostly about being able to understand employees and relate them productively. Lack of ability in doing so is a big reason for derailment. Turregano (2013) states that delegation consists of assigning new projects and responsibilities to a team or individuals, i.e. providing authority, directions and resources needed to achieve satisfactory results. This most likely increases commitment among people, as they feel like they have ownership and are accountable for the project and its decisions. The first step of delegation is creating a trusting environment where there is an understanding of the employees and what needs to be accomplished.

However, Wilson and Bates (2003) argue that delegation of responsibility differs from delegation of tasks. Delegated tasks are often not performed in the expected way, and people continue to interrupt with questions since only the work has been delegated, not the responsibility to work and perform in the correct way. Since the leader still has to worry about what the employees are doing, the workload has not diminished even though the tasks have been delegated. Letting somebody fully take over the responsibility for delivering a certain result in a reliable way is a necessity in order to be relieved of involvement in day-to-day work. Also, delegating effectively is central to an effective management since it enables leaders to get work done through other employees (Senter & Cadman, 2003). By delegating to a team, a pool of skills and experience is created which can then be used in a flexible way; which is essential if a firm strives to become 'lean' and possess the ability to respond to rapid changes in the environment.

6.3.2. Advantages to Delegation

There exist several advantages to delegation. First, it enables the leaders to focus on the things that are really important in their jobs, i.e. those that require personal experience, knowledge and skills (Armstrong, 2013). It can also, for the leaders, reduce the number of routine and less-critical tasks, relieve them from being immersed in details, and increase their capacity for management. This enables greater innovation and creativity for the firm since it frees time for the leaders, and the shared workload generates greater productivity (Turregano, 2013).

Empirical studies have shown that the owner's willingness to delegate decisions is one of the most critical thresholds for the growth of an organization. A significant different between high-growth firms and less-growing firms is their tendency to implement changes to the organization with the purpose of freeing time for their leaders to manage the firm strategically (Smallbone & Wyer, 2006). Further, delegation also increases creativity, innovation and communication within the team as tasks are accomplished through employee autonomy. Delegation of authority can, as long as it is done near the scene of action, increase the decision-making process and it can generate better decisions, as people who are closer to the actual problem and possess more timely information than the leader make the decisions (Armstrong, 2013; Turregano, 2013). Also, it increases trust within the team of employees.

Delegation motivates, empowers, and increases the commitment of the employees, since they are provided with greater autonomy with increasing responsibilities, and they develop skills, knowledge, judgment and a capacity to make decisions (Armstrong, 2013; Senter & Cadman, 2003). Furthermore it makes people feel like valuable members as they become more trusted and involved, increases the width and variation of the peoples' work experience, helps individuals demonstrate their abilities and develop new competences and skills, and is an opportunity for the members to get a better understanding of what is going on (Senter & Cadman, 2003). Successful delegation develops competent, committed and involved employees, who will most likely turn out to be very valuable assets to any firm.

Finally, leaders are not only helping subordinates and team members by delegating tasks; they are also helping themselves (Senter & Cadman, 2003). Not only will it be easier to work with a more motivated and competent team, but delegation also helps managers make better decisions, prioritize their limited time, and control a team and improve its overall performance.

6.3.3. Hindrances to Delegation

Although there are compelling advantages, there also exist some difficulties and hindrances to delegation. The main problem is arguably the risk involved in delegation. The leader can never be absolutely certain that individuals will carry out delegated task in a satisfactory manner (Armstrong, 2013). They might believe they can perform the task quicker themselves, or feel dissatisfied with the output quality if others were to do it, and therefore carry out the task themselves (Senter & Cadman, 2003; Feinleib, 2012). Therefore, it can be tempting for the leader to over-supervise and interfere with the delegated activity, inhibiting the individuals' authority, decreasing their confidence and most likely dissipating the intended advantages of the delegation (Armstrong, 2013). Also, there can be difficulty with leaders being reluctant towards delegating tasks, since they would like to remain on top of everything (ibid.). Other reasons that leaders are being reluctant can be because they enjoy what they are doing and are unwilling to give it away to someone else, delegation requires resources to be freed up and some leaders may keep information and resources for themselves in an attempt to maintain their authority, or that delegation can imply that the leaders lack the ability or interest to tackle this task themselves (Senter & Cadman, 2003).

Further, fear of failure can be a big reason for reluctance. Delegation means letting people determine how to perform a task without unnecessary interference, which naturally causes concerns for the leader about the output quality and the team's ability to handle potential occurring problems (Turregano, 2013). Leaders often struggle to let things go, due to a fear that the work will not be performed once subordinated – or worse, that the result will not meet the high personal standard of the delegator. To experience the benefits of delegation, the leader must find the balance between control and autonomy (ibid.). Too close monitoring will create a feeling of lack of trust among the team, but reversely, giving up all responsibility may instead cause frustration and failure. The leader has to clearly communicate the allowed discretion, which preferably reflects the experience and skill among the assignees. Also, it should be communicated why the task is delegated and the benefits for the individuals involved.

Furthermore, a reason for failure in delegation can be that the leaders have not been taught steps on how to delegate effectively (Turregano, 2013). It is not because of a lack of understanding of company visions, goals or strategy, or a failure to realize the need for a task that leaders stop short of delegation – rather, it is due to a lack of knowledge on when to let team members take on projects that they are capable of handling. They struggle to explore new perspectives, and therefore lack understanding on when to increase the complexity of the projects and which individuals who can cope with it. Some leaders, who have not learned to delegate, may experience being disliked and overworked, on a path to derailment, and seen as someone who micromanages things and does not trust other team members.

Overcoming these difficulties is, to some degree, about being aware of the disadvantages of delegation, and to make sure that the advantages outweigh them (Armstrong, 2013). In order to be able to properly delegate, the leaders need to understand the delegation process, when and what to delegate, how to decide to whom to delegate, how to hand out the work, and how to monitor performance.

6.3.4. The Process of Delegating

An essential step in the development of the firm is for most founders to leave day-to-day operations to managers, who can manage and keep the operations in line with agreed budgets, policies, plans and priorities. It is important that the role of directors is clearly delineated and that a distinction is drawn between strategic decision making and management of routine operational issues. The directors' job should be to set the strategic direction of the firm, as well as taking responsibility for the financial side of the business and other resources. So instead of fixing things themselves, the directors exercise their functions through managers, whose role is to implement coordinated actions. The directors also have the task of holding and communicating the vision for the firm, and to engage the motivation and understanding of the managers so that all resources are aligned with the strategic plan and purpose (Wilson & Bates, 2003).

Senter and Cadman (2003) illustrate the process of delegation as is seen in Figure 17. The process is divided into two parts: the preparation of delegation, and the carrying out of delegation. In the preparatory phase, managers look at the overall work of the undertaking, and the competence, needs and workload of subordinates. They then have to make a decision on what activities, tasks and duties that can be delegated, and to whom these should be delegated.

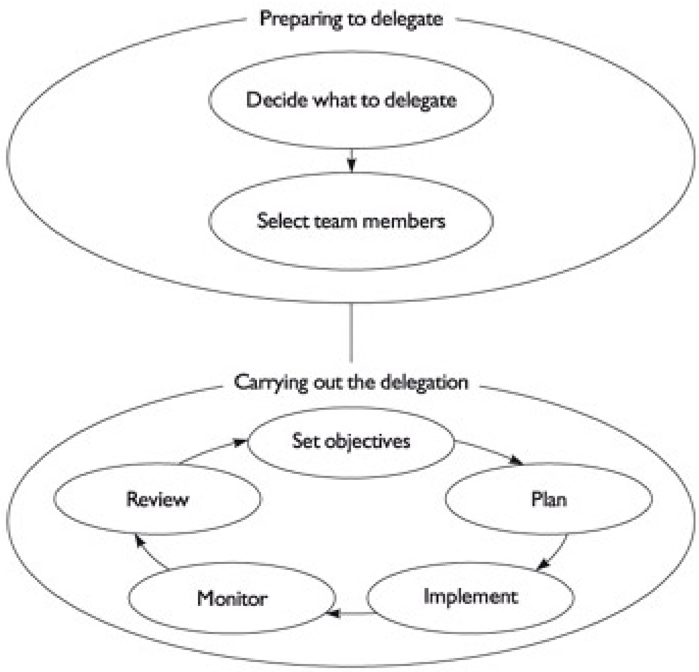

Figure 17. The two phases of the delegation process (Senter & Cadman, 2003).

In the carrying-out phase, the managers must first set objectives of what is expected from the assignee. Then a plan of the delegation must be created, detailing how appropriate resources should be allocated, how the process should be monitored, and an agreement on the process and future milestones. Following this, the leader must take a backseat, providing support and agreed-upon control while the team does all the work. At this stage, the leader has to monitor the process, making sure that everything is going according to plan. The final step starts as the delegated task is completed, and the manager has to review the work together with the team, evaluating and giving feedback on what went well and what needs to be improved next time.

Prerequisites for Delegation

In order to be able to let go of day-to-day tasks, the firm needs to have an environment which makes it safe to delegate responsibility. Several things are called for in order to achieve such an environment (Wilson & Bates, 2003):

- The roles at the top of the firm are modified to allow for a separation of the functions of the directors from those of the operational managers.
- There is clear communication and definition of what is expected from managers in terms of performance.
- Managers are able to contribute effectively and utilize resources without higher approval, through structured processes like budgeting and planning, with clear limitations on authority.
- Individuals must be found to fill these new management roles, either through internal development or recruiting.

Furthermore, when work is delegated, it is important that the concerned team understands the purpose of the work, what each member is expected to do, the date they are expected to deliver, what results they are expected to achieve, what kind of authority they have, the problems that must be referred back, the progress reports that must be submitted, and the support and guidance that is available to them (Armstrong, 2013).

When to Delegate

According to Armstrong (2013), there exist five criteria for when leaders should delegate work:

1. There is more work than they can carry out by themselves
2. They cannot devote enough time to prioritized tasks
3. There is a desire to develop a member of the team
4. There is a belief that it would increase the work engagement among the team members
5. They think that the work can be carried out adequately by the team or individual

What to Delegate

Leaders should delegate tasks that they do not need to carry out themselves, and not only get rid of unrewarding and difficult tasks or simply try to give themselves an easier life. Instead, routine tasks that cannot be expected to be done by the leaders should be delegated, in order to gain productivity (Armstrong, 2013). This can be specialist tasks to individuals who have the knowledge and skill to carry them out. The leader cannot be expected to know everything, and therefore has to be able to use and select expertise. Using others' expertise will cause no problems as long as it is clearly communicated what is expected of the experts and that they are asked to present it to the leader in a usable way.

Whom to Delegate to

It is the leaders' job to know the people working for them – their strengths and weaknesses – so that work can be delegated to individuals who have the knowledge, skills, motivation, time and experience to carry out the work in a satisfactory way (Armstrong, 2013). If the purpose is also to develop people, leaders should not delegate work to the person with the ideal experience, but rather someone with a capability and desire to learn to conduct the work without guidance. Also, the leaders should look for people they can trust in order to avoid over-supervision and create a belief that they will come to the leaders when struggling. Naturally, it is important that the leaders ensure that they offer guidance and support when needed. Initially, there may be a need for coaching the individual who is starting on an unfamiliar work task in order to improve or develop new skills. It can, however, be difficult to know who to trust. Therefore, people can be given smaller and less important tasks as a trial, as an opportunity for them to demonstrate how they handle them. The leader may start by supervising them closely, progressively letting them go until they are working on their own. If they manage to do this well, their judgment and sense of responsibility will increase, and they will gain the additional confidence to take on more demanding tasks.

6.4. Revisiting Framework

The theoretical framework presents relevant concepts from the literature that together with findings from expert interviews will be used in order to analyze and answer the research questions. The main intent of the theory is to explain the different concepts by summarizing previous research regarding organizational design, communication and delegation. Although some parts of the theory may be less important in relation to the research questions, they will still act as a base for understanding of the entire phenomena. It is also important to keep in mind that even though the concepts are presented and divided into three subchapters, they are often related; one determined organizational design can influence the possible extent of communication and delegation.

Firstly, based on the list of criteria developed by Flamholtz and Randle (2000) as presented in the *Organizational Design* subchapter, a set of questions will be developed in the *Analysis and Recommendations* chapter in order to help analyze how well the company's organizational structure suits its purposes. In organizational design, the simple structure is described by Mintzberg (1981) as a unit consisting of one or a few managers and a number of operators, and is characterized by small managerial hierarchy, loose division of labor, minimal differentiation between units and seldom standardized or formalized organizational behavior. Given the young age and small size of the company under study, the simple structure configuration is the organizational type to which the company's structure will be related.

Communication is about the transfer of meaning and occurs when a receiver understands a subject the way the sender intended. Channels of communication – which are often determined by the organizational structure – can either be horizontal or vertical. Horizontal communication takes place between members at the same hierarchical level, whereas vertical communication can either be upwards or downwards between managers and subordinates. Regardless, communication is essential for the efficiency and performance of the organization. The *Analysis and Recommendations* chapter will therefore also propose seven ways in which the company may improve its internal communication.

The chapter will also describe how the company may prepare, carry out and evaluate its delegation of tasks. Delegation is important for fast-growing companies as well, as leaders need to dedicate their time to what generates the greatest return. It is defined as the transfer of authority to other members and decentralization of competences to relevant units. By being able to delegate effectively, innovation, communication and creativity within the organization increases. For that to occur, the organization needs an environment which makes it safe to delegate authority and responsibility.

7. Analysis and Recommendations

This chapter will systematically go through the company problems described in the *Identified Company Problems* chapter, applying the theory presented in the subsequent chapter, as well as providing insight obtained from expert interviews tailored to the company's context, in order to help the organization towards implementing possible solutions. The identified problems were as follows:

1. Management overwhelmed by workload
2. No clear function- or project manager
3. Risk of fallout from conflicts
4. Unreasonable compensation structure
5. Issues not discussed and resolved
6. Loose employee roles
7. New activities not shared with employees
8. Lack of community interaction guidelines
9. Experimentation discouraged in practice
10. Scheduling discrepancy between producers and editors

These problems are not unique. Even though the company is operating in a not-so-explored industry, the problems they experience are common for growing companies within any industry, as confirmed by literature and interviews with experts. It is common for there to be a lack of communication and leadership in a company, or for the founders to be involved in and perform many organizational activities, or for the MD to have a feeling of unawareness of how to best run the organization. According to Sjölander (2014), this particular case appears similar to any other startup that has experienced some level of success; if the company is not successful, it will not afford to hire new people and experience the challenges that follow. A startup cannot be expected to possess the knowledge on all parts and activities needed to effectively run a company. It is common that the company is rather disorganized, and it is often the case that the entrepreneurs are not the most suitable managers. Instead, they are typically skilled at developing the company's products or services – without which the whole organization would fail.

However, unlike what was predicted by literature and expert interviewees, the company has not been forced to actually solve these typical problems in order to survive – possibly due to its high and early revenue streams. Instead, due to its financial success, the organization has been able to apply a more ad hoc decision system which has not yet solved their most fundamental challenges. Although it may be considered a relatively convenient situation compared to companies operating on the brink of financial failure (Sjölander, 2014), it does leave the organization with a host of unsolved challenges. Hansson (2014) argues that it is important that all or most members of the organization sit down, determine what the company's most critical issues are, and work on them together. They may bring up issues and agree on goals for developing the organization and improving its performance. This sort of collaboration and communication makes it easier for the whole organization to move in the same direction and open up for positive changes. The most challenging part of such a process may be to follow up on the intended changes and ensure that the organization does not fall back into old processes.

While the *Identified Company Problems* chapter contributed to such a development process by identifying, ranking and presenting a set of problems that the company is facing today, the following sections will further aid the process by providing insights and recommendations from literature and experts. The chapter will be concluded with a presentation of a possible future organizational structure, which incorporates many of the recommended changes given in the preceding analysis of the company.

1) Management overwhelmed by workload

The managers at the company are currently unable to manage all the organization's functions and projects to an optimal degree. Certain projects are left unsupervised and delayed, and managers lack the time to invest in long-sighted activities. This negatively affects the company's overall effectiveness and the employees' motivation. Little (2005) writes that a successful manager should be able to go on vacation, while remaining confident that the organization will fully operate without him. So far, this has not been the case for the company under study, as the MD has not had the confidence to leave on vacation for the past several years. Within the company, there appears to be a greater concern for creative individuals losing their motivation to create content and thereby put the company's revenue streams at risk. However, there should be a perhaps even greater concern for the MD's motivation and health, as any such issues could have an even greater impact on the company's operations.

Following Mintzberg's (1980) types of organizational structures, the company is currently operating with a 'simple structure' – a structure common in almost all organizations at the early stages of development. As can be seen in the *Organizational Design* subchapter, this structure is a flat hierarchy consisting of one top manager who is involved in organizational activities, with the remaining individuals at the company placed beneath him in the hierarchy. In this structure, the top manager can ensure that all activities at the company are coordinated and meet the purposes of the organization. However, the structure is limited by the manager's capability to process information. As the organization grows in terms of size and task complexity, so increases the level and transfer of information, and the manager risks becoming overloaded and unable to cope with the high demands that follow. This seems to be what has taken place at the company, with management becoming overwhelmed by their workload.

As mentioned in the *Identified Company Problems* chapter, this problem is considered to be the most critical issue faced by the company today. In order to help the company adapt to its new conditions and resolve this issue, the analysis of the problem is broken down into three aspects from which it will be analyzed and recommendations provided: organizational design, communication, and delegation. This corresponds to the three sections of theory that were presented in *Theory* chapter, and it is intended to provide a wholesome analysis of the problem at hand, when coupled with the conducted expert interviews.

Organizational design

As the organization has grown, it has met its needs by adding functions and roles bit-by-bit. If the company does not properly define its structure, it runs the risk of developing an ad hoc character that permeates the whole organization. At this stage, the company may benefit from reviewing its organization and developing a more conscious structure. Flamholtz and Randle (2000) present various criteria that management may consider in order to ensure that the organization's structure is well-suited to fulfill its purpose. By asking itself the following questions, the organization may compare and improve their organizational structure to better fulfill its purpose.

1. *How well does the structure support the organizational strategy?*

As stated by Flamholtz and Randle (2000), organizations hold certain key objectives and missions that they strive to fulfill. The structure of the organization should be evaluated as to how well it supports the achievement of said goals and missions.

The studied company's primary goal is to become a video production company, taking in promising YouTubers, promoting them, producing and marketing their videos, and helping them grow. The company's current structure has emerged in order to facilitate this. However, as the company has grown in size and scope, its structure has become obsolete and lacking. There is most likely a significant drainage taking place, of resources that could have been used for new investments or saved for more challenging times, particularly in such a dynamic industry. Moreover, Hansson (2014) states that as an organization transitions from a hobby activity into a company with employees and various stakeholders, it is important that management adapts and acts accordingly. It may be possible to find a balance between the flexibility and creativity of a startup, while applying the structure needed to run a larger organization, in order to retain employees and ensure that they are content.

2. *How much value does each role and function add? Are new roles or functions needed to better support the goals?*

Organizations must evaluate whether their current functions and roles are optimal in helping the organization fulfill its goals. Perhaps certain functions have become obsolete and contribute no value, or perhaps new job roles are needed in order to meet goals effectively (Flamholtz & Randle, 2000). Also, there may be room for improvement in clarifying the job descriptions in the organizations, and how well these roles and descriptions match what employees do in reality.

With video production being considered the key result area for the organization under study, all of its current organizational functions are essential; none can be deemed obsolete. However, the operations of these functions have become obsolete following the rapid growth of the organization. There appears to be a lacking overview and communication of what the staff is working on, what their priorities should be, and what their capacity is. Thus, a well-defined function manager role could help facilitate the company's video production goals.

Most organizations tend to have some kind of strategic apex. This, however, is not really the case for the company under study. The company's strategy is not well-developed and there exists no apparent strategic role. It is primarily the MD, and to some extent the VMD, who sets the strategy. However, these two are preoccupied with other areas of responsibility due to the organization's current simple structure. The company seems to neglect the importance of having separate roles for strategy, instead leaving several roles intertwined. Therefore, there is a larger focus on short-term projects and goals, whereas mid-term and long-term goals are down-prioritized and neglected. Although an individual was hired and initially took on mid-term tasks as an analyst, and was very useful during that time, he was eventually moved into a more generic management role in order to take burden off the MD and VMD.

For the sake of the effectiveness and sustainability of the company, it is important that the company now identifies certain roles, fills these roles, and makes sure there are clear boundaries of responsibilities.

Hansson (2014) further stresses the importance of strategy, pointing out that although the company does not have a board of directors to turn to – which is not a necessity – it is important to define more long-term strategies on, for instance, how to compete within the coming business year, in order to create a more long-term focus and improve the sustainability of the business. This also makes it easier to engage the whole organization in a certain direction: if things occur without anyone knowing why, where, how or when, it is going to be difficult to persuade everyone to work together in the same direction (ibid.). It is important that visions and goals are written down and communicated throughout the company. Shared goals and visions are likely to make employees feel a stronger connection to the organization and its purpose, increasing their motivation and efficiency in contributing to these goals.

3. *Is there an appropriate span of control within the organization, which effectively facilitates the achievement of its goals?*

This question relates to the number of employees that report to a specific manager. A greater span of control means that one manager is responsible for a greater number of employees. This entails lower costs of supervision (Bhattacharyya, 2009). However, only a limited number of employees can be supervised by a single manager, before they begin to perform inefficiently. According to Flamholtz and Randle (2000), it is traditionally suggested that a manager should have 3-9 people reporting to him.

Conversely, as stated by Bhattacharyya (2009), employees should have only one superior, from whom they receive orders and to whom they are responsible. Although it is possible to carry out orders and follow directions given by multiple superiors, it causes confusion and makes it harder to achieve common goals. Furthermore, Sjölander (2014) points out that it is not only important that the number of superiors is kept as low as possible, but that the number of hierarchical levels is minimized as well. This is in order to avoid needless bureaucracy and losses in communication between the MD and the staff. There often tends to be an overbelief in the usefulness of managers (ibid.). Their role should simply be to ensure that the employees know what to work on, and do so smoothly.

4. *To what degree do those in technical and management positions possess the skills needed to be effective?*

As highlighted by Flamholtz and Randle (2000), the company must first determine what skills are needed for a specific position, and then assess how well the current position holder matches that skill set. For any position where they find a lacking skill set, the employee in question may be provided with training, or be replaced by a more suitable person. It may be important to not only consider the current skills that are needed in the company, but to try to account for skills that may become relevant in the next 4-5 years. For example, as the company's business side grows in size and complexity, it is likely that some sort of dedicated financial role is necessary to handle financial planning and other typical financial duties at the company.

5. *Are the necessary supporting systems in place in order to ensure that the chosen structure functions effectively?*

Flamholtz and Randle (2000) stress that any organizational structure requires support in the form of planning processes, control systems, company cultures, management development processes, and so on. Thus, when designing a new structure, it is essential to ensure that the necessary structures, systems and processes are in place. For instance, this could include a schedule for regular meetings, a set of guidelines for social media behavior, or software for task delegation and prioritization. It is important that the company under study discusses and develops these support systems in order for their intended structure to function optimally.

Communication

In the *Communication* theory subchapter, it was established that effective communication is crucial to the success of today's organizations, with benefits including: increased productivity, higher quality of products, increased levels of innovation, reduced costs and reduced absenteeism (Clampitt & Downs, 1993). However, there are many different aspects to improving an organization's internal communication. This section will propose and describe 7 ways in which the company under study may improve its internal communication, affecting its performance in various ways.

1. *Appoint effective communicators as supervisors of the operational core*

The operational core of the company consists of animators, artists, video editors and video producers. As the managers are currently having difficulties coordinating and communicating efficiently with these employees, they could benefit from appointing one or several dedicated supervisors to these operational functions. Following the work of Tourish and Hargie (2004), it is important that these supervisors are good communicators, possessing several related qualities: they regularly schedule meetings with their employees and exchange information; they deliver performance feedback to their employees in a sensitive manner; they listen to their employees' concerns and quickly respond to them; they inform their employees of what is going on in the company; and they take a personal interest in their lives.

In order for a supervisor to fulfill these qualities, the superior managers at the company must routinely and swiftly provide them with the information that is to be passed on to their employees (Tourish & Hargie, 2004). Furthermore, in order to help the supervisors develop these qualities, it may be helpful to provide them with the possibility of professional training in communication.

2. *Regularly and systematically gather the views of the employees (upward communication)*

According to Wickenberg (2014), work overload and poor task prioritization often occurs due to a lack of communication. It is important to note that communication is not only about what is shared from manager to subordinate, but also what is sent from subordinate to manager. Harris (2002) points out that very few managers would claim that they dislike hearing from their subordinates, whether it's about issues in their work activities, suggestions, status updates, or feelings concerning their job. This kind of communication is essential in building a positive work environment with improved decision-making, participation, organizational learning, and conflict resolution (Tourish & Hargie, 2004).

So when a problem occurs within an organization, Wickenberg (2014) highlights the importance of questioning whether or not upward communication was taking place. When a project failed to deliver, were the subordinates aware that the deadline would be hard to meet? If so, why was this not communicated to the managers as early as possible, to allow for preventative measures? In a well-functioning organization, the manager should be able to create a relaxed relationship with subordinates – through his own behavior and signals – where subordinates feel comfortable in sharing information and discussing the project status and outcome (ibid.). Tourish and Hargie (2004) identify that if the company's employees feel that their opinions are welcomed by management and their peers, they are more likely to express and discuss such opinions and views. Doing so not only makes the employees feel more strongly connected to the company, but it also leads to improvements and better decision-making, and ensures that dissent is not left to fester into resentment and animosity. In fact, studies show that managers are viewed more favorably when they solicit and accept negative feedback (ibid.). Therefore, it would be beneficial for the managers to actively encourage the exchange of opinions, for example through regular individual or group meetings.

In order to improve upward communication, it is necessary to consider what barriers might be in the way of such communication taking place. Firstly, as stated by Tourish and Hargie (2004), one must recognize that negative feedback can be personally upsetting, and that most managers therefore have some sort of internal resistance towards seeking it. Any organizational member could fear that scrutiny and public criticism will tarnish his public image. It may be considered a sign of weakness, exposing the seeker as incompetent. However, both managers and employees are more comfortable in seeking feedback once their peers are already doing so (Harris, 2002). This means that managers could try to instil a more open feedback-seeking culture by doing so themselves, while encouraging others to do the same. Secondly, once a piece of communication has been received by management, it must be shown that it was not for nothing (Tourish & Hargie, 2004). That is, the target must show that he is receptive to it and willing to give feedback on it. Otherwise, the employees will not develop a belief in the system (Harris, 2002). Lastly, Harris (2002) noticed that if an employee raises a problem that needs to be solved, managers should avoid the "you raised it, you solve it" mentality. Doing so could discourage employees from bringing up issues in the future, in fear of having to resolve them as well. Therefore, there should be no connection between who raises the issue, and who is assigned to solve it.

3. *Share information widely with employees (downward communication)*

Companies with good communication between management and staff were shown to experience comparatively high employee retention, satisfaction and profitability (Tourish & Hargie, 2004). Employees are likely to appreciate an atmosphere where downward communication along the hierarchy is encouraged. It is human nature to seek information, and employees may feel rejected and excluded if they are kept in the dark. The more secrets are kept from them, the less they trust what managers tell them. Thus, consistent with Harris (2002), the company under study may benefit from not only communicating job instructions and explanations, but also sharing information with them, gaining their trust, involving them in decisions, showing that their opinions matter, caring for them, recognizing good performance, and generally making them feel part of the organization.

As several studies have shown, there is a large discrepancy between 'what managers think motivate employees' and 'what employees themselves consider motivating' (Kramer, 2001; Kovach, 1995). In line with that, it is possible that the management of this company prioritizes things like 'good wages' very highly, while severely underestimating the importance of 'feeling of being in on things' and 'full appreciation of work done' – two factors that were consistently shown to be among the most important motivators for employees.

4. Facilitate communication within staff (horizontal communication)

In the company that is under study, horizontal communication could take place between members of the operational staff, in order to solve problems, share information, coordinate tasks, build rapport and resolve conflicts. This kind of cooperation may, according to Harris (2002), help the organization get work done more efficiently and with greater employee satisfaction, as issues are resolved on the same level that they appear.

Although employees neither can nor need to have an understanding of what everyone else is doing at the time, there are processes that can be implemented in order to improve communication and general understanding of what is going on within the company. One example can be found in newspaper offices, where shared 30-minute meetings are held in order for employees to inform each other on what they are up to (Sjölander, 2014). This gives an opportunity for the manager to give input on the content of the newspaper. The structure of that day's paper is decided during that half hour, and all relevant employees are made aware of it.

Another example presented by Sjölander (2014) is found in Scania – a vehicle manufacturer – where many projects and subprojects need to be properly coordinated. There, a morning meeting is held once a week, where all subproject leaders are present with their own project goals in mind. During the meeting, a signaling system is used to indicate the status of each project: If a green flag is showed by the leader, the project is running around without the need for any assistance. However, a yellow flag would indicate that problems might soon arise, while a red flag states that the project has currently run into issues and is in need of assistance. Each leader may highlight the project's main challenges, so that they can receive outside help and input, and possibly lend people from projects that can afford to spare them. All relevant employees are expected to show up for the meeting, and the meeting itself should take no longer than the predetermined time.

5. Provide communication training for staff

Although certain individuals are more skilled than others when it comes to communication, all employees can still improve their communication skills if given suitable training. This principle is often denied or forgotten by management (Hartley & Bruckham, 2000), but studies have shown that employees often wish to receive formal training in relevant communication skills, as well as have their managers trained in how to effectively handle their communication (Tourish & Hargie, 2004). Such training has been proven to be effective in a wide variety of contexts, and could prove beneficial to this company as well.

6. *Communicate face-to-face*

Although various technologies have become increasingly common in organizational communication – especially in the environment in which this company operates – employees generally still prefer regular face-to-face interactions (Tourish & Hargie, 2004). They do realize the efficiency of communication through technology, and that their managers are not always able to provide them with face-to-face communication. However, it is still important for managers to try to maximize their level of face-to-face interactions, as it exercises more motivation and influence over the staff, compared to less personal means of communication.

7. *Management must accept fundamental responsibility for communication*

Lastly, it is important that management accepts that they are fundamentally responsible for the quality of communication within the company (Hartley & Bruckham, 2000). It may ask how much each manager is committed to improving communication within his area of responsibility. If managers do not commit and take responsibility for the internal communication of the organization, it is likely that no one will.

Delegation

When it comes to the development of an organization, studies show that the owner's willingness to delegate decisions is one of the most critical thresholds to growth (Smallbone & Wyer, 2006). However, delegation can be very difficult for entrepreneurs who have nurtured the organization from birth, and made huge personal and financial investments into it – as is the case for the founder of the company under study. Although all parts of the company likely view the founder as having special authority and being the ultimate decision maker, there comes a time when his concentrated control and power restricts the firm's growth (Wilson & Bates, 2003; Hansson, 2014). It has become impossible for the leader to personally supervise all parts of the company, forcing him to increasingly delegate tasks and operations (Solymossy, 2009). Not doing so sufficiently can lead to a slew of operational issues, overwhelm management, hold back productivity and innovation, and hinder the personal development of employees seeking increased responsibilities (Turregano, 2013; Senter & Cadman, 2003).

Hansson (2014) points out that this challenge is especially prevalent if the founder has grown into a management position without any managerial education or experience to fall back on. In this case, it could be helpful to gain some leadership education in order to develop the leadership role of the MD, so that he can release the control of details on a very operative level and instead create systems where he can trust others to do what he would consider to be best. The MD may also receive necessary help from a professional coach or mentor – a senior individual with more experience of situations like these. This person does not have to be an expert within the industry, but merely someone who can help the leaders' personal development.

1. *Preparatory phase*

First, as suggested by Senter and Cadman (2003) and Armstrong (2013), the managers at the company must look at the competence, needs and workload of their employees, in order to decide what activities, tasks and duties that should be delegated to each of them. It is their responsibility to have knowledge of the people working under them – their strengths and weaknesses – so that they may delegate work to individuals with the appropriate skill, motivation, knowledge, time and experience. The managers must also strike a balance between control and autonomy. Although they risk causing frustration and failure if they hand off too much responsibility to an employee, that person might feel that he is not trusted by managers if there is too little responsibility delegated to him (Turregano, 2013).

Delegation is not only about sporadically unloading tasks and activities off the MD. Rather, the MD must actively delegate work and fully leave responsibility in the hands of others. Although the MD might not trust that the delegated work will be performed to the same high standard as before, Sjölander (2014) claim that he or she must trust that the person to whom the work was delegated will learn from possible mistakes, and improve. The MD must give subordinates the possibility to learn, and if necessary, give feedback on their performances and mistakes.

2. *Carrying-out phase*

Secondly, following the suggestions of Senter and Cadman (2003) the managers must make it clear what they expect from the assigned employee, agreeing on milestones and deciding how they will be monitoring the process. After this, Armstrong (2013) argues that the managers may take a back-seat while the work is being carried out by the assignee, monitoring the project and providing support when needed. The managers can hold a so-called helicopter perspective (Hansson, 2014), where they hover above the organization with a full overview of the projects, but briefly lower down on an operational level when needed. It is essential to have this kind of overview of the organization, while still being able to refrain from excessively micromanaging tasks and activities.

Furthermore, Hansson (2014) confirms that if the organization has a low number of employees, it is possible for managers to decrease control and implement a helicopter approach without adding hierarchical levels to the organization. However, it is important that the employees are well aware of what is going on within the organization. If employees have knowledge of what is happening within different projects, deliverables and developments in the organization, it will become easier for managers to decrease micromanagement and coordination, knowing that the employees are able to self-coordinate and communicate with any relevant colleagues.

3. *Evaluation phase*

Lastly, when the delegated task is completed, it is important that the managers review the result together with the team, evaluating what went well and what could be improved next time (Senter & Cadman, 2003). Mistakes can happen and should be tolerated, but it should, according to Hansson (2014) not be tolerated to make the same mistake twice. Thus, it is important to have some kind of system in place for how to recognize, follow up and support these things. A mistake or failure can occur for several reasons: perhaps there was not enough support given by the managers, or the instructions were not clear enough, or the assignee lacked the knowledge or motivation to carry out the task successfully.

2) Poor authoritative distinction

The company does not always have one distinct manager dedicated to a specific function or project. Rather, project leaders have had their assigned authority undermined and taken over by projects members, and the MD has regularly and unsystematically overridden the VMD's decisions and feedback. This has ultimately caused delays, inefficiency, stress, frustration and lowered motivation. Now that more General Managers have been added in order to relieve the MD and VMD, it is essential that authorities and responsibilities are appropriately distinguished between them.

Both Hansson (2014) and Sjölander (2014) stress that within any project or function that includes a leadership position, it is essential that there is one clear and distinct leader filling that position. Although organizational charts may have been developed for the project or function, they might not be in line with reality (Flamholtz & Randle, 2000). If, for instance, a junior employee is assigned as the project leader, that person has to truly be in charge of the project. If other individuals have deviant opinions on certain subjects or decisions, Wickenberg (2014) claims that it should be the project leader who has the final saying in the matter. The leader's stance should be accepted by the project group, and any blame or criticism should only be given in hindsight – not behind the leader's back. This way, the assigned project leader is given a chance to develop and grow, especially if that person is able to sit down with the MD and have a discussion regarding the project, its process, problems and final outcome.

In order for this distinction of authority to take place, it is required that the persons in charge relinquish power. Thus, similar to the issue of 'management overwhelmed by workload', this challenge, too, is dependent upon the managers' ability to delegate responsibilities. Subsequently, the same recommendations apply: the managers must actively take steps to prepare, carry out and evaluate delegation. It must be decided and clarified who is responsible for a certain function or project, and the MD and VMD must not only put trust in their employees to succeed, but also allow them to fail – and learn. They must enforce the role of their assigned leaders, ensuring that they have the knowledge, information, authority and support needed to succeed.

3) Risk of fallout from conflicts

Management is currently reluctant and afraid of firing employees, resulting in unsuitable individuals draining company resources. The reason behind this reluctance is a fear of potential fallout, in the form of leaked information and public argumentation through social media.

When managers encounter an employee who is not contributing sufficiently to the organization, they must be able to confront the situation and make demands, and be willing to get rid of the person if needed (Hansson, 2014). Both managers and their subordinates must realize that they are part of a business – not a hobby or charity organization. However, there are also preventative measures that could be taken in order to minimize the risk of fallout from confrontations. Sjölander (2014) suggests the company to increase its juridical competence through the use of lawyers, who can shape standard deals with partners and employees in order to safeguard against backlash in case of conflict. Additionally, as introduced by Tourish and Hargie (2004), the negative impact of sensitive decisions can be minimized through communication: employees are likely to be more sympathetic and feel less deprived if they were part of the decision-making process, and had decisions properly communicated to them, and an opportunity to ask questions concerning it. Therefore, it would be wise for management to include employees in decision-making to a reasonable extent, and communicate and discuss decisions with them properly.

4) Unreasonable compensation structure

Management is currently unsure of how to consistently handle the compensation of employees, freelancers and YouTube partners when it comes to questions on how high their salaries should be, how much of the video revenues they should keep, and whether or not they should be given an ownership share of the company.

With the current compensation system, where there is no compensation from partner to company, the company is taking the complete risk of the endeavor. It is, according to Sjölander (2014), a good system as long as it works, but when the end result does not pay off, it entails great losses for the company. The company's success becomes reliant upon an ability to identify high-potential partners on a seemingly loose foundation. There is possibly a need for management to solidify that foundation, and become more selective and explicit in its selection criteria.

Furthermore, seemingly all partnered channels are given the opportunity of becoming strongly integrated into the company's organization and brand. This presumably makes it very hard to separate a partner from the company, should that be considered the most economically sound decision. Thus, it is not only important that partners are carefully chosen, but perhaps management should also explore possible ways of ensuring that partners can be easily disconnected from the company, should the need arise.

Ultimately, the issue of compensation can be rather sensitive, and any proposed compensation structure must be in line with the values, principles and long-term goals of the organization. Therefore, no outsiders will be able to provide a finished solution to it. It is rather something that must be discussed internally with the assistance of persons knowledgeable in the economic and juridical aspects of the partnerships and employments.

In general, there is likely a need to have someone handling the economical part of the organization – someone very skilled in this area, creating some sort of economic report structure so that the MD does not have to spend time on it (Sjölander, 2014). When it comes to the juridical aspect, Sjölander (2014) states that a juridical administration is important when signing deals with, for instance, partners and employees. Otherwise, there is always a risk of poor deals significantly draining company resources. One may turn a lawyer who is knowledgeable in this area, making sure to create some standard deal for partners, distributors, and so on.

5) Issues not discussed and resolved

It has occurred that concerns among employees have not been brought up and resolved, but rather been left to grow into resentment and unhappiness. This kind of unresolved dissatisfaction not only risks erupting into unhealthy conflicts, but it is also a lost opportunity for feedback and improvement. It might be interesting to ask why concerns are not always brought up at the company – be it upwards or downwards in the company's hierarchy. Perhaps employees feel that their managers are preoccupied, and that non-critical concerns and discontentment are not worthy of higher prioritization. It may also be the case that the leaders of the organization have not managed to create an environment in which employees are comfortable in conveying criticism or bringing up challenges and concerns to superiors.

Whatever the case may be, it is argued by Tourish and Hargie (2004) that open-door policies and upward communication hold significant benefits to an organization, helping it outperform rivals in terms of employee performance and satisfaction. In a well-functioning organization, Wickenberg (2014) states that the managers should be able to create a relaxed relationship with subordinates – through their own behavior and signals – where subordinates feel comfortable in sharing information and discussing the project status and outcome. The managers should show that they care for their employees, and that their opinions matter (Tourish & Hargie, 2004). A high degree of openness and encouragement from the MD could have an especially strong impact on the culture of the company under study, as employees hold him and his achievements in high regards.

6) Loose employee roles

As management has often not confined employees within predefined roles, it has occurred that employees drift away from the responsibilities for which they were brought on, moving onto activities that better catch their interest. This has left management with empty positions that need to be refilled, causing them frustration and forcing them to recruit new employees. It also means that the organization is left with employees whose de facto roles are not in line with an intentional strategy from management.

As is understandable for any start-up, many of the recruitments made in this company were through friendships – people who the managers thought would be suitable for certain roles. However, as the company has grown and become more of a business, it has become increasingly important for the managers to move away from employing easily accessible acquaintances. It is important to be careful and realize that new employments entail large costs in time and money, warranting high expectations on the person's level of productivity, and a commitment to the role for which he was brought on. This may include searching for potential employees with a higher degree of relevant experience, who are outside of the company's current familiar networks.

7) New activities not shared with employees

Often, a new project is not announced to a certain employee until that person is needed in its execution. These employees often find out about things last-second, and are therefore forced to quickly adapt their schedules. Furthermore, they are thus unable to contribute to the earlier stages of the project, and might feel that their competence was not fully utilized. In general, much information is only shared sporadically through lunchroom conversation and office discussions. This causes some employees to feel out-of-the-loop and disconnected from the organization, which results in decreased motivation and possible frustration.

It is generally very important for employees to feel informed about the on-goings of the organization, as it is part of human nature to seek such information. Studies have ranked 'being in on things' as the second or third single most important job motivator, beating out factors such as 'good wages' and 'good working conditions', despite employers believing it to be the least motivating factor in the studies (Kramer, 2001; Kovach, 1995). So although the company managers might not see any direct benefits to sharing information and projects with their employees, doing so could significantly improve satisfaction and motivation among their employees. It may also allow employees to more freely contribute their competence to the initial stages of a project, and reschedule their tasks accordingly. Lastly, it has been shown that organizational members become more understanding to sensitive decisions if they felt that they were part of the proceedings (Tourish & Hargie, 2004).

8) Lack of community interaction guidelines

The company has a strong social media presence, with many fans. Yet, there is no outspoken consensus on how the organizational members should act with that in mind. Do employees know what internal information must be kept confidential? Do they know whether or not they may share personal tragedies through public channels? Do they understand the importance of not airing conflicts in public? Is there some shared understanding of what level of profanity that is acceptable through public channels?

These are questions that management must resolve. Failing to do so could result in internal conflicts, fan backlash, and brand damage. The managers can schedule meetings for these discussions to take place, talk through the issues and how everyone interprets them, and write down a code of conduct based on the discussions. Not only should the organizational members develop a similar stance on each subject, but that stance must be agreed upon and outspoken in order to take full effect. Therefore, all affected members must sit down and talk through each question, and develop a shared stance on them. This does not necessarily mean that all members believe each developed guideline to be the best, but it does mean that they agree to follow it.

9) Experimentation discouraged in practice

Any new and experimental artistic content must be approved by the managers. The approval or disapproval of the content typically takes place late in its development, meaning that a significant amount of time has been invested into it. Thus, if the content is disapproved and discarded, a significant amount of time has gone to waste. This might encourage employees to stay within safer artistic boundaries that are less likely to result in wasted resources and disappointment.

However, the employees have differing views on the appropriateness of such a system. Although the downsides to late-stage disapproval are apparent, it has also been argued that such is the nature of art work: one will always need approval from a superior, and at least in this company, the MD is regarded highly in terms of artistic taste. Perhaps this is not a problem that can be completely removed, but merely mitigated. Depending on the MD's future workload and role at the company, a way of mitigating this problem might be to establish a closer contact to the artists, so that he may deliver earlier and more consistent feedback. This could perhaps ensure that unsuitable projects are cut off as early as possible, and that the artists faster adopt the tastes of the MD.

10) Scheduling discrepancy between producers and editors

There is currently an issue of content creators operating under a culture that is different from that of the video editors and sound engineers. The content creators need to be able to work at any time they wish, in order to maintain creativity and be able to produce high-quality content. Based on interviews, however, the personnel in post-production, such as video editors, want to work following a more fixed schedule in order to improve efficiency and motivation. As it is often not clear when the editors will receive the content – and all necessary content is not always delivered simultaneously – it becomes hard for them to work efficiently and within predetermined working hours.

This is not an issue for which recommendations can be easily developed by external parties. Rather, it is perhaps necessary that the relevant internal parties, such as the video editors and video producers, sit down with a manager at the company, and discuss the problem and try to find a solution that improves the situation for the editors. This could for example include changed working hours for the editors, or stricter schedules for the video producers.

7.1. Structural Recommendations

It is essential to keep in mind that this is still a relatively young and small organization. As confirmed by Hansson (2014), it should not be organized with unnecessary hierarchy and strictness, as if it were a larger company – something that is always a risk when too many traditional-minded people get involved in its development. Instead, it is important to exploit the benefits of being a young company and the fact that the organization has grown to it its current size, with an established brand, market position and ability to attract interesting people. However, it must be pointed out that this is no longer a leisure or hobby activity. It is a company and must act accordingly, since top management holds a responsibility towards the stakeholders, such as the employees. Thus, it is important to find a balance between a startup's ability to act rapidly, and be flexible and creative, and the structures and rules needed to be able to operate a larger organization.

The following sections will provide the company with six recommended changes to its roles and structure. These recommendations are based on the analyses presented in the preceding sections, and are thus intended to help solve the identified problems to which they relate – primarily the issue of management being overwhelmed by its duties. The recommendations are as follows:

1. Limit the Managing Director's responsibilities to art direction and strategy
2. Appoint an experienced Operations Director
3. If needed, appoint a Functional Manager in the production unit
4. Appoint liaisons between the company and its external projects
5. Appoint a Finance Director
6. Maintain dedicated analysts

With the implementation of the structural changes suggested in this section, the company develops a structure where no new activities are necessarily added, but the current activities are divided into more distinct roles. The resulting structure is illustrated in Figure 18, followed by the six recommendations that shaped it.

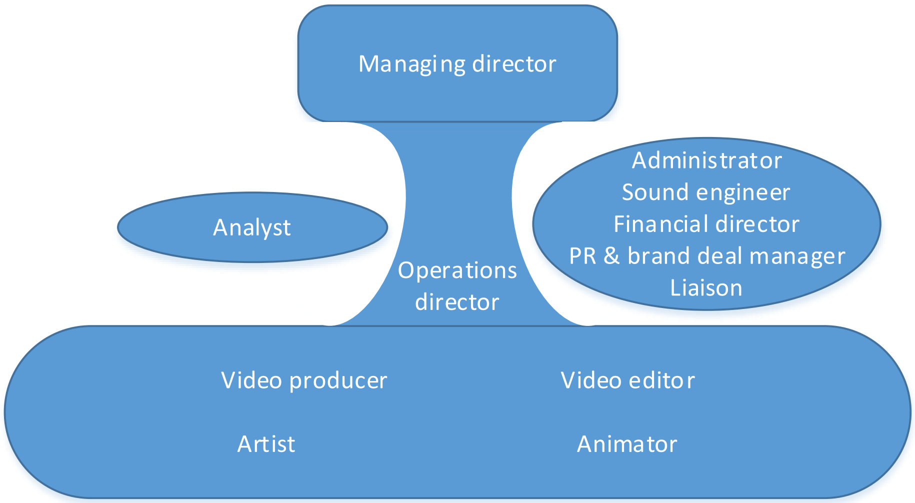

Figure 18. The suggested roles and structure of the company.

1. *Limit the Managing Director's responsibilities to art direction and strategy*

A startup often includes a few individuals progressing step by step without really considering how everything fits together. Hansson (2014) points out that these situations do not involve people who have been appointed their leadership positions due to their knowledge and competence in how to manage an organization; rather, the organizations have grown around them. This happens very often, and it must be considered whether these individuals can develop enough in the needed direction to fit the position as manager, or if they have reached their limit where they can continue to make the organization grow.

When it comes to the founder and current MD of the organization, it may be beneficial to transition him into another role at the company, in order for him to be personally satisfied and enable continued growth for the organization. The MD recognizes that he is overwhelmed and unable to efficiently handle the managerial side of the company, and has expressed a wish to move away from managerial responsibilities, only focusing on the more creative and casual aspects of the company. This is also where his strengths seem to lie: in his vision for the company and its values, as well as his creativity and artistic vision – rather than organization and management.

This does not necessarily mean that he steps down from his de facto role as the Managing Director of the company. Rather, his role can simply be narrowed down to only focus on setting the strategy and goals of the organization, taking part in high-level decision-making, and working as a director of art at the company. The latter entails making sure that the creativity and quality of the produced content follow a set of guidelines and ideas. According to Sjölander (2014), such directions can sometimes be explained and conveyed to others, but when they cannot, it is necessary to have a person like the MD, who performs regular check-ins and gives a 'go' or 'no go' on various content. After all, the company's business is very much about their viewers' watching experience, and the MD's skill in conveying a consistent and appealing experience is something that is hard to codify and teach others. It is therefore perhaps in this role that the MD may contribute optimally to the success and continued growth of the company.

2. *Appoint an experienced Operations Director*

In order for the current managers to be able to let go of some of their current duties, new roles must be created to handle the responsibilities being loaded off. As argued by both Sjölander (2014) and Hansson (2014), the organization could benefit greatly from appointing an experienced person dedicated to handling the daily operations of the company. This does not mean being involved in decisions, or being in charge of what is produced, but simply to optimize the process of producing content. This person could be the one giving out tasks to employees, organizing meetings, giving feedback and status updates to the MD, making sure that everyone is in the loop, and so on. The purpose is essentially to make sure that everyone can perform their job as efficiently as possible. This person would thus be taking over many of the managerial responsibilities that are currently dispersed throughout the company.

3. *If needed, appoint a Functional Manager in the production unit*

Depending on the size of the organization, the degree of coordination needed within it, the level of autonomy in its different functions, and various other factors, it is possible that an added level of management could prove necessary to handle the company's daily operations optimally. More specifically, a Functional Manager could be added as a layer between the operations director and the operational core of the company. This person would have knowledge of what everyone in the editing staff is doing, and be able to delegate different tasks and projects from the operations director. The manager could also gather information and questions from the staff, and bring them to the operations director or MD as needed. With a clear overview of the production process, the manager would know what everyone is working on and the possibilities and time available to bring in new projects.

However, as pointed out by Bhattacharyya (2009), it is important to maintain a minimal number of hierarchical levels in the company, as to avoid unnecessary bureaucracy and overly complex communication paths. It could perhaps be enough for someone in the production unit to expand his responsibilities and take on some kind of coordinative and communicative role, which includes running meetings, communicating with the operations director, scheduling activities and conveying feedback. This would ease the workload of the operations director, without introducing new hierarchical levels to the organization.

4. *Appoint liaisons between the company and its external projects*

The company continuously brings on new projects and collaborations that are of varying scope, and require varying levels of interaction and resources from the company's side. These projects are not always followed-through and managed properly, as they typically rest in the hands of preoccupied managers with little time to communicate consistently with external parties, and make sure that the project is developing according to plan.

It could therefore prove beneficial to assign liaisons to each project. That is, a company employee could function as a conduit between the company and the external parties that are part of the project. Such a role could include supplying the external parties with any resources or information necessary to carry out their work, and delivering status updates and other information to any relevant employees within the company. These duties must not necessarily be assigned to a dedicated liaison, but also distributed to existing employees that are connected to the project in question – as long as that person has time and clear responsibility for the liaison role, and is able to perform it well.

5. *Appoint a Finance Director*

As the company is constantly signing various deals, bringing on new partners, employing staff, commissioning work, and so on, Sjölander (2014) argues that it may prove rather essential to specify a role dedicated to planning the company's finances, keep records of them, and deliver report on them to the Managing Director and other relevant parties at the company. A person with the relevant skills would need to be employed, but such a person could relieve current management of financial duties, as well as greatly improve the financial understanding and planning of the organization.

6. *Maintain dedicated analysts*

A person was recently employed in a de facto analytical role at the company. His work successfully led to significant improvements in the operations of the company, but his responsibilities were subsequently altered to primarily include managerial duties. Although the company is currently in need of employees that can manage its various projects and day-to-day operations, it could prove wise to also invest in dedicated analysts that can improve the various facets of the organization in the longer run. If an analyst is able to independently and efficiently identify and improve the operations of the company, the long-term pay-off could greatly outweigh the cost of employment.

8. Discussion

A necessary step in solving a problem is to first identify and understand the problem that is to be solved. Following the problem specification phase, a host of different solutions may be proposed, and it is entirely possible that the recommendations given in this report are not in line with the values and vision of the organization, or that they will become obsolete as the company and the industry changes, or that they only partially solve the company's critical challenges, or that they result in an entirely new set of challenges that the company must face. Therefore, perhaps the most important thing that the company can do is to continuously build its knowledge and be proactive in its problem-solving. Top management must be able to put aside time for the long-term aspects of the company, and not get caught up in day-to-day operations. That is one of the key goals of the presented recommendations in this report: to encourage and explain how top management may redefine its roles and responsibilities at the company in order to put itself in a more sustainable situation where, perhaps most importantly, managers have the ability to spend time on long-term investments.

If top management is unable to invest time in identifying, reflecting on, and solving its present and future challenges, the organization may ultimately become too drained and inefficient to adapt to environmental changes and allow for further growth and investments. It is important to recognize that this organization is no longer a simply hobby activity, but rather a professional business with responsibilities towards its stakeholders. With that said, the company should be careful not to organize and behave like a large business to quickly, since this may hurt or even kill the entrepreneurial and creative culture and atmosphere that has made the organization what it is today. Regardless of the structural changes recommended in this report, it is ultimately up to top management at the company to continuously carry on discussions and develop strategies that are in line with their own visions and values.

9. Academic Contributions

Companies typically pass through different stages of growth, as presented in the *Stages of Business Growth* subchapter. Before each stage, they all face a crisis which can be seen as a matter of life and death for the organization, with the admonition to adapt, change, evolve or die. These crises are considered crucial, given the change they mean for the organizations' entrepreneurs, processes, and employees. Fundamental shifts are undergone as there is a need for the startup to develop organizational systems and structures; and as the organization grows, it becomes more formalized and complex. However, some authors, such as Smallbone and Wyer (2006) and O'Farrell and Hitchens (1988), state that literature on the stages of growth is inadequate, falsely assuming that organizations must either pass through a certain stage or die. These authors do, however, recognize the value of the literature they criticize, in the fact that it can help organizations identify bottlenecks and problems that need to be addressed in order to enable further growth.

However, the literature on the subject is limited, and a gap has been identified during this study. No papers can be found that address what happens to organizations that due to substantial success and revenue streams manage to grow rapidly without facing these crises that are argued to occur during organizational growth. Based on this study, it appears as if there exists a subcategory of companies that have managed to come across a 'gold mine' – a business idea with a favorable market that generates massive revenues and success – can ignore or simply be unable to identify any potential organizational problems during its rapid growth. Although the organization is very successful and everything looks good on paper, it appears as if these issues still remain. Thus, there is always a risk of the organization becoming unsustainably inefficient and wasteful with resources that could have been saved for future investments or any unexpected industrial or environmental changes.

As this study has shown, if an organization identifies or happens to stumble upon a gold mine, they will most likely not face these presented crises that appears before each stage. Therefore, the organization will lack incentives to create a more formalized and complex structure, since the way things have been organized and handled so far has worked sufficiently well. If the entrepreneurs lack previous experiences or education on how to manage organizations and organizational growth, they may not only lack incentive to manage any potential problems, but they may even lack the ability to identify such problems, until they heap up and collectively put a stop to the organization's development. At that point, it may be difficult for the entrepreneur to know when and where to start resolving the issues, as they have become intertwined and complex, and the company has not built up the necessary knowledge and systems to handle them.

Literature states that most organizations experience financial issues as their primary challenge prior to and during growth. Struggling to get capital and revenue may force entrepreneurs to seek external financing, such as through venture capitalists. By getting investors, they will also gain a source of knowledge on how to operate an organization and how to grow it. Venture capitalist will most likely have various demands on the company – both when they are struggling and when they are successful. Thus, the organization is less likely to ignore and fail to identify certain organizational problems that would cause unnecessary expenses. However, entrepreneurs who come across a gold mine, and thus independently experience early success and growth without the need for external investors, will most likely continue to operate the business themselves in order to remain in control of the organization, not letting any external individuals be a part of the decision making. These entrepreneurs will then be less incentivized and pushed to solve various problems that often lead to unnecessary spending.

9.1. Future Research

Current courses and literature is very lacking when it comes to this subject (Wickenberg, 2014; Sjölander, 2014). It is difficult to identify the underlying problems that cause growth problems. Thus, further research is needed in order to identify differences and similarities between organizations that experience early success and organizations that do not – and therefore struggle. This could lead to the development of some sort of methodology or framework, where a set of criteria classify what constitutes a 'gold mine', and industries can then be evaluated based on a set of factors that determine the likelihood of gold mines being present.

Perhaps of even greater interest, a matched pairs study could compare two 'gold mine' companies that have experienced different levels of long-term success. The differences between them could be analyzed in order to answer why one company managed to continue its growth and success, while the other stagnated. Such research is crucial in making the best of future gold-seeking endeavors, and avoiding the pitfalls that come with great financial success.

One example of a gold mine company is the case of King Digital Entertainment – an interactive entertainment company founded in 2003 (Anon., 2014). The company has experienced tremendous success and growth, and currently employs 665 people, having released more than 180 titles (Stock, 2014). However, the company's success is still heavily reliant upon a single released title, which makes up nearly 80 % of the company's revenues (Waldron, 2014). Therefore, the company still runs the risk of failing to develop reliable long-term revenue streams, simply becoming a temporary one-hit wonder.

However, this kind of one-title success is not unheard of in the mobile gaming industry, where companies like Rovio and Zynga have experienced similar success stories. After developing many titles that were insufficient long-term revenue streams, Rovio developed a game called Angry Birds, which was extremely successful and granted the company tremendous resources (Kendall, 2011). However, it is what the company did with those resources that matters. They chose to diversify and utilize their brand in many different areas, through merchandising and collaborations with other brands. The company no longer considers itself a game developer, but rather a 'brand developer' that intends to build an entertainment franchise consisting of movies, games, TV shows, cartoons, comics and merchandise (Cheshire, 2011). Rovio has thus successfully diversified and tried to become independent of gold mines like the Angry Bird game.

Conversely, there exist examples of companies that have experienced rapid success and growth, but been unable to maintain their positive development. One such example is Harmonix, which developed the hugely successful Guitar Hero and Rock Band games (Surowiecki, 2014). The company was acquired for $150 million in 2006, but subsequently failed to generate a profit on its following games, and was left with little value and high debt (Fritz, 2011). Similarly, the company Coleco experienced great success after releasing the Cabbage Patch Kids doll series in 1984 (Feder, 1988). The company invested into various other products, such as board games and outdoor utilities, but ultimately remained heavily reliant upon its doll series. Following decreased doll sales in 1986, the company filed for bankruptcy two years later.

In summary, it could be that companies can have "too much" money, and that it ultimately impacts their long-term sustainability negatively. A central point of investigation in future research would be to analyze what happens to an organization that is successful and grows without encountering the crises that most companies typically face. What is there instead that may cause the ultimate downfall of such a company?

10. Summary of Conclusions

The purpose of this case study is three-fold. Firstly, it identifies and describes a set of problems that the company under study is currently experiencing. Secondly, it relates the identified problems to a theoretical framework, and presents various recommendations that may help the company resolve its problems and increase its effectiveness and efficiency. Thirdly, certain learnings are drawn from the case study, which are presented in complement to current literature.

In order to fulfill these purposes, three research questions were phrased and answered through the content of the report. The research questions were as follows:

1. *What are the most critical problems currently faced by the company under study?*

Through a focus group and interviews at the company offices, data was gathered concerning what employees experience to be problematic in their work. The gathered data was filtered and structured into a set of ten challenges, as presented and described in the *Identified Company Problems* chapter. The problems were ranked according to their importance, with the first issue being considered the most critical and important challenge facing the company today.

The problems are as follows: management overwhelmed by workload; no clear function- or project manager; risk of fallout from conflicts; unreasonable compensation structure; issues not discussed and resolved; loose employee roles; new activities not shared with employees; lack of community interaction guidelines; experimentation discouraged in practice; scheduling discrepancy between producers and editors.

2. *How does current literature suggest these problems be addressed?*

In addition to a multitude of advice that relate to the set of issues listed above, the report suggests several substantial improvements that can be made to the structure of the company. These improvements create a number of distinct roles within the company, with the primary goal of relieving top management of its duties, and improving the overall communication and efficiency of the organization. The structural recommendations are: limit the Managing Director's responsibilities to art direction and strategy; appoint an experienced Operations Director; if needed, appoint a Functional Manager in the production unit; appoint liaisons between the company and its external projects; appoint a Finance Director; maintain dedicated analysts.

3. *How may current literature be complemented by learnings from this study?*

The company under study has experienced great financial success rather early in its development, and thus been able to avoid all expected organizational growth crises that would traditionally force a company to adapt, change, evolve or die. Financial management, when it comes to issues like inadequate cash flow and capital, is often considered a major hindrance for small business growth. However, in this study, the company has managed to stumble upon a 'gold mine', making this problem largely irrelevant. The study identifies a gap in literature when it comes to companies like this, that do not follow the traditional growth model of 'adapt or die', but rather achieve early financial success and manage to grow without optimizing their organization, leaving them with a host of issues that must eventually be resolved.

11. Bibliography

Aldrich, H. E., 1990. Using an Ecological Perspective to Study Organizational Founding Rates. *Entrepreneurship: Theory and Practice,* 14(3), pp. 7-24.

Anon., 2014. *UPDATE 1-Candy Crush maker King Digital valued at more than $7 bln in IPO.* [Online]
Available at: http://www.reuters.com/article/2014/03/25/kingdigital-ipo-idUSL4N0MM4PD20140325
[Accessed 11 May 2014].

Armstrong, M., 2013. *How to Manage People: Creating Success.* 2nd ed. London ; Philadelphia, PA: Kogan Page Limited.

Baird, L. & Meshoulam, I., 1988. Managing Two Fits of Strategic Human Resource Management. *The Academy of Management Review,* 13(1), pp. 116-128.

Beaver, G., 2003a. Management and the Small Firm. *Journal of Strategic Change,* 12(2), pp. 63-68.

Beaver, G., 2003b. Small business: Success and Failure. *Journal of Strategic Change,* 12(3), pp. 115-122.

Beaver, G., 2003c. Small Firms: Owners and Entrepreneurs. *Journal of Strategic Change,* 12(4), pp. 177-183.

Beaver, G. & Jennings, P. L., 1995. Picking winners: the art of identifying successful. *The International Review of Strategic Management,* 6(4), p. 91–106.

Bergman, B. & Klefsjö, B., 2010. *Quality from Customer Needs to Customer Satisfaction.* 3rd [rev.] ed. Lund: Studentlitteratur.

Bevan, J., Clark, G., Banerji, N. & Hakim, C., 1987. Barriers to Business Start-up: A Study of the Flow in and out of Self-employment. *Department of Employment Research Paper No. 71.*

Bhattacharyya, D. K., 2009. *Organisational Systems, Design, Structure and Management.* Mumbai, IND: Global Media.

Bryman, A. & Bell, E., 2011. *Business Research Methods.* 3rd ed. Oxford: Oxford University Press.

Burton, R. M. et al., 1998. *Strategic Organizational Diagnosis and Design : Developing Theory for Application.* 2nd ed. Boston, Mass.: Kluwer Academic Publishers.

Carter, N. M., Gartner, W. B. & Reynolds, P. D., 1996. Exploring start-up event sequences. *Journal of Business Venturing,* 11(1), p. 151–166.

Castrogiovanni, G. J., 1996. Pre-start-up Planning and the Survival of New Small Businesses: Theoretical Linkages. *Journal of Management,* 22(6), pp. 801-822.

Chandler, A. D., 1962. *Strategy and Structure.* Cambridge: MIT.

Cheshire, T., 2011. *In depth: How Rovio made Angry Birds a winner (and what's next).* [Online] Available at: http://www.wired.co.uk/magazine/archive/2011/04/features/how-rovio-made-angry-birds-a-winner
[Accessed 21 March 2014].

Churchill, N. C. & Lewis, V. L., 1983. Growing concerns: The five stages of small business growth, D. E. Gumpert (Ed.). *Harvard Business Review,* pp. 30-50.

Clampitt, P. G. & Downs, C. W., 1993. Employee Perceptions of the Relationship Between Communication and Productivity: A Field Study. *Journal of Business Communication,* 30(1), pp. 5-28.

Cooper, A. C., 1993. Challenges in predicting new firm performance. *Journal of Business Venturing,* 8(3), pp. 241-253.

Courage, C. & Baxter, K., 2004. *Understanding your users : a practical guide to user requirements methods, tools, and techniques.* San Francisco, CA: Morgan Kaufmann Publishers.

Daneci-Patrau, D., 2011. Formal Communication in Organizations. *Economics, Management, and Financial Markets,* 6(1), pp. 487-497.

Dobbs, M. & Hamilton, R. T., 2007. Small business growth: recent evidence and new directions. *International Journal of Entrepreneurial Behaviour & Research,* 13(5), pp. 296-322.

Dodge, H. R., Fullerton, S. & Robbins, J. E., 1994. Stage of the Organizational Life Cycle and Competition as Mediators of Problem Perception for Small Businesses. *Strategic Management Journal,* 15(2), pp. 121-134.

Downs, A., 1967. The life cycle of bureaus. In: *Inside Bureaucracy.* San Francisco: Little, Brown/Rand, p. 296–309.

Drucker, P. F., 1954. *The practice of management.* 1 st ed. New York: Harper & Row.

Dubois, A. & Gadde, L.-E., 2002. Systematic combining: an abductive approach to case research. *Journal of Business Research, 55,* p. 553– 560.

Dubois, A. & Gibbert, M., 2010. From complexity to transparency: managing the interplay between theory, method and empirical phenomena in IMM case studies. *Industrial Marketing Management, 39,* p. 129–136.

Dun & Bradstreet, 1991. Press release. June.

Eisenhardt, K. M., 1989. Building Theories from Case Study Research. *The Academy of Management Review,* pp. 532-550.

Evans, D. S., 1987. The Relationship Between Firm Growth, Size, and Age: Estimates for 100 Manufacturing Industries. *The Journal of Industrial Economics,* 35(4), pp. 567-587.

Feder, B. J., 1988. *Coleco Fails To Fend Off Chapter 11.* [Online]
Available at: http://www.nytimes.com/1988/07/13/business/coleco-fails-to-fend-off-chapter-11.html
[Accessed 5 May 2014].

Feinleib, D., 2012. *Why Startups Fail: And How Yours Can Succeed.* New York: Distributed to the book trade worldwide by Springer Science+Business Media New York.

Fielden, S. L., Davidson, M. J. & Makin, P. J., 2000. Barriers encountered during micro and small business start-up in North-West England. *Journal of Small Business and Enterprise Development,,* 7(4), pp. 295-304.

Flamholtz, E. G. & Randle, Y., 2000. *Growing pains : transitioning from an entrepreneurship to a professionally managed firm.* San Francisco, Calif.: Jossey-Bass.

Fritz, B., 2011. *Viacom sold Harmonix for $50, saved $50 million on taxes.* [Online]
Available at: http://latimesblogs.latimes.com/entertainmentnewsbuzz/2011/01/viacom-sold-harmonix-for-50-saved-50-million-on-taxes.html
[Accessed 13 May 2014].

Gartner, W. B., Starr, J. A. & Bhat, S., 1999. Predicting new venture survival: An analysis of "anatomy of a start-up." cases from Inc. Magazine. *Journal of Business Venturing,* 14(2), pp. 215-232.

Georgellis, Y., Joyce, P. & Woods, A., 2000. Entrepreneurial action, innovation and business performance: The small independent business. *Journal of Small Business and Enterprise Development,* 7(1), pp. 7-17.

Giri, V. N. & Kumar, B. P., 2010. Assessing the Impact of Organizational Communication on Job Satisfaction and Job Performance. *National Academy of Psychology,* 55(2), pp. 137-143.

Glancey, K., 1998. Determinants of growth and profitability in small entrepreneurial firms. *International Journal of Entrepreneurial Behaviour and Research,* 4(1), pp. 18-25.

Grant, D. et al., 2002. Rethinking Organizational Change. *Journal of Strategic Change,* 11(5), pp. 237-242.

Greiner, L. E., 1972. Evolution and Revolution as Organizations Grow. *Harvard Business Review,* pp. 37-46.

Greve, A., 1995. Networks and Entrepreneurship An Analysis of Social Relations, Occupational Background, and Use of Contacts during the Establishment Process. *Scandinavian Management,* 11(1), pp. 1-24.

Hall, B. H., 1987. The Relationship Between Firm Size and Firm Growth in the US Manufacturing Sector. *Journal of Industrial Economics,* 35(4), pp. 583-606.

Hansson, J., 2014. *Startup accelerator, Chalmers Innovation* [Interview] (25 February 2014).

Harris, T. E., 2002. *Applied Organizational Communication.* 2nd ed. Mahwah, N.J.: Lawrence Erlbaum Associates.

Hartley, P. & Bruckham, C., 2000. *Business Communication : An Introduction.* Florence, KY: Routledge.

Hill, J., Nancarrow, C. & Wright, L. T., 2002. Lifecycles and crisis points in SMEs: a case approach. *Marketing Intelligence & Planning,* 20(6), pp. 361-369.

Huang, X. & Brown, A., 1999. An Analysis and Classification of Problems in Small Business. *International Business Journal,* 18(1), pp. 73-85.

Huczynski, A. & Buchanan, D. A., 2001. *Organizational Behaviour : An Introductory Text.* 4th ed. Harlow ; New York: Pearson Educaton.

Isenberg, D. J., 1984. How senior managers think. *Harvard Business Review,* 62(6), pp. 81-90.

Jennings, P. & Beaver, G., 1997. The Performance and Competitive Advantage of Small Firms: A Management Perspective. *International Small Business Journal,* 15(2), pp. 63-75.

Jick, T. D., 1979. Mixing Qualitative and Quantitative Methods: Triangulation in Action. *Administrative Science Quarterly,* 24(4), pp. 602-611.

Jones, E. E., 1990. *Interpersonal Perception.* New York: W.H. Freeman.

Kazanjian, R. K., 1988. Relation of Dominant Problems to Stages of Growth in Technology-Based New Ventures. *Academy of Management Journal,* 31(2), pp. 257-279.

Kendall, P., 2011. *Angry Birds: the story behind iPhone's gaming phenomenon.* [Online] Available at: http://www.telegraph.co.uk/technology/video-games/8303173/Angry-Birds-the-story-behind-iPhones-gaming-phenomenon.html
[Accessed 21 March 2014].

Kovach, K. A., 1995. Employee Motivation: Addressing a Crucial Factor in Your Organization's Performance.. *Employment Relations Today,* 22(2), pp. 93-107.

Kramer, M. G., 2001. *Business Communication in Context : Principles and Practice.* Upper Saddle River, N.J.: Prentice Hall.

Little, S. S., 2005. *The 7 Irrefutable Rules of Small Business Growth.* Hoboken, New Jersey: John Wiley & Sons, Inc.

Low, M. B. & MacMillan, I. C., 2007. Entrepreneurship: Past Research and Future Challenges. In: A. Cuervo, D. Ribeiro & S. Roig, eds. *Entrepreneurship: Concepts, Theory and Perspective.* Berlin; New York : Springer, pp. 131-154.

Macpherson, A. & Holt, R., 2007. Knowledge, learning and small firm growth: A systematic review of the evidence. *Research Policy,* 36(2), pp. 172-192.

Miller, D. & Friesen, P. H., 1984. A Longitudinal Study of the Corporate Life Cycle. *Management Science,* 30(10), pp. 1161-1183.

Mintzberg, H., 1980. Structure in 5's: A Synthesis of the Research on Organization Design. *Management Science,* 26(3), pp. 322-341.

Mintzberg, H., 1981. Organization design: fashion or fit?. *Harvard Business Review,* pp. 103-116.

O'Farrell, P. N. & Hitchens, D. M., 1988. Alternative Theories of Small Firm Growth: A Critical Review. *Environment and Planning,* 20(10), pp. 1365-1383.

O'Gorman, C., 2001. The sustainability of growth in small- and medium-sized enterprises. *International Journal of Entrepreneurial Behaviour & Research,* 7(2), pp. 60-75.

O'Rourke, J. S., 2001. *Management Communication : A Case-Analysis Approach.* Upper Saddle River, NJ: Prentice Hall.

Perez-Sanchez, D., Barton, J. R. & Bower, D., 2003. Implementing Environmental Management in SMEs. *Corporate Social Responsibility and Environmental Management,* Volume 10, pp. 67-77.

Pinchot, G. I., 1985. *Intrapreneuring.* New York: Harper and Row.

Prahalad, C. K. & Hamel, G., 1994. *Competing for the future.* Boston, Mass: Harvard Business School Press.

Price, J. L., 1997. Handbook of Organizational Measurment. *International Journal of Manpower,* 18(4/5/6), pp. 305-558.

Quinn, R. E. & Cameron, K., 1983. Organizational Life Cycles and Shifting Criteria of Effectiveness: Some Preliminary Evidence. *Management of Science,* 29(1), pp. 33-51.

Robson, P. J. & Bennett, R. J., 2000. SME Growth: The Relationship with Business Advice and External Collaboration. *Small Business Economics,* 15(3), pp. 193-208.

Schumpeter, J. A., 1934. *The Theory of Economic Development: An Inquiry Into Profits, Capital, Credit, Interest, and the Business Cycle.* Cambridge, Mass: Harvard University Press.

Schwenk, C. R. & Shrader, C. B., 1993. Effects of Formal Strategic Planning on Financial Performance in Small Firms: A Meta-analysis. *Entrepreneurship Theory and Practice,* 17(3), pp. 53-64.

Scott, M. & Bruce, R., 1987. Five Stages of Growth in Small Business. *Long Range Planning,* 20(3), pp. 45-52.

Seifert, R. W., Leleux, B. F. & Tucci, C. L., 2008. Growing the Entrepreneurial Firm: Building Lasting Success. In: *Nurturing Science-based Ventures - An International Case Perspective.* s.l.:Springer-Verlag London Limited, pp. 365-520.

Senter, H. & Cadman, E., 2003. *Delegating Effectively.* 4th ed. Oxford: Pergamon Flexible Learning.

Sjölander, S., 2014. *Full Professor, Chalmers University of Technology, Technology Management and Economics* [Interview] (21 January 2014).

Smallbone, D. & Wyer, P., 2006. Growth and development in the small firm. In: S. Carter & D. James-Evans, eds. *Enterprise and Small Business.* Harlow : Prentice Hall / Financial Times, pp. 100-125.

Smith, K., Mitchell, T. & Sumner, C., 1985. Top level management priorities in different stages of the organizational life cycle. *Academy of Management Journal,* 28(4), p. 799–820.

Solymossy, E., 2009. Entrepreneur and Organization: Symbiotic Change and Transition. In: *Entrepreneurship and Business - A Regional Perspective.* s.l.:Springer-Verlag Berlin Heidelberg, pp. 269-290.

Stock, K., 2014. *Highlights from the Candy Crush IPO Filing: 500 Million Downloads and Counting.* [Online]
Available at: http://www.businessweek.com/articles/2014-02-18/king-digitals-ipo-filing-shows-500-million-candy-crush-downloads
[Accessed 09 May 2014].

Storey, D. J., 1994. *Understanding the Small Business Sector.* London ; New York: Routledge.

Surowiecki, J., 2014. *ONE-HIT WONDERS.* [Online]
Available at:
http://www.newyorker.com/talk/financial/2014/03/17/140317ta_talk_surowiecki
[Accessed 12 May 2014].

Thomson, A. & Gray, C., 1999. Determinants of management development in small businesses. *Journal of Small Business and Enterprise Development,* 6(2), pp. 113-127.

Tourish, D. & Hargie, O., 2004. *Key Issues in Organizational Communication.* London ; New York: Routledge.

Turregano, C., 2013. *Delegating Effectively: A Leader's Guide to Getting Things Done.* Greensboro, N.C.: Center for Creative Leadership.

Waldron, A., 2014. *King Digital Entertainment Could Be a One-Hit Wonder.* [Online]
Available at: http://www.thestreet.com/story/12627472/1/king-digital-entertainment-could-be-a-one-hit-wonder.html
[Accessed 9 May 2014].

Vesper, K. H., 1990. *New Venture Strategies.* Englewood Cliffs: Prentice Hall.

Wickenberg, J., 2014. *Senior Lecturer, Chalmers University of Technology, Technology Management and Economics* [Interview] (23 January 2014).

Wilson, P. & Bates, S., 2003. *The Essential Guide to Managing Small Business Growth.* Chichester, West Sussex: John Wiley & Sons Ltd.

Volkmann, C. K., Tokarski, K. O. & Grünhagen, M., 2010. *Entrepreneurship in a European Perspective : Concepts for the Creation and Growth of New Ventures.* 1st ed. Wiesbaden: Gabler.

Woo, C. Y., Daellenbach, U. & Nicholls-Nixon, C., 1994. Theory Building in the Presence of Randomness: The Case of Venture Creation and Performance. *Joumal of Management Studies,* 31(4), pp. 507-524.

Appendix A: Problem Inventory Framework

Listed below are the seven topics that make up the problem inventory framework developed as a basis for the first phase of the problem discovery process. It consists of wide and rhetorical questions that were brought up in different forms with the interviewees.

1) Structure & roles

- What are the existing roles at the company, and how free are employees to move outside of their designated roles?
- There is currently some level of autonomy among the partnered channels, and they are offered publicity, hardware and a workspace at the company headquarters. Is the current setup optimal for the company?

2) Knowledge & learning

- Does the company currently have any systems in place to gather knowledge? Are there community feedback channels in place? Does knowledge transfer between individuals? Is knowledge utilized to its full potential?

3) Relationship to partnered channels

- Is the relationship between the company and its partnered channels mutually beneficial and sustainable in the long term? How is the long-term satisfaction of all parties ensured?
- Are the actions of the YouTubers done selfishly, or for the benefit of the organization as a whole?
- As a YouTube channel is signed on, how can it be ensured that the content producers retain their output levels under this newly found sense of obligation?

4) Brand management

- At the company, every employee and YouTube personality has a social profile and a strong connection to the company. Thus, one person's poor behavior might reflect on the organization as a whole. Does this hold true? If so, how may such negative publicity be avoided and mitigated?
- What systems are in place to ensure company-wide ethically acceptable behavior? Conversely, it is important to ask how this wide contact with the community may be optimally utilized for the benefit of the organization.

5) Scalability

- What is the company's long-term plan in terms of scale? If the current base of partnered YouTube channels is intended to grow, can the current practices and structures sustain it?

- How does the company measure its success? Perhaps primarily in terms of video views? If so, how has this grown over time?

6) Community Management

- How well does the company know its community?

7) Revenue & pricing

- The company's primary source of income has thus far been the ad revenue generated through YouTube videos, through a contract with Google. Are there any risks associated with this?
- Are the current revenue streams sufficient to grow and remain competitive? Seeing as practically all content has been free to all consumers, how would paid content be received by the community?
- It seems that the company community largely consists of a young, teenage audience. How strong is their ability to pay for content? Perhaps only content with revenue received from a third party (such as ads and promotions) would be suitable for their audience?

Appendix B: Phase 1 Interview Guide

Presented below are the questions that guided the interviews in the first phase of the problem discovery process. Certain questions and topics were only directed to certain interviewees, and excluded from other interviews. The primary focus of the interviews lied on the last question of the guide, concerning what the interviewee regarded to be problems at the company. The question was intentionally left open in order to spawn an open and fluent discussion on the topic. The previous questions helped build an understanding of the company and its inner workings, thus putting the presented problems in a context and setting the premise for coming interviews.

Personal background

- What are your current responsibilities and activities at the company?
    - Has these changed significantly during your time here? What were the reasons behind any such changes?
- When and how did you become part of the organization?
- What is your educational background?
    - What other experience do you have that might be relevant to your work here?

Company vision and goals

- Do you feel that you have a clear overall vision and goals for the company, that you are working towards achieving (e.g. by building relationships and knowledge, or attaining resources and personnel)?
- Do you feel that these goals and visions are understood and shared by all relevant members of the organization?

Company structure

- Describe how decisions are made at the company.
    - Who is involved in discussions?
    - Who makes the decisions?
    - How autonomous are the employees?
    - What is the level of involvement and micromanagement from the top?

Collaborations

- In what ways do you collaborate with outside actors?
    - What actors?
    - How has it been working with these outside actors?

Competition

- How do you experience competition?
    - Do you compete for viewers' attention?

- Do you compete for exposure on YouTube?
- How much do subscribers actually matter compared to exposure on the site?
- How is the company different from competitors? What do you offer that others don't? What draws people to you?

Fulfilling user wants

- Do you know your demographic?
  - Age, geography etc.
  - Do you know what they want (type of video content, personalities, merchandise, or games)?
  - What is your perception of your customers built on (surveys, verbal feedback, views, or purchases)?
  - How do you use that knowledge? To what extent do you adapt to your viewers?

Problem discussion

- What do you consider to be the primary challenges that the company faces today?

Appendix C: Phase 2 Interview Guide

This appendix contains the questions asked to the interviewees in phase 2 of the problem discovery process. The questions were more strictly followed than those used in phase 1 of the process, as presented in Appendix B.

Personal background

1. How long have you worked at the company?
2. What activities do you perform at the company?
3. Have your activities changed over time?
    a. If so, what was the reason for this change? New orders or self-initiated? Towards more important or more interesting activities?

Problems

4. Do you feel that your tasks at the company are clear? Is your role clearly defined, or is it more open?
5. How structured is your work in terms of defined tasks, deliverables, deadlines, schedules, and so on? Would you prefer for it to be more structured or open?
6. Do you generally receive any feedback and opinions on your work, from [Managing Director], [Vice Managing Director], or others at the company? Would you like to receive more feedback on how you are doing?
7. To what extent does [Managing Director] or [Vice Managing Director] get involved in the details of your work and micromanage things? Do you feel that any of them micromanage too much?
    a. If so, how is your work negatively affected by this?
8. To what extent is there oversight and communication into various projects (someone coordinating work, delegating tasks, making sure work is being done, and so on)?
    a. If not, how is your work impacted by this? E.g. redundant work, tasks not being done, lowered efficiency, or lowered quality?
9. In general, to what extent is there communication between people at the company, in terms of what is going on, what has happened, what the goals are, and so on?
    a. If not, how does this affect you? Is it harder to know what to work on, or to find motivation in your work?
10. For yourself and others: Do you feel that tasks are being performed in a timely manner, or being rushed or postponed in a way that affects their quality?
    a. If the latter: Why are they not being done in a timely manner?
11. Do you ever feel that you receive conflicting orders and tasks from the top, either from the same person or different people?
    a. If so, how does it affect you (wasted time, frustration, motivation, and so on)?

12. In social media, to what extent do you feel that your interactions with the community (good or bad) reflect on the company as a whole? Is it something you need to take into consideration when interacting with the community?
    a. Have you seen any negative examples of this?
    b. Have there been any instructions or limitations on social media usage at the company?
13. Have you experienced any conflicts within the company?
    a. How have these conflicts been handled (nothing at all, communication between parties, intervention by managers)?
    b. Do you feel that conflicts have been adequately handled?
    c. Could there be any improvements made?
    d. If a conflict were to arise, do you feel that you know how to handle it appropriately (e.g. who to turn to)?
14. Have you ever felt that certain training would have been beneficial to you?

Appendix D: Phase 3 Focus Group Topics

Listed below are the various problem topics discussed during the conducted focus group in phase 3 of the problem discovery process. The problem descriptions below are based on the first and second phase of the discovery process, and they primarily served as a checklist and guideline for the focus group moderator, making sure that all interesting topics were discussed by the participants.

No committed management

- Too many projects; no time to communicate and give feedback; no oversight; inappropriate time allocations, projects become directionless and not carried through.
- No time to communicate with employees; vague roles and guidelines, and no deliverables; inefficiency and lack of motivation.
- No committed project leaders with good knowledge of processes and running projects; inappropriate time allocation to tasks; less efficient.
- Conflicting orders from management; staff confusion about work; unclear tasks and demoralization; less efficient work.
- [Managing Director] and [Vice Managing Director] are busy; new ideas, projects and process aren't communicated to others; frustration or stress occurs when there is very limited time to carry them through, and it could have been shared earlier to allow for higher quality.

Lack of long-term goals, planning and activities

- There are certain risks that they need to hedge against; management is swamped with short-term tasks; management is unable to plan for the future.
- There are no shared mid-term goals; projects without immediate impact are hard to deal with.

Structured schedule vs. creativity

- Content creators record whenever they wish; [video editor] comes in early, but they might not record until much later; [video editor] doesn't always have much to work with; time inefficiently spent.

Lack of common social media standards

- No common social media standards; increased risk of inappropriate behavior and conflicts.

Awareness of internal competence

- Competence within current staff not utilized fully; external people needlessly included in projects.