The Deal: Employment relations in growth-oriented, high-tech start-ups: An employee perspective

by

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Abstract

The aim of this thesis is to explore employment relations in young, growth-oriented, technology-driven (high-tech) start-ups. It takes a closer look at the exchange relationship between founders and their first employees in this specific context. At its core, the research is interested in employees' motivation to work for a growth-oriented start-up and their understanding of the employment deal. The study uses the psychological contract as an analytical framework to gain deeper insights into individuals' perceptions of this deal.

The research is embedded within an interpretivist paradigm and includes eight case studies involving growth-oriented high-tech start-ups in Berlin and London. For each case, in-depth interviews with three full-time employees as well as the founder(s) were conducted.

The findings of this thesis demonstrate that the employment deal in growth-oriented start-ups is a short-term, faith-driven contract, which differs substantially from the current understanding of the psychological contract. In contrast to the long-term or open-ended contract often offered by larger, more established organisations, this deal has a defined 'expiration date'. Moreover, the findings challenge the current understandings on remuneration, relationship building and power dynamics within growth-oriented start-ups and add to the literature by offering a re-conceptualisation of the psychological contract.

This thesis helps to inform prospective employees about the advantages and challenges of joining a start-up and encourages entrepreneurs to further tailor their management and compensation strategies.

Keywords: Employment relationship, psychological contract, employment deal, start-ups, entrepreneurship, motivation, employee

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To my family

past, present and future

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1. Introduction

The purpose of this thesis is to explore employment relations in growth-oriented start-ups and, more specifically, the employment deal as perceived by the employees. In recent years entrepreneurship as a field of research has developed into a well established academic discipline. The scholarship in this field has devoted significant attention to investigating the characteristics, behaviours and motivations of individual entrepreneurs. However, more recently, academics have departed from the notion of the heroic entrepreneur as a 'one-person-band' and have instead focused on the founding team (e.g. Wright and Vanaelst, 2009; Knockaert et al., 2011; Zheng, 2012) or the founding process (e.g. Moroz and Hindle, 2012), i.e. recognising the collective effort required to start and run a new venture.

The aim of this thesis is to go one step further and concentrate on the inaugural employees who are so essential for any successful venture. Company founders are heavily dependent on the knowledge, integrity and commitment of their first employees and face great pressures to build and retain a highly qualified workforce (Williamson et al., 2002). Human capital in new ventures is believed to be "critical to venture success" (Cardon and Stevens, 2004; p. 296) and company founders know that "staff make or break your business" (Barrett et al., 2007; p.692). However, the literature on human resource management (HRM) in growth-oriented start-ups remains surprisingly scarce (Marlow and Thompson, 2008) and little is known about the employer-employee relationship in this specific environment.

This thesis contends that growth-oriented start-ups offer a unique working environment with a particular series of opportunities and challenges. As a result, the employment deal, i.e. the perceptions and conditions of the employer-employee exchange relationship, differs from the one found in larger, more established organisations. For example, with no track record or well-known brand, start-ups face a limited legitimacy as an employer (e.g. Williamson and Robinson, 2007). Their high failure rate, particularly in the high-tech sector, creates an additional risk to employees. Workers are likely to enter an environment with very tight resource

constraints (e.g. Henricks, 2006) as well as incomplete HRM systems (e.g. Katz et al., 2000). Pay and benefits are expected to be lower than the industry average (e.g. less substantial health care, limited job security, weak trade unions) hierarchical career advancement is limited and formal training opportunities rare. Fast organisational growth is likely to result in instability and a constantly changing working environment, causing additional stress and unrest.

Interestingly, this challenging working environment does not seem to deter, but attract some of the most talented young recruits. According to the Consulting Monitor 2015 the fight for top-talent has began to shift from traditional favourites, such as well known financial institutions and strategic consultancies, in favour of start-ups and dynamic digital firms (Nerlich, 2015). 71 per cent of the senior consults questioned expressed concerns, that their organisation found it increasingly difficult to attract and retain Generation Y talent and that they themselves had considered an employment change.

In summary, entrepreneurs are dependent on their first employees. Furthermore start-ups are known for their challenging and unique working environments. Nevertheless they remain an attractive employment option, particularly for Generation Y talent. It is important to understand better employment relations in this unique and demanding environment. What is it that defines the working environment in high-tech start-ups? Why do people choose to work in growth-oriented start-ups? What components make up the employment deal and how are they understood by both employees and entrepreneurs? What are the particularities of working in growth-oriented high-tech start-ups and to what extent does the employment contract differ to the one found in larger organisations or established SMEs? How can the employment relationship in this context be (re)conceptualised?

1.1 Research questions

At its core, this thesis aims to enhance our understanding of the motivations and experiences of employees working in young, entrepreneurial, growth-oriented, high-tech start-ups. In particular, this thesis seeks answers to the following questions:

- Why do people choose to work in growth-oriented high-tech start-ups?

- How do employees' needs and desires contribute to shaping the employment relationship?

- In light of the above, how can we (re)conceptualise the psychological contract in growth-oriented high-tech start-ups?

In the literature review, the psychological contract (from now on known as PC) is proposed as a suitable conceptual framework to capture and understand better the highly informal, complex and often contradictory nature of employment relations in growth-oriented start-ups. This thesis will argue that the specific characteristics of the start-up environment result in a new employment deal, which differs from the more traditional exchange relationship in larger, more established organisations, leading to a positive re-conceptualised model of the PC.

1.2 Growth-oriented high-tech start-ups

It is important to stress from the outset that this thesis focuses on high-tech start-ups with a strong growth orientation and an innovative product idea, i.e. not the average established small or medium sized enterprise (SME). All firms under investigation are already, or aspire to be, (so called) 'gazelles' and operate in the digital economy. 'Gazelles', a term first introduced by Birch (1979), are believed to be outstanding employment creators, generating a disproportionately large net share of jobs (Henrekson and Johansson, 2010). Whilst they can be found across all shapes and sectors, they are most commonly described as small, young firms operating in the high-tech industry.

There are several reasons for focusing on high-tech, growth-oriented start-ups as research subjects, which are alluded to in more detail in the methodology chapter (p. 101). One of the primary reasons includes their economic impact and their role as job creators, as well as their ability to attract top talent. The financial crisis has illustrated that even some of the most established institutions are surprisingly vulnerable and politicians have re-discovered entrepreneurship as an important pillar of the economy.

Despite the collapse of the 'dot.com bubble' in the late nineties, high-tech firms continue to grow in number and size. To give an indication of the speed with which the digital sector has progressed, it is worth identifying some of its recent stars together with their founding years. They include: Airbnb (2008), Alibaba (1999), Amazon (1994), Ask (1996), Bing (2009), Cimpress (1995), Coupons.com (1998), CraigsList (1995), Doubleclick (1996), Dropbox (2008), Ebay (1995), Etsy (2005), Evernote (2008), Expedia (1996), Facebook (2004), Foodpanda (2012), Google (1998), Groupon (2008), Gumtree (2000), HomeAway (2005), Hulu (2007), Instagram (2010), LinkedIn (2003), Lovefilms (2002), Kayak (2004), Kickstarter (2009), Meebo (2005), Netflix (1997), Upwork (2005), Orkut (2004), OpenTable (1998), Pandora (2000), Paypal (1998), Pinterest (2010), Priceline (1997), Skype (2003), Shutterfly (1999), Spotify (2006), SurveyMonkey (1999), TripAdvisor (2000), Tumblr (2007), Twitter (2006), Uber (2009), Yelp (2004), Wonga (2006), Youtube (2005), Yahoo! (1995), Zappos (1999), Zalando (2008), Zillow (2006) and Zynga (2007). Most of these high-tech firms are now valued above $1 billion (June 2015), yet many are not even a decade old. They represent a serious employment option for young talent and set an example for young internet start-ups.

While the growth of the digital economy is a global phenomenon, this thesis will focus on the European market and two of its digital hubs in particular, Berlin and London (p. 91). In terms of venture capital funding, start-up rates, human capital and popularity, Berlin and London are leading the internet start-up league tables in Europe (Startup Genome, 2012, McKinsey&Company, 2013). A recent study by McKinsey&Company (2013) concluded that Berlin alone could expect to deliver

100,000 new jobs over the next seven years, thanks to its vibrant tech start-ups scene. Technology-driven new ventures form an important part of the UK and German economy and it is essential to understand better the working conditions in this sector. Germany has reported a steady rise of technology-driven entrepreneurship since the early 1990s (Audretsch and Fritsch, 2003) and the institutional frameworks have undergone several changes aimed at supporting and promoting the 'new' industries, particularly software and biotechnology firms (Casper et al., 1999). In the UK, the Boston Consulting Group estimated that the digital economy accounted for 7.2 per cent of the UK's GDP, a figure expected to double by 2016 (BCG, 2010). Some of the most prominent high-tech start-ups in London include Just Eat, King, Mind Candy, Shazam and Wonga, whilst Berlin can boast its role as the founding city for Foodpanda, ResearchGate, SoundCloud and Zalando.

Entrepreneurship has also become a favourite buzz word for policy makers across Europe; a sort of 'magic bullet' to cure all current economy problems. Over his legislative period, Prime Minister David Cameron has continued to advocate entrepreneurship, stating that "the future of our economy depends on a new generation of entrepreneurs coming up with ideas, resolving to make them a reality and having the vision to create wealth and jobs" (The Guardian, 30th Nov 2010, p.1) and that the UK Government is doing 'everything possible' to encourage the formation of new start-ups. This includes initiatives such as the East London Tech City, which received an additional £50 million overhaul in December 2012, and the Government's Start-Up Loans Scheme, which received a £30 million boost in January 2013. The German Chancellor Angela Merkel is sending out a similar message, calling for a new "culture of entrepreneurship" (Meiritz, 2013). 'The Factory' (a 16,000 square meter campus for high-tech start-ups in Berlin) and EXIST (a multi-million Euro support programme of the Federal Ministry of Economics and Technology (BMWi)) are both designed to improve the entrepreneurial environment at universities; these are just some of the most current examples.

Recently, academics identified the renaissance of a national 'enterprise culture' (e.g. Rigby, 2011) and popular media continues to supply the market with start-up

success stories and programmes such the BBC's Dragons' Den and The Apprentice. This trend has not gone unnoticed by UK and German universities and there is hardly a respectable business school which is not running its own entrepreneurship societies, business start-up competitions or mentoring schemes for young graduates. The growing number of entrepreneurship professors in Germany can be used as a good example to illustrate this point. The first chair in entrepreneurship at a German university was established in 1998; by 2002 twenty four entrepreneurship professors had been appointed, rising to fifty by 2008 and, finally, to one hundred and twenty-eight in 2015 Germany (FGF, 2015). Recently (January 2015), the BMWi awarded twenty-two German universities the title 'Gründerhochschule' (entrepreneurship university), recognising their success in creating an 'entrepreneurial culture' and adopting enterprise-oriented strategies.

In the UK, the Higher Education Statistics Agency (HESA) reported, in 2014, that 5.1 per cent of graduates went into self-employment or freelancing after completing their degree and 0.8 per cent started up their own business. These figures have increased by 88 per cent since 2003 and are expected to grow further (HESA, 2014) as entrepreneurship is promoted as a serious career option. However, graduates do not only consider starting their own firms; they may also join new ventures as one of their inaugural employees. With record-high levels of youth unemployment, job uncertainty, and a forceful representation of entrepreneurship by politicians, universities and mainstream media, working for a start-up is becoming an increasingly popular career option (Nerlich, 2015). There is little doubt about the importance of growth-oriented high-tech start-ups for the economy, and governmental efforts in promoting an 'enterprise culture', but what is it really like working in a young, entrepreneurial enterprise? What motivates someone to commit to a growth-oriented start-up and what does the employment deal in these firms look like from an employee perspective? How many of the employees' expectations are based on myths and wishful thinking and to what extent do entrepreneurs realise and respond to the needs and desires of their employees?

In summary, the primary reason for choosing growth-oriented technology-driven start-ups as a research subject is their perceived economic prospects and their role as job creators, as well as their ability to attract top talent. Recognising that new firms crowd out and replace existing companies, these start-ups form an essential part of the restructuring process of employment and work as a whole in society. The growing importance of the high-tech sector and the role of the internet further endorse the choice of focusing on this type of firm. Moreover, this thesis argues that growth-oriented technology-driven start-ups have become a symbol of modern entrepreneurship (p. 29) and are thereby well suited as a research subject for a study embedded in the entrepreneurship literature. Finally, this thesis is interested in employees' motivation for working in a particular start-up. It argues that growth-oriented high-tech firms attract a highly qualified workforce who actively chose to join for this type of organisation instead of working for larger, more established firms. It contends that 'necessity' is not likely to be employees' main motivation. Berlin and London are identified as leading ecosystems for start-ups in Europe (Startup Genome, 2012, McKinsey&Company, 2013), which makes them the obvious choice for entrepreneurs, and for high-calibre employees looking for a growth-oriented high-tech firm.

1.3 Thesis Justification

At its most simplistic, this thesis asks why someone would want to work in a growth-oriented start-up and what it is like. In the process it directly addresses the needs of a number of stakeholders groups.

1.3.1 The academic entrepreneurship community

It has been acknowledged that employment in growth-oriented start-ups is different from that in larger organisations (Heneman and Tansky, 2002; Deshpande and Golhar, 1994) or established SMEs (Marlow, 2006; Marlow and Thompson, 2008). Over the last decade entrepreneurship scholars have explicitly stated that one cannot simply extrapolate concepts from large firm HRM theory to start-ups; instead, new HRM theories for this specific context must be developed (Heneman and Tansky, 2002; Cardon and Stevens, 2004). Whilst there has been some progress in

the literature on employment relations in SMEs (e.g. Cassell et al., 2002; Ram and Edwards, 2003; Atkinson and Curtis, 2004), start-ups have largely been ignored as a research subject. In 2000, Katz et al. pointed out the "tremendous opportunity" (p. 7) in this field and, since then, authors such as Cardon and Stevens (2004), Marlow (2006), Dietz et al. (2006) and Verreynne et al. (2011) have continued to bemoan the lack of empirical studies on employment relations in start-ups. However, to date, only a handful of studies have actually addressed their calls directly, something that will be discussed in more detail during the literature review. Further research gaps include the need to offer a more inclusive view of employment relations in start-ups (as opposed to focusing on individual HRM functions such as staffing or performance appraisals), to adopt qualitative and cross-cultural methodologies and to mitigate employee-driven data. Again, these gaps will be discussed further during the literature review.

1.3.2 The Organisational Behaviour (OB) and HRM community

Whilst this thesis is firmly positioned within the entrepreneurship literature it will be of benefit to other academic fields, in particular Organisational Behaviour and HRM. As suggested, most HRM theories, such as the PC, have largely been derived from and applied to research in larger, more established organisations. Exposing them to the specific working environment in growth-oriented start-ups will help to advance and add to existing theories. Start-ups are under particular pressure due to their "liabilities of newness and smallness" (Cardon and Stevens, 2004; Heneman and Berkely, 1999). To ensure they can attract and retain a high calibre workforce, young start-ups have to adopt innovative HRM strategies. Some of these fresh approaches to employment relations might also be adopted by larger organisations. A recent example of this is the way small application software (app) developers have revolutionised the online gaming industry, in contrast to larger game developers, start-ups relied on small, self-sufficient teams, ensuring fast turnaround times and high levels of innovation (Hotho and Champion, 2011). Such HRM strategies have now become widely adopted across the gaming industry. Other examples might include the use of 'fun corporate cultures' by the creative agencies (Hunter et al., 2010). Whilst this is not a strategy which was invented by young enterprises, it has been championed for by high-tech start-ups and elements of it can now be found

across the digital sector. Consequently, this thesis argues that it is not only the entrepreneurship literature that will benefit from investigating employment relations in start-ups, but the study will also help to advance OB and HRM theories, and in particular the theory of the PC.

1.3.3 The entrepreneurs

In 2000, Heneman and his colleagues conducted an extensive data collection exercise, surveying 159 young entrepreneurs and conducting focus groups with 173 CEO/founders of fast-growth entrepreneurial firms. As part of its main conclusion, the paper critiqued the "mismatch between practitioner concerns regarding human resource practices and academic research" (p. 11). Young entrepreneurs regarded the recruitment and retention of a quality workforce to be of primary concern and wanted to learn more about the subject. They often ranked it above issues such as financing or sales, yet the academic community has largely ignored HRM in start-ups. An exploratory study conducted as part of this thesis came to a very similar conclusion (p. 97). The entrepreneurs interviewed as part of this pilot study commonly rated 'people issues' as there number one concern, emphasising the importance of attracting and retaining a high calibre work force. Chris, an entrepreneur of a successful Berlin high-tech start-up interviewed during the pilot study of this thesis offers one example: "This you can tell every founder; you will definitely not manage to build something bigger by yourself. So watch the people you are working with, from the first to the last day" (Chris, Interview 4, p. 7). It was the practitioners concerns and proactive request for more information that sparked the researcher's interest in this topic. The findings presented as part of the thesis allow a better understanding of the employment deal in growth-oriented start-ups will help founders to further tailor their recruitment and compensation strategies and attract/retain a highly motivated workforce, thereby directly addressing the practitioners' concerns.

1.3.4 The Employees

Over the past two decades, the academic field of entrepreneurship has focused predominantly on the role of the individual entrepreneur. As discussed earlier,

economists and politicians do recognise the importance of growth-oriented start-ups for new employment creation, yet little is known about the sort of jobs offered by such enterprises. By focusing on the employees' perceptions of the employment deal, this thesis addresses this research gap directly and analyses the working relationship as understood by the employees themselves. It is a voice rarely heard in the field of entrepreneurship. As a result, the findings will not only further the field of entrepreneurship and HRM theories, but will also inform future employees about the realistic working environment they can expect to find in growth-oriented start-ups.

1.3.5 Summary

Whilst this thesis is positioned in the field of entrepreneurship, its primary aim is to add to the debate on employment relations in growth-oriented start-ups. Academics and practitioners have called for more research at the junction of HRM and entrepreneurship, arguing that empirical research at this intersection is currently scarce and incoherent (e.g. Heneman et al., 2000, Cardon and Stevens, 2004). This thesis is particularly interested in the perceptions of employees working in this unique environment. At its most simplistic, the research asks why someone would want to work in a growth-oriented start-up and what it is like. A cross-cultural methodology helps to compare and contrast employment relations across national boundaries. The findings are relevant to numerous stakeholders, including scholars in entrepreneurship and HRM as well as founders and prospective employees.

1.4 Chapter Overview

This section presents a short overview of this thesis. Chapter one introduces explains and justifies this thesis. It outlines the research questions, identifies employees in growth-oriented high-tech start-ups as the main research subject and discusses how this study can benefit a range of stakeholders. The introductory chapter is followed by a comprehensive literature review of employment relations in small firms and start-ups (Chapter two). It contends that small firms differ from start-ups in a number of areas; however, due to the lack of knowledge on employment relations in start-ups, the SME literature is used as a reference point. The general

consensus is that employment relations in small firms tend to be a complex, informal relationship based on reciprocity. Employers' perspectives have dominated extant literature and the chapter identifies the need to investigate further employees' points of view. The chapter then moves on to discuss some of the unique challenges and opportunities which characterise employment relations in growth-oriented start-ups and uses the extant literature to outline some of the possible reasons for employees to choose this particular working environment. Under section 2.4.3 this thesis illustrates the need to move away from studying individual HRM functions and argues for a broader, more flexible analytical framework. The PC is offered as a conceptual model and reviewed in detail. The literature review finishes with a summary of all the research gaps identified and positions this thesis at the junction of HRM and entrepreneurship.

Chapter three outlines the philosophical orientation as well as the research process adopted in this thesis. The study is embedded within an interpretivist paradigm and includes eight case studies involving growth-oriented high-tech start-ups in Berlin and London. In each case, in-depth interviews with three full-time employees and the founder(s) were conducted. The chapter further justifies the research subject and the use of cross-national case studies. Finally, it considers the ethical implications of the study and summarises the data collection process, outlining the coding framework used.

Chapters four and five present and analyse the data. The deliberate use of a broad research question allowed themes to evolve naturally. The coding framework that emerged encompasses a comprehensive list of motivations relevant to employees joining growth-oriented high-tech start-ups. Additionally, it offers insight into employees' perceptions of the employment relationship.

Chapter six discusses the wider impact of the results in relation to the theory outlined in the literature review. Key themes are drawn from the interview data to address each of the research questions in turn. A detailed account of the employment deal in growth-oriented start-ups is provided and employees' key motivations and

expectations are analysed. One of the main contributions of this thesis identifies that (in contrast to the long-term or open-ended contract found in larger, more established organisations) start-ups offer a short-term, faith-driven contract with a defined 'expiration date'. The findings further challenge current understandings of remuneration, relationship building and power dynamics in growth-oriented start-ups and contribute to the literature by offering a re-conceptualisation of the PC. For instance, the chapter contends that, owing to the dominance of informal working relations, the transactional/relational categorisation traditionally used in the PC literature becomes obsolete. It also demonstrates that the content of the deal is highly context specific. In the case of growth-oriented start-ups, components such as job security are regarded as less important whilst others, such as the business idea, get introduced. Even elements which bear similarities to the ones found in larger organisations can carry a different meaning. Finally the chapter points out the contradictions which may exist even within the same component.

Chapter seven summaries the research results and illustrates the key contributions of this thesis; implications for theory and practice are discussed in detail. Limitations, as well as areas for future research are also outlined.

Figure 1 provides a brief overview of this thesis.

Figure 1 - Thesis overview

Chapter 1: Introduction
Research Aim & Questions
Growth-oriented tech start-ups
Research Significance & Contributions
Chapter overview

Chapter 2: Literature Review
Defining the research subject
Employment relations in small firms
The psychological contract
Research gaps

Chapter 3: Methodology
Philosophical Perspective on Research
Research Design, Methods & Analysis
Ethical Issues

Chapter 4: Research Participants
Case description
Individual feature of cases and employees

Chapter 5: Research Results
Case and Interviewee Descriptions
Key components of the employment deal
(financial rewards, working environment, founder, job
design, business idea, development opportunities,
career aspiration)

Chapter 6: Discussion
A new model of the psychological contract
Components of the deal
Too much of a good thing
The tipping point
True lies

Chapter 7: Conclusions
Summary of research results
Implications for research, theory & practice
Limitations and future research

1.5 Summary

The aims of this introductory chapter are to outline the main research objectives, introduce key stakeholders and outline the structure of the study. This thesis explores employment relations in growth-oriented start-ups and, more specifically, the employment deal as perceived by the employees. A number of facets of these overarching themes are introduced and justified.

Growth-oriented technology-driven start-ups are outlined as an important economic contributor and embody the modern symbol of entrepreneurship. To date, most research has focused on the founder(s) and little is known about the employer-employee relationship in this unique working environment. This thesis argues that one cannot simply extrapolate concepts from large firm HRM theory to start-ups; instead, new, specific HRM theories for this unique context must be developed. Attracting and retaining high quality staff is considered a critical success factor for start-ups and the findings of this study will help practitioners to further tailor their recruitment and retention strategies. A cross-cultural case study approach will help to identify if the employment deal in high-tech start-ups differs across national boundaries. It will also help to improve the reliability of the findings and answer scholars' calls for more cross-national entrepreneurship research (e.g. Davidsson, 1995; Dodd et al., 2013). The study focuses on employees' motivation for working in growth-oriented start-ups, their perceptions of the employment relationship and their expectations of the employment deal. This is a voice rarely heard in the field of entrepreneurship, making this thesis particularly relevant. The PC is proposed as a conceptual framework and will be discussed in more detail in the literature review. It is introduced as a framework which is broad and flexible and thereby well placed to capture the highly informal, complex and often contradictory nature of employment relations in growth-oriented start-ups, yet specific enough to conceptualise the employment deal as perceived by the employees. Finally, the chapter presents the key stakeholders of this thesis and sets out the structure of the succeeding chapters.

2. Literature review

The literature review sets out to investigate the current understanding of employment relations in small firms and start-ups. It begins with a brief overview of entrepreneurship as a field of research. 'The workforce' is identified as a critical success factor for new ventures, yet research on employment relations in start-ups remains scarce. The SME literature is used as a starting point to gain insight into the working conditions in small firms. However, this thesis demonstrates that employment relations in growth-oriented start-ups and established SMEs differ. SMEs are categorised by their diversity and any conclusions drawn about their employment relations should be treated with caution. Sectoral differences (Arrowssmith et al. 2003), strategic differences (lifestyle vs ambitious growth orientation), different levels of innovativeness (novel vs 'me-too') and different development stages (early vs established) all influence the employment deal (Harney and Dundon, 2006). After all, what is specific to a given type of SME and what is generic (Gilman and Edwards, 2008). Atkinson and her colleagues write fittingly: "There are difficulties in drawing out meaningful generalisations about SMEs given the context-dependent nature of the contract and the variety of employment practices adopted" (2014, p.5). Instead, this thesis adopts a focused approach, carefully selecting a specific type of SME, a symbol of entrepreneurship in the popular media and a serious competitor for top-talent (Nerlich, 2015), the growth-oriented, high tech start-up. This subgroup of SMEs exhibits ambitious growth orientation based on novel business ideas. They are at an early development stage and face a unique set of challenges. The employment deal or the components making up the employer-employee exchange relationship require further exploration in this specific context, taking into consideration both the founders' and the employees' perspectives. The model of the psychological contract (PC) presents a compelling analytical framework through which to better comprehend this complex exchange relationship. In particular, the PC provides a systematic construct through which to examine some of the specific components of the employment deal, whilst offering an inclusive analytical tool to investigate further employment relations in start-ups more generally. The chapter concludes by, once again, outlining relevant research gaps and restating the main research questions of this thesis.

2.1 Entrepreneurship as a field of research

The chapter begins with a very brief introduction to entrepreneurship as a field of research, identifying three significant theory development areas: (1) the origins of entrepreneurship, (2) the rise of entrepreneurship, and (3) modern entrepreneurship research. The aim is not to present a comprehensive, historic review of the entire research field, but to acknowledge some of the past researchers who established the foundations of the field, to position this thesis as a piece of entrepreneurship research and to defines the essence of entrepreneurship as understood by this study.

2.1.1 The origins of entrepreneurship

Richard Cantillon (1755), an Irish-born French financier and economist, is commonly believed to be the first to use the term 'entrepreneurship' in his essay 'The General Nature of Trade'. He draws a clear distinction between the entrepreneur (whose earnings are profit-dependent and therefore exposed to a certain amount of risk) and employees (who were assumed to receive a fixed wage). Other authors, such as Adam Smith (1723-1790), Jean-Baptisite Say (1767-1832), Jeremy Bentham (1748-1832) or John Stuart Mill (1806-1873) contributed to the debate in the 18th and 19th century, but it was not until the 20th century, and in particular the works of Joseph Schumpeter (1883-1950), that entrepreneurship gradually positioned itself within economic theory. Together with other scholars of the Austrian school, Schumpeter argued that entrepreneurship was more than just a conceptualisation of economic risk, but an evolutionary process which is defined by continuous innovation and creative destruction. Schumpeter's ideas, such as the role of the heroic entrepreneur, the importance of innovation and the concept of entrepreneurship as a process continue to shape the field to this day (Casson et al., 2006).

2.1.2 The rise of entrepreneurship

The field of entrepreneurship is considered relatively young, and it was not until the economic crisis of the 1970s that academics, policy makers and the popular media really took notice of the importance of entrepreneurship and the SME sector (Jones

and Spicer, 2005). The Bolton Report, published in 1971, is commonly referred to as the starting point of entrepreneurship and SME research in the UK (Curran and Stanworth, 1982). In Germany, the first entrepreneurship chair in the areas of business and economics was not founded until 1998 (Koch, 2003a; Koch, 2003b; Klandt et al., 2005) and research from a management perspective remains scarce (Fallgatter 2002). However, Germany does have a long tradition of theorising the entrepreneur (as an individual) and his/her behaviour. Arguably it was a series of German-speaking academics such as Schumpeter, Kirzner and von Hayek who build the foundations of today's entrepreneurship research (for a full review, see Fallgatter, 2002).

Early entrepreneurship research was primarily concerned with its economic role and the definition of the individual entrepreneur. With the reign of Margaret Thatcher came a push for developing an 'enterprise culture' across the UK (Greene et al., 2008). By the 1990s little doubt remained that entrepreneurship should be recognised as a key contributor to economic development (Fass and Scothorne, 1990), where entrepreneurial activity was understood to encourage competitiveness, create wealth, generate jobs and contribute to local and regional development (Reynolds and Miller, 1992). Entrepreneurship is understood to be an important source of product and market innovation (Schumpeter, 1934; Reynhold, 1987), economic flexibility and growth (Baumol, 1986; Casson, 1982; Birley, 1987, 1986; Reynolds et al., 1994; Birch, 1979; Audretsch 1991) and as a catalyst for technological processes (Baumol, 1986). The sheer size of the SME sector, which in 2013 accounted for 59.3 per cent of all private sector employment and 48.1 per cent of all private sector turnover in the UK (BIS, 2013), fuels research interest in the field. Policy makers invest heavily into programmes and initiatives to foster entrepreneurship (Cable, 2013; Rösler, 2012) and are convinced that it is possible to encourage entrepreneurial behaviour actively (Altaf, 1988). Berlin and London have both been at the forefront of this campaign. In December 2012, Prime Minister David Cameron announced to investment £50million into 'Tech City', Europe's biggest start-up hub, adding to establishments such as the 'Google Campus' and 'Central Working'. Berlin on the other-hand is heavily investing into Adlershof, a high-tech park with a turnover of €1.6bn, whilst also being in the process of opening 'The

Factory', a new, 10,000m² start-up hub. Both cities have a track record of producing some of the fastest growing start-ups in Europe. Some of London's most famous high-tech start-ups including Wonga, Bebo, Last.fm and Lovefilm. Similarly, Berlin is home to SoundCloud, Wooga and Zalando, just to name a few.

Another characteristic of entrepreneurial research in the pre-millennium era is the investigation and definition of the individual entrepreneur. Numerous studies explore the psychological characteristics or traits of entrepreneurs (e.g. McClelland, 1961), their thinking (e.g. Kahneman et al., 1982), as well as their attitudes and behaviours (e.g. Gartner, 1989), placing the individual at the heart of entrepreneurship research. However, no overall agreement on the composition of an 'entrepreneurial personality' could be identified. As academics added more desirable traits to the list, the definition of the entrepreneur lost clarity and soon described a sort of generic "Everyman" (Gartner, 1988; p. 57). Consequently, some research moved on to focus on concepts such as entrepreneurial behaviours (e.g. Gartner, 1989; Baum et al., 2007), entrepreneurial orientation (e.g. Covin and Slevin, 1989) or entrepreneurial skills that may be learned (e.g. Gibb, 2002). Yet, the individual remained the centre of attention.

2.1.3 Modern entrepreneurship research

The past decade of entrepreneurship research is perhaps best characterised by its sheer diversity. It now includes studies from economics, social psychology, anthropology, management, marketing (and more recently) philosophical and methodological fields of science (Shane, 2003; Blackburn and Smallbone, 2008). An increasingly large number of subject specific conferences, journals, reviews and doctorial programmes have helped entrepreneurship to establish itself as academic field (Cornelius et al., 2006), and yet the concept itself remains vague and there is still much debate about the scope, definition and model of entrepreneurship (Bruyat and Julien, 2000). As Baum et al. have pointed out, "there are hundreds of definitions of the entrepreneur, entrepreneurship, and entrepreneurial" (2007; p. 6) and Chell et al. critiques that there "is still no standard, universally accepted definition of entrepreneurs" (1991; p. 1). This thesis contends that the concept of the

entrepreneur has become so diluted, widespread and over-used, that it risks becoming meaningless. Today, an employee in a multinational cooperation pursuing a new idea can be referred to as an "intrapreneur" (Kanter, 1990). A woman who owns a cow in an Indian village and sells some of the milk to her neighbours adopts the title of a "micro-entrepreneur" (Westall et al., 2000). The activity of running a not-for-profit organisation is now known as "social entrepreneurship" (Austin et al., 2006) and even conventional small business owners are often included in the studies on entrepreneurship (Shane, 2010). Completed by endless proliferations of '-preneurs' such as 'mumpreneurs' (Ekinsmyth, 2011), 'minipreneur' and 'seniorpreneur', as well as 'institutional entrepreneurs' (Dorado, 2005) and even 'political entrepreneurs' (Schneider and Teske, 1992) there seems to be no shortage of definitions. Furthermore, an increasing number of references to terms such as 'entrepreneurial orientation' (Kreiser et al., 2010), 'entrepreneurial spirit' (Achtenhagen and Welter, 2006), 'entrepreneurial action' (Alvarez and Barney, 2007; Watson, 2013) and 'entrepreneurial culture' (Du Gay and Salaman, 1992) can be found. Jones and Spicer (2010) argue that "we are experiencing a profound and notable generalisation of the category of the entrepreneur, to the point where the figure of the entrepreneur can be used to refer not just to someone undertaking a small business start-up, but nearly anyone" (p. 10).

In an attempt to narrow the research focus and offer more clarity, this thesis proposes an alternative definition of entrepreneurship, developed within strict conceptual boundaries. Departing from studies with a broader research scope provides an enhanced focus for the thesis, contextualising its research efforts, differentiating it from the SME literature, and emphasising some of its most distinct features.

2.2 Defining entrepreneurship

Entrepreneurship is a multi-faceted concept, however, this thesis argues for three distinguishing features, which set it apart from the SME literature and characterise this particular study. Firstly, entrepreneurship focuses on the early development

stage or start-up phase of new ventures. Secondly, it is linked closely to innovation and newness. Thirdly, it shows a strong growth-orientation.

The three features outlined are not exclusive to entrepreneurship, nor are they its sole characteristics; they merely represent and define entrepreneurship as understood by this study. Combined, they embody the innovative, growth-oriented start-up, arguably one of the flagships of entrepreneurship. The features are not exclusive to this study and many prominent scholars have alluded to them in the past. Schumpeter, for example, argues that innovation or the discovery of new combinations is entrepreneurship's main role (Schumpeter, 1934). More recently, Bruyat and Julien have defined it as a "new value creation process" (2000; p. 169), again stressing the importance of newness, but also the concept of entrepreneurship being a process. Similarly, Shane and Venkataraman refer to entrepreneurship as the process of discovering, evaluating, and exploiting opportunities (Shane, 2000; Shane and Venkataraman, 2000). However, this thesis contends that entrepreneurship is not just about creating new value or discovering new opportunities. In contrast to innovation more generally, it is primarily concerned with the process of creating a new *business*, i.e. it focuses on the early development stage of 'new venture creation'. In 1988, Gartner reduces entrepreneurship to "the creation of organizations" (p. 11). This is also in line with Rae's interpretation of entrepreneurship; he defines it as "the process of identifying and exploiting opportunities through bringing together resources to form ventures, which create or release value" (1999; p. 16). Finally, this thesis argues that, in contrast to the SME literature, entrepreneurship focuses on companies that are driven by a strong growth-orientation. This is a feature commonly used by scholars to differentiate between entrepreneurs and owner-managers (Gartner, 1990).

Over the past decades, academics have struggled to define entrepreneurs by their psychological profile, and as Aldrich (1999, p. 76) observes, "research on personal traits seems to has reached an empirical dead end". However, research suggests that it is possible to differentiate between entrepreneurs and owner-managers based on their motivation for profits and growth. For example,

Carland et al. (1984: p. 358) argue that "an entrepreneur is an individual who establishes and manages a business for the principal purposes of profit and growth. The entrepreneur is characterized by innovative behavior and will employ strategic management practices in the business". In contrast, "A small business owner is an individual who establishes and manages a business for the principal purpose of furthering personal goals. The business must be a prime source of income and will consume the majority of one's time and resources. The owner perceives the business as an extension of his or her personality, intricately bound with family needs and desires". Differentiating entrepreneurs and business owners on the basis of their motivation is of particular relevance to this study as it provides some ideas about the unique motivations of employees joining start-ups.

In summary, entrepreneurship is an opaque, multi-faceted concept. As a consequence, this research has decided to focus specifically on the 'innovative, growth-oriented start-up'. They are argued to symbolise entrepreneurship, scoring particularly high on three of its most important features, namely, (1) they are at an early stage in the venture creation process, (2) they drive for innovation and newness and (3) they demonstrate strong growth ambitions.

2.3 The myth of the lone-wolf entrepreneur

Since Schumpeter's characterisation of the heroic entrepreneur (Schumpeter, 1934), greater emphasis has been placed on the individual who creates new ventures. Over the years, academics have attempted to investigate entrepreneurs' characteristics, behaviours and motivations, but the results remain inconclusive. As Kilby (1971) describes, searching for the *real* entrepreneur is like 'hunting the Heffalump'. Despite the futility of this quest "entrepreneurship scholars continue to embody entrepreneurship in a single person" (Ben Hafaiedh, 2006; p.1). Fuelled by popular media, particularly in the UK and the USA, the entrepreneur has commonly been stereotyped as a 'lone-wolf' (Brandson, 2010). However, this thesis argues that entrepreneurship is not an individual, but a team effort; just like wolves, entrepreneurs do not hunt alone, but in packs. As Chris (a successful entrepreneur interviewed as part of my preliminary study) advises, "this you can tell every founder;

you will definitely not manage to build something bigger by yourself" (Chris, Interview 4, p. 7).

In the recent decade, a variety of literature has explored the idea that there is more to entrepreneurship than just the entrepreneur, and a small number of entrepreneurship scholars have begun to seriously challenge the myth of the lone heroic entrepreneur; instead suggesting that entrepreneurship has a 'collective nature' (Johannisson, 2003). Bill Gartner and Bengt Johannisson (winners of the prestigious 'Global Award for Entrepreneurship Research' in 2005 and 2008 respectively) have been at the forefront of this movement, demonstrating the diverse range of stakeholders involved in the venture creation process. Johannisson, for example, stresses the socially embedded nature of entrepreneurship and the importance of 'others' in the commercial exploration of new opportunities (e.g. Johannisson, 1987; Johannisson, 2003). Using network theory, Johannisson argues that a positive relation between the founders' networking activities and their start-ups' success exists; a hypothesis which has since been adopted and at least partially proven by many entrepreneurship scholars (Witt, 2004) (for a full review on network theory in entrepreneurship see Hoang and Antoncic, 2003). Johannisson and his colleagues argue that entrepreneurs use their social and professional networks to gain a competitive advantage. They suggest that the use of 'helpers', or 'Otherpreneurs' as Gartner calls them (2011), are essential for venture success. As Gartner puts it, 'entrepreneurs never dance alone' (2011, p. 10). However, whilst networking theory exposes the 'myth of the lone-wolf entrepreneur', it tends to focus exclusively on external 'helpers', such as lawyers, accountants, advisors, mentors or friends, and ignores what is, potentially, the greatest 'helper' of all: the employee.

Another group of academics that have advocated the 'collective nature' of entrepreneurship are scholars focusing on the founding team (e.g. Knockaert et al., 2011; Zheng, 2012) or team formation process (e.g. Forbes et al., 2006; Ben Hafaiedh, 2012). Their research stands in direct contrast to the popular representation of the lone entrepreneur and instead recognises the value and common practice of founding teams. A co-founder is generally defined as an

individual with a significant equity stake (ten per cent or more) and/or actively involved in strategic decision-making (Ben Hafaiedh, 2009). As a result, this research stream limits its focus exclusively to the founding team and pays little attention to other stakeholders, such as inaugural employees.

At the intersection of the entrepreneurship and leadership, literature one might expect to find another field that rejects the concept of the lone-wolf myth, after all, leaders need 'subjects' to follow them. However, a brief review of the literature revealed that the spotlight continues to be on the entrepreneur/leader and not their disciples (Cogliser and Brigham, 2004).

This lack of employee driven data is somewhat surprising given the continuing calls from practitioners and academics for more research on this topic (e.g. Heneman et al., 2000; Marlow, 2006; Edwards and Ram, 2010; Verreynne et al., 2011). The workforce is believed to be a critical success factor in new ventures (e.g. Hornsby and Kuratko, 1990; McGrath, 1999; Williamson et al., 2002; Tocher and Rutherford, 2009). Firms often profess that people are the primary source of their competitive advantage (Boxall and Purcell, 2003; Paauwe, 2004; Katz et al., 2000; Barney, 1995; Dess and Lumpkin, 2003) and that "staff make or break the business" (Barrett et al., 2007; p. 692) and in 2001, Wright and Dyer argue, that despite common misconceptions, many start-up failures "clearly [come from] the inability to deal with organizational and people challenges, rather than lack of vision, great technology or even business savvy" (p. 24). In 2000, Heneman and his colleagues revealed that founders ranked HRM issues as their number one concern, even above matters to do with financing, marketing or technology. Key concerns included the difficulty of attracting and retaining high-potential employees as well as the importance of "matching people to the organizational culture" (p. 11).

For businesses of any size, employees represent not only one of their main costs, but also their most important asset. This is likely to be emphasised even further in start-ups. One can only imagine the difficulty a founder would find themselves in, should a key employee (or worse, numerous employees) unexpectedly leave the

company during the start-up process. In the absence of sophisticated knowledge management systems, the company would be likely to lose a large proportion of the employee's tacit knowledge (Aldrich, 1999) and, in markets where speed is essential, this could seriously delay the start-up process and jeopardise venture success. Additionally, an innovative start-up might also fear the imitation of their business idea or theft of their intellectual property. Assuming that the firm is made up of a relatively small team, staff morale might also be affected. An increase in headcount is naturally associated with venture growth, employees and investors might therefore judge a decrease in staff numbers as a sign of weakness. In an attempt to put a financial value on staff turnover in small firms, Ramlall (2003) suggests that the cost of losing a member of staff is 150 per cent times that employee's annual salary. Henricks (2006) goes even further, predicting that it could be as high as 250 per cent. At its most simplistic, high turnover rates are found to be negatively related to revenue growth (Baron and Hannan, 2002). Given their dependence on inaugural employees, start-ups may find it harder than their larger counterparts to absorb the shock of employees leaving the organisation abruptly. For all of these reasons, attracting and retaining a high calibre workforce is of critical importance to entrepreneurs.

It is the aim of this thesis to gain further insights into employees' reasons for working in growth-oriented high-tech firms. The logic behind this dictates that, by understanding employees' expectations and motivations, founders will be able to better tailor their management practices and increase their chances for success. The introductory chapter (p. 9) outlined numerous challenges associated with the unique working environment in growth-oriented high-tech start-ups, such as their limited legitimacy as an employer (e.g. Williamson and Robinson, 2007), their tight resource constraints (e.g. Henricks, 2006), their high failure rates, and their lack of professional HRM systems (e.g. Katz et al., 2000). These characteristics notwithstanding, many employees are drawn to this particular work setting (Nerlich, 2015). What is it that motivates employees to work in this taxing environment and what perceptions of regard to the employment exchange relationship do they hold?

In summary, entrepreneurship scholars have begun to recognise that starting and running a growth-oriented venture is likely to be a collective effort. As Gartner puts it, "the 'entrepreneur' in entrepreneurship is more likely to be plural, rather than singular" (1994; p. 6). The purpose of this section is not to offer a comprehensive review on networking, team composition or leadership theory, but to demonstrate that in recent years numerous academics have started to challenge the myth of the lone-wolf entrepreneur. However, research on employees or employment relations in start-ups still remains scarce. This is surprising considering the critical importance of human resources for any growth-oriented start-up (e.g. Baron and Hannan, 2002; Dietz et al., 2006; Barrett and Mayson, 2008). Attracting and retaining high calibre staff is regarded a critical success factor for new ventures and it is crucial to gain a better understanding of the employment relationship and working conditions in new ventures. This thesis proposes to investigate these issues from an employee perspective for numerous reasons: (1) employee-driven data in this context remains scarce and will thereby directly address one of the larger gaps in the HRM theory; (2) a more comprehensive knowledge of employees' experiences, motivations, needs and desires will help founders to further tailor their recruitment and retention strategies; and (3) the findings will help to inform future employees about the realistic working environment they can expect to find in growth-oriented start-ups.

2.4 Employment relations in growth-oriented start-ups

As outlined above, starting and running a new venture is a collective effort. The entrepreneur might be the captain of the 'entrepreneur-ship', but without a reliable, motivated and hardworking crew their journey will sink in sight of port. Company founders are heavily dependent on the knowledge, integrity and commitment of their first employees and face great pressures to build and retain a highly qualified workforce (Williamson et al., 2002). However, literature on employment relations in start-ups remains scarce. Research placed at the intersection of entrepreneurship and HRM has been on the increase in recent years (e.g. Katz, 2002; Barrett and Mayson, 2008); however, it most commonly takes a management perspective and rarely reflects on employees' experiences of the relationship. The SME literature offers a greater diversity and depth (e.g. Wilkinson, 1999; Marlow, 2006; Ram, 1994;

Edwards and Ram, 2006), but, as discussed earlier, employment relations in growth-oriented start-ups and the established SMEs are likely to differ.

In the absence of a distinct literature on employment relations in start-ups, the following section will draw on both the HRM literature in entrepreneurship and employment relations literature in SMEs in order to review the current understandings within the field and position the thesis effectively. The section begins by defining some of the terminology used in the chapter, before discussing current conceptualisations of the employer-employee relationship in this specific environment. The chapter will then outline some of the reasons which might motivate employees to work for growth-oriented start-ups.

2.4.1 Terminology

Before analysing employment relations, HRM, and the employment deal in more detail, it is essential to clearly define these terms as they are understood throughout this thesis.

The focus of employment relations is "the formal and informal relationship between an organisation and its employees" (Rollinson and Dundon, 2007; p. 5). It includes both individual as well as collective employment relations (Wilton, 2010). In the case of the start-up, the founder or founding team represents the organisation. Their close physical proximity and interpersonal contact with employees suggests, that they represent the interests of the company at all times, negotiating on its behalf, finding ad hoc solutions and compromises as well as offering strategic guidance (Bacon and Hoque, 2005). The Chartered Institute of Personnel and Development (CIPD) suggest that employment relations do not define management functions or well-defined areas of activity, but should be understood as an employer philosophy (2013). Interestingly, the CIPD portrays the organisation or employer as the leading character of this relationship. They write that "lessons from research into employee voice and the psychological contract have been absorbed by employers and reflected in their employee relations policies and aspirations" (CIPD, 2013, p.4). Despite these lessons, employers fail to recognise the employee as an equal partner

in this relationship. This thesis contends that the employment relationship is reciprocal by nature, a concept further discussed on page 46. At this point, it is also important to emphasise that, in contrast to industrial relations, employment relations go beyond the collective institutions of job regulation to recognise the growing individualism pervading the contemporary work place (Marlow, 2006; Rose, 2003).

Considering that much of the research on working environment in start-ups is written from a management perspective, it is necessary to briefly define the term Human Resource Management (HRM). However, it is also important to stress that this thesis takes an employee perspective and the purpose of the HRM literature is merely used to enhance the discussion. HRM, in its broader sense, can be defined as "a set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm's human resources" (Lado and Wilson, 1994; p. 701). In essence, they are the organisational tools and techniques to manage the employment relationship.

This thesis defines the employment deal as the 'perceived expectations and obligations each party holds toward the other'. This definition is based on the work of Rousseau (1990) and her conceptualisation of the PC, a theory which will receive more attention in the later part of the literature review.

2.4.2 Employment relations in the small firm context

In the UK, research on employment relations in start-ups can be traced back to the early 1970s and the Bolton Report (1971) in particular. This report, commissioned by the then Conservative government, provided one of the first reviews of employment relations in small firms. It was written at a time of economic difficulty, with many larger organisations facing industrial action. The Bolton Report suggested that employment relations in small firms were characterised by a notion of 'harmony', i.e. making it the preferable working environment.

Over the 1980s, little attention was paid to employment relations in small firms (Matlay, 2002) and it was not until the early 1990s that the debate was picked up again. The field began to develop two conflicting paradigms on the type and quality of employment opportunities offered by small firms. Some continued the thinking of Ingham (1970) and the Bolton Report (1971) and argued for a 'small is beautiful' approach (e.g. Wilkinson, 1999), where employees could expect a harmonious, less formal and more personal work environment, with both greater job responsibility and flexibility. Others characterise small firms as 'bleak houses' or 'sweatshops', with high job instability, authoritarian management style, and poor working conditions (Rainnie, 1989; Bacon et al., 1996). Ritchie (1993) painted a particularly desolate picture, arguing that many small firms seemed more like "personal fiefdoms, paternalistic homesteads, backstreet workshops, temporary employment stopgaps, oppressive sweatshops and generally less desirable workplaces" (p. 112). Atkinson and Storey (1994) concluded that the quality of employment in small firms is, in fact, lower than in large ones, because "wages are lower, training is less frequent, and the evidence for a compensating higher level of job satisfaction is weak. Furthermore, in view of the financial weakness of many small businesses . . . and their relatively low levels of unionisation, effective job security for workers is likely to be lower than for workers in large firms" (p.11).

These contrasting schools of thought might be partially explained by the heterogeneity across small firms (e.g. size, location, age, type of ownership, sector: discussed for example by Goss, 1988) and hence their diverse approaches to labour management. The owner of a small, family-run manufacturing firm (for example) might choose an authoritarian management style, whereas the founder of a young advertisement agency could opt for a laissez-faire strategy. As a result, employees' experiences will differ and care must be taken to avoid over-generalisation (Scase, 1995, Atkinson, 2014). Ram (1991a) criticises both the 'harmonious' as well as the 'sweatshop' theses for their tendency to oversimplify the "complex, informal and often contradictory" notion of workplace relations (Ram and Holliday, 1993, p. 629). Numerous in-depth case studies (Holliday, 1995; Moule, 1998; Ram, 1994) present a much more complex, contested and conflicting account of employment relations in small firms. The question remains; what motivates employees to work in small firms

(in the case of this thesis in innovative, growth-oriented start-ups) and how do they perceive the employment relationship?

Before addressing this question directly, it is necessary to continue the review of employment relations in the small firm context. Here, Ram (1991b and 1994) is instrumental in defusing the apparent contradictions between the 'small is beautiful concept' and the 'bleak house scenario'. Rather than defining the two approaches as mutually exclusive dichotomies, Ram suggests that employment relations can best be described as an ongoing conversation or 'negotiated order' (Ram, 1994). He recognises the tensions that exist within employment relations, but argues that cooperation is also a fundamental component, where high levels of informality and mutual interdependence between the parties encourage both sides to engage in an ongoing dialogue. Ram's work illustrates that employment relations in small firms are characterised by (1) informality, (2) mutual inter-dependency and reciprocity, and (3) ongoing bargaining. He also acknowledges that (4) employees take an active role in shaping the relationship, and that (5) downright autocratic leadership is less suited in small firms give that the relationship is dependent on mutual trust. Ram (1994) concludes that employment relations in his sample could best be described as 'negotiated paternalism'. Although Ram's work has played a significant role in advancing the current understanding of employment relations in small firms, it is important to remember that it was written from a management perspective. A second point to consider is Ram's focus on pay as the primary subject of negotiation. Whilst he does recognise that "considerations beyond the cash nexus" (Ram, 1994, p. 161) exist, they are not further explored. Instead he devotes an entire chapter to "fixing the rate", i.e. pay negotiations. In contrast, this thesis argues that, in the case of growth-oriented high-tech start-ups, pay is only one element of the employment deal and possibly not even the most important (p. 126).

Figure 2 shows a simple chronology of some of the works discussed so far.

Figure 2 – Key works on employment relations in SMEs, 1970-2000

Ingham (1970)   Goss (1988, 1991)   Scase (1995)

Bolton (1971)   Ram (1991, 1994)   Moule (1998)

Rainnie (1989)   Holliday (1995)   Wilkinson (1999)

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├────────┼───────────────┼──────────────────────────────┤──►
1970    1980            1990                           2000
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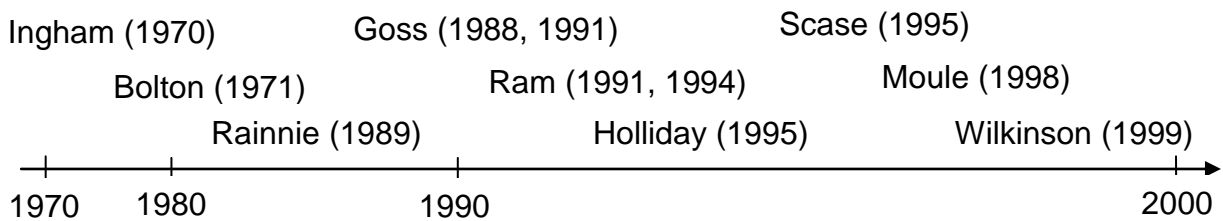
In Germany, the academic debate around employment relations in small firms is still in its infancy (Helfen and Schuessler, 2013). However, in practice, the German Mittlestand (SME sector) exhibits a very traditional, stable and well respected model of employment relations that are often cited as a key contributor to Germany's current economic success (e.g. Rinne and Zimmermann, 2011). The 'German socio-economic model' is a term commonly used to describe Germanys industrial and financial relations and can be characterised as "a preference for competitive strategies which avoid price competition by favouring high quality and flexibility, requiring high-skilled labour and high capital intensity, long-term employment commitments and consensual work organization and industrial relations" (Bluhm, 2001; p. 154). At its core, one can discern an emphasis on the role of employee engagement and a robust vocational training programme. In contrast to the UK, wage negotiations are carried out at industry level. Mandatory work councils or co-determination are used at the company level to ensure employees representation (Gumbrell-McCormick and Hyman, 2006; Katz and Darbishire, 2000). The rights of the work councils reach far beyond the information and consultation rights of employees in other European countries (Behrens, 2003, p. 56) and a strong institutional framework forbids employers to adopt union exclusion strategies. According to Katz and Darbishire (2000), German employment relations can best be described as 'joint team-based' work practices, rather than a 'low-wage HRM' approach. Despite a dip in confidence in the 1990s (Sinn, 2007) and some radical reforms in 2003-2005 by the then red-green coalition government (for a full review please see Eichhorst and Marx, 2011; Hüfner and Klein, 2012), the German model has continued to impressed academics and politicians alike for its stability, as well as its contributions to competitiveness, high wages and a low level of industrial disputes (e.g. Hassel, 1999; Streeck, 1997). Whilst many European countries continue to

struggle with the aftermath of the European Financial Crisis, Germany is reporting its lowest unemployment rates since 1991 (OECD, May 2015) and the 'German model' has arguably emerged as a benchmark for numerous European countries who are looking to reform their labour markets (Dullien, 2013).

In summary, the academic literature on employment relations in Germany is still in its infancy, but the nation's distinct institutional framework makes it reasonable to assume that individuals in Germany and the UK will experience the employment relationship differently. A 'sweatshop' environment as suggested by Rainnie (1989) and Ritchie (1993) is unlikely in Germany, as the German model is characterised by stable patterns of high-quality employment, an emphasis on cooperation (not conflict), aims to build long-term employment relations, a 'joint team-based' approach and strong co-determination legislations (Katz and Darbishire, 2000). In contrast, UK academics did not regard collective bargaining and industrial action as a viable option for employees in small firms (Goss, 1988), often resulting in low wages, poor working conditions and insecure employment (Scase, 1995). Whilst Ram (1994), Wilkinson (1999) and others have argued that this 'bleak house' view is somewhat exaggerated, there is no question that union membership in the UK has been on the decline since the 1970s and that employees from small firms are largely underrepresented (Katz and Darbishire, 2000). Nevertheless, in-depth case studies (Holliday, 1995; Moule, 1998; Ram, 1994) present a much more complex, informal and continuously negotiated account of employment relations in UK small firms. This recognition of on mutual inter-dependency and reciprocity indicates that German and UK employment relations might not be so different after all. As Ram finds, "workers were not passive in the face of authoritarian management; they would endeavour to alter the terms of the effort bargain if they felt they were not 'fairly' rewarded" (1994; p. 122). Perhaps the primary difference to keep in mind is that, in Germany, negotiations (in particular around issues of remuneration) would be conducted on an industry level, whilst in the UK negotiations would take place on an individual level.

2.4.3 A review of the past decade

The following section discusses some of the most recent developments (2000-2015) in the literature on employment rated issues in small firms and start-ups. It

summarises some of the key themes and research gaps within this field. Numerous opportunities and challenges associated with this particular working environment are discussed in detail.

Research at the intersection of HRM and entrepreneurship remains scarce. A current literature review by Harney (2015) found that only 2.86% of articles published in leading HRM journals between 1997 to 2006 included small firms as an explicit part of their analysis. Over the same period, 5.25% articles published in the leading entrepreneurship journals investigated employment related issues in small firms, mostly compiled in special issues (also see Table 1 below). His literature analysis leads Harney to conclude, that research investigating 'people issues' in small firms continues to be underrepresented. In an attempt to explain this neglect Harney points to the definition complexities, access/data collection difficulties, and resource constrains inherent in small firms, as well as historical assumptions about the superiority of larger corporations in terms of HR practices and employment creation.

Table 1- Special issues and edited books on 'people issues' in small firms

Special Issue:	Edited books:
● Human Resource Management and the SME, *Entrepreneurship Theory and Practice* (Katz et al., 2000)	● Managing People in Entrepreneurial Organisations, JAI (Katz et al., 2002)
● Two special issues in the *Human Resource Management Review* (Baron, 2003; Barrett and Mayson, 2006)	● Human Resource Strategies for the High Growth Entrepreneurial Firm, IAP, (Tansky and Heneman, 2003)
● Two special issues in *Human Resource Management* (Huselid, 2003; Ribeiro et al., 2010)	● Managing Labour in Small Firms, Routledge (Marlow et al., 2005)
	● International Handbook of Entrepreneurship and HRM, Edward Elgar (Barrett and Mayson, 2008)
	● Human Resource Management in Small Business, Edward Elgar (Cooper and Burke, 2010)

Table 1 lists the most relevant special issues and edited books exploring 'people issues' in small firms, whilst Table 2 expounds a more detailed catalogue. Four common observations include the importance of HR for SMEs, the unique working conditions, the diversity of the SME sector as a whole, and the neglect of employee perceptions and experiences within this context, all of which are explored more thoroughly.

Academics and practitioners continue to emphasise the importance of 'the workforce' as a critical success factor in small ventures (e.g. Hornsby and Kuratko, 1990; McGrath, 1999; Heneman et al., 2000; Williamson et al., 2002; Tocher and Rutherford, 2009). This is particularly relevant in growth-oriented high-tech start-ups, which are heavily dependent on the commitment, effort and loyalty of their first employees. "Staff make or break the business" (Barrett et al., 2007; p. 692) and are often regarded as a key source of competitive advantage (Katz et al., 2000; Barney, 1995; Dess and Lumpkin, 2003). In 2001, Wright and Dyer argued that, despite common misconceptions, many start-up failures "clearly [come from] the inability to deal with organizational and people challenges, rather than lack of vision, great technology or even business savvy" (p. 24). A better understanding of employment relations in this context carries great practical relevance, particularly for the type of organisations under investigation in this thesis. As Katz et al. write: "At a time of unparalleled technological development, it is the human resources that paradoxically spell success or failure for all firms, and especially entrepreneurial ones" (2000, p. 7).

Second, academics seem to agree that employment relations and employment conditions, as well as HRM policies, vary according to firm size (Wilkinson, 1999; Deshpande and Golhar, 1994; Heneman and Tansky, 2002; Marlow and Patton, 2002; Cassell et al., 2002; Verreynne et al., 2011). As a result, employees' perceptions of the employment exchange relationship are also likely to differ. Some of these differences will be alluded to in more detail as the section unfolds. Over the last decade, entrepreneurship scholars have explicitly stated that one cannot simply extrapolate concepts from large firm HRM theory to SME application; instead, new, specific HRM theories for this unique context must be developed (Barber et al., 1999; Cardon and Stevens, 2004; Heneman and Tansky, 2002). Furthermore, this thesis

argues that innovative, growth-oriented high-tech start-ups (as a subgroup of SMEs) in turn differ from the 'average' lifestyle SME, just like entrepreneurs differ from lifestyle owner-managers (Deakins and Freel, 2003). An entrepreneur for example might hope to challenge the status quo, innovate and maximise growth (Freel and Robson, 2004), whilst lifestyle owner-managers would be more concerned with the durability and sustainability of their ventures. As Zhao writes, "entrepreneurs are different from small firm owners… [who are] concerned primarily with securing an income to meet their immediate needs, whereas entrepreneurs have higher achievement motivation and risk taking, and are inclined to growth, innovation and change" (2005, p. 26). In contrast to larger organisations or lifestyle SMEs, the working conditions in growth-oriented high-tech start-ups are characterised by a combination of newness, smallness, growth, innovation and uncertainty (Marlow, 2006). This thesis is particularly interested in employees' reasons for working in this unique environment.

Third, there is a general consensus regarding the rich diversity of the SME sector and the difficulty of providing clear cut answers. Clearly the SME sector is heterogeneous (sector, age, location, growth trajectory, owner characteristics, etc.) and a large number of different firms fall under this label (Cassell et al., 2002; Marlow, 2006). As a consequence, it is important to contextualise findings and avoid generalisations. Cassell et al. (2002) go as far as to argue that the "use of quantitative data is of relatively little value" (2002, p.674), and thus alternatively advocating a case study approach (Holliday, 1995; Moule, 1998; Ram, 1994; Dietz et al., 2006; Atkinson, 2008). In an effort to increase the reliability of this study, this thesis focuses on a very specific sub-group of SMEs, the growth-oriented, high-tech start-up.

Finally, many of the articles published on 'people issues' in small firms have been written from a managerial perspective, emphasising management strategies aimed to improve venture performance through optimising the value of their 'human assets' (Marlow, 2006; Marlow et al., 2010). In an effort to compile a detailed list of scholarly articles concerned with human resource management in small firms and start-ups,

this thesis reviewed leading journals on entrepreneurship and human resource management. The database Business Source Complete (EBSCO) was used to select relevant articles published between 2000 and 2015. Research notes and book reviews were excluded from the count. Articles were filtered using seven key terms as listed below. Further selection was based on the title of the article. Where this did not provide an obvious indication, the abstract was reviewed. If the scope of the work was still not clear, the allocation decision was made by reference to the methodology section of the article. In the end, 95 articles survived this evaluation.

Table 2 - Leading entrepreneurship and HRM journals & key search terms

Entrepreneurship	Human Resource Management
International Small Business Journal (18)	Human Resource Management (14)
Entrepreneurship Theory & Practice (11)	Human Resource Management Review (7)
Journal of Business Venturing (8)	Employee Relations (6)
Journal of Small Business Management (8)	Work Employment & Society (3)
Entrepreneurship and Regional Development (1)	Human Resource Management Journal (2)
Strategic Entrepreneurship Journal (1)	Other (11)
Other (5)	
Key search terms:	**Key search terms:**
human resource management	employment relations
employment relations	SME
employee	entrepreneur*
	start-up

An examination of the methodology revealed that data was most commonly collected from the employer (founder, owner-manager or a representative of the senior management). Only 10% of studies focus on employee data exclusively, mostly using quantitative data collection tools for their analysis (only exception, Ram et al 2001).

Table 3 - Literature on entrepreneurship and HRM in small firms and start-ups

Author(s)	Year	Data	Unit of Analysis	Author(s)	Year	Data	Unit of Analysis
Schlosser, F.	2015	Qual	Multi-level	Tsai et al.	2007	Mixed	Multi-level
Barrett, R.	2015	Quant	Employer	Barrett et al.	2007	Qual	Employer
Garavan et al.	2015	Quant	Employer	Dietz et al.	2006	Mixed	Multi-level
Kitching, J.	2015	Qual	Employer	Marlow, S.	2006	Theory	-
Knudsen, E.S. Lien, L.B.	2015	Quant	Employer	Edwards, P. Ram, M.	2006	Theory	-
Lai et al.	2015	Quant	Multi-level	Graham et al.	2006	Theory	-
Whyman P.B. Petrescu, A.I.	2015	Quant	Employer	Harney B. Dundon, T.	2006	Qual	Multi-level
Atkinson et al	2014	Qual	Multi-level	Jack et al	2006	Theory	-
Sheehan, M.	2014	Quant	Employer	Leung et al.	2006	Quant	Employer
Mallett, O. Wapshott, R.	2014	Qual	Multi-level	Mayson, S. Barrett, R.	2006	Theory	-
Kroon et al.	2013	Quant	Employee	Szamosi, L.T.	2006	Quant	Employee
Leung et al.	2012	Quant	Employer	Taylor, S.	2006	Theory	-
Wapshott, R. Mallett, O.	2012	Qual	Multi-level	Barnett, T. Kellermanns, F.W.	2006	Theory	-
Martin, E.	2012	Qual	Employer	Bryan, J.	2006	Quant	Employer
Zacher, H. Gielnik, M.M.	2012	Quant	Multi-level	Rauch et al.	2005	Quant	Employer
Reda, B. Dyer, L.	2012	Quant	Multi-level	Kotey, B. Slade, P.	2005	Quant	Employer
Nadin, S.J. Williams, C.C.	2012	Qual	Employer	Morris et al.	2005	Quant	Employer
Jarvis, R. Rigby, M.	2012	Qual	Employer	Pittaway, L. Thedham, J.	2005	Mixed	Employer
Hargis, M.B. Bradley, D.B.	2011	Quant	Employer	Cardon, M.S. Stevens, C.	2004	Theory	-
Messersmith, J.G. Wales, W.J.	2011	Quant	Employer	Nguyen, T.V. Bryant, S.E.	2004	Quant	Employer
Verreynne et al.	2011	Mixed	Multi-level	Ram, M. Edwards, P.	2003	Theory	-
Marlow et al	2010	Qual	Multi-level	Cardon, M.S.	2003	Theory	-
Strubler, D.C. Redekop, B.W.	2010	Qual	Employer	Ciavarella, M.A.	2003	Theory	-
Schmelter et al.	2010	Quant	Employer	Rutherford et al	2003	Quant	Employer
Pajo et al	2010	Quant	Employee	Mazzarol, T.	2003	Qual	Employer

Table 3 - Literature on entrepreneurship and HRM in small firms and start-ups – continued

Author(s)	Year	Data	Unit of Analysis	Author(s)	Year	Data	Unit of Analysis
Patel, P.C. Cardon, M.S.	2010	Quant	Employer	Tanskey, J.W. Heneman, R.	2003	Theory	-
Tsai, C.	2010	Qual	Employer	Hayton, J.C.	2003	Quant	Employer
Wyatt et al.	2010	Quant	Employer	Klaas, B.S.	2003	Theory	-
Storey et al.	2010	Quant	Employee	Leung, A.	2003	Qual	Employer
Edwards, P. Sengupta, S.	2010	Mixed	Employer	Zhao, H.	2003	Quant	Employee
Gilman, M.W. Edwards, P.K.	2009	Qual	Employer	Mitchell et al.	2003	Theory	-
Edwards et al.	2009	Qual	Employer	Marlow, S. Patton, D.	2002	Qual	Multi-level
Tocher, N. Rutherford, M.W.	2009	Quant	Employer	Baron, J.N. Hannan, M.T.	2002	Mixed	Employer
Akehurst et al.	2009	Quant	Multi-level	Cassell et al.	2002	Mixed	Employer
Kase et al	2009	Quant	Employee	Barrett, R. Rainnie, A.	2002	Theory	-
Zientara, P.	2009	Qual	Employer	Marlow, S	2002	Qual	Multi-level
Hand, J.R.M.	2008	Quant	Employer	Ram et al.	2001	Qual	Employee
Kemelgor, B.H Meek, W.R.	2008	Quant	Employer	Kickul, J.	2001	Quant	Employee
Li, M. Edwards, P.	2008	Qual	Multi-level	Ram, M.	2001	Qual	Multi-level
Blackburn, R.A. Smallbone, D.	2008	Theory	-	Heneman et al.	2000	Mixed	Employer
Jennings et al.	2008	Quant	Employer	Appelbaum, S.H. Kamal, R.	2000	Quant	Multi-level
Atkinson, C.	2007	Qual	Multi-level	Chandler et al.	2000	Quant	Employee
Nadin, S.J. Cassell, C.	2007	Qual	Employer	Williams, I.O.	2000	Theory	-
Bacon, N. Hoque, K	2007	Quant	Employee	Heneman et al.	2000	Mixed	Employer
Kotey, B. Folker, C.	2007	Quant	Multi-level	Katz et al.	2000	Theory	-
Drummond, I. Stone, I.	2007	Mixed	Multi-level	Ramsay et al.	2000	Quant	Multi-level
De Clercq, D. Rius, I.B.	2007	Quant	Employer	Klaas et al.	2000	Quant	Employer

In 1986, Curran referred to the employees working in SMEs as 'the invisible workforce'. This thesis argues that despite some great advances in research at the intersection of HRM and the SME literature, employee perceptions and experiences continue to be "relatively neglected" (Edwards and Ram, 2010; p. 525). A positive progression has been the notable number of studies (22) adopting a multi-level methodology, analysis data from the employer as well as the employees. However, the majority continues to analyse the data from a managerial perspective. The risk is that this might marginalisation the perceptions of the workforce, increase bias and only offer an incomplete representation of events (Verreynne et al., 2011). Research conducted from HRM ideology commonly presumes that "the authority to order the employment relationship lies with management" (Marlow, 2006; p. 469). Conversely, the employment relations literature takes a pluralist approach, emphasising the reciprocal nature of the relationship. The 2011 Workplace Employment Relations Study (WERS) is a great example of this, offering the UK largest secondary data base on employee perceptions (e.g. Bacon and Hoque, 2005). Wapshott and Mallett (2012), supporters of the pluralist approach to employment relations, attempted to capture the informal and ongoing negotiations in a small professional service firms. They were surprised to discover that even in small organisations, negotiations relied heavily on assumptions about the others' interests and values, rather than direct engagement. They call for a greater focus on individual perceptions to structure the negotiation process and avoid "mutual [mis]recognition" (2012, p. 978). In their conversations with employees, Verreynne et al. (2011) found that "the views of employees were more discriminating and diagnostic than those of CEOs" (p. 1), further supporting the call for more employee driven data and analysis. Moreover, considering that SMEs account for an estimated 59.3 per cent of private sector employment in the UK alone, that is 14.4 million people (BIS, 2013), neglecting their point of view poses a particularly striking research gap. This thesis seeks to address this omission by adopting an employment relations ideology, and proposes a cross-level analysis of both founder and employee perceptions.

Further to adopting a management perspective, research conducted from an HRM standpoint is often divided into functional areas such as recruitment, selection, compensation, training and development and performance management (Cardon

and Stevens, 2004). Whilst this might seem like a logical classification, one has to remember that small firms and start-ups rarely have an HR specialist or HR department which takes responsibility for these functions. There also appears to be common consent that small firms rarely employ formal HR policies and practices (Marlow, 2006). Opinion is divided if this is a drawback or benefit. Recent studies by Sheehan (2014) and suggest a positive relationship between HRM and performance, while Marlow and Thompson (2008) warn about overestimating the extent of formal human resources in SMEs. In the context of fast-growth high-tech companies Gilman and Edwards (2008) confirm the applicability of high performance work systems. Some academics, such as Goswami et al. (2006), advise growth-oriented small ventures to adopt 'people management practices' to enhance the use of their limited resources and plan for further growth. Others suggest that it is the inherent agility and adaptability of SMEs which gives them a competitive advantage (Cardy and Miller, 2006). Legge (2006) perceives the adaptation of strategic HRM and enhanced firm performance in small firms as a weak link, and that HR practices in small firms can best be described as reactive, intuitive and informal (Marlow and Patton, 1993). Marlow (2006) adds that a lack of formal HR policies should not lead to the assumption that small firms are passive in their labour management practices, but that large firm HRM theory presumes a sophisticated level of corporate managerial complexity that is simply not appropriate when deployed within this particular context. Without dismissing the possible value of a strategic approach to HRM, this thesis recognises the need to adopt a more inclusive and flexible conceptual model proposing the PC as suitable framework (p. 54).

In conclusion, research on 'people issues' in SMEs and start-ups accounts for only 3-5% of the literature published in leading entrepreneurship and HRM journals (Harney, 2015). A review of 95 articles published in the domain between 2000-2015 offers four common observations. Most academics now agree that 'the workforce' is critical to venture success, that the employment conditions in small ventures differ from the working environment in larger organisations and that large firm HRM theory needs to be adapted to fit this specific context. SME sector offers a great heterogeneity, the scope for generalisation is therefore limited and a qualitative research approach is deemed most appropriate. Finally, employment relations in

small firms are characterised by mutual inter-dependency and reciprocity. Consequently, a management perspective alone is not sufficient to understand the employment relationship, instead, employees voices should be taken into account. Reducing the field into specific HR functions and practices seems less appropriate within the context of small firm employment relations, but findings remain inconclusive on this point. The following section will take a closer look at the unique features associated with employment relations in growth-oriented start-ups before analysing what opportunities and challenges this environment is likely to offer to employees.

2.4.4 Inside the 'black box'

Despite a surge of new research on employment relations and HRM in small firms over the past decade, there remains much to be learned about the complex internal dynamics within this 'black box' (Ram and Edwards, 2003; Arrowsmith et al., 2003). As discussed earlier, growth-oriented high-tech start-ups differ from established SMEs or larger organisations. It is important to develop more comprehensive knowledge of these differences as they are likely to have an effect on the employment relationship and employees' reasons to work in this specific context (Marlow, 2006). The following section aims to review some of the challenges and characteristics in greater detail.

Start-ups are both defined and confronted by 'liabilities of newness and smallness' (Aldrich and Auster, 1986; Cardon and Stevens, 2004; Heneman and Berkely, 1999; Leung et al., 2006; Ranger-Moore, 1997; Stinchcombe, 1965). Their youth and small size are a source of numerous unique challenges. Whilst larger organisations might formalise HR policies and systems, entrepreneurial firms tend to rely upon 'improvisation' (Baker et al., 2003) and an ad hoc approach to managing the labour force (Marlow and Patton, 1993). This has a direct impact on the employee experience in areas such as training/development, job design and compensation. In their study of 247 small businesses in the USA, Hornsby and Kuratko (1990) found that the size of the firm did affect the sophistication of personnel methods utilised as

well as the complexity of benefit packages (e.g. pension or disability programmes, health, life or disability insurance).

Williamson and his colleagues observed that start-ups often lack legitimacy as an employer (Williamson, 2000; Williamson et al., 2002; Williamson and Robinson, 2008). As a new company on the market, the organisation cannot rely on their name, their reputation, their track record or their market share to attract talent (Aldrich, 1999). Start-ups naturally operate under a high level of uncertainty (Gartner et al., 1992); given their relatively high mortality rates (Bruderl and Schussler, 1990; Hannan and Freeman, 1989), and the limited information available to potential employees, the risk for employees in joining new ventures is high. Consequently, Carroll et al. (1999) and Williamson et al. (2002) suggest that small firms find it hard to attract the calibre of staff they need, and according to Atkinson and Storey (1994), recruitment and retention of employees remains their number one HRM concern. This high level of uncertainty is likely to have an effect on the employment relationship, as fostering an environment of employee trust in the vision and ability of the entrepreneur becomes paramount (Deakins and Freel, 2003). The critical importance of building mutual trust directly relates to the next feature identified: employer and employee interdependence.

Third, start-ups are characterised by the close "spatial and personal proximity between owner-managers and their employees" (Marlow, 2006; p. 472), which engenders a strong sense of reciprocity, mutual dependence and an emphasis on social interactions. Newby (1977) and Goss (1991) argue that owners often attempt to actively minimise the social and economic division between themselves and their employees, emphasising a 'team ethos', 'family atmosphere' and 'fraternalistic' management style. Ram and Holliday further support this finding, outlining that "small firms are saturated with the ideology of the family" (1993, p.629). Within the literature, there is a general consensus that the development of close social and spatial working relations is positioned as an advantage of the small firm working environment (Marlow and Patton, 2002), encouraging mutual trust building and high levels of communication. In a study on high-performance work systems in small firms,

for example, Verreynne et al. found that better performing companies adopted "participative and mutually supportive cultures" (2011; p.16). However, Marlow and Patton (2002) also warn that this close relationship does carry some disadvantages, such as the failure to manage discipline and dismissal matters formally. Employees from their study also reported issues of favouritism and only 28 per cent of their sample felt that they worked in any type of 'partnership' (conversely, 80 per cent of the owners stated positively that they adopted a partnership approach).

Fourth, employment relations in start-ups are likely to be influenced by the tight resource constraints commonly associated with small firms (Ranger-Moore, 1997). Welch and White (1981) refer to this as "resource poverty", which covers a lack of both financial and material resources (Hannan and Freeman, 1984). As a consequence, entrepreneurs can rarely offer the same level of salary, benefits, or opportunities for advancement that are available in large companies (Deshpande and Golhar, 1994; Milkovich and Newman, 2002; Henricks, 2006). The challenge of operating leaner organisations also dictates that start-ups must aim to maximise the return on their assets, i.e. maximise the efficiency and productivity of their relatively small workforce (Siegel et al., 1993). This is likely to result in additional pressure and might encourage longer working hours. The lack of resources also has a negative effect on the availability of formal training schemes (Barber et al., 1999; Katz et al., 2000) and any other asset dependent extras (e.g. canteen, gym membership, company car, etc.). The question remains, why do employees actively choose to work in this challenging environment?

Fifth, the nature of entrepreneurial start-ups is commonly described as flexible, fast changing and growth dependent. This in itself influences employment relations and working conditions. For example, young enterprises often rely on particularly flexible work practices (Richard and Johnson, 2001) and employees are typically asked to perform multiple roles with unclear boundaries and job responsibilities (May, 1997). Another example might be the difficulty of estimating a fair compensation package as negotiations will be largely based on future expectations and promises (Alvarez and Molloy, 2006). Furthermore, a fast growth rate is likely to result in constant

organisational changes (e.g. structure, culture, environment dependency, etc.), which might be unsettling for some employees as job responsibilities are evolving continuously (Greiner, 1998; Kazanjian, 1988). At its worse, this might result in frustration, burnout, departures or a sense of role disorientation.

Finally, the notion of informality is closely linked to employment relations in small firms and start-ups. It is a characteristic often used to differentiate HRM practices between SMEs and their larger counterparts (Marlow et al., 2005) and enjoys widespread empirical support, both from in-depth qualitative (Marlow and Patton, 2002) as well as large scale quantitative studies (Matlay, 2002). As a consequence, internal processes, policies and practices are likely to be less structured and less professionalised and planned, and small firms are much less likely in engage in HR planning (Koch and McGrath, 1996). Formal training for example, is commonly provided on a need basis (e.g. to comply with legislative, regulatory and licensing requirements) and without a structured personal development plan (Atkinson et al., 2014; Barrett, 2015). The employment contract is likely to be based on unwritten practices, routines and tacit understandings (Brown et al., 2010). Whilst most academics argue that SMEs' advantage is built on informal employment systems (e.g. Edward and Ram, 2010; Nguyen and Bryant, 2004; Verreynne et al., 2011), Ram (2001) does warn that it can also be used to mask exploitation. In a study on the use of humour as a tool to promote organisation change, Mallett and Wapshott (2014) also question the effectiveness of ambiguity as deliberate a communication strategy and highlight the limitations of informality in small firm.

In conclusion, all of the examples above illustrate the distinctiveness of entrepreneurial start-ups. As outlined, these characteristics are expected to strongly affect the employment relationship. Liabilities of newness and smallness, high levels of uncertainty, the spatial and personal proximity between founders and their employees, the tight resource constraints, the dependence on fast growth and the informal nature of the relationship will all affect the working conditions faced by employees. Consequently, this thesis argues for a thorough investigation into employees' perceptions and experiences within this unique working environment.

The findings will also help founders to tailor their management approaches to counteract some of the challenges outlined above.

2.4.5 Possible components of the employment deal

The primary research question of this thesis is concerned with employees' reasons for choosing to work in growth-oriented start-ups. Whilst the previous section reviewed some of the unique challenges and opportunities this working environment provides, the emphasis will now shift to theories which will provide some clues about possible motivations.

To date, most literature on 'motivation' in the entrepreneurship literature has focused on the aspirations and goals of the entrepreneur (for a detailed literature review, see Carsrud and Brännback, 2011). However, the reasons for someone to start a company (e.g. independence, financial returns, realising an idea) are likely to differ from an employee's motivation to work in a growth-oriented high-tech start-up. As outlined earlier, only a handful of studies have taken employees' needs, desires, expectations, motivations or experiences into account. Consequently, this section will borrow from a range of domains and theories to promote a more comprehensive knowledge of this field.

One branch of entrepreneurship literature which might offer some insight is the work on 'person-organisation fit' (P-O fit) (e.g. Henemanal et al., 2000; Williamson et al., 2002; Knyphausen-Aufseß; Vormann, 2009). It follows a similar principle as goal alignment theory and is predominantly used during the recruitment process (Aguinis et al., 2001; Cardon and Stevens, 2004). By linking the personal attitudes and aspirations of employees to the company culture and goals, the employer hopes to encourage workers to internalise the enterprise's strategy and values (Snow and Snell, 1993). Marlow and Patton (2002) indicate that this strategy might be used to promote a notion of shared fortunes and demonstrate the importance of mutual dependency. The concept of P-O fit is based on the proposition that both the employer and the employees engage in the selection process (Aldrich, 1999) and develop the enterprise side-by-side. As Barber et al. (1999) write: recruitment is a

"two-sided matching process whereby applicants seek attractive jobs at the same time that firms seek qualified applicants" (p. 842). In their study of 119 small firms (below 500 employees) and 184 large organisations (above 1000 employees) as well as 585 graduating students they found that a significant number of students held preferences for the size of their future employer and actively excluded firms that did not meet their preference. However, according to the authors own account, the study "sheds little light on why certain individuals prefer large [small] firms, how and why their preferences develop, and whether firm size preferences are consistent over time" (Barber et al., 1999; p. 864) and they call for more research on this subject matter. In fact, a general review of the P-O fit literature suggests that studies have focused predominantly on testing the similarities of organisations' and individuals' characteristics, skills and values using a 'organisational culture profile' (Cable and Judge, 1996). Employees' perceptions of the working conditions, as well as their needs or desires, are not taken into account. Moreover, it has to be remembered that, despite their emphasis on reciprocal relationship, these studies tend to be conducted from a management perspective with the aim to maximise organisational competitiveness.

Another management drive stream of literature that has been concerned with encouraging greater organisational commitment and lower turnover rates is the work on 'psychological ownership' (Pierce et al., 2001; Wagner et al., 2003). This concept frames employee ownership (even if it is merely psychological) as positively related to an employee's attitude, motivation and organisational performance (Rose and Quarrey, 1987). Psychological ownership as a concept includes three distinct models. First, an 'instrumental model', which builds on the idea of increased employee influence over the decision making in the organisation. Second, an 'extrinsic model', which links the financial benefits of maximising performance of the organisation to employee pay, and third, a 'shared mental model', where employee ownership is understood as a state of mind that is shared by all members of an organisation or work group. Whilst employee ownership has not been applied to the start-up context specifically, it is likely that entrepreneurs use all of these strategies to increase employee commitment, i.e. encouraging employee pro-activeness and joint decision making, linking financial rewards to organisational performance and building the

employment relationship around the notion of reciprocity and shared values. In the 'shared mental model' entrepreneurs might further be encouraged by a strong P-O fit and a 'team ethos' or 'family atmosphere' discussed earlier.

The job design theory of Hackman and Oldham (1976; 1975) is yet another field that could help to understand employees' reasons for working in this specific context. It identifies five core dimensions, job/skill variety, task identity, task significance, job autonomy and feedback, which are understood to directly affect employees' attitudes and behaviours at work. Whilst this theory has also not been applied to the start-ups context, Kemelgor and Poudel's (2009) research on entrepreneurial firms does find that 'job meaningfulness' (which they define as a combination of skill variety, task identity and task significance) was the most valued non-financial reward perceived by employees.

Specific research on employee motivation in the entrepreneurship literature remains scarce. However, over the years, numerous authors have provided clues on what components to look out for.

Perhaps the most frequently mentioned component of the employment deal is compensation which, according to Cardon and Stevens (2004), includes pay levels, pay mixes, pay structure and pay raises. Unsurprisingly, employees want to get compensated financially for their efforts, and wage negotiations form an important part of employment relations (Ram, 1994). Companies might also use short-term pay incentives such as profit sharing or bonuses. As Balkin and Logan (1988) illustrate, small firms are more likely than large counterparts to share company profits through incentive schemes. From an organisational perspective, variable pay systems also allow the firms greater flexibility by sharing risk and deemphasising base pay, which should make it easier for them to respond to volatile environments (Graham et al., 2002). Stock-related rewards, such as equity ownership, are another common reward strategy utilised by entrepreneurial high-tech firms (Balkin and Gomez-Mejia, 1987; Gomez-Mejia and Balkin, 1989; Dietz et al., 2006). However, in view of the high failure rate of start-ups, this remains a long-term and risky compensation strategy. Equity ownership can also be used as a retention tool, at least until the IPO

(Baron and Hannan, 2002), further encouraging the alignment of individual and organisational goals (Graham et al., 2002).

This thesis argues that financial or financially convertible rewards are only one of many reasons for employees to seek employment in growth-oriented start-ups. In fact, considering the resource scarcity start-ups face, pay is expected to be below the industry standards. This thesis is based on interviews with in highly educated and capable employees; individuals who might already receive competitive salaries and benefits packages from their current employer, hence the question why they decided to work for start-ups remains. Within the entrepreneurship literature, Heneman et al. (2000) have argued that employee compensation should be not be limited to monetary-rewards only, but adopt a total reward perspective instead. The small number of academics that have followed this call found that employees might even perceive non-financial, intrinsic and relational rewards to be of higher importance Kickul, 2001; Herriot et al., 1997; Kemelgor and Poudel, 2009), but empirical data remains scarce.

One paper that demands further attention is a study by Baron and Hannan (2002) aimed at defining an 'organisational blueprint' for entrepreneurial ventures. It remains one of the most comprehensive data collections in the field. Baron and Hannan gathered interview data on two hundred high-tech start-ups in the Silicon Valley over a time period of sixteen years, a subject group with very similar characteristics to the start-ups investigated for this research. Baron and Hannan found that companies were likely to adopt one of three strategies in terms of motivating and retaining their employees. The first model was based on creating a strong family-feeling and an intense emotional bond with the workforce that would inspire superior effort and increase retention of highly sought employees. This mirrors the discussion on creating a 'team ethos' and 'family atmosphere' outlined earlier, and supports the thought that employees value close interpersonal relationships. Companies following the second model simply used the exchange of labour for money as the key motivation. Again, the concept of financial compensation as incentive has been discussed (e.g. Cardon and Stevens, 2004), though this thesis argues that

employees also value intrinsic and relational rewards highly. The third model suggested by Baron and Hannan is based on the concept of providing opportunities for interesting and challenging work to attract, motivate and (potentially) retain employees. Whilst job design has been briefly considered, training and development opportunities as a reason for employees to work in start-ups will need to be discussed in more detail.

Based on these models of selection and means of control, Baron and Hannan (2002) then developed four organisation blueprints commonly found in high-tech start-ups. The most successful companies adopted either the 'commitment' or 'star' blueprint. The 'commitment' model is based on a sense of belonging and identification as well as a strong cultural and value fit. One of Baron and Hannan's (2002; p. 12) respondents reflected on his use of the 'commitment model', revealing: "I wanted to build the kind of company where people would only leave when they retire." This blueprint shows many similarities with the literature on P-O fit, as founders aim to promote a harmonious, fraternal working atmosphere. In contrast, companies adopting the 'star' blueprint focused on providing challenge/interesting work, relying on a highly skilled workforce that could operate autonomously. Another respondent adopting the 'star' model stated (p. 12) that: "We recruit only top talent, pay them top wages, and give them the resources and autonomy they need to do their job well". Many similarities here can be drawn to the concept of job meaningfulness discussed earlier, as skill variety, task identity and task significance all formed central elements of the employment contract in start-ups adopting this 'star' model.

Baron and Hannan also illustrate that companies changing their organisational blueprint were 2.3 times more likely to fail, indicating that employees who matched their values and aspirations to the HRM strategy of the enterprise might feel let down if this was to change (resulting in lower performance and high turnover rates). This illustrates the potentially negative impact of false expectations as well as the importance of P-O fit from the outset.

As indicated by Baron and Hannan's third model, employees might regard training and development opportunities as a motivation. Current research on training and development in SMEs and start-ups is underdeveloped (Cardon and Stevens, 2004), and fails to acknowledge the motivational capability of such practices. Yet the proposition of employees perceiving work in entrepreneurial company as a learning opportunity, either to enhance their personal skill set or possibly preparing them for future self-employment is highly plausible. Start-ups characterised by high levels of flexibility, informality, job autonomy and task diversity (Hackman and Oldham, 1976) are unencumbered by traditional constraints of bureaucracy (Graham et al., 2002) and have a tolerance for risk and a climate for creativity (Knol and Riemsdijk, 2009). All of these features suggest that the young enterprise might be able to prove great opportunities for personal development. Whilst financial resources for formal training schemes might be scarce, the companies do have the chance to provide a interesting and challenging work experience.

Employees might also be attracted by the 'novelty factor' of the business idea, as well as the personal charisma and passion of the founder. As Goss (2005; p. 215) suggests: "Even where [employees] are influenced by consciously calculative motives (i.e. sharing in the financial rewards of the innovator) the emotional exhilaration of associating with a "prime-mover" is undeniable." In other words, being part of the founding team and operating at the forefront of their niche market will be an exciting proposition to employees. In a conceptual paper, Cardon (2008) also makes a strong case for the possibility of transferring entrepreneurial passion onto employees. She argues that this, in turn is manifested in high levels of organisational identification and emotional connection, mirroring a "we're all in this together" concept, similar to the aforementioned theory of 'psychological ownership' (Pierce et al., 2001).

In conclusion, this section took a closer look at the possible reasons for employees to choose this specific working environment. Whilst much of the literature to date has focused on entrepreneurs' motivations or adopted a management perspective, this thesis aims to focus on employees' needs, desires, motivations, perceptions and

expectations. It thereby shifts the focus from a discussion on 'what companies provide' to an analysis of 'what employees want'. The literature on P-O fit, psychological ownership, and job design theory provided some ideas in regard to the possible components of the employment deal in start-ups. The use of financial or financially convertible compensation (e.g. a base salary, share options or profit sharing schemes) was discussed. A paper by Baron and Hannan (2002) which investigated HRM strategies on growth-oriented high-tech start-ups provided further insight. Over the years academics have suggested a number of possible components of the employment deal, yet no study to date asked employees directly why they chose to work in this particular environment. Hayton (2003), for example, illustrates the need for employee commitment, shared ownership, frequent communication and learning opportunities as essential for firms operating in uncertain or dynamic markets. Kemelgor and Meek (2008) found that small, growth-oriented firms reported significantly lower voluntary turnover rates when they encouraged: "a positive work environment, provided employees more freedom and flexibility, offered ample employee involvement and opportunities for growth; were clear about the processes associated with compensation and benefits, and frequently communicated with and provided assistance to their employees" (p.74). Monetary rewards (Graham et al., 2002), the entrepreneurs passion and charisma (Cardon, 2008), the exhilaration associated with 'prime-movers' (Goss, 2005), the self-development opportunities, the job diversity (Kemelgor and Poudel, 2009) and the working atmosphere (Rose and Quarrey, 1987) were all introduced as possible reasons for employees inducement to work in start-ups by this thesis.

This thesis now turns its attention to the PC and how it might be used to gain a deeper insight into the employment deal in growth-oriented start-ups.

2.5 The Psychological Contract

As discussed, growth-oriented high-tech start-ups are highly dependent on their first employees. They face a unique set of challenges which differentiate them from larger organisations and established SMEs. As outlined above, current research on employment relations in this context is under-developed. It is often management

driven and employees' perceptions are rarely taken into account. The vast diversity within the SME sector encourages an interpretivist research strategy, yet positivistic approaches continue to dominate the field. Employment relations in small firms have been described as informal, complex and often contradictory (e.g. Ram, 1994; Marlow, 2006), but a more refined model of the employment deal in start-ups is still absent from the field. The entrepreneur's motivation to start a new venture has been discussed at length (e.g. Segal et al., 2005; Carsrud and Brännback, 2011), but employees reasons to work in this resource-scarce, highly volatile and uncertain environment remain unknown.

At the heart of this thesis lie the questions: why do people choose to work in growth-oriented start-ups and how do their needs and desires contribute to shaping the employment relationship. The following section proposes the PC as an appropriate analytical framework to investigate these questions further. The section will start by justifying the use of the PC as a guiding theory. It will then review the current literature on the PC and provide clear definitions of the concept as understood in this study. Finally, the PC is presented as a viable conceptual tool to gain further insights into the employer/employee exchange relationship at different stages of the employment process.

2.5.1 Justifying the use of the Psychological Contract

This thesis contends that the PC is an appropriate and effective conceptual framework to enable an enhanced investigation of employment relations in the context of growth-oriented, high-tech start-ups, and can be used to address the research objectives of this study. The following section builds a cumulative logic for appropriating the PC as the primary conceptual model to address these research trajectories.

The PC is a well-established conceptual framework which has been used to investigate the employer-employee exchange relationship for decades (e.g. Argyris, 1960; Schein, 1980; Rousseau, 1989). As Marks (2001) argues, its sheer popularity can be judged as an endorsement of its high face-validity. Rousseau defines the

concept simply as "the perception of an exchange agreement between oneself and another party" (1998; p. 665). As such, the PC is commonly used to explore the employment deal in organisations by analysing the reciprocal expectations of employers and employees, linking them to outcomes such as employee motivation or turnover (Guest and Conway, 1997; Guest, 2004). This thesis aims to use the concept in a similar way, and to shed light onto the needs, desires and motivations of employees working for growth-oriented start-ups.

The PC is particularly proficient at recognising the relational nature of the employment deal; this is particularly relevant in the context of small firms and start-ups. In contrast to larger organisations, small firms and start ups are relatively free of procedural constraints (Cassell et al., 2002; Patterson et al., 1996) and tend to deal with HRM issues on an ad hoc basis (Marlow, 2000). In 2004, Cardon and Stevens reviewed the literature on HRM practices in small organisations at length, delineating a series of informal, idiosyncratic and arbitrary labour relations. Loose job definitions, high task variety and an emphasis on close personal ties are also commonly referred to by the literature (Nadin and Cassell, 2007). As a result, many components of the employment deal in small firms are likely to be implicit in nature. As Nadin and Cassell (2007) write, "employer's and employee's obligations to each other are represented, if at all, by a very basic job description departing little from a statement of the wage paid for the number of hours worked" (p. 421). To gain a deeper insight into the working relations in small firms one must therefore adopt a conceptual framework which is able to go beyond formal and explicit aspects of the exchange relationship; the PC represents such a framework, which takes into account the written as well as the unwritten contract, and emphasising economic (transactional/tangible/explicit) as well as social (relational/intangible/implicit) components of the employment deal. It thereby stresses the 'softer' aspects or motivations which underline the employment relationship and offers a more comprehensive picture of the employment deal in small firms.

The PC depicts the employment deal as a "reciprocal exchange agreement" (Rousseau, 1989, p. 123), in line with employment relations literature on small firms,

which is often described as a two-way process. Small firms are characterised by strong personal ties between the owners and their employees and reciprocity is not new concept to the field. Whilst the exact power dynamics between owners and works remain debatable (see discussion above on the 'negotiated order', p. 37), they have a high dependence towards each other. A good example of this is a case by Wapshott and Mallett (2012), who report on a managing director, Alex, who failed to recognise the potential power held by his subordinate consultants, assuming that as the owner he had the prerogative to set pay and commission rates unilaterally. The result was long and painful negotiation process. However, Wapshott and Mallett do also not miss to point out the benefits of unspoken deals, high levels of ambiguity and intersubjective guessing games. Academics supporting the 'small is beautiful' hypothesis tend to draw a picture of co-operative and harmonious working relations (Wilkinson, 1999), some going as far as suggesting a 'family-like atmosphere' (Scase and Goffee, 1980) or at least the notion of small firms as a community (Trapp, 2004). Literature on 'person-organisation fit' and goal alignment in small firms (e.g. Henemanal et al., 2000; Williamson et al., 2002; Knyphausen-Aufseß and Vormann, 2009) further supports the proposition that employers and employees are trying to match each others' needs and desires and that their relationship is reciprocal.

In his early works on the PC, Schein (1980) argues that the concept is dynamic and that contracts must constantly be renegotiated. Schein does not elaborate further on the content or process of these negotiations and subsequent academics have put little emphasis on this feature. In contrast, this thesis argues that the realisation of the dynamic and negotiated nature of employment relations sets the PC apart from the static notion of formal, long-term contracts. This is particularly relevant to the fast-changing and volatile working environment of growth-oriented start-ups.

The PC conceptualises the employment relationship at an individual level, and puts a strong emphasis on employees' perceptions. This is particularly important in the context of SME (Wapshott and Mallett, 2012). In contrast to their larger counterparts, small firms tend not to rely on collective bargaining but negotiate contracts at an individual level (Guest, 2004). Levels of unionisation are expected to be low and

employment deals are likely to be highly idiosyncratic. In a study on employment relations in small clothing manufacturers in the UK, Ram observed that "workers were not passive in the face of authoritarian management; they would endeavour to alter the terms of the effort bargain if they felt they were not 'fairly' rewarded" (1994, p. 122). He described negotiations of pay rates as a personalised and ongoing process. These findings not only support the proposition that the PC is dynamic and in constant need of renegotiation, but also indicate that employees play an active role in these negotiations, even in autocratically managed firms. The PC theory would suggest that pay is only one of the components of the employment deal and that the contract will include a whole range of expectations. By emphasising employees' perceptions of the relationship, the PC offers a more inclusive analysis of the employment deal in small firms.

The PC recognises that any expectations are inherently perceptual. In fact, all contracts might be subjective to an extent (Rousseau, 1989), but the PC acknowledges that individual interpretations of the deal are personal and do not have to match the expectations of others. This thesis is embedded in a constructivist paradigm, thus this feature supports the choice of the PC as a conceptual framework. This research is not concerned with proving the relationship between motivation and performance, or rating motivational components by their importance, but with understanding and conceptualising the experiences of individual employees, and their perception of the benefits and drawbacks of working for a growth-oriented start-up. In its role as an exploratory framework, the PC is an excellent position to address these enquiries.

The PC is primarily based on future expectations and only time will tell if the contract will be realised or breached. This implied time dimension of the PC indicates that risk-taking and trust-building become essential elements of the deal, just like in start-ups. The 'liabilities of newness and smallness' mentioned earlier result in a unique dynamic between the entrepreneur and their employees; the relationship carries an element of risk for both parties. The founder is dependent on the commitment and integrity of their employees; the loss of a key member of staff would be devastating

to any start-up, especially in a market where speed is essential. The employee, on the other hand, has to trust in the founder and their capability, the business idea as and the growth predictions of the firm. With little or no track record, high failure rates and low career capital, working for a start-up carries a significant amount of risk. The PC conceptualises trust in the form of a contract breach, which occurs when the employee perceives that the organisation has failed to meet its obligations towards them (Rousseau, 1990). As Kickul (2001) demonstrated, this has a "considerable impact on workplace attitudes, commitment, and intentions to leave the organization" (p.320). Such a breach is normally associated with a range of negative effects on employee motivation. Trust is generally conceptualised on an interpersonal level as 'the delivery of the deal', or on an institutional level as the belief in fairness of organisational systems and procedures (Guest and Conway, 2001). Without going into too much detail about the conceptualisation of trust or risk at this point, it is important to acknowledge that the PC does recognise these factors in its conceptualisation of the employment deal, making it particularly suitable for the context of growth-oriented start-ups.

Undoubtedly, the PC is not without its critics. Guest (1998a and b) has questioned the somewhat ambiguous and broad definition of the PC, arguing that it is lacking theoretical foundations and misses clear explanatory value. Dick and Nadin (2011) have pointed out its limitations when applied to low-status, low-paid jobs in SMEs. Anderson and Schalk (1998) add that populist use has further devaluated the framework and blurred its boundaries. However, the value of the PC as an investigative framework remains unquestioned (Marks, 2001). In fact, the ambiguity surrounding the concept makes it an ideal exploratory framework, as it can easily be applied to investigate employment relations in a range of different contexts. Nevertheless, this thesis agrees with Rousseau (1998) that all studies using the concept need to clearly outline how they understand and intend to use the PC, a requirement which will be addressed in depth in the subsequent section. Arnold (1996) and Guest (1998b) also suggest to validate the PC further by adding to the body of empirical data available and thereby support the further development of the theory.

In summary, the PC is justified as a viable conceptual framework to investigate employment relations in growth-oriented, high-tech start-ups. It emphasises the informal, dynamic, reciprocal, perceptual and idiosyncratic nature of employment relations, all of which are highly relevant to the working conditions in growth-oriented start-ups. It encourages looking beyond the formal written contract and instead helps to investigate the 'softer' aspects of the exchange relationship, describing the implicit as well as the explicit components of a employment deal. These can then be compared to the perceptions of other employees or founders. The delivery of the employment deal is strongly linked to behavioural outcomes such as motivation and intention to stay, therefore directly addressing the first two research questions. Further, the PC is regarded as perceptual and socially constructed (Rousseau, 1989), thereby complementing the philosophical positioning of the thesis. It also recognises 'trust' as an important ingredient of employment relations, particularly in start-ups faced by liabilities of newness and smallness. As Guest (2004) argues, the PC is the ideal conceptual framework for studying employment relations in small firms, which are often characterised as complex, informal and contradictory (Ram, 1991).

2.5.2 Reviewing the Psychological Contract literature

The concept of the PC first emerged in the 1960s and describes employers' and employees' expectations about the "reciprocal obligations that compose an employee-organisation exchange relationship" (Schein, 1965). A large number of authors has since added to the debate, of which Denise Rousseau's work is perhaps the most notable (1989; 1995; 2001). The PC is said to build on whole range of well-known theories including agency theory (Milgrom and Roberts, 1992), equity theory (Adams, 1965), and most prominently social exchange theory (Blau, 1964). Argyris (1960) for example, uses the term 'psychological work contract' to refer to the implicit understanding between a group of employees and their foreman. As Levinson et al. (1962) reiterate, employees' perceptions are a critical element of employment relations, even if implicit or unknown to the beholder. He defines the PC as "a series of mutual expectations of which the parties to the relationship may not themselves be dimly aware but which nonetheless govern their relationship to each other" (p. 21). Kotter (1973) is the first author to suggest that the PC is negotiated between an individual and an organisation. Following his arguments, Schein (1978) also

illustrates that the deal includes a whole range of components, some of which might be more explicit (e.g. pay, working hours and conditions of employment), whilst others were psychological (employee rights and job security). Schein is also the first to realise that perceived contract violations could lead to employee dissatisfaction.

Over the following years, the PC received little attention and it was not until the 1990s that it was rediscovered as a conceptual framework. This renaissance was largely sparked by the works of Rousseau (1989; 1990), and driven by the fast changing landscape of the labour market. International competition had intensified, the service sector had continued to gain dominance and academics as well as practitioners were looking to switch from scientific management approaches to more inclusive HRM strategies. In 1990, Rousseau published one of her best known works on the PC, in which she distinguishes between transactional and relational contracts. Transactional contracts represented an exchange relationship which focused predominantly on material and extrinsic rewards, where employees expected to trade working hours for fair pay and formal training opportunities. The relationship was transactional in nature, often formalised and publicly observable. In contrast, the relational PC emphasised the exchange of employee loyalty for job security. It included intangible as well as material rewards and was generally implicit. Employees expected to engage in a long-term relationship with the organisation. Based on social exchange theory, both contract carried an element of trust. Rousseau deemed the relational PC to be superior and more relevant to the contemporary labour market. Over the following two decades, academics have started to define specific components of the exchange relationship as either transactional or relational, a categorisation which will be discussed in more detail on page 65.

Over the past two decades, the PC has emerged as "an appealing, 'alternative' paradigm for studying people at work" (Cullinane and Dundon, 2006; p. 117). In an area of the 'New Work Order' (Gee et al., 1996), qualities such as employability, continued learning, flexibility, and independence have replaced job security and organisational dependence as important components of the employment deal. As collective bargaining has been on the decline, employment relations become

increasingly idiosyncratic and informal. The PC accommodates the individualisation of the employment deal, focusing on employees' personal needs and desires.

In summary, the PC has gone beyond the legal contract of employment, which focuses exclusively upon the economic and formalised aspects of work. Instead, it considers some of the implicit and unspecified expectations composing the employment deal (Arnold, 1996). As Cullinane and Dundon write, "managing people at work is portrayed as containing a strong social dynamic, rather than a purely static and once-off economic transaction" (2006, p. 117).

2.5.3 Defining the Psychological Contract

The PC is often criticised for lacking a clear, universally accepted definition (Guest, 1998a and b; Anderson and Schalk, 1998) and academics have expressed a wide variety of conceptualisations. Argyris (1969), for example, considers it as collective contract, whilst Schein (1978) defines it as the exchange relationship between an individual employee and their employer. Morrison (1995) argues that the contract is made up of unspoken expectations whilst Rousseau (1989) emphases the need to focus exclusively on promises and obligations. More recently, academics have tried to apply the PC to a range of different contexts, including temporal work (Lapalme et al., 2011), 'homeworking' (Alison, 2013), or the student population (Lee et al., 2011). The affect of contract violation (Chiang et al., 2012) and trust building (Kannan-Narasimhan and Lawrence, 2012) have also drawn renewed attention. Considering the ongoing debate on the definition, content, and utilisation of the construct, it is important to clarify how this thesis understands the concept.

As a starting point, this thesis adopts a popular definition by Rousseau. She defines the PC as an "individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party" (Rousseau, 1989, p. 123). The first point to stress is the level of analysis Rousseau adopts. She clearly identifies the individual employee and their personal interpretation of the employment deal as her unit of analysis. Considering the strong personal ties between the owners and their employees, and the low levels of unionisation in growth-oriented

start-ups, collective bargaining is expected to be low. This thesis is interested in individual needs, desires and motivations, therefore an individual level of analysis is deemed to be most appropriate.

Rousseau also recognises the reciprocal nature of the exchange relationship. In larger organisations this can cause a analytical problem, as it is not always clear who is representing the employers' perceptions and if both sides are actually aware of a contract. However, in the setting of growth-oriented start-ups, this is less of an issue: their small size suggests that founders will clearly embody the organisational side of the contract and will take an active role in the negotiation of any employment deal. High levels of informality and the mutual interdependence of the employer and their employees further encourages communication; however, this does not guarantee that both parties share each other's expectations or fully agree on the terms of a deal. At this point, Rousseau's conceptualisation of the PC differs strongly from the earlier works of Argyris, Levinson and Schein. Rousseau makes it clear that the PC is studying individuals' interpretations. She writes: "Two parties to a relationship, such as the employee and employer, may each hold different beliefs regarding the existence and terms of the psychological contract…Mutuality is not a requisite condition" (Rousseau, 1999; p. 391). This clearly differs from the works of Argyris, Levinson and Schein, who emphasise mutual reciprocity and conceptualise the PC as an interaction. They argue that the expectations of both parties and the level of mutuality and reciprocity needed to be considered jointly in order to explain the sources of agreement and disparity (Cullinane and Dundon, 2006). The core aim of this thesis is to use PC to understand better why an employee commits to an organisation and what they expect in return. It is primarily interested in individuals' interpretations of the employment deal and thereby subscribes to Rousseau's conceptualisation of the PC. The mutual reciprocity and power dynamic of the relationship will be considered, as all parties point of view are taken into account. However, the emphasis will remain on individuals' interpretation of the employment deal.

Further points in need of clarification are the constituent elements of the PC. Whilst some authors, including Rousseau, focus primarily on *implicit promises and obligations,* others stress the need to understand peoples' *expectations* (Rousseau

and Tijoriwala, 1998; Atkinson et al. 2003). Rousseau bases her case on the assumption that employees' reactions to unmet obligations are stronger rather than their reactions to unmet expectations, thereby strengthening the explanatory value of the PC. Conversely, Guest (1998a) has argued that the distinctions between obligations on the one hand, and expectations on the other, are somewhat obscure and Coyle-Shapiro and Kessler (2000) have called for more empirical work to clarify whether they can actually be differentiated. Guest further argues that the focus on obligations as perceived by the employees only narrows to scope of the PC, risking 'strangulation' of the concept (Guest, 1998a). This thesis positions itself alongside Guest on this matter and will not differentiate between obligations and expectations. In fact, it argues that imposing such a narrow definition of the constituent elements does not reflect the exploratory and interpretive nature of the PC. After all, this thesis aims to investigate how employees' needs and desires contribute to shaping the employment relationship. One of the strengths of the PC is its ability to conceptualise the unspoken, implicit, informal and 'softer' aspects of relations. Restricting the PC's terminology to promises and obligations diminishes this strength and might not reflect the language used by the interviewees. Referring back to a quote by Nadin and Cassell (2007) used earlier; the only explicit promises perceived by employees in small firms were their pay and working hours. To ensure the PC will be able to capture all components deemed important by employees, this thesis will adopt an open and inclusive conceptualisation of the PC on this matter, which is in line with some of the early theorisations of the construct (e.g. Argyris 1969; Levinson et al., 1962 and Schein, 1980).

In summary, this thesis adopts Rousseau's definition of the PC, but interprets it slightly differently. In line with Rousseau, it focuses on individuals' perceptions of the employment deal. It does recognise the reciprocal nature of employment relations and will also take into account employers perceptions. However, it concurs with Rousseau in her argument that mutuality is not a requisite condition and that people ultimately hold their own, personal perceptions of the deal. Rousseau argues that the constituent elements of the PC are individuals' beliefs about obligations that are based on perceived promises. In contrast, this thesis argues that the constituent elements consist of individuals' beliefs about any expectations they might hold

towards the employment deal, including any needs or desires they perceive as relevant to the relationship.

The chapter will now turn its attention to the components and elements which make up the PC.

2.5.4 The Content of the Employment Deal

Over recent years, academics have compiled multiple lists of the elements that make up the employment deal, considered the weighting that each of the components should hold, and argued whether or not they could be categorised as transactional or relational (e.g. Rousseau, 1990; Herriot et al., 1997). Some of these lists, such as the one proposed by Herriot et al. (1997), include organisational as well as employee interpretations of the deal, whilst others focus on the employee side exclusively (e.g. Rousseau, 1990). Given the idiosyncratic nature of the employment deal, some academics have argued that it is impossible to determine a single, monolithic, and inclusive list of components (Millward et al., 2003). They argue that the field should focus instead on the behavioural consequences related to 'the delivery of the deal'. This thesis agrees that the components of the deal are highly context specific and personalised, but contends that this should not discourage but promote more data collection. Many of the current lists have been developed through theorisation, however empirical data (particularly qualitative data) remains somewhat limited (Marks, 2001), and the terms used (e.g. career, environment, etc.) are wide open to interpretation. This thesis argues that more in-depth data on these components is required, especially if the PC is exposed to a new environment such as the growth-oriented start-up.

Until recently, the PC literature had focused primarily on employment relations in larger, more established organisations (McLean Parks et al., 1998). Studies which do include SMEs as part of their sample set exist (e.g. Herriot et al., 1997; Milward et al., 2003), but they do not tend to identify firm size as a differentiating factor and fail to adapt the PC to this specific context. Two notable exceptions to this include the works of Nadin and Cassell (2007) and Atkinson (2008), both of which applied the

PC theory to a small firm context. In her study, Atkinson composed one of the most recent, comprehensive and relevant accounts on the content of the employment deal. Based on three case studies (a small manufacturer, an insurance company and a software house) she reinforces the "difficulty of drawing out meaningful generalizations as to the 'small firm psychological contract' in so heterogeneous a sector" (p. 461). In other words, she concludes that the diversity within the SME sector makes it particularly difficult to define the PC in small firms. Atkinson also suggests that it is not the components but their composition which differentiates the PC in smaller and larger firms. Despite her useful and comprehensive list of the elements composing the employment deal, she misses the opportunity to use her data to investigate further the attitudes or behaviours associated with 'the delivery of the deal'. She also fails to develop the theory of the PC by adapting it to employment relations in small firms. This thesis will follow Atkinson's call for more in-depth data on the components of the deal and will focus on a more homogeneous sample in the hopes to draw out further similarities between the cases. Finally, her sample focus on established SMEs, whilst this thesis is interested in growth-oriented high-tech start-ups specifically. Atkinson categories the components (Table 4) conceptualised as obligations in her study, as transactional or relational, a distinction which is discussed in more detail after a review of the Nadin and Cassell (2007) paper.

Table 4 - Obligations categorised as transactional or relational

	Transactional	Relational
Obligations	Pay	Career
	Benefits	Environment
	Career	Security
	Environment	Support
	Training	Recognition
	Job Content	Appraisal
		Consultation
		Training

Adapted from Atkinson (2008)

The second study examining the employment deal in small firms was conducted by Nadin and Cassell (2007), who set out to investigate if the so-called 'new deal' often referred to in the HRM literature (Herriot and Pemberton, 1996; Sparrow, 1999) does have an effect on the PC in small firms. They conducted in-depth interviews with ten owner-managers of small organisations. The samples included the likes of dental practices, takeaways, shops and small manufacturers, which had been in operation

for an average of twelve years and employed 2-18 full-time employees. Their findings support the argument that "small firm size affects the PC in a number of significant ways" (p. 417) and that more research on the PC in small firms is required. They support many of the unique features already outlined by Marlow (2000), Ram and Edwards (2003) and Scase (2003) and add that the 'new deal' had little impact on small businesses. This was predominantly due to the fact that employment relations in SMEs had always promoted features generally associated with the 'new deal' in larger organisations, such as demands for more flexible ways of working and increased accountability for employees. Most interestingly, Nadin and Cassell question the attempt to manage the PC through specific HRM practices and communication strategies (as commonly proposed by authors investigating the PC in larger organisations, e.g. Guest and Conway, 2002) and argue instead, that "it is the fuzziness and ambiguity associated with the psychological contract that in this context makes it effective" (p. 434). In other words, instead of communicating the conditions of the PC openly and clarifying the reciprocal expectations where possible, Nadin and Cassell suggest that owner-manager benefited from the ambiguous and implicit nature of the PC and used it to their advantage. The reason for stressing this interesting finding in detail here is to illustrate the need to reconceptualise the PC when applied to small firms or even growth-oriented, high-tech start-ups. In their conclusions Nadin and Cassell call for further studies into the content of the PC. They also recognise the limitations of focusing on the employers' perceptions exclusively and suggest including employees' expectations in subsequent studies. Both of their calls will be addressed by this thesis. Their research also puts forward a strong case for using the PC as a conceptual construct to further understand employment relations in the small firm context.

As discussed, the exact composition of the specific elements of the employment deal is largely dependent on individual perceptions as well as external factors such as industry standards, national culture, or existing labour markets. In fact, one of the main arguments of this thesis suggests that company size, age, and growth aspirations result in a very different employment deal to the one found in larger, more established firms. However, before looking at these differences in more detail, it is important to discuss one further criticism of the current PC theory. As suggested

by the Atkinson's table above, elements of the PC are commonly divided into transactional and relational components. This was first suggested by Rousseau (1990) and there is hardly a paper on the PC since which has not adopted that categorisation. However, as can be seen in Table 4, it is not always clear which category a particular element falls into. Atkinson, for example, labels Career, Environment and Training as both transactional as well as relational. This is not a problem unique to her efforts. Rousseau (1990), for instance, argues that 'training' is predominantly transactional in its nature. In 1994, however, Robinson et al. label it as relational, just before moving it back to the transactional paradigm in a study from Robinson and Rousseau later in the same year (Arnold, 1996). This thesis suggests that the two categories are not mutually exclusive and that differences in individual perceptions make it all but impossible to label some of these components. This is in line with Coyle-Shapiro and Kessler (2000), who argue that contracts as a whole might be placed on a transactional-relational continuum, but that individual components cannot be separated in the same manner. Consequently, this thesis proposes to abandon the concept of differentiating transactional and relational components, and instead to accept that components are socially constructed and highly context dependent. Whilst it might be beneficial to list some of the components that are most often found in the employment deal, it is of greater importance to investigate individual interpretations of these components and the attitudes or behaviours associated with them.

2.5.5 The 'Delivery of the Deal'

The following section discusses some of the outcomes and consequences associated with the 'delivery of the deal'. The PC is often described as a powerful determinant of behaviour in organisations (Schein, 1980; p. 24). Regardless of its unwritten nature and deficiency as a legally enforceable contract, academics have attributed a whole range of behaviours and attitudes to the 'delivery of the deal'. However, with the notable exception of Guest and Conway's studies (1997, 1999a and b, 2001), the focus has largely been on the negative consequences linked to a breach or violation of the PC.

The terms violation or breach are often used interchangeably and refer to the perception that one party has failed to adequately fulfil its obligations (Rousseau, 1998). The fulfilment or delivery of the deal is seen as the default state. Most research has focused on the breach of the contract from the employee side. An employee might, for example, perceive a violation of the contract if the employer does not satisfy their expectations regarding job security or opportunities for development. These in can, in turn, lead to feelings of injustice or betrayal among workers (Morrison and Robinson, 1997). A large number of studies have focused on the attitudinal or behavioural reactions to contract violations in terms of organisational commitment (Lemire and Rouillard, 2005), organizational citizenship behaviour (Othman et al., 2005), loyalty (Kickul, 2001), work satisfaction (Sutton and Griffin, 2004), motivation (Lester and Kickul, 2001), job performance (Lester et al., 2002), work-life balance (Sturges and Guest, 2004), job security (Kramer et al., 2005), stress (Gakovic and Tetrick, 2003) and employee turnover (Sturges et al., 2005).

Common to many of these studies is the understanding that a perceived breach of the PC on the employee side would be associated with negative consequences; however, at what point a breach would occur depends on the personal perceptions of an employee and their understanding of the PC, adding further ambiguity to the concept. Negative behavioural reactions generally associated with a contract breach include distrust, dissatisfaction (Robinson and Rousseau, 1994), anger, resentment and a sense of injustice (Rousseau, 1989, Robinson and Morrison, 1995, Roehling, 1997). Employees would act on these responses by withholding or withdrawing from the relationship (Spindler, 1994).

Positive outcomes linked to the fulfilment or 'delivery of the deal' are less frequently discussed in the literature. In a series of widely respected Chartered Institute of Personnel and Development (CIPD) studies in the UK, Guest and Conway (1997) developed the idea that components of the PC could be conceptualised as 'motivations'. These motivations could then be used to predict employee commitment or effort. Guest and Conway define motivations loosely as the "most important things employees look for in a job" (p. 31). They concede that these 'things'

are not necessarily the same as what motivates employees, but that it provides some clue to their possible motivations. A list of the eleven most commonly mentioned motivations provides some indication of their nature: pay, an interesting and enjoyable job, job security, working with people you get on with, a job that makes full use of your skills and abilities, opportunities for career development, convenient/flexible hours, a boss you respect, a good working environment, location and recognition. Guest and Conway then link these motivations to other positive attitudes, such as job satisfaction and commitment to the organisation.

In summary, the PC literature suggests that the fulfilment of expectations acts as an incentive and has (along with other positive outcomes) the effect of enhancing employee commitment. Conversely, unfulfilled expectations or breaches of the PC are linked to negative effects, such as demotivation or staff turnover (e.g. Chiang et al., 2012). One of the main quests of my research is to understand 'what motivates employees to work in growth-oriented, high-tech start-ups'. In the light of these interpretations of the PC, this thesis argues that the components of the PC can be conceptualised as 'motivations' if employees perceive them to have a positive effect, and as 'disincentives', if employees perceive them to have a negative effect.

2.5.6 A Model of the Psychological Contract

Having considered the origins of the PC, its varying definitions and conceptualisations and its components and deliverance, it is now time to propose a complete, visual model of the PC.

Guest and Conway's perception of the PC (1997) is proposed as a foundation on which to further conceptualise employment relations in growth-oriented, high-tech start-ups. It is an exemplary model which has been embraced by numerous authors (Martin et al., 1998, Martin et al., 1999, Pate and Martin, 2002; Atkinson, 2005; Atkinson, 2008), acting as an endorsement of its high face-validity. The model is an outcome of a series of studies commissioned by the CIPD and is known and respected by academics and practitioners alike (Atkinson, 2005).

Over the past chapter, the PC has been defined as an ambitious and ambiguous, but also valuable, conceptual framework. The model proposed by Guest and Conway (Figure 3) aims to capture it in its entirety. However, it is beyond the remit of this thesis to review all the components of this model. Instead, this thesis focuses primarily on employee expectations, 'the delivery of the deal', and the 'motivations' defined as a positive behavioural outcome (encircled in red). They can be linked directly to the research questions proposed earlier. The rest of the model is merely used to contextualise these elements further and emphasise that they are part of a wider process.

Figure 3 - Model of the Psychological Contrat
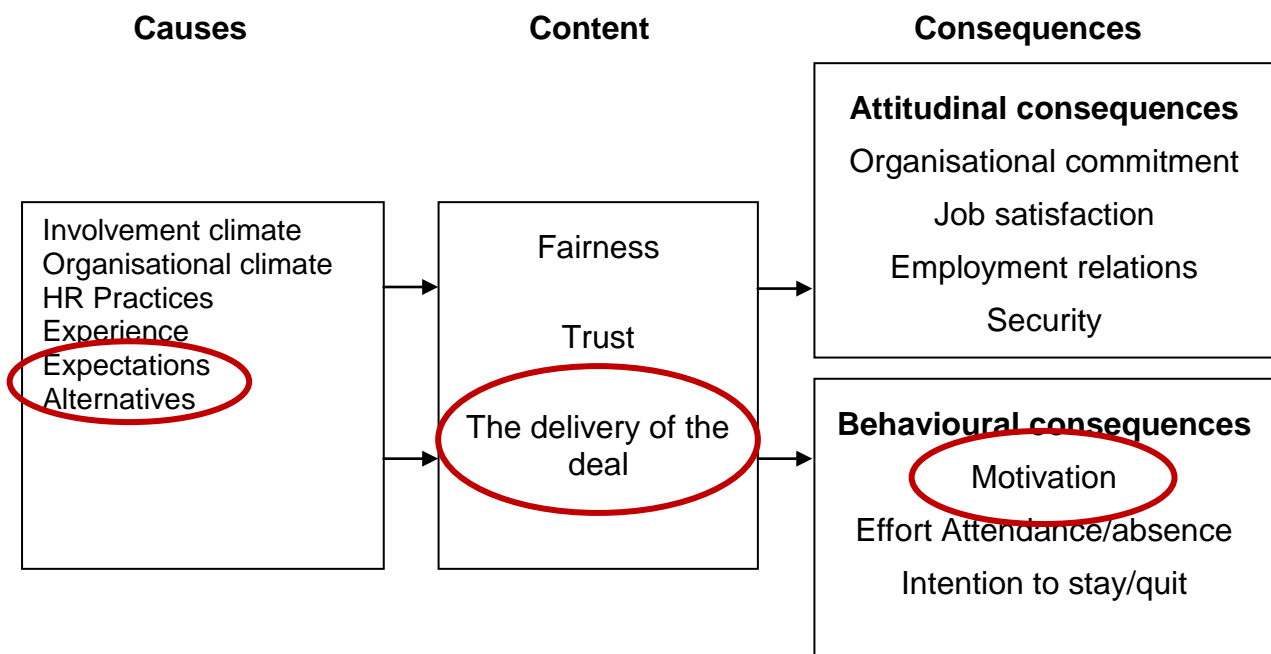
(Guest and Conway, 1997, p. 6)

The conceptualisation of the PC as a process is not entirely new to the literature (e.g. Rousseau, 1989), however, most academics have focused on one of the three stages below. Each of these phases raises a different series of questions about the PC.

1	The first stage asks: What determines the state of the PC? What influences or causes its formation and how is it negotiated?
2	The second stage is concerned with the contract itself: What does the employment deal consist of? How is it managed, perceived and evaluated by the founders as well as their employees? Is it perceived as fair? Are individual components of the deal violated?
3	The final stage is investigating the consequences of 'the delivery of the deal': What attitudinal and behavioural consequences are associated with the fulfilment or breach of the exchange relationship?

As discussed earlier, employment relations in small firms or start-ups are expected to different if compared with their larger, more established counterparts (e.g. Ram 1994; Wilkinson, 1999; Marlow, 2006). As a result, answers to the questions raised above might vary. For example, the traditional PC contract is expected to arise from past practices and an organisation's commitments to continue to meet promises in the future. However, start-ups have a very limited track record and employees are unlikely to be able to form expectations on this basis; therefore, founders will have to ask employees to make a 'leap of faith' based on future promises of growth. The second stage is concerned about the components of the PC. The unique working environment of start-ups calls for a unique mix of expectations. Many these have already been discussed in section 2.4.4 Possible components of the employment deal' and relates directly to the first research question. The third stage is concerned with the consequences of either delivering or failing to deliver on employee expectations, needs and desires, directly linking to the second research question.

2.6 Summary

The literature began with a short review of the field of entrepreneurship more generally before outlining some of the features of growth-oriented high-tech start-ups which differentiate them from established SMEs and larger organisations. The 'myth of the lone-wolf entrepreneur' was discussed at some length, concluding that a new venture founders were heavily dependent on the knowledge, integrity and commitment of their first employees. The chapter then turned its attention to employment relations in the small firm context. Whilst much progress has been made at the intersection of HRM and entrepreneurship over the past decade, employee experiences of the relationship remained under-researched. This thesis reviewed the apparent contradictions between the 'small is beautiful concept' and the 'bleak house scenario' and used Ram's work (1994) on 'negotiated order' to offer a more refined interpretation of the complex, contested, and continually changing employment relations in small firms. The context of the German labour market with its particularities was also discussed, outlining the need for more cross-cultural research on employment relations in small firms.

This was followed by a review of the key themes and research gaps within the field of employment relations in small firms and start-ups. Academics now agree on the critical importance of 'the workforce' as a critical success factor in small ventures, the important of developing specific theories which can be applied to this unique context, as well as the heterogeneous nature of the SME sector and its HRM practices. Employment relations in small firms are characterised by mutual inter-dependency and reciprocity. Consequently, a management perspective alone is not sufficient to fully understand the employment relationship. Instead, employee-driven data should be taken into account and will form a focal point of this study. Furthermore, research has often focused on individual HRM functions, such as recruitment, selection or performance management. Considering the informal, interpersonal and ad hoc approach to employment relations, this thesis argues that HRM theory presuming a sophisticated level of corporate managerial complexity is simply not appropriate to understand this particular context. Instead the PC is proposed as more inclusive and flexible conceptual framework.

Next, the chapter took a deeper look inside the 'black box' to outline the unique challenges and opportunities of employment relations in growth-oriented start-ups. Issues of newness, smallness, resource scarcity and particularly the high level of uncertainty were discussed, but the section also alluded to the highly personalised and informal nature of employment relations in start-ups, as well as the emphasis on a strong 'team ethos', 'family atmosphere' and feeling of reciprocity.

This thesis then took a closer look at the possible reasons for employees to choose this specific working environment. This is a question that has been largely ignored by the current entrepreneurship and SME literature. The use of financial or financially convertible compensation strategies remains the only motivation considered seriously. In contrast, this thesis proposes that factors such as entrepreneurs' passion and charisma, the exhilaration associated with 'prime-movers', the self-development opportunities, the job diversity and the working atmosphere, are all important components of the employment deal in growth-oriented, high-tech start-ups and require further investigation.

The final section of the literature review introduces the PC as an appropriate conceptual framework to investigate the informal, dynamic, reciprocal, perceptual and idiosyncratic nature of employment relations in growth-oriented, high-tech start-ups. The PC is introduced as a model that looks beyond the formal, written employment contract and instead helps to investigate the 'softer' aspects of the exchange relationship, evaluating the implicit as well as the explicit components of the employment deal. The delivery of the employment deal is strongly linked to behavioural outcomes such as motivation and intention to stay, therefore directly addressing the first two research questions. This thesis argues that the components of the PC could be conceptualised as 'motivations' if employees perceive them to have a positive effect. Alternatively, if employees perceive them to have a negative effect the components were classified as 'disincentives'.

Furthermore, the PC is presented as perceptual and socially constructed (Rousseau, 1989), thereby complementing the philosophical positioning of this thesis. It also

recognises 'trust' as an important ingredient of employment relations, particularly in start-ups faced by liabilities of newness and smallness. As Guest (2004) argues, the PC is the ideal conceptual framework for studying employment relations in small firms, which are often characterised as complex, informal and contradictory (Ram, 1991).

The chapter proposes Guest and Conway's (1997) interpretation of the PC as a foundation on which to further conceptualise employment relations in growth-oriented, high-tech start-ups. It offers one of the few process-orientated, visual models of the PC, and links directly to the research questions of this thesis.

To conclude, the literature review has developed the narrative for this thesis and positioned it at the intersection of employment relations, HRM, and entrepreneurship. Table 5 provides a selection of the twenty most influential works to this thesis (listed in no particular order). These works are not only instrumental in shaping the position of this research, but also symbolise the foundation of knowledge onto which this thesis was built. At its most simplistic, the over-arching aim of the dissertation is to investigate 'why someone would want to work in a growth-oriented start-up and what it would be like'. By adopting an employee perspective, this research differentiates itself from the largely management driven literature on 'people issues' in small firms. The PC is proposed as a suitable conceptual framework to investigate further the employment deal, its extrinsic and intrinsic components as well as its dynamic nature. Finally, the literature will summarise once again the primary research gaps identified.

Table 5 - Twenty most influential works to this thesis

Author(s)	Year	Title	Publication
Verreynne, M. Parker, P. Wilson, M.	2011	Employment systems in small firms: A multilevel analysis	International Small Business Journal
Atkinson, C.	2008	An exploration of small firm psychological contracts	Work, Employment and Society
Barrett, R. Mayson, S	2008	International Handbook of Entrepreneurship and HRM	Book, Edward Elgar
Nadin, S. Cassell, C.	2007	New Deal or Old? Exploring the Psychological contract in a Small Firm Environment	International Small Business Journal
Dietz, G. Van Der Wiele, T. Van Iwaaren, J. Brosseau, J.	2006	HRM Inside UK Tech Firms	International Small Business Journal
Edwards, P. Ram, M.	2006	Surviving on the Margins of the Economy: Working Relationships in Small, Low-Wage Firms	Journal of Management Studies
Marlow, S.	2006	Human resource management in small firms: A contradiction in terms	Human Resource Management Review
Tansky, J.W. Heneman, R.L.	2006	Human Resource Strategies for the High Growth Entrepreneurial Firm	Book, IAP
Cardon, M.S. Stevens, C.	2004	Managing human resources in small organizations: What do we know?	Human Resource Management Review
Marlow, S. Patton, D. Ram, M.	2004	Managing Labour in Small Firms	Book, Routledge
Ram, M. Edwards, P.	2003	Praising Caesar Not Burying Him: What We Know about Employment	Work, Employment and Society
Marlow, S. Patton, D.	2002	Mind the gap between employers and employees	Employee Relations
Baron, J.N. Hannan, M.T.	2002	Organisational Blueprints for Success in High-Tech Start-Ups	California Management Review
Katz, J.A. Welbourne, T.M.	2002	Managing People in Entrepreneurial Organizations	Book, Elsevier Science
Cassell, C. Nadin, S. Gray, M. Clegg, C.	2002	Exploring human resource management practices in small and medium sized enterprises	Personnel review
Heneman, R.L. Atansky, J.W. Camp, S.M.	2000	Human Resource Management Practices in Small and Medium-sized enterprises: Unanswered Questions and Future Research Perspectives	Entrepreneurship Theory &Practice
Wilkinson, A.	1999	Employment relations in SMEs	Employee Relations
Ram, M.	1994	Managing to Survive	Book, Blackwell
Guest, D.E. Conway, N.	1997	Employee Motivation and the Psychological Contract	Institute of Personnel and Development
Cooper, C.L. Burke, R.J.	2011	Human Resource Management in Small Business	Book, Edward Elgar

2.7 Research Gaps

The chapter will conclude with a brief affirmation of the primary research gaps identified by the literature review. These gaps did not only guide the development of the research questions (p. 88), but can also be used to judge the position and contributions of this thesis.

First, little is known about employment relations in growth-oriented start-ups. Whilst some progress has been made with regard to employment relations and HRM in small firms in general, new ventures are rarely the centre of attention. Considering the importance of growth-oriented high-tech start-ups to the German and the UK economy, this is a significant research gap.

Second, employment relations in growth-oriented start-ups are believed to be different to the ones found in established SMEs or larger organisations. Bearing in mind their unique working environment it is not advisable to simply adopt large firm HRM strategies. Instead this thesis proposes to develop context specific theory.

Third, much of the current entrepreneurship research focused on the founder or the founding team. Whilst inaugural employees are commonly refers to as the main success criterion for start-ups, their voices are rarely heard. The SME literature offers some insights on the reciprocal and mutual dependent nature of employment relations in small firms. However, their focus is predominantly on established SMEs with limited growth aspirations. SMEs are defined by their heterogeneity. Their differences in age, size, sector and strategic orientation make it difficult to drawing out meaningful generalisations about the employment contract in this context. What is need is a study that is firmly situated in the field of entrepreneurship, but is able to utilise some of the knowledge accumulated at the intersection of employment relations and SME research. Positioning the employee at the heart of the study makes this thesis particularly interesting.

Fourth, to understand employment relations in start-ups it is important to take holistic perspective. Much of the current literature attempts to focus on specific HR practices, such as recruitment and selection. Considering the informal, contradictory and ad hoc way in which small firms deal with 'people issues', this thesis proposes the PC as a more flexible and inclusive conceptual framework.

Fifth, literature on employee motivation in entrepreneurial firms has mostly been limited to financial compensation strategies. In contrast, this thesis argues that the employment deal will also include a large number of intrinsic, non-financial and relational components which require further investigation.

Finally, cross-cultural studies are rare within this field. Considering start-ups exposure to external market conditions and other institutional factors, it is important to investigate what effects national context has on employment relations. The 'German socio-economic model' provides an interesting contrast to the British institutional context, although academic research on HRM in SMEs in Germany is very limited.

These research gaps directly relate to the development of the research questions, the research design and the data analysis, all of which are further discussed in the methodology chapter.

3. Methodology

The purpose of this chapter is to explain and justify the research design and methodological framework adopted by this thesis. It demonstrates the planning and execution of the research, detailing the process by which it arrives at novel and defensible outcomes which are relevant to academics and practitioners alike. The section begins by outlining the philosophical position of the thesis and how this influenced the choice of research methodology. 'Interpretivism' is presented as a philosophical paradigm, and the use of qualitative case studies is proposed as an appropriate method to address the questions posed by the literature review. This is followed by a detailed discussion on the research processes and methods, the research design, the sampling methods and criteria, and the data analysis, as well as the evaluation of the methodology. Finally, the chapter outlines the approaches adopted to ensure the ethical treatment of participants.

3.1 Philosophical position

The aim of this section is to outline the broad theoretical approaches underlining this thesis. Research in social science has to be understood in relation to numerous ontological and epistemological assumptions (Morgan and Smircich, 1980). These assumptions influence the entire research process, from the questions asked to the methods of data collection, analysis, and interpretation. It is therefore of the upmost importance to be clear and transparent in one's choice of philosophical paradigm (Cassell and Symon, 2004). The chapter will discuss a selection of philosophical positions, but ultimately selects an interpretive paradigm as a conceptual base. As with all theoretical positions, 'interpretivism' does not enjoy an undisputed definition. Erickson uses it as an umbrella term for "the whole family of approaches to participant observational research" (1986, p.119). Academics have also referred to it as 'anti-positivism' (Bilton et.al., 1981) and sometimes 'constructivism', although some finer distinctions exist (e.g. Schwandt, 1998; 2000). 'Qualitative' research methodologies are believed to be central to interpretive research, but cannot be used as a synonym. Before going into greater detail on the origins and definition of interpretivism, it is important to reflect on the ways in which ontological and

epistemological assumptions have influenced the selection of this particular philosophy. In essence, ontology is concerned with the 'nature of reality', while epistemology looks at the 'nature of knowledge' which can be constructed using a particular definition of reality. They are inevitably inter-related, one predetermining the other (Guba and Lincoln, 1994). 'Methodology' describes the techniques used to discover reality/knowledge and will be discussed later in the chapter.

Ontology refers to the beliefs and assumptions that define the nature of reality (Parkhe, 1993). Philosophical theories regarding the concepts of reality have been developed over centuries, and many different approaches exist. Gergen (2001), for example, argues that one can differentiate between the reality of the world and the mind; in essence separating natural and social sciences (Johnson and Duberley, 2000). Handerich (1995) defines ontology as the 'science of being' and focuses predominantly on the socially constructed feature of reality and individuals' interpretations of it, an understanding shared by this thesis. Without exploring these approaches in too much detail, it remains important to stress that this thesis advocates a 'non-deterministic' or 'indeterministic' doctrine, i.e. human behaviour cannot be wholly determined by antecedent causes. This thesis acknowledges that the concept of freedom of choice (also known as 'free will') dictates that it is impossible to entirely comprehend or predict human behaviour. In contrast to natural science, where existing pre-conditions can be used to determine an event, this thesis rejects the notion of a single, deterministic and objective 'truth' (Partington, 2002). Instead, it recognises the possibility of multiple realities. Individuals make their world intelligible to themselves and to others by establishing a realm of meaningful interpretations and definitions (Stiles, 2003). The object of this thesis is to understand (and make practical use of) employees' interpretations of their 'reality' and their perceptions of employment relations in start-ups. Studies embedded in a deterministic doctrine would, in contrast, be concerned with finding causal explanations for human behaviour.

Consideration then necessarily turns to the epistemological position of the thesis, i.e. the type of knowledge this thesis hopes to generate (Gergen, 2001). Mason defines

epistemology as the way by which research determines the ways in which social phenomena can be known, and how that knowledge can be demonstrated (1996). Many different forms of acquiring knowledge exist, including positivism (also referred to as empiricism), rationalism (also referred to as realism or logical empiricism), idealism, naturalism and constructivism; all of which have their own concepts of what knowledge is and how it can be acquired. This thesis is positioned in the philosophical paradigm of 'interpretivism', a stance further depicted in the following section.

3.1.1 Interpretivism as a philosophical stance

Interpretivism can be defined as "an epistemological position that requires the social scientist to grasp the subjective meaning of social action" (Bryman, 2008; p. 694). It is rooted in the German intellectual traditions that emerged in the late 19th and early 20th centuries. At this time, German historians and sociologists such as Dilthey, Rickert, Wildleband, Simmel and Weber developed a neo-Kantian movement which held that social science and natural science were fundamentally different and could not be studied in the same manner (Erickson, 1986). Their theories directly challenged the then-dominant philosophy of positivism and its logical mechanisms. Positivism (sometimes referred to as functionalism) is concerned with discovering truth (singular) and is based on a deterministic ontology which promotes the concept of causal effects. It largely relies upon experiments and survey samples, statistical generalisation and quantitative methodologies. Researchers with a positivist viewpoint argue that human behaviour can be measured objectively and reduced to a series of universal laws.

Interpretivism on the other hand is rooted in the ontological doctrine of 'indeterminism'. It argues that social science distinguishes itself from the logical mechanisms commonly used by positivist thinkers and that it should devise its own methodologies. A common theme is the idea that understanding human behaviour is a subjective and interpretive process which relies on inductive (and not deductive) reasoning. Inductive reasoning assumes that knowledge cannot be understood as a universal truth that can be discovered; instead it is a construct which is created out of

some information that is gathered. The idea of an objective truth or grand, deterministic systems and positivistic data-collection methods are called into question. Instead truth is depicted as 'a matter of opinion' as individuals construct and interpret reality differently. The physical movement of raising an arm, for example, can be interpreted as voting, hailing a taxi or asking for permission to speak, depending upon the context and the intention of the actor (Denzin and Lincoln, 2000; p.191). The same behaviour can thereby be interpreted in different ways and has to be understood in context. The process of giving meaning to an action is described as 'interpretive understanding' or 'Verstehen'. The concept of 'Verstehen' was first introduced by the German philosopher and historian J.G. Droyson, and is largely based on the works of Max Weber. As a historian Droyson realised that human behaviour had to be understood in its temporal and spatial context. He argued that individuals themselves construct reality by interpreting their lives and giving meaning to their actions. It is therefore the researcher's role to use the process of 'Verstehen' (1983) to make sense of these realities. In summary, positivism tries to explain individuals' actions (erklären), whilst interpretivism attempts to understand (verstehen) human behaviour by attaching meaning to it. Outhwaite (1986) further adds that actual understanding is a process that occurs between two minds. This means that data are not only gathered but also created from the interactions between the interviewer and the respondent. As Guba and Lincoln write, the researchers themselves become a "passionate participants" of the research process (1994; p. 112). Using their empathy (coined by W. Dilthey as the 'empathetic identification approach', 1924), the researcher attempts to grasp and comprehend an actor's beliefs, desires, motivations and expectations. Table 6 further helps to illustrate the distinctions between positivism and interpretivism as understood by this thesis.

In summary, interpretivism assumes an epistemology of 'Verstehen', that is to take 'understanding' as an intellectual process whereby the researcher gains knowledge about the meaning of human action. Knowledge is not seen as a single truth which can be found, but instead it is constructed through individuals' interpretations of reality. The researcher's perception by itself is not reality, but assists in examining its complexity. Interpretivism is characterised by the process of inter-subjectivity,

inductive sense-making and an emphasis on contextualisation. This thesis recognises that adopting one particular 'label' over another can be problematic, especially as the clear boundaries of the paradigm remain unclear, but argues that acknowledging a series of ontological and epistemological assumptions can add clarity. The reasons for choosing interpretivism will be explained further in the next section.

Table 6 – Differentiating positivism from interpretivism

	Positivism	**Interpretivism**
Ontology •What we can know? •What is reality	Objectively measurable, knowable, universal, deterministic	Subjective construction, interpreted by participants
Epistemology •How can we know? •What is knowledge?	Single body of knowledge, generalisable, abstract	Multiple interpretations exist, context specific
Aim	Deduction, explanation, prediction, creating general laws, quantification	Induction, rich description of experiences, understanding (Verstehen), interpretation
Methodology	Abstract, reductionist, hypothesis, testing, quantitative approach	Participatory, reflexive, theory-generating, qualitative approaches

In summary, interpretivism assumes an epistemology of 'Verstehen', that is to take 'understanding' as an intellectual process whereby the researcher gains knowledge about the meaning of human action. Knowledge is not seen as a single truth which can be found, but instead it is constructed through individuals' interpretations of reality. The researcher's perception by itself is not reality, but assists in examining its complexity. Interpretivism is characterised by the process of inter-subjectivity, inductive sense-making and an emphasis on contextualisation. This thesis recognises that adopting one particular 'label' over another can be problematic, especially as the clear boundaries of the paradigm remain unclear, but argues that acknowledging a series of ontological and epistemological assumptions can add clarity. The reasons for choosing interpretivism will be explained further in the next section.

3.1.2 Justification of the research paradigm

This thesis selected 'interpretivism' as a research paradigm for numerous reasons: (1) its ontological and epistemological assumptions are in line with the perspective of

the researcher. Whilst this was not a major factor in deciding a particular research strategy, it would be naïve to expect that the researcher can be completely separated from what is being researched (Goldbart and Hustler, 2005). Instead, interpretivism recognises that all participants involved, including the researcher, bring their own unique interpretations of the world or sense making to the study. To ensure high levels of validity, the researcher should be transparent in their personal assumptions and interests (Denzin and Lincoln, 2000); (2) Interpretivism is in a privileged position to address the research questions proposed in the literature review. The aim of the study is to explore the inherently perceptual domain of employment relations in growth-oriented start-ups. Interpretivism is both an exploratory as well as inductive research paradigm which encourages the collection of rich, contextualised data. Instead of testing hypotheses, it has an open and flexible approach to the research, allowing meaning to emerge naturally (Silverman, 2000). This thesis is interested in individuals' reasons to work in growth-oriented high-tech start-ups. The unit of analysis is therefore the individual employee and their personal perceptions, interpretations, beliefs, values, needs and desires. Interpretivism aims to understand the individuals' interpretation of reality, making it the obvious choice of epistemological paradigm. (3) The literary context within which the research is positioned is very receptive to the ideas of interpretivism; this includes; (i) the literature on entrepreneurship, (ii) the literature on employment relations in small firms and start-ups as well as (iii) the literature on the PC. To illustrate this point further, the following section briefly reviews the use of interpretivism and qualitative methodologies within these three fields.

"Entrepreneurship begins with a disjointed, discontinuous, non-linear (and usually unique) event that cannot be studied successfully with methods developed for examining smooth, continuous, linear processes" (Bygrave, 1989; p.28). With these words, Bygrave introduces his famous 1989 article on 'The entrepreneurship paradigm', which was revised as part of the 'Handbook of Qualitative Research Methods in Entrepreneurship' in 2007 (Neergaard and Ulhøi, 2007). By definition, entrepreneurship is a dynamic, creative and unpredictable process and it seems paradoxical to study it through a deterministic framework (Bruyat and Julien, 2000). And yet, most literature in the field has been conducted from a positivistic stance (e.g.

Davidsson, 2013; Gartner, 2013). Calls for more qualitative approaches are made at regular intervals (e.g. Bygrave, 1989, 2007; Huse and Landström, 1997; Gartner and Birley, 2002; Hindle, 2004; Neergaard and Ulhøi, 2007), seemingly without effect. In 2001 for example, Chandler and Lyon reported that only 18 per cent of their sample of 418 papers used a qualitative research design. This was later confirmed by McDonald et al. (2004), who came to a similar conclusion after reviewing 2234 entrepreneurship articles. Two decades after Bygrave's article, the field of entrepreneurship still lacks methodological diversity (Wortman, 1987; Aldrich, 1992; Huse and Landström, 1997; Low, 2001; Phan, 2004; Neergaard and Ulhøi, 2007). This thesis is a direct response to this absence, following a small but growing community of entrepreneurship researchers who have promoted the use of qualitative and contextualised research over the last decade (Jennings et al., 2005). At the forefront of this movement has been a school of thought known as the 'European tradition of entrepreneurship research' (Down, 2013). Two international conferences (2010, 2013) and a special issue in 'Entrepreneurship and Regional Development (Jan, 2013) have helped to further define their approach to research. Members include, amongst others: Alistair Anderson, Bill Gartner, Sara Carter, Simon Down, Daniel Hjorth, Robin Holt, Ossie Jones, Susan Marlow, Helle Neergaard, Christ Stayaert, Richard Tunstall, Tony Watson and Frederike Welter. As an attendee of both conferences and a strong supporter of this movement, the school's views had a strong influence on the research methodology of this thesis. Down describes its position as such:

> *"First, explicit attention is paid to the socio-economic, historical and cultural context within which connects the study of enterprise and real life practices. Second, theoretical insights are drawn from a broader social science and humanities base including, but not dominated by economics. Third, this commitment to a broader base makes contextualisation 'nature' in that scientific universalism and positivism are avoided and hence a broader set of problems are made possible as part of entrepreneurship research." (Down, 2013; p. 1)*

This thesis selects a research paradigm which is in line with these values, and directly addresses the calls for more qualitative research in the field. It argues that entrepreneurship is based on the concept of 'free will' and 'uniqueness' and that a research paradigm with similar values adds depth as well as breadth.

Similar to the field of entrepreneurship, research on employment relations in small firms and start-ups is also very receptive to the ontological and epistemological position of interpretivism. Employment relations in small firms are commonly characterised as subjective, idiosyncratic and at times contradictory (Marlow, 2002). They manifest in the mutual dealings, connections or feelings that exist between two parties. To gain further insight into the relationship, one can either study the communications and interactions between the parties (in real time) or focus on the personal experiences and interpretations as accounted for by individuals (retrospectively). The researcher has chosen the latter due to the nature of the research questions and for practical purposes. Interpretivism offers a subjective and inductive research philosophy which is well suited to undertake this research challenge. It recognises that meaning is not static but constantly created, adapted, negotiated, developed and modified. Further, it accepts that employee and employer perceptions of the relationship can differ and that they are unique to the individual and their temporal and spatial context. Whilst research on employment relations in small firms rarely refers to its philosophical position as 'interpretivist' specifically, a growing number of academics have used qualitative research methodologies in their studies (e.g. Atkinson, 2008; Dietz et al., 2006; Nadin and Cassell, 2007; Ram, 1999). Yet, despite these efforts, positivistic research approaches continue to dominate the field (Cardon and Stevens, 2004). Cardon and Stevens further outline that many studies are conducted from a management or HRM perspective. The limitation with this approach is that, more often than not, scholars have focused on testing large firm HRM theories or practices (e.g. comparing recruitment practices between large and small firms, Barber et al., 1999). These studies generally focus on the small firm context using large scale quantitative methodologies. However, as outlined in the literature review (p. 33), small firm employment relations are believed to be inherently different to their larger counter parts. They are characterised by heterogeneity, interpersonal relations and informality. Adopting a philosophic paradigm which is based around the concepts of generalisability and universal laws is therefore ill-equipped to understand the highly variable, complex and context-specific relationships. Instead, this thesis argues that interpretivism, culturally sensitive, subjective and experience-oriented philosophy is best suited for the

context of small firms. A qualitative methodology is proposed, which will be discussed in more detail in the next section. A further criticism associated with using large firm HRM theory and methodologies is their tendency to focus on one particular HR function (e.g. recruitment, compensation or performance management). This thesis illustrates that a more inclusive approach is more appropriate to the small firm context. Small firms and start-ups rarely have an HR specialist or HR department; instead their approach is commonly described as reactive, intuitive and informal. If one considers employee motivation in particular, Cardon and Stevens (2004) write: "Perhaps a more holistic view of compensation, which includes cultural and intrinsic factors that reward employees, would be helpful, but also useful would be more holistic views of the HR experience in small firms as they are understood by the employees themselves" (p. 316). This thesis takes up their challenge. It proposes the PC as an overarching conceptual framework and takes an employee perspective, paying particular attention to the cultural and intrinsic factors which affect the employer-employee relationship. To reach a successful and meaningful conclusion, this research requires an exploratory paradigm; one which favours a qualitative methodology and inductive reasoning. In other words, it becomes necessary to adopt an interpretivist perspective.

Finally, the PC literature is considered. Early work on the PC (Argryis, 1960, Levinson et al., 1962) often adopted qualitative research methodologies (Rousseau, 2000), whilst more contemporary work has tended to adopt a quantitative perspective (Conway and Briner, 2002). No one methodological approach has been identified as superior (Freese and Schalk, 1996), but considering that the PC is perception based (Guest et al., 1996), idiosyncratic (Rousseau, 1989) and context dependent (Conway and Briner, 2002), this thesis argues that an interpretivist paradigm is not just appropriate but paramount. As stated above, this is due to the fact that individual interpretations of the PC define the research, and an interpretivist paradigm is most suitable for decoding and comprehending this cognitive framework. This thesis also recognises the importance of contextualisation, something often downplayed by existing research (Pate et al., 2003).

To summarise, the arguments for interpretivism as the most appropriate and potentially rewarding paradigm are overwhelming. It is a paradigm that favours a qualitative research methodology, which is important considering the nascent state of the research field. As discussed in the literature review, little is known about employment relations in growth-oriented high-tech start-ups, particularly from an employee perspective. Qualitative research methodologies are an ideal exploratory research method, especially when empirical data are scarce (Eisenhardt, 1989) or theories are underdeveloped (Lyons, 2000). This is something that applies to research on employment relations in start-ups (Marlow, 2006) as well as to theory on the PC (Guest, 1998a). The key aim of this thesis is to understand why people choose to work in growth-oriented start-ups and how employees' needs and desires contribute to shaping the employment relationship. Interpretivism argues that multiple interpretations of reality can co-exist, which makes it possible to use an employee's individual perceptions as a viable data resource to gain a further understanding of their needs and desires. Reality is seen as a subjective construction of meaning, which can be understood through the inductive process of 'Verstehen'. The heterogeneity within the small firm sector, the importance of contextualising the findings (Holliday, 1995), the dynamic, fast changing, idiosyncratic, complex and often contradictory nature of employment relations and the "disjointed, discontinuous non-linear" nature of entrepreneurship (Bygrave, 1989; p.28) must all be considered. In this specific context, an interpretivist paradigm becomes increasingly relevant. This methodology also enables the researcher to address the many calls for a greater use of qualitative research expressed within all three literature streams (entrepreneurship, employment relations and the PC). Finally, the paradigm is in line with the personal assumptions of the researcher, who himself advocates the position of the 'European Tradition of Entrepreneurship Research'.

3.2 Research questions

The aim of this thesis is to explore employment relations in growth-oriented start-ups and, more specifically, the employment deal as perceived by the employees.

This section will remind the reader of the research questions and discuss the process from which they were derived. The chapter will then turn its attention to the research design, offering a detailed account of the way in which the research was conducted (Guba and Lincoln 1994; Parkhe 1993).

The broader aim of this thesis was developed during a small exploratory study in 2010, which is further detailed on page 96. Inspired by the interpretive strategy of Grounded Theory (Glaser and Strauss, 1967) and the importance of creating 'research impact' through the production of work which is relevant to practitioners (e.g. AOM Strategic Plan, 2013; REF, 2013), this early stage of the research process included five informal interviews with entrepreneurs of growth-oriented start-ups, two interviews with venture capitalists and one with a head-hunter specialising in recruitment for growth-oriented start-ups. The idea was to initiate a conversation around the key concerns and considerations of entrepreneurs. The results of these interviews will not form an integral part of this thesis, but it remains noteworthy that these conversations clearly directed the early development stages of the thesis. A common theme across all of these interviews was an emphasis on the importance of recruiting and retaining 'high calibre' employees. Practitioners repeatedly expressed a requirement for additional research on matters of recruitment and retention. Their 'real life' concerns became the underlining inspiration for this study.

A comprehensive literature review was then undertaken, revealing that employment relations in this context were highly under-researched and theories which could help to address the practitioners' concerns remained underdeveloped or non-contextualised. Numerous research gaps were identified (p. 78), which in turn informed the research questions of this thesis. In essence, the aim of the study is to enhance our understanding of employment relations in growth-oriented, high-tech start-ups, generating research from an employee perspective. The collective voice of employees deserved greater attention in the literature on entrepreneurship and employment relations. This thesis also argues that a better understanding of the employment deal from this perspective will help founders to further tailor their recruitment and compensation strategies and attract/retain a highly motivated

workforce. The research contends that the gaps in the existing literature create a requirement for a deeper understanding of what motivates those individuals who choose to work in growth-oriented start-ups and to examine how their needs and desires influence employment relations. This thesis further proposes the theory of the PC as a guiding conceptual framework. Whilst the research questions were strongly influenced by the literature review, it is important to recognise that their refinement has been an iterative process which continued all the way through the data collection and analysis phase. This is a common practice in qualitative research (Easterby-Smith et al., 2002).

The research questions are as follows:

- Why do people choose to work in growth-oriented high-tech start-ups?

- How do employees needs and desires contribute to shaping the employment relationship?

- In light of the above, how can we conceptualise the PC in growth-oriented high-tech start-ups?

To add a further dimension to the study, data will be collected within two different cultural settings: Berlin and London. A number of academics have argued that national values are likely to influence employees' perceptions of the employment relationship (Sparrow, 1998; Rousseau and Schalk, 2000; Thomas et al., 2003; Kickul et al., 2004). Whilst it was not the intention of this study to investigate or test the affect of national culture, institutional factors and local labour policy on the employment deal specifically, it is noted that differences across national borders are likely to exist. Considering its commitment to contextualisation, these differences cannot be ignored by this thesis. However, the main reasoning for choosing Berlin and London as a geographical sample criterion are methodological. The two cities are generally considered the most popular and successful internet start-up hubs of Europe (Startup Genome, 2012, McKinsey&Company, 2013). According to a recent industry analysis conducted by the Dow Jones VentureSource, Berlin managed to secure $2.2billion of venture capital funding in 2014 alone. In the same timeframe

London's start-up scene attract $1.5 dollar of venture funding (Venture Source, 2014). The figures might be slightly distorted due to the recent IPO of Rocket Internet AG and Zalando SE (Berlin internet companies affiliated with the Samwer brothers). However, the two capitals continue to stay far head of their main competitors (Paris, Barcelona and Tel Aviv). Politicians in both cities were fast to recognise and support the internet start-up community in their respective constituencies (e.g. Meiritz, 2013). McKinsey&Company (2013) estimates that Berlin alone could expect to deliver 100,000 new jobs over the next seven years, thanks to its vibrant tech start-ups scene. It continues to invest heavily into 'Adlershof', a high-tech park with a turnover of €1.6bn and is in the process of opening 'The Factory', a new, 10,000m² start-up hub. London boasts with a recent £50million investment into 'Tech City', Europe's largest start-up hub, adding to establishments such as the 'Google Campus' and 'Central Working'. Both cities have a track record of producing some of the fastest growing start-ups in Europe. Some of London's most famous high-tech start-ups including Lovefilm, Mind Candy, Shazam, and Wonga. Similarly, Berlin is home to SoundCloud, Wooga and Zalando, just to name a few.

Their dense internet start-up communities have made Berlin and London an attractive choice for top talent looking for a job in this specific sector, and thereby an ideal research criterion for this study. Whilst the decision to include case studies from Germany and the UK was methodological rather than conceptual, this cross-cultural comparison offers a valuable addition to the thesis.

To summarise, the research aim of this thesis was inspired by practitioners concerns, developed through a comprehensive literature review and refined during the data analysis process. It is concerned with the motivations and experiences of employees working in young, entrepreneurial, growth-oriented, high-tech firms. Berlin and London were chosen as geographical research criterion based on their popularity and track record as Europe's most successful start-up hubs. While this cross-cultural approach might offer an additional dimension during the data analysis, it is important to note that this was a methodological, not conceptual choice. This thesis also proposes the PC as an appropriate conceptual framework, but aims to investigate if

this theory should be adapted within this context. Consideration is now given to the research strategy and research methods which this thesis deems most appropriate for investigating the questions listed above.

3.3 Research design

Bryman (2008) makes a clear distinction between the research design chosen and the research method adopted. According to Bryman, "A research design provides a framework for the collection and analysis of data" (2008, p. 31), whilst a research method is "is simply a technique for collecting data. It can involve a specific instrument, such as a self-completion questionnaire, a structured interview guide, or participant observation whereby the researcher listens to and watches others" (2008, p.31). Similarly, Denzin and Lincoln describe 'research design' as a "flexible set of guidelines that connect theoretical paradigms first to strategies of enquiry and second to methods for collecting empirical evidence" (2000; p. 22). A case study strategy of enquiry might, for example, be achieved through methods such as interviewing, observing and document analysis, whilst an experiment strategy might make use of controlled testing or self-monitored questionnaires. This thesis argues that the ontological and epistemological positions outlined above, together with the key features of the construct and context of this study as well as the nature of the research questions, support a qualitative methodology.

3.3.1 Research strategy

As outlined earlier, interpretivism is strongly associated with qualitative research methods. It emphasises that data should be collected or generated through direct interactions with the research participants (Bryman, 1988). The logic behind this is that knowledge is grounded in the perspectives of the research participants and that to discover, interpret, and understand participants' constructions of reality one must be in direct contact with the social subjects (Shaw, 1999). Bryman (2008) differentiates between five popular research strategies: an experimental design, a cross-sectional design, a longitudinal design, a case study design, and a comparative design. This thesis argues that a collective case study strategy, also known as the 'multiple case study' approach (Yin, 1994) is most appropriate, given

the access it provides to research participants in their own contexts as well as the possibility of exploring their perceptions. It is a research strategy that has previously been successfully utilised to explore employment relations in small firms (e.g. Holliday, 1995; Moule, 1998; Ram, 1994) and the employment contract within this context specifically (Atkinson, 2008). It is an approach which has facilitated the exploration of processes within the employment relationship (Lucas, 2002) as well as entrepreneurship (Neergaard and Ulhøi, 2007).

Each individual case will capture the employment relationship within a single growth-oriented high-tech start-up. Using the organisation as a parameter is a common practice in case study research (Punch, 1997). However, it is important to recognise that the case study approach can be employed as a process of enquiry as well as a product of enquiry (Stake, 2000); the emphasis of this thesis is on the former. Ultimately this study is interested in employees' perceptions of the employment deal, their reasons for working in a particular start-up and their needs and desires whilst working for the respective start-up. The 'bounded system' (Stake, 2000) of each case merely helps to contextualise their interpretations; it is not the unit of analysis as such.

For a collective case study, "a researcher jointly studies numerous cases in order to investigate a phenomenon, population, or general condition" (Stake, 2000; p. 437). This thesis will select a series of 'mini case studies', each representing a specific growth-oriented high-tech start-up. This will enable the thesis to compare and contrast not only individuals' perceptions regarding their employment relations within the same case, but also study the phenomenon across start-ups within the same sector, this increasing the clarity and validity of the findings. Using multiple perceptions of the same phenomenon verifies the repeatability of an observation or interpretation, reducing the chance of misinterpretation, whilst at the same time recognising that the same phenomenon can be understood in different ways (Stake, 2000). The collective case study strategy can be understood as a method to draw out particularities, i.e. findings that are particular to a specific case, as well as aiding in the process of knowledge transfer from one setting to another via the provision of

vicarious experience (Guba and Lincoln, 1994). As Vaughan (1992) argues, even intrinsic case studies can be seen as small steps towards grand generalisations.

A multiple case study strategy enables this thesis to examine the totality of employment relations within each firm, whilst looking for fundamental relationships across cases (Marshall and Rossman, 1995). It also lends itself to new theory generation (Eisenhardt, 1989) and is therefore in an appropriate position to address the third research question, which is concerned with re-conceptualising the PC. Finally, detailed case studies of small firms or start-ups remain rare (Ram et al., 2001) and adopting such an approach will not only add valuable empirical data, but also contribute methodological diversity within the literature on entrepreneurship and employment relations in small firms, and the PC.

3.3.2 Research methods

Considering the philosophical research paradigm and the nature of the research questions, this research selects interviews and documentary evidence as the primary vehicle for data collection. Although a case study strategy can also be explored through quantitative data collection methods (Remenyi et al., 1998), qualitative approaches are much more common (Yin, 1994). This thesis argues that to discover, interpret, and understand the needs and desires of employees in growth-oriented start-ups, it is of the upmost importance for the researcher to get as close to the research participants and their perspectives of reality (Shaw, 1999). A face-to-face research method (Easterby-Smith et al., 2002) is deemed most appropriate and semi-structured interviews were chosen as a primary 'instrument for data collection'. This thesis recognises that this form of data collected does hold its advantages and disadvantages (e.g. Cassell and Symon, 2004).

The research method is subjective as it is influenced by the researcher's own conceptual constitutions (Cassell, 2005) and his sense making process (Verstehen). Whilst this may raise questions about the reliability and bias of the data (issues discussed in more detail on page 105), this thesis argues that it is in line with the interpretive paradigm and the investigative nature of the study. The researcher also

believes that personal interaction with the research participants enables the researcher to elicit information that would have been more difficult to collect using other approaches (Robson, 1993). For example, questionnaires would not be able to yield data as rich in detail (Holliday, 1995) and would not convey meaning as vividly (Miles and Huberman, 1994). Focus groups may have proved inhibiting to some employees, considering the potentially sensitive issues that were discussed, and participant observations were unlikely to pick up employees' needs and desires without the researcher's encouragement. Further, Cassell and Symon illustrate that interviews can use "quite focused questions about aspects of organizational life, for instance, specific decision-processes … interviews can [also] be used to examine much broader issues, in areas such as gender, organizational culture and the effects of unemployment" (2004, p. 21). In other words, semi-structured interviews are flexible and adaptable methods of enquiry that enable the researcher to follow up interesting responses and investigate underlying motives (Robson, 1993).

Although semi-structured interviews are considered a productive method of data collection this study also acknowledges that interviews have potential disadvantages. Robson (1993) suggests that such limitations include the requirement for the researcher to have interviewing skills and experience. Interviews are also time-consuming. Cassell and Symon (2004) further outline the problem of generating large amounts of data which can give the researcher a feeling of 'data overload'. This thesis has adopted appropriate measures to counteract some of these disadvantages. One such measure involved taking advantage of PhD Social Science research training at Loughborough University (including two modules on qualitative research methods and interviewing techniques) which specifically help address any potential deficit in necessary skills. An exploratory study discussed in the next section also augmented and enhanced the interviewing experience, subsequently drawn on in this study. The data collection process did prove to be time consuming, not least because of the difficulty in negotiating access to growth-oriented high-tech start-ups, but considering the richness and depth of data gathered, it seems reasonable to consider this time well spent. Thematic analysis (discussed on page 104) further reduces the risk of the interviewer feeling overwhelmed by the large amount of data.

For each case, the founder (or founding team) as well as three full time employees were interviewed. The thesis contends that it was important to include the founders in the data collection process. This not only helps to answer some of the focused questions, such as queries about the company size, age or growth rate, but also increases the entrepreneur's level of trust in the study, thereby providing the opportunity to interview members of the workforce in private. As discussed during the literature review, the employment relationship is a two-way process. To ensure this thesis can capture the phenomenon in its totality, founders' perceptions were critical. The study also interviewed a minimum of three full time employees within each company. In all but three occasions (where participants preferred the researcher to rely on note taking) audio recordings of the interviews were taken and later transcribed. Further notes were taken during and after the interview to capture the interview atmosphere, features of the company's premises, and personal thoughts of the interviewer. A total of thirty-three interviews were conducted, each lasting between 30-60 minutes.

The thesis adopts a process of semi-structured interviews predominantly based on open-ended questions. A full interview guide can be found in Appendix 2. Despite their open-ended nature, these questions had a clearly defined purpose whilst also allowing for a degree of flexibility in order to follow up on the answers of respondents and to raise relevant issues that did not arise spontaneously (Robson, 1993). Appendix 4 provides a sample interview transcript, whilst chapter four offers a detailed description of all the case studies and interviewees.

3.3.3 Exploratory study

As mentioned previously, this thesis draws on knowledge gained from a small, exploratory study early on in the research process. This included five informal interviews with entrepreneurs of growth-oriented start-ups, two interviews with venture capitalists, and one with a head-hunter specialising in recruiting for growth-oriented start-ups. The purpose of this study was to initiate a conversation regarding entrepreneurs' key concerns and worries. The interview guide was based on a single

broad enquiry followed by a selection of probing questions. The quote below refers to the opening statement made by the researcher.

> *This interview is part of a first round of open ended interviews for my research on the phenomenon of entrepreneurship and the influences and challenges you came across during this start up process. This round of interviews is at a relative early stage of my research and I will not ask you any specific, closed questions to prove or disprove some kind of hypothesis. Instead I am here to hear about your story, your personal experiences, opinions and interpretations. Ultimately, I am hoping that this approach will help me to develop a set of relevant and praxis oriented questions, which relate to both the researcher and the academic community.*

Interviewees were encouraged to contribute freely on a large range of topics including their own motivations, their organisational structure, culture, and management style, as well as any difficulties they had encountered during the start-up phase. Probing questions such as, "Could you say a little more about that?", or "Are there any other reasons why you think that?" encouraged the interviewees to expand upon their answers where necessary (Bryman, 2008).

The data collection and analysis process was inspired by Grounded Theory (Glaser and Strauss, 1967). "Grounded theory methods do not detail collection techniques; they move each step of the analytical process towards the development, refinement, and interrelation of concepts" (Charmaz, 2000). The purpose of this exploratory study was not to generate any new theory, but to inspire practice oriented research questions and aid in the development of the initial interview guide. The logic behind interviewing entrepreneurs, venture capitalists, and a head-hunter was to gain information from the sources best placed to provide, it rather than a representative or random sample (Denzin and Lincoln, 2000).

The development of an 'interview guide' is a common practice in qualitative interviewing (Denzin and Lincoln, 2000). As Cassell and Symon outline, "The qualitative research interview is not based on a formal schedule of questions to be asked word-for-word in a set order. Instead it generally uses an interview guide, listing topics which the interviewer should attempt to cover in the course of the

interview, and suggesting probes which may be used to follow-up responses and elicit greater detail from participants" (2004, p. 15). They go on to argue that topics for an interview guide can arise from three sources: "the research literature, the interviewer's own personal knowledge and experience of the area, and informal preliminary work such as discussions with people who have personal experience of the research area" (Cassell and Symon, 2004, p. 15).

In the case of this thesis, the exploratory study was used to inspire the broader topics of the interview guide. A thorough literature review was then employed to develop these topics further and produce an informed and highly relevant guide. 'Recruitment' (a growth-oriented high-tech start-up in London) was selected as the first case study to test out the effectiveness of the interview questions. The researcher then discussed his findings with two senior academics to produce the final interview guide, which can be found under Appendix 2/3.

Interviews from the first case prompted an alteration in the order of the questions. Initially, the guide began with some structured questions (e.g. turnover rates, salary, sickness leaves). Considering the sensitive and direct nature of these enquires, all structured questions were moved to the end of the guide to ensure that participants felt most at ease throughout the process whilst also allowing the researcher to gain the most in-depth insights possible. The wording of some questions also needed to be adapted slightly, as the vocabulary of the founders and employees differed slightly to one another, resulting in the creation of separate interview guides for entrepreneurs and employees. Finally, a small number of closing questions were added to the guide, which in turn inspired some of the most interesting responses. These changes are considered to be legitimate to the iterative nature of qualitative research (Miles and Huberman, 1994). The final interview guide worked well across all cases, focusing on the relevant issues whilst also allowing flexibility for follow-up questions.

3.3.4 Documentary evidence

The data collected through the interview process provided the majority of the findings, whilst certain supporting documents were also collected where possible. This included company brochures, job advertisements, formal job descriptions and data from the websites of the organisations (Yin, 1994). As may be expected in start-ups, such documentation was partial, and whilst it was useful in confirming certain information referred to by employees, it contributed little to the data gathered, given the focus of this study on perceptual issues.

3.4 Data collection process

The following section defines the process and criteria by which cases were selected. As outlined earlier, qualitative sampling favours information richness over representativeness (Patton, 1987). The aim here is to purposefully select a small number of cases which are best placed to illuminate the research problem under investigation; that is, cases that are rich in data pertinent to understanding the research questions (Shaw, 1999).

This study is specifically interested in growth-oriented high-tech start-ups. The reasons for focusing on this particular type of organisation have been discussed extensively in the literature review and include their economic prospects (p. 12), their unique qualities (early development stage, thrive for innovation and newness, growth ambition, p. 27) and their popularity as 'employers' despite the numerous problems associated with their working conditions (p. 44). They also embody the essence of entrepreneurship (p. 27), are of personal interest to the researcher, and remain under-researched (p. 17). In 2003 Ram and Edwards observed that "there are large sectors of the economy, in particular high-technology service firms, that have been very little studied" (2003; p. 727). Their call for more research on employment relations in high-tech service firms as well as 'young entrepreneurial firms' has been echoed by Marlow (2006), Dietz et al. (2006), Tansky and Heneman (2006), Barrett and Mayson (2008) amongst others, and yet empirical data from within this specific context remain scarce.

This thesis also made a case for selecting Berlin and London, two of Europe's most prominent start-up hubs for high-tech ventures (e.g. Startup Genome, 2012, The Guardian, 2012) as a geographical sample criterion.

Finally, it is important to emphasise that the real research interests of this study are not growth-oriented high-tech start-ups, but the individuals who choose to work in these firms. Ultimately this thesis in interested in those employees' reasons, perceptions, needs, desires and motivations.

To ensure that the cases selected were best suited to provide rich and informative data, this thesis pre-determined a set of criteria which helped identify the most appropriate firms to approach (Patton, 1987).

3.4.1 Selection criteria

Cases for this study were selected on the basis of their ability to meet seven basic criteria:

- A company had to employ between 5-50 full time employees. The reason for setting a minimum of five employees was to establish a clear difference between the founding team and members of staff. This study defined a founding team member as someone with an equity share above 10% who is involved in strategic decision-making (Ensley and Hmieleski, 2005). The size of founding teams commonly ranges between two (Roberts, 1991) to four (Chandler and Hanks, 1998) members; companies with more than five members will therefore most likely have grown beyond the founding team. This thesis further sets a maximum of fifty full time employees to ensure cases could still be defined as small start-ups (e.g. Robert and Sonfield, 2004; BIS, 2013). However, this number had to be raised to seventy full time employees as some companies had continued growing exponentially between the time of first contact and the interviews.

- Cases had to demonstrate annual growth rates of over twenty per cent in terms of revenues and employee numbers. This emulates a study on high-potential start-ups by Heneman et al. (2000) and ensures that ventures selected were part of the top one per cent of the fastest growing SMEs (Birch et al., 1995; Kirchoff, 1995). The twenty per cent benchmark is also in line with most definitions of 'gazelles' (Birch, 1987; Henrekson and Johansson, 2010) as discussed earlier. This criterion ensures that all cases exhibit a strong growth orientation. Moreover, companies had to be trading for a minimum of two years (to ensure their growth rate was genuine) and below five years (to ensure they could still be categorised as a young start-up).

- All cases had to be information technology-driven start-ups (Audretsch and Fritsch, 2003; BCG, 2010; Casper et al., 1999); which is to say, they had to be companies that provide information technology goods and services. In this respect the criteria are very similar to studies by Ackroyd (1995), Dietz et al. (2000) and Baron and Hennan (2002). The focus on a single industrial sector will increase the reliability of the findings and facilitate cross case comparisons.

- Companies had to have won or have been finalists in a major entrepreneurship contest. This criterion was included for numerous reasons. First, it ensured that the start-ups selected were recognised as exemplars in their field. Second, considering the difficulty of measuring the innovativeness of an organisation, the honours were used as an endorsement of their quality and originality. Third, the awards provided a practical starting point for creating a database of potential cases. Some of the awards selected include Deloitte's UK Technology Fastest 50, The Sunday Times's Fast Track 100, the European Commission's Europioneers, BMWI's EXIST award, 'The Great British Entrepreneur Awards, the Digital Entrepreneur Awards, TheGuardian's Digital Innovation Awards, The Webby Awards, the Credit Excellence Awards, BMWI's ICT startup of the Year award and the German Silicon Valley Accelerator amongst others.

- All firms used as a case study must be located in Berlin or London. As discussed, these two capitals are commonly recognised as two of Europe's most prominent start-up hubs for high-tech ventures (e.g. Startup Genome, 2012, The Guardian, 2012). The researcher also has good networking knowledge of the start-up communities within both cities.

- The founder (or in the case of founding teams, *a* founder) of each start-up had to be present and available for interviews. The literature highlighted the reciprocal nature of employment relations and the importance of considering the perceptions of both employers and employees. In terms of the PC, the founder(s) represent the organisational side of the exchange relationship (Marlow and Patton, 2002). The informal and personalised nature of employment relations in small firms further highlight the necessity to include the founder(s) in the data collection process.

The researcher initiated the data collection process by first creating a database of companies that were expected to meet the above criteria. The database consisted of companies which had either won or had been finalists of entrepreneurship industry awards. A formal letter of intent (Appendix 1) was sent to potential candidates by post two days before a letter of intent was sent by email. After a one week waiting period, follow-up telephone calls were conducted to ascertain whether the selected companies were interested in participating in the research study, and if so, whether the companies met the necessary selection criteria. The task of convincing busy entrepreneurs to give up their own time as well as the time of their employees took a considerable amount of effort. Academics in the SME literature acknowledge that collecting data from small firms is no easy feat, and that access usually must be negotiated through the owner managers (Scase, 1995). On numerous occasions the researcher first met with founders for a brief, informal conversation about the research with the aim of gaining their trust and negotiating initial access to their employees, before returning on a second (and in some instances a third) occasion to collect the necessary data. The main concern raised by entrepreneurs was their own

and their employees' time constraints. Considering the small company size and the fast operating pace of the start-ups under investigation, convincing entrepreneurs to allow the researcher to take some of their employees away from their daily work for in-depth interviews proved difficult. However, numerous entrepreneurs could envisage a clear practical application of potential research findings. They had all experienced the difficulty of recruiting and retaining high calibre staff and were interested in the needs and desires of their workforce. More often than not, it was entrepreneurs' appreciation of the applicability of the research questions which eventually convinced them to participate in the study. The researcher explained that the interviews would be conducted in confidence, but a 'findings sheet' would be distributed to all participating start-ups after the data analysis was completed. Another important feature that helped to establish trust was the utilisation of a confidentially statement signed by the researcher (Appendix 5) and the declaration that this study was not interested in the financial or technical details of the companies.

The researcher also approached several founders of companies directly whilst at networking events and entrepreneurship award ceremonies. Access to three of the eight case studies was negotiated through this process. The researcher also used a 'snowball sampling technique', encouraging participating entrepreneurs to point out further potential founders (Goodman, 1961). However, this approach did not produce any successful leads. Finally, access to one of the cases, 'Recruitment' (which also functioned as a pilot case), was negotiated through the alumni system of Loughborough University.

In total, data collection for eight case studies was conducted. A detailed profile of the eight cases and all participants will be provided in chapter four.

3.5 Data analysis

The researcher conducted a total of thirty-three interviews across eight cases, which were all recorded and transcribed verbatim as part of the data collection process. Whilst this was a time consuming method, it did ensure that the data was then

readily accessible, detailed and rich in insight (Miles and Huberman, 1994). Thirteen of the thirty-three interviews were conducted in German and translated at a later stage. The researcher is bilingual and was able to take charge of the translations personally. To ensure a high level of reliability, a second bilingual academic was asked to translate one of the converted manuscripts back into German. Both researchers then compared the original text and the re-translated transcript to ensure the narrative continued to be accurately represented. No major deviations from the original document were discovered and it was decided that the translations were of sufficient quality. A case file for each company was then produced, which included the audio records, the transcripts and any supporting documentary evidence. These files constitute the raw data and were used as a basis for the analysis process. The following chapter will provide a detailed description of the analysis techniques adopted.

An inductive approach to data analysis is chosen for this research, which is in line with the interpretive paradigm discussed earlier. The purpose of this 'data driven' approach is to allow meaning to emerge from the frequent, significant themes discovered within the raw data. It is thereby in direct contrast to a structured, deductive approach, where themes and hypotheses are prefabricated and tested during the analysis process (Janesick, 2000). Subsequently, an inductive approach does not aim to test but instead to discover and establish concepts and models derived through the researcher's interpretations of the data, thereby gaining a detailed understanding of the phenomenon under investigation. This is an ongoing process, which started during the data collection stage (Eisenhardt, 1989). The data from each case were analysed and written up before the next case's data were collected, allowing the researcher to adjust the interview guide as and when new themes emerged from the analysis process (Shaw, 1999). In this study for example, individual components of the employment deal where added or further refined with each successive case study. This iterative process was also found to be helpful in dealing with the sheer mass of data collected, in that analysis was ongoing and not left until the end of data collection when the number of interviews to analyse could have proved overwhelming.

It is important to emphasise that the data were organised and analysed according to the themes deemed relevant by participants. In this thesis for example, employees used the terms motivation, need, desire and expectation interchangeably and the researcher consequently adopted their terminology. The literature has provided very little guidance on the precise procedure necessary for inductively analysing data (Shaw, 1999). Yin (1994) argues that there are no standardised formulae or correct way to follow (although see the specific guidelines offered for grounded theory by Glaser and Strauss, 1967). Thus, in an effort to further enhance the transparency and credibility of the study (Yin, 1994), it is the researcher's responsibility to clearly outline the processes by which meaning was derived from the raw data (Miles and Huberman, 1994); a matter attended to in greater detail within the next section.

3.5.1 Thematic analysis

This thesis adopted a 'thematic analysis' to support its inductive approach. According to Ryan and Bernard this technique involves four successive steps: "(1) discovering themes and subthemes, (2) winnowing themes to a manageable few (i.e. deciding which themes are important in any project), (3) building hierarchies of themes code books, and (4) linking themes to theoretical models" (2003, p. 85, parentheses in original).

In practice, 'discovering themes and subthemes' was an ongoing process. The exploratory research study discussed on page 95, the thorough review of the literature, the interview schedule, the data collection and the data analysis process all guided the development of concepts and themes (Miles and Huberman, 1994). An example of this was the list of components forming the employment deal. The idea of creating a list of components was established during the exploratory study and significantly influenced the first research question. The literature review suggested a number of possible components, which were confirmed and added to by the accounts of employees working in growth-oriented start-ups.

A theme can be defined as a statement of meaning that runs through all or most of the pertinent data (Ely, 1991). However, the importance of a theme is not only

dependent on the repetition of that topic (Ryan and Bernard, 2003) but also on its ability to answer the research questions (Braun and Clark, 2006).

The second and third step of the thematic analysis identified by Ryan and Bernard invites the researcher to narrow down the breadth of themes and create a 'coding book' (Table 10, p.179). For the purposes of this thesis, a code is a label that is attached to a section of text such that the text is indexed as relating to a particular theme uncovered within the data (Ely, 1991). In practice, reducing the number of themes and coding the raw data (that is the process of selecting, focusing, simplifying, abstracting and transforming the data that appeared in the transcriptions, Miles and Huberman, 1994) was a time consuming method that required the repeated reading of transcripts to gain detailed knowledge of the data. Codes were collected in a 'codebook', which subsequently acted as a data management tool (Patton, 2002). Segments of similar or related texts were then grouped (Patton, 1987) and interpreted by the researcher. A paper and pen method was used during the first stage of coding process (Smith and Osborn, 2003), which focused predominantly on descriptive codes, such as individual components of the employment deal. A second phase applied more interpretive codes, such as one given to a particular stage of the PC that was uncovered during the analysis. Considering that employees did not speak in theoretical terms, it was the researcher's responsibility to relate incidents of note to particular themes. Finally, segments of text extracted from the transcripts were re-assembled into one document for further interpretation (Crabtree and Miller, 2002). The fourth stage identified by Ryan and Bernard (linking themes to theoretical models) will be discussed in greater detail in the results and discussion chapter.

3.5.2 Reliability, Validity and Generalisability

In an effort to assess the quality of the research undertaken, this section applies three traditional evaluation measurements (validity, reliability and generalisabilty) to the data collection and analysis process. Whilst these are widely used by studies conducted from a positivist perspective (Easterby-Smith et al., 2002), the researcher is conscious that their appropriateness to qualitative research remains debatable (Walcott, 1995). Consequently, this thesis also discusses a number of alternative

evaluation criteria, namely, 'rigour', 'transparency', 'commitment', 'sensitivity to context' and 'coherence' (Yardley, 2000).

In the context of this study, research 'validity' is achieved by demonstrating that "a sufficient number of perspectives have been included and that the study clearly gains access to the experiences of those in the research setting" (Easterby-Smith et al., 2002, p. 55). In contrast to quantitative research, which seeks to find supporting evidence for hypotheses through repetition of the same findings, qualitative researchers are interested in the diversity of findings. This is based on the logic of multiple realities and the possibility of individuals holding different perspectives. To validate the research in this study, interviews continued until there were no further significant findings about the employment deal observed. A total of eight case studies with thirty-three interviews was necessary to reach the point of 'data saturation'.

A high level of 'reliability' can be achieved through ensuring "transparency in how sense is drawn from the raw data and whether similar observations will be reached by others" (Easterby-Smith et al., 2002, p. 53). This thesis offers a detailed description of the data analysis process used. The full interview schedule and original transcript can be found in the appendices (2, 3 and 4), whilst the 'codebook' was incorporated in Table 10 (p. 179). These further enhance the transparency of this thesis. The simultaneous process of collecting and analysing the data also allows the researcher to feed back some of his preliminary interpretations, and then confirm or disconfirm them by comparing them to the perceptions of other interviewees. Furthermore, a considerable volume of quotes will be presented in the data chapter; accompanied by the interpretations of the researcher. This will enable the reader to cast their own judgement on the appropriateness of the quotes utilised and the accuracy of the researcher's interpretations. To aid this process the perceptions of the participants and the researcher's interpretations are separated clearly (Curran and Blackburn, 2001).

Generalisability refers to "the relevance of the concepts and constructs derived from this study to other settings" (Easterby-Smith et al., 2002, p. 53). One of the main contributions of this thesis is a revised model of the PC for the context of growth-oriented high-tech start-ups. Considering the detailed selection criteria and the cross-cultural dimension of the study, it is reasonable to assume that the model is applicable to a large number of start-ups with a similar profile, stretching beyond national borders. Based on an existing model (Guest and Conway, 1998), the findings may also be applicable to a range of contexts outside of the case study firms, for example, other small firms, other sectors and potentially even large firms. However, further research is required to confirm this suggestion.

Finally it is important to return to the limitations of validity, reliability and generalisability as evaluation measurements in qualitative research. There has been no general consensus as to the appropriateness of these or other criteria to evaluate qualitative research and numerous academics have convincingly critiqued the three evaluation measures discussed (e.g. Janesick, 2000; Cassell and Symon, 2004). Alternative criteria, such as sensitivity to context, commitment, rigour, transparency, coherence, impact and importance have all been suggested (Yardley, 2000) and will be discussed briefly. The researcher argues that, by adopting an interpretive paradigm and concentrating on employees' own experiences of the employment deal this thesis does show great sensitivity to context. Data from both entrepreneurs and employees helped to further contextualise individuals' perceptions. The researcher argues that the rigour, transparency and coherence of the data collection is presented throughout chapter 3. In terms of commitment, the researcher did take great care to emerge himself in the academic community (attending and presenting at seven international conferences over four years) as well as the start-up community in Berlin and London. Finally, the contributions (impact and importance) to theory and practice will be evaluated in greater detail in the discussion and conclusion chapter, but it has already become clear that the research questions are largely data-driven.

In summary, the researcher contends that the data collection and analysis were conducted in a professional manner, scoring high on all the evaluation measures discussed (as judged by the researcher). Whilst the study recognises that the process was subject to the personal interpretations of the researcher, this does not necessarily negate the validity of the research findings.

3.6 Ethical considerations

The final section of the methodology chapter will consider the ethical concerns of the research. Whilst this is a broad topic that can be applied to the entire research process (Renenyi et al., 1998), this section will focus on the ethics of dealing with research participants. The power balance between the researcher and the interviewees, and issues regarding confidentially are discussed.

All interviews were conducted on a voluntary basis. The data collection of each case began with an interview with the founder(s) of the organisation. With the consent of the entrepreneur, an email was sent to employees outlining the purpose of the study, which asked if they would be willing to participate. In all but one case (which was consequently not pursued further) a sufficient number of employees volunteered. From the outset of each interview, participants were reminded of the purpose of this study – that is to explore employment relations in start-ups. No further detail was provided to avoid bias. All interviewees were assured that their responses would be confidential and anonymous. In the case of the entrepreneurs, a formal confidentiality agreement was signed (Appendix 5). Employees were also assured that their responses would be completely confidential and that they would not be made available to the founders. However a 'findings sheet' (Appendix 6), summarising general themes would be made available to all participants. Interviewees were also asked for consent to tape their responses, in order to make the transcription and analysis process easier. All but three agreed for the interviews to be recorded (extensive notes were taking during the three non-recorded interviews). The researcher also gave participants the opportunities to ask questions or add any further comments that they felt appropriate, both at the outset and the end of each interview.

The practices outlined above ensured that all interviewees were conscious of the research aim, that they participated voluntarily, were assured confidentiality and anonymity, and were given the chance to access the general findings of the study.

3.7 Summary

In summary, this chapter outlined and justified the methodology adopted by this thesis. It began by positioning the study within an interpretive paradigm, clearly illustrating the ontological and epistemological assumptions of this study. The choice of 'interpretivism' was justified by the exploratory nature of this thesis: the emphasis of the research questions on individuals' interpretations of the complex and contradictory nature of employment relations in small firms (Ram, 1991, 1994), the "disjointed, discontinuous non-linear" character of entrepreneurship itself (Bygrave, 1989; p.28), and the researcher's own personal preferences. A discussion on the development of the research questions and utilisation of a preliminary pilot study followed.

A qualitative cross-cultural case study approach was chosen as an appropriate research strategy. The chapter then moved on to illustrate the data collection process, starting with the selection criteria applied to the sample. Intuitive thematic coding was used to make sense of the large amounts of interview data. Finally the section examined the use of a number of evaluation measurements, before considering the practices undertaken to ensure the ethical treatment of all participants.

4. Research participants

The purpose of this chapter is to introduce the eight case firms and all research participants that contributed to the study. The section acts as a bridge between the methodology chapter (which outlined the processes by which the data was collected) and the results chapter (which organises and analyses individuals' accounts).

The emphasis is on situating the data, which is to say, setting the context against which the rest of the data analysis was carried out. This in done it two steps: First, descriptive features of the case studies, such as their location, age and sector are identified. Second, each case study with all its participants is described in greater detail.

4.1 Case description

Table 7 summarises some of the descriptive features of each start-up, including its location, its founding year (defined as their first year of trading), its number of founding members, its number of full time and part time employees, as well as its primary source of external funding if applicable. From this table a number of simple observations can be derived immediately. There is an equal split of German and British case study firms represented. Whilst representativeness is not a main concern of this thesis, this even spilt supports the reliability of the findings. All firms had been trading between two to five years at the time of data collection (2011), with an average operating time of 2.75 years; complying with the selection criteria outlined earlier (p. 99) and justifying the 'start-up' label. All companies had been founded by teams. This is not uncommon for this sector, and academics have long argued that successful high growth firms are usually built around a team (e.g. Cooper and Daily, 1997). All cases had a minimum of five full time employees, however, their overall headcount varied from nine to sixty-two. 'Fashion' (C4) and 'Lending' (C5) proved particularly successful with both organisations growing to over one-hundred employees by 2013. Differences in employee perceptions regarding company size will be discussed in more detail in the next chapter. The final column of Table 7 refers to each discrete organisation's primary source of external funding (if

applicable). This can be considered as a basic indication of the maturity of the venture, as shown by studies on the 'start-up financing cycle' (e.g. Gregory et al., 2005). Companies which had secured venture capital funding (C4, C5) or been awarded prestigious entrepreneurship awards, including significant financial resources (C1, C6, C8), appeared further developed than their counterparts. Again, the impact of this on employee perceptions will be discussed in the data chapter.

Table 7 – Summary of case studies

	Case	Location	Founded	Founding team	Number of Employees	External funding
C1	Software	Berlin	2009	3	17 (+5 part-time)	Award Money
C2	Travel	Berlin	2009	2	5 (+2 part-time)	None
C3	Consult	Berlin	2008	3	5 (+3 part-time)	Bank-loan
C4	Fashion	Berlin	2009	2	40 (+20 part-time)	VC funding
C5	Lending	London	2007	2	50	VC funding
C6	Recruitment	London	2008	3	13 (+2 part-time)	Award Money
C7	Mobile	London	2009	3	6 (+$\simeq$ 20 freelancers)	None
C8	Deal	London	2007	2	20 (+20 part-time)	Award Money

All cases can be described as 'e-businesses' and operate in the high-technology sector. In their study 'HRM inside UK e-commerce firms' Dietz and his colleagues (2006) labelled a similar set of five case studies as e-commerce firms. Dietz et al. defined an e-business or e-commerce firm as a company which "conducts its trade primarily through digital infrastructure, including the Internet and related technologies" (2006, p. 443), a description which also applies to this sample. Travel (C2), Lending (C5), Recruitment (C6), and Deal (C8) are all service providers trading exclusively through the Internet. Software (C1), Consult (C3), Fashion (C4) and Mobile (C8) sold digital products and services B-to-B.

In each case study, organisations were characterised by a strong growth orientation and a novel business idea. As discussed in the literature review, this thesis focuses on the 'gazelles'-like firms (Birch, 1987) and the start-ups under investigation should not be mistaken for lifestyle SMEs. They all exceed an annual growth rate of twenty per cent (in terms of revenue and staff) for a minimum of two years. Growth orientation was not only a sample criteria (see p. 99), but proved instrumental in shaping employee expectations as will be illustrated in the data chapter.

4.2 Individual feature of cases and employees

Table 8 presents a detailed description of all case studies and interviewees. The cases are labelled C1-C8 and given a fictitious name inspired by their primary product or service. Interviewees have been renamed to ensure anonymity and identified as a founder (F) or an employee (E).

The table will be followed by the results and analysis chapter.

Table 8 - Case studies and interviewees

	Case	Description
	Software	'Software' is an IT consultancy which has developed a 'web-based process model' management tool. It has been in operation since **2009** and is located in Berlin. 'Software' has **22 employees (17 full time)**. They hold ten prestigious German entrepreneurship awards and an impressive client portfolio, including 1&1, Swisscom, AOK and Edeka. The open plan office is furnished in a minimalistic style and has a clean, organised but friendly atmosphere. The office has access to a shared kitchen area with a table-football game as well as a small conference room which is often used by employees to dine together. Three of the **four original founders** remain in the firm. The company is hoping to continue organic growth and has not received any external funding.
C1F	Aaron (F)	Aaron co-founded 'Software' with four friends after a PhD at University. He is in his late twenties, and has very good technical know-how. He puts particular emphasis on recruiting a young, dynamic team, preferably from his home university.
C1E1	Ash	Ash is in his early twenties. He joined 'Software' seven months ago and is currently on a 20 hour contract. He spends the rest of his time working on his Masters thesis, which is looking at one of the programs of the company. His main motivation is the opportunity to combine his studies and work, as well as the companionship within the team.
C1E2	Amos	Amos is in his late twenties. After a BSc in computer science he worked on a range of placements, including one year at SAP in Australia and six months at IBM. He knew several of his co-workers prior to joining 'Software' nine months ago. One of his primary motivations is 'working with friends on a product with high potential'.
C1E3	Amir	Amir joined the company 1 ½ years ago. He is combining his undergraduate degree with his work at 'Software' and had to delay his degree by one year because of his commitments to the firm. His primary reasons for joining were financial, as well as the opportunity to gain relevant working experience. He is hoping to stay with the company in the long-run.

Table 8 - Case studies and interviewees - continued

	Case	Description
	Travel	'Travel' is a web-based travel directory specialising in localised tourist offers. The company was founded in **2009** and started programming their website shortly thereafter. However, after an unsatisfying first year of development, the founders decided to let two of their programmers go and outsource the coding process to an Indian based web-development agency. The Berlin based team currently employs **five full time staff** and two placement students. Ben, one of the **two founders**, provided most of the early funding and the company is still struggling to turn a profit. The small, open-plan office has a professional feel. The young, international, close-knit team create an informal, friendly atmosphere.
C2F	Ben (F)	Ben is in his early thirties and founded the company two years ago. He previously worked as a hotel manager for various hotel groups. This is his first start-up. He outlines the innovative company concept, as well as the friendly and open team atmosphere, as their key drivers for success.
C2E1	Buz	Buz studied programming in Berlin and met Ben (the founder) at a trade show. He is in his late twenties, has some previous work experience, and is the only employee with a share in the company. His prime responsibilities include the website development.
C2E2	Barak	Barak worked at 'Travel' as an intern while writing his Masters thesis (Technical University, Berlin). He is in his mid twenties and joined the company full time after his MSc. His main responsibilities include coding and testing the new website. He is straight to the point and states 'the positive team atmosphere' as his primary reason for working at 'Travel'.
C2E3	Berly	Berly joined 'Travel' after eleven months of unemployment, and his reasons for joining seem to be driven predominantly by necessity, i.e. the motivation to earn a regular salary and re-enter the job market. He is in his mid twenties, uses a wheelchair and is predominantly responsible for programming. He seems less concerned about the relational factors, but appreciates the positive learning atmosphere and the good team spirit.

Table 8 - Case studies and interviewees - continued

	Case	Description
	Consult	'Consult' is a small, specialised IT consultancy which provides wiki solutions and SAP consultancy services. It was founded in 2008 by a founding team of four, one of whom left the firm within the first year. They started hiring their first staff in 2009 and have since grown to five full-time employees and three part-time staff (beginning of 2011). They reported revenues of €40k for 2008, €210k for 2009 and €350k for 2010 respectively. Their office is located in a five room apartment, with one conference room and four smaller offices (each with 3-4 desks). The company is currently operating just below break-even and has been relying on the founders' investments, as well as a six digit bank loan. The atmosphere is friendly but focused.
C3F	Caesar (F) and Christian (F)	At the founders' interview, two of the three entrepreneurs were present. They are both in their mid thirties and have previously worked for larger multi-national companies. Caesar worked as a SAP consultant and Christian as an IT expert for a large car manufacturer. They put particular emphasis on the open and transparent work culture as well as the fast learning pace of the firm.
C3E1	Cain	Cain is in his mid twenties. He has two children and is one of the few employees without a university degree. He joined 'Consult' after an unpleasant previous experience in a larger software firm. He has a high level of technical skills (mostly self-taught). His primary reason for joining 'Consult' was a desire to be recognised for his contributions more explicitly and a opportunity for internal career development . It was very important to him that the firm had more than one founder, reducing the risk of failure.
C3E2	Chloe	Chloe joined 'Consult' twelve months ago. She is in her early twenties and works in a social marketing role. She does not plan to stay with 'Consult' in the long-run, as she is looking into a career as a school teacher. Her primary motivation to join the company was to learn more about social media and new technologies, which she sees as beneficial to her future career.
C3E3	Coz	Coz was headhunted by 'Consult' and joined the firm 18 months ago. He is in his early thirties and has previously worked as a SAP consultant in a larger company. He did not see many opportunities for personal development in his previous company and 'wanted to start something new, to explore new terrain'. The product idea and the quality of the founding team are his primary reasons for staying in 'Consult'.
C3E4	Chios	Chios is in his mid thirties and an experienced SAP consultant. He joined 'Consult' at a very early stage and holds a small number of shares. He is convinced by the business idea as well as the opportunity to create something new. He is looking forward to managing a larger team. Should the company not be successful in the next two years, he believes that he can easily find a new job or work as a freelance SAP consultant.

Table 8 - Case studies and interviewees - continued

	Case	Description
	Fashion	'Fashion' produces fashion and life-style websites for the South American market. They are 'search engine optimisation' experts, who program and manage a large number of specialised websites. As the websites move up in 'Google ranking', they sell them to companies in the industry. The company was founded in **2010** by **two experienced co-founders**. It has since created over 1000 websites, predominantly in Spanish. In just one year the company grew from 0 to **60 employees** (40 full-time, 20 part-time) and recently (2012) secured a seven digit venture capital injection. Their open-plan office is located in Berlin and has an industrial, arty feel to it. All employees are between 20-35 years old and many are from Spanish speaking countries. The atmosphere is buzzing and fast-paced. Most employees cycle into work and bring their 'fixie-bikes' into the office. It is customary to wear colourful slippers, and the office has a 'chill-out area' with hammocks to relax during breaks.
C4F	Dan (F)	Dan is an experienced entrepreneur. He has previously worked for the well known 'Samwer brothers' and was part of the founding teams for Groupon.co.uk and Groupon.de. He did not want the interview to be recorded, but was happy for me to take written notes. Dan is in his mid thirties and comes across as very professional, ambitious and contemporary. He is open about using interns as a cheap source of labour and argues that the job provides a great learning environment and a career fast-track opportunity for the best. He is fluent in German, English and Spanish.
C4E1	Darius	Darius is in his late twenties. He joined the company full-time after a three months placement. He graduated in Spain and moved to Berlin when he was not able to find a job in his home country. He speaks very highly of Berlin as a 'European start-up hub' and it was important for him to find a job in this city. Job diversity and the chance for a career fast-track are his primary reasons to stay with 'Fashion'. He also speaks highly about the working atmosphere.
C4E2	Dor	Dor was the first employee of 'Fashion'. He has a degree in architecture from Spain and is in his early thirties. His primary reason for joining the company was his trust in the founding team and their ability to grow the company. He is responsible for a team of fifteen editors and talks very positively about his work.
C4E3	Dale	Dale joined 'Fashion' four months prior to the interview. He since changed positions four times and hopes to stay with the firm for at least three years. He is from Brazil and previously worked for a large energy company. His primary reasons for joining 'Fashion' were the opportunity to learn about SEO and make his mark in this fast changing environment. Dale is in his late twenties and comes across as very ambitious and hard working.

Table 8 - Case studies and interviewees - continued

	Case	Description
	Lending	'Lending' is an online short-term credit lending service. The company was founded in **2007** and has since surpassed all growth expectations. They won prestigious UK entrepreneurship awards from The Sunday Times, The Guardian as well as the Media Momentum Award. They also won the award 'Best Small Companies to Work for' and 'Fastest Growing European High-tech Start-up'. At the time of interview they had approximately **50 full- time** employees, however, by 2013 their numbers had grown to just over 100. The company is currently in the process of international expansion. It was not possible to interview any of the **two founders** of the organisation, but instead a senior member of the management team who has been with the firm from the start. One of the founders did respond to some of the questions in writing. The company has received two rounds of venture capital funding, totalling to seven digit investment.
C5E1	Flint	Flint joined 'Lending' in the very early stages. He is in his mid thirties and has previously worked at Virgin Media for eight years. He holds a small percentage of shares in the company. Apart from possible long-term financial rewards, he joined the start-up predominantly for the opportunity to create something new and make his mark.
C5E2	Fuller	Fuller is in his early thirties. He previously worked for a large advertising agency and found out about the position through a friend. He joined the firm 14 months ago, when the company's marketing strategy was still in its infancy. His primary motivation to join 'Lending' was an 'attractive remuneration package', including some share options. He also enjoys the high pace environment and the learning opportunities he receives.
C5E3	Fischer	Fischer joined 'Lending' 20 months ago. Since then, he has been promoted several times as the company is growing rapidly. He comes across as highly motivated and ambitious. Some of his primary motivations include the 'family like working environment', the opportunities for personal growth and career progression, as well as the vibrant, fast paced company atmosphere.

Table 8 - Case studies and interviewees - continued

	Case	Description
	Recruitment	'Recruitment' hosts a website which allows employees to rate their employers. It was founded in **2008** by **three co-founders**. It currently (2011) employs **thirteen full-time staff**. The company has won several prestigious UK entrepreneurship awards including a prize cheque of £50,000. Their small, open-plan office is located in London. It has a 'chill-out' area and space for 20-25 desks. The atmosphere is cosy and informal, but focused. All employees are between 20-25 years old. They often hold socials outside of the workplace and report strong team cohesion.
C6F	Gallio (F)	Gallio founded 'Recruitment' two and a half years ago with two of his university friends. He is in his late twenties and spends most of his time as head of the sales team. He is confident the company will continue to expand rapidly. He suggests that employees predominantly join the firm for its positive working atmosphere and as a learning opportunity.
C6E1	Gad	Gad joined 'Recruitment' one year ago on a placement. He was their first placement student. Gad is in his early twenties and studied Business at University. He wants to become an entrepreneur himself, and sees his job in 'Recruitment' primarily as a learning opportunity. He praises the job diversity and opportunities to create impact, but does want to gain further work experience in other high-tech start-ups.
C6E2	Genes	Genes joined 'Recruitment' one year ago on a placement. She is in her early twenties and studied Business at University. She particularly enjoys working in a small team and having a lot of responsibility. She also places great emphasis on the learning opportunities which 'Recruitment' provides. Despite this, she does not think of 'Recruitment' as a place for a long-term career.
C6E3	Gamal	Gamal is a recent graduate who joined 'Recruitment' eight months ago. He is more critical of the job than his colleagues and it seems his expectations were not fully met. He joined 'Recruitment' for personal development reasons but feels isolated in a narrow job role as a sales representative. He did not get a share package and does not see a clear future career opportunity in 'Recruitment'.

Table 8 - Case studies and interviewees - continued

	Case	Description
	Mobile	'Mobile' is a phone app developer based in London. The company was founded in **2009** and launched its first series of apps in 2010, all of which revolve around the idea of time management at work. The **founding team of three** has recently won a prestigious app-development contest. 'Mobile' currently employs **six full-time** employees. Additionally, it is heavily dependent on its active network of freelance designers and developers. Their small, industrial looking office is located in a loft in Camden. It has a young, fresh feel to it. There are no individual desks; instead employees sit along a long, wooden table, promoting open communication and a 'teamwork' atmosphere. The company has not received any external funding and aims to continue growth organically.
C7F	Hunter (F)	Hunter founded the company together with two of his university friends. He is in his mid twenties and this is his first venture. He has little previous management experience and claims to offer employees the opportunity to be 'treated as equals and progress together'. Technically he is very skilled and has a great track record developing popular apps.
C7E1	Hali	Hali joined 'Mobile' straight from university six months ago. He is in his early twenties and this is his first full time job. He describes the working culture as informal and uncomplicated. The job presented itself as a natural stepping stone between university life and a 'real' job.
C7E2	Hamul	Hamul joined 'Mobile' after working for them as a freelancer. He was their first full-time employee. Having freelanced and worked for numerous app developers, he is their most experienced team member. Hamul is in his late twenties and particularly enjoys the flexible work structure. Given his considerable skills as a programmer, he is not primarily concerned with job security and is more interested in developing 'exiting' apps with a young, innovative team.
C7E3	Harod	Apart from the founders, Harod is the only employee focusing on sales/marketing. He joined the company nine months ago as a designer. He comes across as someone who 'gels' the team together, and his primary motivations for joining 'Mobile' include the opportunity to learn about online marketing and work in a 'fun' environment.

Table 8 - Case studies and interviewees - continued

|	Case	Description
	Deal	'Deal' is a web-based voucher service. It was founded in 2007 and is located in North London. The **founding team of two** have won a large number of start-up competitions and managed to grow their company to **20 full-time employees** and a large number of part-time sales reps. Since 2007 they have worked with over 650 different brands and their site has over 500,000 subscribers. The North London office has a simple but professional feel.
C8F	Iddo (F)	Iddo founded the company together with his friend in 2007. He is in his late twenties and is predominantly responsible for marketing. He is proud to have grown the company organically, but feels they have lost a lot of market share as the deal-of-the-day market is becoming more crowded. He promotes the working culture as student friendly and fun.
C8E1	Ibri	Ibri started working for 'Deal' in early 2009. Initially he promoted the website at his university on a part-time basis. Since early 2010 he joined the company as a full-time staff in London, leading the national sales team. He describes the decision as a natural progression in his fledgling career. He clearly identifies with the success of the company and takes great pride in his job.
C8E2	Ishi	Ishi joined 'Deal' as a graduate four months ago. He is in his early twenties and describes himself as entrepreneurial and adventurous. He would like to found his own company in the near future and sees the job as a great learning and networking opportunity. He does not seem overly convinced by the business model but respects the founders' leadership skills.
C8E3	Ivah	Ivah is in her mid twenties and has worked for 'Deal' for eight months. She joined the company after a three months placement as their designer. She is currently responsible for developing a mobile app for the website. While she enjoys a challenge and recognises that it presents a valuable learning opportunity, her job appears to be outside her comfort zone and she is critical of the pressure which accompanies it.

5. Results and Analysis

This chapter presents the results of the thematic data analysis and directly addresses the first research question of this thesis: (1) why do people choose to work in growth-oriented high-tech start-ups? The rich narrative on each component of the employment deal also provides important data to answer the second and third research questions of this thesis: (2) how do employees' needs and desires contribute to shaping the employment relationship? and (3) how can we conceptualise the PC in growth-oriented high-tech start-ups?

The data analysis revealed that employee expectations, needs, and desires can be categorised into seven distinct 'motivations': financial rewards, working environment, founder(s), job design, business idea, opportunities for personal development and career aspirations (Figure 4). Employees' reasons for choosing to work in a particular start-up can be related back to one these seven general categories, each representing an important component of the employment deal as perceived by the employees. This thesis contends that these seven themes act as a simple but effective structure through which to organise the large amounts of qualitative data. However, the real contribution of this chapter lies within the rich detail and in-depth analysis of each motivation. By virtue of the interpretive philosophical paradigm and the case study approach, it is possible to reveal that the employment deal in growth-oriented high-tech start-ups differs to the exchange relationship found in larger organisations and established SMEs. Employee interpretations of individual components were highly context specific, and diverge substantially from the current understanding of employee expectations. The strong growth orientation of the start-ups sampled had a significant influence on employee perceptions. Additionally, employees' previous working experience is identified as an important indicator of their motivations and is used throughout the analysis to differentiate the experiences of junior and senior employees.

As the chapter develops, each of the seven components is defined and analysed in greater detail, exposing their complexity and divers nature. Three of the components are further sub-divided, emphasising specific themes in the data. One of the research gaps outlined by this thesis was the lack of empirical data on employees' experience of the exchange relationship in start-ups. In response, this chapter will make extensive use of individual narratives, offering authentic, first-hand evidence of their personal interpretations and perceptions. The chapter also takes into account the perceptions of the entrepreneurs, recognising the reciprocal nature of the exchange relationship.

The rich data on each component further enhances an understanding of the ways in which employee needs and desires contribute to shaping the employment relationship. However, this section will focus on a descriptive analysis of the data and it is only the discussion chapter which includes an evaluation of the wider impact of the results in relation to the theory outlined in the literature review.

Figure 4 – Components of the employment deal
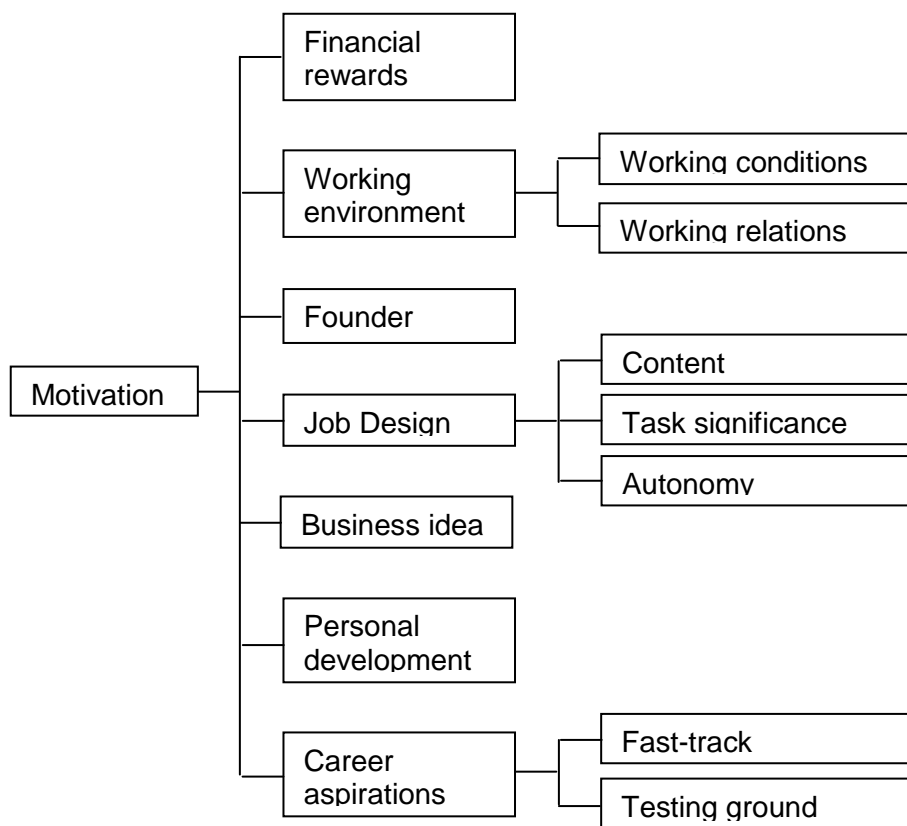
The chapter will now describe and analyse each component of the employment deal in turn.

5.1 Financial rewards

The first component of the employment deal the chapter will consider are financial and financially convertible rewards, such as salaries, bonuses or share packages. These tended to be explicit in nature and could often be found within the written employment contract. As discussed in the literature review (p. 50) financial rewards remain the only component that has received serious attention, although commonly under the theme of 'compensation' and from a management perspective (Cardon and Stevens, 2004).

Employees interviewed as part of this study perceived pay to be a necessity and a basic component of the exchange relationship. As Fuller, Harold and Ivan summarise respectively:

> *However great 'Lending' is as a place to work, we go to work to earn money. (Fuller)*

> *It (salary) is definitely not my main reason to work here, but I need to pay my bills somehow. (Harold)*

> *I have worked for free for the first three months, on a sort of placement, but I would have left if they wouldn't have started to pay me. It's only fair considering the work I put in. (Ivah)*

Employees clearly expected some form of pay for their labour and all full-time staff received a fixed monthly salary. However, employees rarely referred to financial rewards as their main reason to work for a particular organisation. The accounts of Hali and Barak below suggest that the motivational effect of monetary rewards were limited. Instead pay was often portrayed as a security, a form of recognition, or simply a means to cover living cost.

> *If I was motivated by money I would have gone into investment banking or consultancy. (Hali)*

> *At €800 it is not my salary which gets me out of bed, that's for sure. I like this job, and the people I am working with. Every day I have been here I learned something new. I think I can grow much quicker in an organisation like this. (Barak)*

The importance associated with financial rewards as well as their composition differed between senior and junior employees. A total of six full time employees (out

of twenty five) were classified as senior (with a minimum of three years of relevant experience), whilst all other employees were defined as junior (little or no previous work experience). Table 9 summaries employees' age and seniority across the sample. The table also indicates if employee held any shares in the start-up.

Table 9 – Financial Motivation

	Case	Location	Age range of employee	Salary	Share options	N° of senior employees
C1	Software	Berlin	18-28	Competitive	No	0
C2	Travel	Berlin	23-29	Low	Yes	1
C3	Consult	Berlin	22-38	Competitive	Yes	2
C4	Fashion	Berlin	20-35	Low	No	0
C5	Lending	London	23-40	Competitive	Yes	2
C6	Recruitment	London	20-25	Competitive	Yes	1
C7	Mobile	London	19-28	Medium	No	0
C8	Deal	London	22-35	Competitive	No	0

In contrast to their junior colleagues, senior employees expressed the need for a secure salary as well the opportunity to benefit from potential venture success through shares options. Chios, a senior SAP consultant working for 'Consult' explains his desire for more security as follows:

> *I set an ultimatum regarding the venture funding, because I have a family with two kids, so my costs have to be covered. I told them, I want to earn the same as before with some opportunities for personal development. They managed to get the funding, so I joined the company and took some of my clients with me. It was worth it for both sides. (Chios)*

In Chios's case, as with the other senior employees, commitments such as a family or a mortgage required them to earn a fixed salary level. They were confident in their market position and naturally held a better bargaining position than their junior colleagues. The exact salary level was down to individual negotiations and, in contrast to Chios, many senior employees were willing to take a pay cut compared to their previous job. Flint, a senior employee at 'Lending' who had previously been with Virgin Media for eight years, describes the financial adjustment as follows:

> *You do sometimes miss some of the benefits which come with a blue chip company, the pension, a company car, money, that kind of stuff. They are all nice to have, but they don't compare with the thrill of seeing something that you are building do well. In the early days I had to take a*

> *cut in salary, there is no more bonuses, no more free gym membership or whatever you enjoyed at your big blue chip company, but they are minor things. (Flint)*

Evidently, financial rewards were not the main motivation to Flint or many of the other senior employees. And yet they were assertive in their salary negations, aware of their market position and in need of some level of security.

Apart from issues related to the level of salary, senior employees also expressed the desire (and possessed the required bargaining power) to receive share options. In fact, all six senior employees held some shares in their respective start-ups (Table 9), whilst none of the nineteen junior members of staff did. For Buz, a senior employee at 'Travel', the share package made the risk of switching from a secure, well-paid job to his current position worth it:

> *I took a real risk when I quit my previous job for this so it is only fair that I also receive some of the rewards when we do make it. This job is like a lottery ticket and I am picking some of the numbers, you understand? I can help to make this place a success, it's a great feeling with a potential jackpot win. (Buz)*

The entrepreneurs were clearly aware of the expectations of senior employees and often used share options to further entice great talent. Iddo, co-founder of 'Deal', and the founders of 'Consult' summarise the expectations of their employees as follows.

> *For the more senior people, it is the opportunity to earn some more money through the share packages as well as the chance to prove themselves by building something from scratch. For the more junior employees, it is a dynamic and exiting place to work, with less structure than in larger organisations. (Iddo - founder)*

> *They (the employees) expect a secure salary, fun, opportunities to realise their full potential and in the long run, share options. If you want really good people you have to offer a little extra. You might not be able to pay as much as some of the larger firms, so shares are a feasible option. (Caesar and Christian)*

In contrast to their senior colleagues, junior team members were less concerned about share options or other financial rewards. As long as they were able to 'pay the bills', salary was rarely mentioned as a key motivation. Once a base salary had been

established during the recruitment stage, pay seemed to move to the back of their minds, having little influence on day-to-day operations. Nineteen out of the twenty-five employees interviewed were under thirty years old and at an early stage in their career. Like Ash and Amos from 'Software', many of them prioritised a valuable learning experience above short-term financial rewards.

> *The financial side is not my main concern at the moment... For the next two to three years that is not my main aim. I am still living with my parents and I want to earn as much as I need to live, which is not very much. This is likely to change when I am starting to think about a family, perhaps when I am thirty, but I think in this industry I am in a good position. (Ash)*

> *At the beginning of your career you can go to a start-up, try out some things, let off some steam. Earning money you can do later. Either as the company grows or you switch to a larger company when you have a family and want more standardised working times. (Amos)*

Nevertheless, junior employees did raise concerns if their salary fell below a 'minimum' threshold. The thesis did not assign a specific value to this 'minimum', but instead asked employees if they *perceived* their salary to be low (minimum or unsatisfactory level), medium (just below the market rate as perceived by the individual) or competitive (at or beyond market rate). Table 9 summaries the findings. 'Travel' and 'Fashion' were the only cases where employees reported minimum or low salaries, starting at €400 monthly (both cases were from Berlin). This was deemed acceptable (but not fair) for periods of three-six months (to 'get a foot into the door'), after which full time staff expected a more competitive salary. If their salary did not increase to competitive levels, employees started to feel frustrated, de-motivated and in some cases exploited. Berly, an employee at 'Travel' provides a good example:

> *It's not that I want to get rich. I am here to learn but I also need to eat. €400 is the bare minimum. After three months my salary got doubled, otherwise I would have left. It is still below my pay grade and I expect them (the founders) to raise it to €1200 in the next few months. I understand the money was tight at the beginning, but now that we are growing, it is only fair. (Berly)*

Dor at 'Fashion' recalls similar cases, although referring to his colleagues, not himself.

Sometimes we have some people that create a bad mood. Anyone on a placement gets paid €400 a month and sometimes we get people who are not happy with that. They start to speak bad about the company, but it's only the exception. In general the atmosphere is really nice. (Dor)

Overall, most employees felt they received a fair salary. The reason for salaries as low as €400 in the case of 'Travel' and 'Fashion' also related to the institutional framework of Germany, something alluded to in some more detail on page 37.

From an employer perspective, entrepreneurs took pride in paying employees a competitive salary were possible. They were open about the financial constraints they faced and often tried to compensate a lack of financial rewards by stressing other, non-financial benefits. Aaron, founder of 'Software' offers more detail:

We pay our employees the same as the big firms. The difference is that here we don't have much extra capacity. If someone comes and wants a company car we have to say sorry, we can't offer that. If they go on a sales call, they might have to share a hotel room, something unthinkable in a large firm. That's a disadvantage, it's less comfortable. But at the same time we offer a little more fun. (Aaron)

One interesting thing is how perceptions have changed. Especially if we look at salaries. Two years ago we had no money, we only paid our employees €400 a month. Now we can pay a higher salary than SAP. It's not that we need to, people would still work here if we pay them less, just because it's cool here, but it feels wrong. We don't just want to be competitive because we have low overheads, we want to produce exceptional products. And our staff know that and appreciate it. It's not the main reason why people come in to work, but it helps. (Aaron)

Financial rewards other than salaries or share schemes were very rare. None of the companies interviewed used tools such as stock appreciation rights or phantom stocks, but three cases ('Recruitment', 'Mobile' and 'Consult') did link performance related bonuses to sales efforts. Any bonuses seemed to be exclusively at the entrepreneur's prerogative, with no formal process for distribution or reference in the employment contract. However, employees still perceived them to be fair and encouraging.

Also, none of the companies reported the use of other financially convertible rewards such as work phones, laptops, company cars, health care, gym membership or access to a company canteen. Several employees mentioned this as an explicit drawback of working in a smaller, resource-constrained company. However, "the chance to be part of a success story" and to possibly get rewarded later as well as other non-financial motivations seemed more important.

In summary, pay was identified as an important component of the employment deal, acting as a necessity and providing employees with a sense of financial security. Employees' seniority had a significant effect on their expectations as more experienced staff assigning a higher value to financial rewards. Share options were only given to senior staff. Junior employees seemed less concerned with their pay level, unless it fell below a minimum threshold. All but two cases prided themselves for paying competitive salaries and most employees felt treated fairly. A regular and fair salary also gave the start-up legitimacy as an employer. Financial rewards other than a fixed salary and share options were very rare.

5.2 Working environment

This theme encompasses employees' perceptions about their working environment. It includes tangible features of the work space (such as the physical layout of the office) as well as intangible components (such as the working relations and working atmosphere). Overall, employees perceived a positive working environment as instrumental for their wellbeing and motivation. Particular emphasis was placed on the importance of supportive interpersonal work relations. The data are presented under two subheadings which are in line with the coding framework.

| Working Environment | Working conditions |
| | Working relations |
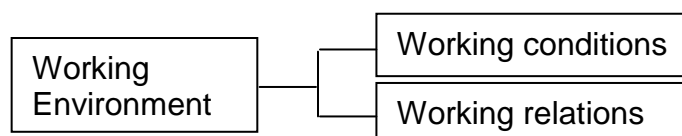
5.2.1 Working conditions

This subsidiary node is primarily concerned with the physical working conditions in start-ups.

Whilst most employees did not refer to the physical working environment as a principal reason to either join or to remain working for a particular start-up, issues regarding the office layout, or the lack of additional features such a canteen or shower facilities, were mentioned sporadically.

The section begins with a descriptive observation of the physical working arrangement found across the sample. All start-ups operated from their own offices, which is to say, none of the organisations shared office space with another company or used the facilities of a start-up hub. The bureau layouts could be categorised into two distinct styles: either 'studio' (Consult, Fashion, Mobile, Deal) or 'conventional' (Software, Lending, Recruitment, Travel). 'Studios' were open plan offices, which seemed to be inspired by famous tech-hubs like the 'Google campus' in London or the alternative street culture of fashionable districts like 'Prenzlauer Berg' in Berlin. The offices were often located in large lofts or brick studios, creating a certain 'industrial' atmosphere. The emphasis was on creating a modern but comfortable work space, using simple but colourful furniture. Hali and Hamul (both working for 'Mobile') describe their workplace as follows:

> *I mean just look around. It's a cool place to work. We got a grass carpet, a football table and a few sofas to chill. It's not like a boring glass office. No, this place has got character. (Hali)*

> *It's a comfortable place to work. A bit like a 2.0 version of my living room. I can do most of my job from home, but I like coming to the office. (Hamul)*

At 'Fashion' (another studio styled office space), employees were encouraged to wear slippers and bring their racing bikes into the office. The concept of creating a 'home-like' environment with a 'hang-out area' was common across 'studio' style offices, and employees seemed to appreciate the flexible and informal layout. Furthermore, certain artefacts such as a 'football table' (present in five cases) and

game consoles (present in three cases) were used to further enhance the notion of a 'fun' work space. The open-floor office plan allowed the company to move furniture with ease, creating more desk space when necessary. The concept of merging the office and social space and its effect on the working atmosphere will be discussed on

Offices classified as 'conventional' (Software, Lending, Recruitment, Travel) all rented several rooms or an entire floor of a traditional office complex, sometimes sharing facilities such as kitchen space with other start-ups. Staff located in these offices described them as a professional work spaces, but did not add further insights into motivational force of these conditions.

> *When I saw it [the office] for the first time I thought: 'this is nice, a professional looking office'. It didn't feel like the office of a start-up, which helps when we have corporate clients over, but sometimes it feels a bit corporate itself, which I don't like so much. (Gamal)*

> *It's a standard office. If we grow further I am sure we will move to somewhere nicer, but it will do for the time being. (Fischer)*

In some instances, employees also critiqued their working conditions for lacking facilities such as a canteen, a mail room or a reception area. The open layout of 'Fashion' (Darius) and the 'home-like' style of 'Mobile' (Hamul) also caused concerns about high-noise levels, untidiness and a feeling of constant surveillance.

> *Things like having a canteen. It's something I really miss. (Coz)*

> *The office can be a little loud. We are all in the same room and sometimes it I would like a bit more privacy, especially when on the phone with customers. (Darius)*

> *It gets a bit messy at times. People eat at their desk or on the sofas and don't always clean up. We bring our sport equipment into the office, sometimes even bikes and there is stuff everywhere. (Hamul)*

Overall, physical working conditions can be considered as a part of the employment deal, but not a critical one. The 'studio' office style, often associated with high growth, high-tech ventures was perceived as positive by most employees, but issues relating to noise levels, untidiness and lack of privacy did raise concerns. The 'conventional' style was described as professional and yet its motivational capacity seemed limited.

5.2.2 Interpersonal work relations and team atmosphere

This component of the employment deal focuses on the working atmosphere in the start-ups and more specifically, the interpersonal work relations between colleagues. In contrast to the physical working conditions, this theme is largely concerned with intrinsic aspects of the working environment, such as the collective values, norms and behaviours of the workforce, as well as their sense of group identity and team cohesion. Employees proclaimed working relations to be one of the main reasons for their choice of workplace. A strong sense of camaraderie, as well as a 'fun' working atmosphere, were amongst the most talked about components of the employment deal. However, interviewees also expressed some negative views regarding the homogeneity of the labour force and the peer pressures associated with 'fitting in'.

The analysis begins with a quote by Ash, a junior member of staff at 'Software'. His perceptions of the interpersonal relations exemplify the accounts of many employees across the sample set, and offer a helpful introduction to this section.

> *The working culture is very relaxed. Behind me is a table-football, if you need a break you can come here or do something else. I would nearly call it family-like, but I have not worked in many other firms. Most days we all go to lunch together, something I find very important, because it helps to build a team atmosphere. And outside of work we do a lot together also. For example, we all go on a weekend break for Christmas together, this year we went to Hamburg, for a party, or on our founding day we have a big BBQ… It's important for me. (Ash)*

Ash raises a variety of intriguing themes. Firstly, his desire for a strong team atmosphere and sense of community both within and outside of the workspace. He describes the bond with his colleagues as 'family-like', again a metaphor commonly used by the research subjects. Ash also depicts the working culture as 'relaxed' (in the sense of its informality) and emphasised the importance of a fun working environment. The rest of the section will depict these themes further, utilising the rich data on this component of the employment deal.

Employees across the sample expressed a desire for a strong team ethos in their working environment. Interviewees commonly associated a positive working

atmosphere with one that was described as informal, supportive, and fun. Amos and Berly (just like Ash) define the close working relations as an important motivation. Buz and Flint add that strong team cohesion, as well as collective goals, were critical.

> *I really like that everyone is sitting in the same room, everyone is always available and we can work well as a team. This is something I think you only get in a start-up. There is hardly any hierarchy and a very relaxing work culture, we go to parties together and we do things outside of work together. (Amos)*

> *My main motivation is the team atmosphere. We work great together, we get on well, we laugh together, it is fun every day and nevertheless, we don't lose sight of our goals. (Berly)*

> *The most important thing is that the team fits. That is critical, the whole team atmosphere. (Buz)*

> *You feel like a real team, pulling all in the same directions. There is very little politics, if any, which is another plus. (Flint)*

Employees also commonly referred to their colleagues as close friends, sometimes going as far as Ash and using a 'family' metaphor to describe the interpersonal work relations. Again, this emphasises the desire for a strong team cohesion, both within and outside of work.

> *The main motivation is probably the camaraderie. (Ben)*

> *It's like working with friends all the time. There is not the feeling of, 'uhh the boss is here, please don't act as you yourself'. No, here you can really be yourself. (Dale)*

> *The working atmosphere is very family-like and friendly. You can approach anyone and ask for help. I am feeling very good here. (Amos)*

> *There is a great community in the company, so for example we play football together, we have a fitness class, we grab a beer after work, all those little things. We are a bit like a family. (Fuller)*

> *The directors go out of their way to make sure you are ok. We are all very young, we are all on the same sort of wavelength, we all go out together, so the positive is probably the fact that it is not just a place to work together, it is a bit like a family. (Genes)*

The concept of blending work and social activities was common across all cases. Generally this was perceived positively by employees, although issues of peer pressure and exclusion also arose and will be discussed later in the section. The small company size allowed all staff to get to know each other and employees

mentioned that they would commonly socialise with colleagues outside of work. In one case, the entrepreneur provided "Abendbrot" (traditional cold dinner in Germany) after work and most employees would dine together at the end of each working day (notably this could also be a very restrictive practice, excluding employees that would rather dine at home). In other cases employees organised movie nights, game nights or socials on a weekly basis. Whilst these events were encouraged by the founder (e.g. Aaron, founder of Software), they were mostly organised by the employees themselves.

> *Playing table football, going for dinner together, perhaps a weekend trip, company parties, that's what I like. I don't just come here to work, I come to meet friends. (Amir)*

> *We offer a German course for free. We have football on a Wednesday and we often do BBQs. (Dor)*

> *The main motivation is the working atmosphere. So for example, we always have dinner here, at the company. Over half of the people stay for that, which shows that they must be comfortable. They all identify very closely with the firm. (Aaron - founder)*

This consolidation of colleagues and friends, of work and social activities brought its own advantages and challenges. On the one hand, employees actively searched for a sense of community and familiarity, as opposed to the anonymity often found in larger organisations. Most employees were recent graduates, who chose to work in a smaller organisation for exactly this reason. Having a shared vision and "like-minded" colleagues (Flint, p. 9) were seen to both increase productivity and make the workplace seem more 'fun'. The quotes below by Flint and Fuller from 'Deal' further suggest that the strong sense of community also made it easier to communicate ideas, creating an open and supportive working environment.

> *In my old job I was used to spending a lot more time to get people to buy into new ideas and move forward. Here you don't really need to explain things a lot, people understand straight away and they are ready to start implementing things. So it was probably even faster than I thought, because of the quality of the people in the business. (Fuller)*

> *New recruits know they will be working with a group of like-minded people that want to work hard for a few years and generally try to build something. We have a really good laugh and some really good, intelligent people. (Flint)*

Conversely, a strong sense of community was also shown to create issues regarding peer pressure, and a requirement for employees to 'fit-in', and participate in the 'social side of the job'. It became difficult to separate work and home, as outlined by Chloe, and, despite the emphasis on a shared vision, personal conflicts could seriously disrupt the team atmosphere (see Cain's quote on page 148). Gallio and Amir both reported cases were individuals had left (or were made to leave) the company because they 'did not fit in'.

> *We had someone that we let go because they did the job OK, they kind of just fitted in OK, but actually their personality wasn't great and it didn't kind of gel as a team. They kind of affected the whole company because it is quite small. So she has now left and it is a much happier organisation as a whole because she is not part of it. (Gallio - founders)*

> *We did have a few students who worked here on a short-term contract and they didn't want to go for a drink in the evening. They left the company once their contract was finished. (Amir)*

> *With our young founders, the split between working and private life is not always clear. Sometimes I get a call at 10pm, 'can you quickly do this or that for me?'. (Chloe)*

The cases outlined by Gallio and Amir, where an employee actually left the organisation due to a 'poor fit' were perhaps extreme, but numerous examples of high peer pressure which (for some) amounted to a form of discrimination can be found within the sample set, and are described over the following two pages. However, the majority of employees valued strong team cohesion and the homogeneous nature of their work group, going as far as to describe it as essential. One example which illustrates this apparent dilemma particularly well was the narrow age range of employees. The start-ups under investigation rarely employed anyone above the age of thirty and the entire workforce of 'Mobile', 'Recruitment', 'Software' and 'Travel' was under the age of twenty-nine (also see Table 9). Aaron, founder of 'Software' justifies this decision as follows:

> *We are specifically looking for young people. This is mainly because they fit well into the company culture. It helps to build a strong team cohesion. We go running once a week together and people mix a lot in their private time. Seniority would help us little as the technologies we are working with are very new. The longer someone spends working in other companies, the less likely they will have seen these new technologies. (Aaron - founder)*

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Aaron was certainly not alone in these views: employees repeatedly emphasised 'fitting-in', working with 'like-minded people', and a shared appetite for a 'fun' working environment. Their desire to build close social relations within and outside of the workspace was specifically tailored to the expectations of junior (not senior) employees. A quote from Dor (an employee at 'Fashion') illustrates the team's reservation towards 'older' employees, whilst Gallio, founder of 'recruitment' emphasises the young public image of their start-up.

> *Sometimes we get job applications from people who are older and we always ask them, are you sure you want to work in this team, perhaps this is not for you. (Dor)*

> *I think we try and portray a quite student friendly quite young message. We have got blogs and photos of us doing different things. On our Facebook page we got photos of a night out, the office and what we are doing, just playing silly games. I think that gives of that young aura, of just a fun young company to be at, but it might also discourage more senior employees to apply (Gallio - founder)*

On the contrary, some individuals expressed disquiet with some aspects of the age demographic favoured in their company's recruitment policy, calling for more variety in expertise and experience (Gad and Hali), or acknowledging that their work environment would not be suitable for them in the long term (Ishi).

> *The struggle is, we are such a young company, we always want to do everything, but we can't... So the biggest challenge might be that we are all so young and we do need someone to come in, someone a bit more senior, who comes in and tells us, NO, that's not how to do it. A bit like with Google, Larry and Sergey, they needed a CEO to come in and say, look, shut up, that's not gonna happen. And I guess we need that a bit more. (Gad)*

> *Sometimes I think, this is more like a university project with friends than a serious company. We are missing some grey hair and the professionalism that comes with it. (Hali)*

> *If I was ten years older or had kids, I would not want to work in a firm like this. Its chaotic, loud and risky, but also fun, dynamic and never boring. (Ishi)*

Generally, employees valued the strong team cohesion and the benefits of working in a homogenous workforce, whilst also recognising the challenges such a working environment could bring. This dilemma will be further evaluated in the discussion chapter (p. 212).

The fast paced working environment praised by Ishi above, as well as the high level of pressure to succeed was not welcome by all employees. Entrepreneurs expected high levels of energy and time commitment from all their staff. Employees were expected to fully buy into the business idea, showing a high level of passion and enthusiasm. The small team size and open plan office layout (in four cases) meant that there was 'nowhere to hide' (Amos) and that mistakes would be visible to all (Gad and Amos). The pressure to succeed as a company was felt by all individuals (Coz).

> *While here, if you do something wrong, everyone is going to know about it. (Gad)*

> *The fact that you are absolutely one hundred per cent accountable for your area of responsibility makes you very, very exposed. (Fischer)*

> *On the other hand the expectations are very high. Because everyone knows each other so well and is in constant contact, very close, so if things go wrong everyone notices. You really have to pull your weight. You can't lean back and think, no-one will notice. You have to deliver. There is always a lot to do and you are always needed. At the moment you can of course take holidays, but you are expected to make up for it during working hours. (Amos)*

> *On one side it is quite relaxed, but at the same time we all are under a lot of pressure to succeed as a company. Is our idea innovative enough, do we get some larger clients on board. (Coz)*

Furthermore, some employees reported difficulty in separating work and recreational time (Buz), and their high emotional involvement in the start-up meant that they found it difficult to 'switch off' after work.

> *Even over lunch, we talk a lot about the project. So you are literally the whole day in this project, which can be exhausting. We have socials during the evening, like playing on the WI, something to switch off again. (Buz)*

> *You do work longer here. If everyone in the groups stays on in the evening you really have to be disciplined to go home. Same with your holidays, which are not managed very well. (Amos)*

> *This is our company, our baby and I want it to do well. I definitely had a few sleepless nights over it (the company)… Sometime I think I worry more than the founders. (Harod)*

Similar to Harod's account above, Coz gives great insight into the amount of 'heart' he feels he has invested in the organisation. Whilst he praises the benefits of

working within a small team, he also gives a glimpse of an idea about the pressures associated with founding a new firm.

> *I feel that you can have a stronger connection in a small firm. Here I know about all the processes, I know the whole company and this means it is much more personal. In my previous job I just did my hours, sometimes overtime, but I could switch off easily. It didn't feel like it was my firm. Here I think it is different, we all put a lot more heart into the firm. We are more personal, more loyal and I identify more with the job. (Coz)*

Similar to the difficulties which emerge in creating a homogeneous working team whilst allowing enough diversity within the workforce, 'Consult' provides another example of the apparent contradictions present within the working relations in start-ups. The company created a wiki system which saved all company documents and correspondences, including financial and sales figures, making them accessible to all members of staff. Whilst employees appreciated the transparent system, and praised a work culture which was based on openness and honesty, they also felt an additional pressure to perform, as well as a duty to be aware of business processes outside of their immediate job role.

> *It's cool that the founders trust us enough to make all this information available, but sometimes I just want to do my job. I don't get paid enough to worry about the financial position of the firm or the latest sales figures. (Cain)*

In summary, the interpersonal work relations and team atmosphere were an important part of the employment deal. A strong team ethos and supportive working atmosphere were seen as critical by employees. The small firm size, the shared vision, the strong homogeneity and the concept of fun at work all contributed to a feeling of team cohesion and a collective sense of identity. The desire of employees to build strong social ties within and outside of the organisation was instrumental in shaping the relational working environment. However, the data also showed that peer-pressure and a lack of diversity (especially in terms of employees' experience) were perceived as a shortcoming by some employees. Similarly, too much transparency could turn into a feeling of surveillance.

The chapter will now discuss the founder(s) themselves as a motivational force.

5.3 Founder

This section illustrates how the founder(s) themselves became an influential component of the employment deal. Employees would often refer to their relationship with the owners as an important reason to work in a particular start-up. The entrepreneurs' passion and enthusiasm for the business had a positive and inspiring effect on employees' motivation. Individuals (particularly junior staff) commonly refer to the owners as role models from whom they wanted to learn. However, the founder(s) were also depicted as inexperienced and some of the junior employees expressed a desire for more structure and guidance.

The section begins with a collection of quotes illustrating the instrumental role the founder(s) had on employees' decision to work in a particular start-up.

> *When I joined, there was a very brief job description on LinkedIn. There wasn't a website yet, so I had to speak with the founder to find out more about the job. Really it is a sign of how much of an accomplished sales person Felix (the founder) was, that he could convince someone to leave a top job at Virgin Media, and work for a company that did not even have a website. So predominantly we are relying on Felix's vision and charisma. (Flint)…. If you have a very good lead actor, than the rest will follow quickly. The investors and the employees. (Flint)*

> *I liked Dan, the founder, I felt a connection. That's why I first started. (Dor)*

> *They (the founders) were good friends, we did some cool things outside of work. So I said, ok, this fits, it's fun, I can see it is moving forward, they are all good people, so why not. (Ash)*

For all three cases above, the entrepreneur played an integral role in the recruitment process of each individual employee. Flint's example demonstrates the persuasive influence of a founder when convincing senior employees to leave their previous position, and how perception of the founders' vision and charisma could be a contributory factor. Dor indicates that he felt a personal connection with the founder and that this helped him to decide about the job offer. Considering the close working relationships commonly found in small firms (p. 35), it seems only logical that employees take into account the emotional connection they feel towards the founder(s). Finally, Ash reported that he knew the founders prior to their current start-up venture and regarded them as friends, within and outside of work. It was not

uncommon for the entrepreneurs to hire staff from within their social circle and seven out of the twenty-five employees interviewed had previously known their employer on a personal level.

Interviewees also perceived the founders as an important motivation while working for a particular start-up, as illustrated by Fischer, Ivah and Hamul.

> *It's all down to the people I am working with, and in particular the founders. When we have a bad day, it's their energy and optimism which keeps us going and which keeps me committed. (Fischer)*
>
> *If I did not like the founders, I would be out of here tomorrow. (Ivah)*
>
> *I worked for a few firms but I never had a manager so motivated as 'Hunter' (the founder)... His motivation is contagious. (Hamul)*

In most cases, employees perceived the founders to have a positive effect on their motivation and organisational commitment, however, interviewees also held individual founders responsible for a lack of structure and guidance. The entrepreneurs' youth and inexperience raised particular concerns as outlined by Gamal and Genes.

> *I think on the negative side there is sometimes not enough experience here, they (the founders) don't have life experience. They are only twenty-seven, the directors are. And my manager is twenty-four. Although they had a couple of jobs, it is not like being managed by someone that is older and maybe slightly more mature in the fact that they got more experience, to be able to give you an idea of what to do. They are learning just as much as I am….They (the founders) don't necessarily know what they are doing, so they can't really tell you what to do. A lot of it is working on your own initiative. (Genes)*
>
> *The advantage of working in a start-up like 'Recruitment' is that the founders' are quite young and enthusiastic, but at the same time they lack a bit of experience…. Strong leadership is perhaps something that we are missing. (Gamal)*

Genes and Gamal both criticised founders' lack of (work and life) experience, indicating a desire for more clear and decisive decision making. They were joined by numerous employees across the data, voicing a preference for experienced, decisive and confident founders who were able to provide a sufficient amount of organisational structure and guidance. The inexperience of the (junior) employees

themselves, as well as the high level of uncertainty within the fast operational pace commonly found in growth-oriented start-ups (p. 35) might have contributed further to this call for more structure.

> *This is my first real job so I was expecting the founders to help me get things right. I specifically chose this start-up because I wanted Iddo (the founder) as a mentor. (Ishi)*

> *We are growing very fast, so it is difficult to build the procedures we need. When we were only five people it was easy to keep everything under control but now the founders are struggling. (Ibri)*

The accounts of Darius, who had a particularly poor introductory week, and Gamal (below), further emphasis employees' need for organisational structure and personal guidance from the founders.

> *I was very lost in my first week. You could feel that the company was only a few months old. I didn't have anyone to explain to me my job role or what exactly was expected of me. I was just shown my place and told to get on with it. The founders were not in on that day. I was very confused. I did not even know what exactly the firm was doing. More established companies might have formal introductory programmes, something we are just starting to develop. (Darius)*

> *I think I was actually surprised on how chaotic it was. And just, not a lack of discipline, but a lack of structure in place. (Gamal)*

Whilst the introductory week of Darius and the observations of Gamal could be assigned to a general lack of organisation structure, Chloe clearly holds the founders responsible for the lack of guidance. In her experience it is the low hierarchies and indecisive decision making of the founders which causes the problem.

> *Of course, for me, the founders are my bosses, but I think they don't really behave as such yet. They just say, ok, 'try it yourself' and when you do try it yourself they tell you, 'why didn't you ask us first?' Sometimes we are all on the same level and everyone does their own thing and it can get a bit messy. So one of the difficulties is that there is no hierarchy, which might be beneficial. (Chloe)*

Intriguingly, the sample set indicates an apparent contradiction between employees' desire for strong leadership (described as resolute, decisive and experienced) and clear organisational structure, whilst simultaneously advocating the need for an informal working environment with flat hierarchies and minimal bureaucratic 'red

tape'. It seemed that too much freedom left employees feeling disoriented and lost, whilst too little flexibility was perceived as controlling and bureaucratic. Coz, a senior employee in 'Consult', helps to illustrate this point further:

I am missing a bit of structure. I wanted to work in a start-up to learn how it is to start from the bottom. Previously I worked for a company that had 5000 employees, with very different structures, hierarchies and interpersonal contacts. It is nice to have very flat hierarchies, less bureaucracy and short paths to the decision makers, but some structures are clearly missing. (Coz)

Ivah adds:

I enjoy the autonomy and freedom I am given here, but sometimes I just feel lost…Normally the vision of the founders holds it all together, but when they get confused, so does the entire business. (Ivah)

The founders themselves did not mention a lack of experience or guidance as a disadvantage. In contrast, Aaron, co-founder of 'Software' pointed out the benefit of a small age gap.

If you take age for example. There isn't some old boss and some young employee. We are all on one level. We celebrate together and we have hangovers together. That's all part of it. (Aaron - founder)

As outlined earlier, the concept of a fun working environment and strong team cohesion was generally seen as a positive factor, and numerous employees agreed with the above perceptions. However, individual employees also indicated that the blurred lines between bosses and friends (Genes) or work and social time (p. 212) could create difficulties.

A main challenge are the blurred guide lines, they (the founders) are my friends but also my bosses, that can sometimes be difficult. (Genes)

Procedures around discipline and dismissal, for example, were not formalised. As a result, disruptive behaviour or people with the 'wrong' attitude remained either unchallenged or were taken for a 'quiet word' by the founder. Unions were not present in any of the cases, but the close proximity between employees and founders allowed staff to use personal contact to re-shape the employment

relationship regularly. Again, there were no formal procedures for this and the risk of favouritism remained.

> *I used to come in quite late, so … took me to the side one day to have a quiet word. It wasn't a big deal and I am in early most days now, but some of the others are still coming in late, which is really frustrating. I don't understand why I got singled out on this. (Flint)*
>
> *We are all good friends so I think it is really hard for the founders to tell us off. (Dor)*

In summary, the founders were identified as an important component of the employment deal. They were instrumental in persuading potential employees to join a particular start-up and kept the workforce motivated and energised. However, they were also held accountable for a lack of guidance and structure. Interestingly, employees desire for informality, autonomy and flexibility clashed with their need for structure and guidance. This point will be further evaluated in the discussion chapter (p. 210).

5.4 Job design

This theme is probably the most complex of the seven and includes three subsidiary nodes: work content, task significance, and autonomy. The formation of these three labels was a data-driven process, although inspired by Hackman and Oldham (1976; 1975) and their work on employee motivation through the use of job design (discussed in the literature on page 50).
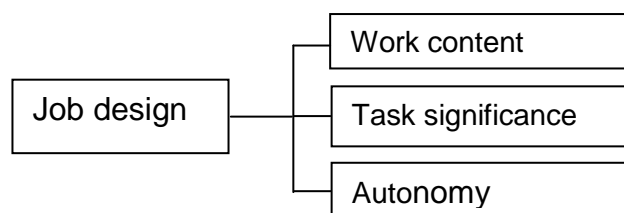
Essentially the theme 'job design' encapsulates employees' perceptions about the job itself, its content, structure and influence, as well as its capacity to incentivise and motivate individuals to work in growth-oriented start-ups.

5.4.1 Work content

The first subsection is concerned with employees' perceptions about the actual job content. Included are interviewees' positive and negative attitudes towards skill variety as well as task identity as defined by Hackman and Oldham (1976; p. 257). Skill variety is concerned with "the degree to which a job requires a variety of different activities in carrying out the work" whilst task identity describes "the degree to which the job requires completion of a 'whole' and identifiable piece of work" (1976; p. 257).

Across all cases employees identified skill variety as an integral part of their job and an important motivation. To illustrate this further, the section will begin with three quotes by the founders and employees of 'Consult'.

> *In small companies you have got a wider task diversity, all of which can require quite different competencies. For example, we don't have a lawyer on board, so when a legal issues comes up, we will assign the task to an employee and expect from them a certain flexibility to go away and find an answer. (Caesar and Christian - founders)*
>
> *A challenge is to step outside my comfort zone (which is in programming) and deal with things like marketing or customer service. But I like being challenged and I enjoy learning about different jobs. (Cain)*
>
> *In my old job, I had very narrow job tasks. Here I get involved with a whole range of projects. I worked on the website, I developed a new product, I organised a photo shoot. Opportunities I would never have had in the old firm. Over there I was just a SAP consultant. In such a small firm everyone has to get involved with everything, from office furniture to finding new clients. I really enjoy this diversity. (Coz)*

All three quotes demonstrate the relevance of job diversity within the context of growth-oriented start-ups. The founders (Caesar and Christian) explain that, due to the limited resources of their start-up, they require employees to perform a variety of different tasks. Job diversity is not described as an intentional motivation strategy, but simply a characteristic of the job. As a consequence Caesar and Christian expected their staff to display a certain amount of flexibility and adaptability, enabling them to carry out a wide range of duties. The responsibility of attaining the necessary knowledge to perform a specific task (such as dealing with a legal issue) was assigned to an employee (issues regarding learning in start-ups are discussed under

the heading 'personal development' later in the chapter). Employees, such as Cain and Coz, were not only aware of the broad job role, but welcomed it. Just like the entrepreneurs, they described the task diversity as a job characteristic. Their overwhelming attitude towards this diversity was positive. Coz, a senior employee who had previously worked for a multinational corporation, was particularly appreciative, suggesting that his previous job offered fewer opportunities to diversify his skill range, whilst Cain referred to the variety as a welcome challenge.

It is known that start-ups often operate in niche markets, therefore requiring employees with specialised skill sets (Hendry et al., 1995). Simultaneously staff are expected to multi-task, taking on a wide range of different job roles. The data revealed that employees enjoyed contributing beyond their individual specialisation.

> *I have a degree in programming, but what I really like about this job is that I get involved in everything. In a large firm I would just be employed to program a specific piece of software, which can get a little bit boring. Here I am still responsible for the app development, but I also get to help with the recruitment process, advise the founders on strategic decisions or plan a marketing campaign. It's far more interesting and rewarding. (Hamul)*

> *I wanted to work for a start-up because it gives me the chance to see all aspects of the business. I specialise in UX design, but here my job role is much broader. It's more fun like this, I learn more and I am part of the product development from start to finish. (Hali)*

As illustrated by Hamul and Hali from 'Mobile', interviewees perceived a mixture of specialising and multi-skilling positively, arguing that it made the job more interesting, challenging and rewarding. The concept of task identity, that is the degree to which an employee relates to the a project or job in its entirety, was also referred to. Hali and others valued the opportunity to work on a project from early conceptualisation to market implementation. This was true for smaller assignments, such as a new marketing campaign, a recruitment cycle or the development of a new function for the company website, as well as the realisation of the main business idea in its entirety. The constant organisational development and holistic nature of the projects helped employees to stay interested and engaged in their work.

As outlined by Coz and Hamul above, many employees perceived the job diversity in start-ups to be greater than in larger firms. Job definitions were rarely fixed and employees engaged in a wide range of tasks and projects.

I think in a small firm you are much more likely to get a feel for the whole company, not just your specific job and you get to contribute to a large range of projects. (Ibri)

We are divided into two core groups, sales and software development, but the boundaries are very fluid. We work together every day, so even if you are a developer you will still help design a good sales pitch. It's not like working for a large firms where the departments or job roles are separated from one another. (Ishi)

In contrast, a small number of employees were critical of their ambiguous job responsibilities, reporting a sense of confusion and disorientation. They perceived the task variety as detracting from their primary job, and described the constant need for self development as a burden. For example, Flint (a senior employee for 'Lending') was critical of the limited support structure, whilst Darius from 'Fashion' perceives a broad difference between the formal job description and his actual tasks.

I was a bit shocked how hard and varied the work was initially. In the old days, if I had a question about HR, I called the HR department, now it is just us. (Flint)

I was originally employed as an editor for the Spanish content of the blogs, but in reality it's much more complicated than that. Now I spend hardly any time in my editorial role. Every day I have to figure out what my job actually is. It's fun but also very demanding. (Dor)

Interestingly, it was only senior employees that commented negatively on issues related to task variety. Numerous reasons come to mind. All senior employees had previously worked for larger organisations, whilst most junior employees described this job as their first work experience. Consequently senior employees were at a different stage in their personal development. Some of the tasks which junior employees perceived as new learning opportunities (e.g. a sales call, a poster design for a marketing campaign or a recruitment cycle) were considered mundane or distracting by senior staff. Furthermore, experienced staff such as Flint (above) had perhaps grown used to a well developed support structure. Task variety which arose due a lack of structures (such as lacking a legal team or HR department) could cause frustration. Finally, the quote by Dor (above) suggests that task diversity could

also be perceived as a pressure, as individuals were required to redefine their job role on a daily basis.

In summary, skill diversity as well as task identity were referred to by employees as important motivators, arguing that it made the job more interesting, challenging and rewarding. Despite the criticism of some senior employees, most employees described this variety as positive and inherent within their chosen working environment.

5.4.2 Task Significance

Hackman and Oldham define task significance as the "impact" (1976; p. 257) a particular task has within and outside of the immediate organisation. By 'impact' Hackman and Oldham mean employees' influence over events, decisions and people, whether or not their ideas were taken into account, and to what extent their work affected company performance. As this subsection revels, employees judged task significance as an important motivation. Gamal, a junior employee at 'Recruitment', and Fuller, a senior employee at 'Lending', described its value as follows:

> *I suppose a big reason (for working in a start-up) would be working in a small team so you can see that you are making a big impact. Whereas working for a big organisation, who knows what you do, and how much of it is actually going to affect the fortune of the company. In a smaller organisation, your impact is far more apparent and you can actually create some change…Because they were a young innovative business, a small team where you hopefully realise the impact you make on the business. (Gamal)*

> *I see the fruits of my labour, I see the pace the company is growing at and I take a certain degree of pride in that, which I think is very important. (Fuller)*

As the two quotes illustrate, employees typically appreciated their ability to 'affect the fortunes of the company' and 'see the fruits of their labour'. Gamal emphasises his chances to create change and witness the impact he had on the company performance. He also refers to being recognised for his efforts, something he judges to be more problematic in larger organisations. Fuller adds that his influence on the

growth of the start-up had great motivational capacity. Task significance was not only described as an important component of the employment deal, but also a common characteristic of the job design in growth-oriented start-ups. In particular, the small team size (as identified by Gamal), but also the short and inclusive decision making pathways, the fast operational pace, and the emphasis on employees' initiative and creativity were perceived as representative of their opportunity for employees to generate impact. Chloe, for example, praised the opportunity to implement new ideas, whilst Buz and Chios talked about the inclusive decision making processes.

> *The beautiful thing is that you can work more independently and you have more chances to bring in your own ideas, which in turn have a chance to be implemented. In comparison to a structured, more established organisation. That's what I like here. We all work very well together and if someone has an idea we look at the idea and decide what we can do with it, if and how we can expand it. (Chloe)*

> *This is the point, everyone has a certain equality and influence on the project as a whole. And that is what makes it so attractive for people who want to create change. (Buz)*

> *Here I have experienced a dynamic but also quite democratic company, something I am not willing to give up in the long-run. We discuss all important decisions together. Rarely do we make individual decisions and we talk about where we want the company to go. (Chios)*

The opportunity for decisive involvement in (for example) a new product line, or the chance to implement one's own ideas, was attractive to junior and senior employees alike. Employees wanted to be part of the decision making process and feel like they were able to directly influence the project. The founders were fully aware of 'impact' as a motivation. Caesar and Christian, for example, emphasise that many of their new product ideas were developed voluntarily and independently by members of staff. Aaron, founder of 'Software' distinguishes between start-ups and established firms, suggesting that employees had a greater say in the strategic direction within smaller organisations.

> *We make a large effort to integrate employees' ideas into the company strategy. Recently we presented three of our products at the CeBIT (largest German technology conference), two of which were developed by employees. (Caesar and Christian - founder)*

> *The choice employees have is between start-ups and established firms. Start-up means that people have a say in the development of the company and if the firm is successful, they share this success. (Aaron – founder)*

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However, this greater level of influence engenders a higher degree of responsibility, and employees were under continual pressure to perform. Interviewees did not directly bemoan the high level of task significance, and yet their accounts do suggest a certain strain as a consequence of this high impact environment. Amos and Cain (below) offer good examples of this pressure. Both enjoyed the high level of responsibility and task significance, but also indicated a continual demand to perform. Amos, who was more direct in his account, argued that he felt under pressure to deliver and that there was 'nowhere to hide'. Cain addressed this issue more reflexively, observing that it was not only the good days, but also the bad that could have an impact on the firm.

> *There is more pressure I suppose. Because it is a small company, there is nowhere to hide. I have the autonomy to deliver important projects but at the same time I do need to deliver. The business is going to slow down if I am behind with my own work. Sometime you have to put in longer hours, but you don't really notice it so much, because you have so much identity with what you are achieving, it is more about getting those things done so you can move on to the next, exciting project. So there is more pressure. (Amos)*

> *For me it is not just about earning a salary, but also looking into the future. In my old job I did not have many opportunities for personal growth. Here I have more responsibilities and can create more impact. If I am in a bad mood for the week, the whole team will go down, but on the contrary I feel that I, personally, can make the firm succeed. In a big company you just get lost. You don't get noticed and might have less opportunities for a promotion. (Cain)*

Both quotes illustrate how important it was for employees to be able to create impact and change, but also how demanding this environment could be. Staff were under constant pressure to deliver, 'with no place to hide' and high levels of responsibility. A small mistake or even a shift in one's mood could affect the company fortunes. And yet, task significance was mentioned as a motivation by junior and senior employees alike. The sense of being noticed, listened to, and needed, as well as the opportunity 'to make a difference every day' and create something new, were all important components of the employment deal within the context of growth-oriented start-ups.

The high level of task significance also enabled employees to receive feedback on their work, a component Hackman and Oldman (1976) categorise separately. Considering the strong link between impacting company performance and noticing the change one initiated, this section will analyse task significance and feedback jointly. Hackman and Oldham define feedback as "the degree to which carrying out the work activities required by the job results in the individual obtaining direct and clear information about the effectiveness of his or her performance" (1976; p. 258). Employees generally referred to feedback as a form of recognition, appraisal or performance measure, both from within and outside of the start-up.

As demonstrated by the first quotes in this section by Gamal and Fuller, it was not only important for an employee to create impact, but also to realise the change and be recognised for it. Founders' feedback and appraisal was valued highly. Whilst some firms, such as 'Software', organised formal appraisal rounds, others such as 'Deal', took a more informal approach.

> We have a feedback round every 2-3 months, well, technical feedback is straight after we finished a project, but we also have a feedback round which looks at more general things, like your personality, and how they see you. First the founders tell us how they see us and then we get to speak our mind. Things we would like to see, improvement and so on. (Ash)

> The great thing about working in a start-up is the close proximity between us and the founders. We are in constant contact and they tell me what they liked and where I can improve. It's something that is very important to me considering that this is my first real job. (Ishi)

Employees also understood the performance of the venture itself as a form of feedback on their work. As outlined by Buz and Flint below, 'being part of a success story' and taking ownership for their individual contribution was an important motivation.

> OK, we work on this project, we want to see it take off, we want to see it lift into the air. To see how this work we all sat on, how it succeeds. That is what we are looking forward to, that is the point which keeps us all engaged. All the effort we put in, we want to see it work. That is actually the biggest motivational factor. (Buz)

> *The most satisfying is to see that the vision I believed in is coming true. When we started there was not even a website, now we are sponsoring a major football club. It just makes me really proud. (Flint)*

Furthermore, individuals showed a strong desire for external recognition and feedback, either from within their tech-community or their customer base. Moreover, all of the cases had won prestigious start-up prizes, which also acted as a positive morale boost.

> *I wanted to work on something where I can say afterwards, 'that's cool, I did that'. And perhaps get some international recognition for our products, something which you will only achieve in an innovative company. (Amir)*

> *I have programmed one of the main pieces of software and I would like to see my name accredited to this. Not just inside the company. It is just nice to be able to say: look, this is what I did. (Cain)*

> *We really do some innovative products and people like what we do. We won a few competitions, but also from our customers we get very good feedback. We sell well and can really compete with some of the big players in the market. (Amos)*

As is evident from the three quotes above, employees were not only interested in feedback from the founders and their colleagues, but also aspired to have their work validated from external sources. This was one of the rare examples where interviewees looked beyond the boundaries of the organisation for motivation.

In summary, employees perceived task significance as an important component of the employment deal. Interviewees valued the amount of responsibility they were given, the chance to make a difference and bring in their own ideas, as well as the sense of being noticed, listened to and needed. The close working relation, holistic nature of the job design and fast operational pace allowed employees to recognise the impact they had on the performance of the company. Furthermore, they were motivated by the feedback and appraisal they received from within and outside of the organisation. And yet the high level of task significance also added an element of pressure: even the actions or mood of a single individual were perceived to have an effect on the performance of the entire start-up.

5.4.3 Autonomy

The following subsection includes employees' perceptions regarding their level of autonomy. Hackman and Oldham, who describe autonomy as an important characteristic of the job design, define it as "the degree to which the job provides substantial freedom, independence, and discretion to the individual in scheduling the work and in determining the procedures to be used in carrying it out" (1976; p. 258).

Employees showed a strong desire to schedule their own working day. Flexible working hours as well as the possibility to work from home proved to be an important motivation, as illustrated by Dor, Ash and Cain below.

> *I think it is very important that we are so flexible. Some people work from home for a few weeks, others can't work between 8-5, so they come in the evening. (Dor)*

> *We have very flexible working times, which I enjoy. Other companies I worked for always expected me to be flexible, but at the same time I had to be in the office from 9-5. Here we have a core working time between 11-3, to make sure we can accommodate for all the group meetings. But you can make up the extra hours how and where you would like. (Cain)*

Employees' desire for autonomy in respect of their working hours are of interest here, but also, crucially, the extent of these arrangements. Working from home for several days a week, late mornings and evenings as well as structuring the work load around individuals' other commitments (such as a Bachelor or Masters thesis), was common practice across the sample (Ash). It is therefore reasonable to argue that in the context of growth-oriented start-ups, flexible working hours are part of the employment deal.

> *University and work here just fitted perfectly. There were no problems around exam times, so I could say, for the next two weeks I can't do anything, ok, just work a bit more in the weeks afterwards. It's very easy going. Which was another reason for me to say, this fits, this I can continue. (Ash)*

The remaining quotes displayed in this section will focus on the independent and self-directed nature of the job design itself. Overwhelmingly, interviewees favoured a high degree of autonomy and control over their job, not just in managing their time

but also with regard to the direction of their efforts. Furthermore, these work structures allowed (even demanded) that employees take on a large amount of responsibility and direct ownership for their tasks and business areas.

> *Everyone is free to be their own manager and I think that characterises this firm. Everyone can work in the way they want as long as their efforts are good for the firm... as long as it is fruitful for both sides. (Hamul)*

> *So important, especially in a start-up, is the ability to work independently. (Buz)*

> *I was positively surprised by the amount of responsibility and trust they (the founders) gave me. They sort of let me go on with it on my own. (Gad)*

> *And then it is obviously the fact that you get so much responsibility as well. So compared to somewhere where you have to go through layers and layers of people to get anything done, here you can just literally say, I want to do this, and normally they (the founders) say, OK, try it. And I liked that aspect of it. (Genes)*

As demonstrated within the examples above, employees perceived a high level of autonomy, independence, and responsibility in their job design as a strong incentive. This high level of autonomy was referred to as a job characteristic of start-ups (Hamul) and generally understood in positive terms. However, employees did not express an explicit need or expectation for it. This is in contrast to the accounts of the founders, who stressed that flexibility and self-efficiency was one of their key selection criterion. The entrepreneurs expected their staff to show initiative, take decisions, and shoulder the accompanying responsibility (Caesar and Christian), to work independently and to be self-motivated (Aaron).

> *We, as the founders, don't need to make all the decisions. In fact, we want our employees take the decisions and the accompanying responsibility. They have to be able to justify why they took a certain path and if I think the decision is totally wrong I will correct it, but I want most of the responsibility to lie with them. (Caesar and Christian - founders)*

> *There is a lot less structure and bureaucracy. That means you can't hide behind structures. Anyone who says 'nobody told me' is in the wrong company. If we would dictate everything, the company would not work. If you have an army of people, 1000s of employees, you need everyone to work in line, but not here. (Aaron - founder)*

> *Our employees are all well educated and bring some experience in regard to project management. We would rather employ good but*

> *expensive people. I mean they are all graduates, but we try to find some of the best and we know that they are 20%, 25%, 30% more expensive. But they can work independently and bring some motivation with them. (Aaron - founder)*

Similar to 'task significance', the high level of 'autonomy' was described as a job characteristic. At times, the founders seemed to offload some of their responsibilities onto their staff, expecting employees to motivate and manage themselves, as outlined in section 4.3. This could leave employees feeling lost or confused. The high amount of responsibility and self-reliance added further pressure, as illustrated Darius and Fischer below.

> *The position I have is really high, with a lot of responsibility. But actually I have little experience in this sector, I have much to learn and I am not always sure that I am doing a good job. Often I am contacting big clients and I have to sell the company to people with ten, fifteen years more work experience. That can be intimidating and stressful. I can always ask the founders for help and they do give me a few hints, but at the end of the day I have to go out there and do it by myself. (Darius)*

> *When you are hired by a start-up, you are accountable for achieving certain objectives and there is no getting away from not achieving those objectives, it is your responsibility (*Fischer*)*

In summary, employees expressed a desire to schedule their own working day and generally referred positively to the high level of autonomy. However, the need to work independently and show self-initiative was predominantly an expectation held by the founders. The data also suggested that too much autonomy and responsibility left employees feeling pressured or even stressed.

The following subsection will discuss how the business idea itself became a component of the employment deal.

5.5 Business Idea

In the context of growth-oriented high-tech start-ups, employees considered the business idea itself as an important component of the employment deal. Individuals would only join a particular start-up if they 'bought into the business idea' and

believed in the vision of the founders. This section will begin with a selection of quotes by Chios, Buz, and Ben, who all comment on the decisive role of the business idea and the company's vision.

> *I knew the founders personally. One day they came up to me and told me about his new product they had been thinking about. It took me a while to understand exactly what the idea was about, but once I understood it I joined immediately. (Chios)*

> *The point is this, what we offer is the idea, the vision we have. Potential employees have to decide, using their imagination, do they think it is possible that it can work and be successful. If it works, and that is something we as a team believe, then it is a real career chance, because everyone who is part of this close-knit team will come out on top. (Buz)*

> *In a start-up you don't live for the moment, you live for the vision. (Ben)*

In his decision to join 'Consult', Chios was specifically influenced by his comprehension of, and belief in, the business concept. Similarly, Buz suggests that individuals would only join a particular start-up if they were convinced by its vision and growth potential. The quotes of Buz and Ben are particularly interesting as they add a time dimension to the employment contract, differentiating between the current job and the potential future job. Employees use their judgement of the business idea to validate the start-up and its chances of success. The promise of potential growth and the founders' vision were important motivations and acted as a justification for employees to accept a certain amount of initial risk or hardship. The employment contract became a faith-driven agreement, a concept discussed in greater detail on

Apart from believing in the commercial success of the idea, employees also valued the novelty and innovativeness of the business idea, as outlined by Fuller and Hali.

> *Now I do something new, I pushed a piece of technology forward and solved a problem which the industry has been struggling with. And I can take personal credit for it. (Fuller)*

> *Many of the coolest and most innovative apps get developed by companies like us, that's why I wanted to work for a start-up and not a larger corporation. We might be a small firm but we are experts in what we do. We can adapt much faster to market trends and aren't scared to come up with new ways of doing things. To be honest, I think the large*

> *firms are learning from us and not the other way around. So if you want to be at the forefront of the field you have to work for a start-up. (Hali)*

The founders were fully aware of this selling point, and often positioned themselves as the corporate 'underdog', perceived to be 'shaking up' the competition and working on the newest and most innovative ideas.

> *The product is more exiting, newer, fresher. It's like David against Goliath. There is a large, established market leader, and we come as the young, fresh option. (Aaron - founder)*

The novelty of the business idea also translated into a working environment that valued creativity and innovative thinking. Chloe, for example, praises a working culture that encouraged employees to try out new ideas and to learn from any pitfalls they encounter.

> *Everyone who is working here is thinking very innovatively, we are very creative and just like to give things a go. We are not scared to try out something new or to make mistakes. The working culture is, we learn from our mistakes. If you make a mistake you don't get a verbal slap, but you look at what you can do better next time. (Chloe)*

At 'Consult', for example, staff members were given half a day per week to develop individual projects. 'Mobile' regularly participated in twenty-four hour programming competitions, where teams of software developers would try to come up with a new mobile phone app in less a day. Many of the German start-ups allowed their employees to complete a Bachelor or Masters thesis within the boundaries of their organisation, given them the chance to try out some of their own ideas or programs.

> *As web developers, we do things that show a high level of innovation. It's not something people did twenty years ago. It is quite modern, and because the hierarchies are very flat it allows you to throw around a few new ideas. Especially if I think about my Masters thesis. I get given a free hand and can live out some ideas. (Ash)*

However, the novelty of the business idea and optimistic growth aspirations were also a source of distress. An idea that was not able to deliver on its promises quickly turned into the 'Achilles heel' of the operation, as employees generally lost their optimism quicker than the entrepreneur. A limited scope to change the basic business idea seemed to exacerbate this problem.

The business idea is based on a very specific technology. Should the market move into a different direction all our work will be for nothing and the company will go bust. The founders are very confident we will succeed, but some days I have my doubts. If they can't deliver the figures I will be out of here in the blink of an eye. (Coz)

I love our business model, it will revolutionise the lending market. However, at the moment we are still a one trick pony, a change in the regulations and we could be in serious trouble. It keeps me awake sometimes, but then again, no risk no fun. (Ivah)

To summarize, employees perceived the business idea and the vision of the founders as an important component of the employment deal. Employees' faith in the potential of the business idea acted as an important motivation. Furthermore, individuals valued the opportunity to work on cutting edge technology and operate in an environment that encouraged creativity. On a more critical note, employees also recognised the risks of working with a novel business idea and that start-ups were under particular pressure to deliver on their growth predictions.

5.6 Development opportunities

This theme embraces employees' perceptions regarding their personal development. The opportunity to accrue working experience, to learn new skills, and to acquire knowledge about the start-up process were amongst the most commonly mentioned reasons for individuals to join a young start-up. Opportunities for self-development and learning held great motivational capacity and were identified as a crucial component of the employment deal. Interviewees described the start-up as an 'ideal learning environment' and a natural place for personal development, predominantly due to its fast operational pace, informal working relations and high level of task significance (as discussed earlier). Whilst junior employees often referred to the start-up as a training ground for future jobs; senior staff emphasised the opportunity to work on a new project where they could realise their potential and learn about different areas of the business. Buz and Amir share their perceptions of the developmental opportunities on offer:

So for employees who are looking for something monotone, who want to do the same thing every day, this company would not be the right place. But especially for people who just finished university, who have a hunger for knowledge, who want to experience something, who want

change and most importantly, who want to learn new things, for them it is ideal. I don't think this you can have in any other company but a start-up. (Buz)

A lot of what I learn here directly relates to my degree and I think I have learned more in the time here than at university. My degree got stretched by one year, but I don't really care as this is all relevant work experience. (Amir)

Employees held a wide range of expectations regarding their self-development. Some, such as Chloe from 'Consult', were hoping to gain specific skills, niche expertise and tacit knowledge, such as mastering a specific programming language or learning about a new technology. Others, such as Gamal from 'Recruitment', seemed more interested in learning about the process of running a start-up, such as learning about the difficulties of securing investment. Numerous employees suggested that they would like to develop their interpersonal and soft skills, as well as improving their sales, negotiation, leadership, team working and problem solving. Overall employees seemed eager to develop themselves and learn new skills.

I am not planning to stay here in the long-run. I want to be a teacher. I used the last twelve month to learn about new media and technologies, which will help me later in my career. I will be able to integrate my knowledge in my lessons but also teach older colleagues how to use wikis and up-to-date technology. (Chloe)

My main reason to join 'Recruitment' was to gain experience. Not just experience in my actual role, where I get to talk to clients, learn about sales, learn about developing and maintaining relationships and negotiation skills. So those are important, but also learning about a small business, the best ways to manage a team and the best ways to motivate your staff. ... And generally just watching how a small business operates, how does it attract new customers, learning from that side of things. (Gamal)

The limited experience of founders and the business resulted in a culture of 'joined learning'. In an effort to overcome their shared inexperience, the entrepreneurs and their staff analysed new business situations and solved day-to-day problems together. Most employees, such as Berly, Darius and Gad, were positively inclined towards the concept of 'learning together'. However, a small number of interviewees, such as Barak, pointed out some of the disadvantages of having very young and inexperienced founders.

Both sides are learning. I can learn and the firm can learn together with me. (Berly)

I think here you can learn more from your co-workers. The founders are very young and they ask us for our ideas. We plan together and then we go and work on a project together. (Darius)

We are all learning at the same time, the employees as well as the founders. (Gad)

One negative aspect is that there is nobody who can teach me… in reality you have to learn everything by yourselves. (Barak)

Personal development was not only an option, but a requirement. The idea of being responsible for your own learning was common across all the start-ups. A quote by Fuller, a senior employee at 'Lending', illustrates that learning was understood as the responsibility of the individual.

You kind of learn all the time. So every meeting is nearly like training because you learn something new. It is not formal, we don't have to tick any boxes. And if you don't understand something you are expected to put up your hand and say that you don't understand it. Then people are absolutely willing to help and explain something. But the onus is on you to understand your job and what you have to deliver. (Fuller)

Fischer is even more direct, suggesting that employees' learning progress was down to individuals' character or attitude and thereby not the responsibility of the company. Fuller adds that the recruitment process was commonly used to specifically select employees that showed a strong capacity and desire for independent learning.

It is very easy to progress if you are the right person. You need to be dedicated, a quick learner, responsible, trustworthy, a team player and someone that is able to adapt to new rules and policies fast. If you can do that, you are in the right place and you will learn much faster than in a larger organisation. (Fischer)

We spend a lot of time trying to find the right people. New employees have to show a capacity for learning. They have to be very quick thinkers and to be able to pick things up very quickly. They have to have a passion to want to learn, to be challenged, to innovate and to be a bit outside their comfort zone. (Fuller)

The entrepreneurs did generally allow employees time to familiarise themselves with a new project or technology, but expected a proactive and independent attitude to learning, as outlined by Cain and Flint.

> *They give me the freedom to spend a few hours on my own projects or on learning about new software. I can also attend external, public training courses, which are free, but have to find them myself. (Cain)*

> *I think it really teaches you to think for yourself. Working here has taught me to be a lot more open minded and not just accept things. (Flint)*

To some extent, the requirement to learn independently can be related back to the resource scarcity common within young start-ups. The inexperience of the founders as well as the novelty of the business idea also played their part. In practice, the founders would often assign new projects and roles to individual employees, who were then required to acquire the necessary knowledge to perform the task independently.

> *If I get a new task or project, I have a meeting with the founders. They tell me what outcomes they are looking for. Then I go away and try to find a way to make it happen. The first 2-3 days I have to google a lot of information, I have to ask many questions and someone who knows a bit more about the process normally finds the time to explain it to me. (Dale)*

> *You also get assigned projects in areas you don't know so much about. And you get given the time to learn about the new requirements and concepts. It's not a problem if you say, sorry, today I didn't manage to get done any work because I first had to learn this new tool. (Amos)*

Interviewees indicated that the organisations had few formalised policies on personal development. Formal training was often outsourced and commonly included free sessions organised by public organisations such as 'Gov.uk' in the UK or 'The Federal Ministry of Economics and Technology' in Germany. Official training inside the company was generally absent although, as pointed out by Dor, meetings, updates or workshops from other in-house teams were regarded as training to some extent. In addition, the founder or founding team often provide personal mentoring sessions.

> *We have a lot of workshops and updates. For example we had a workshop yesterday; the social media team introduced some of the new tools they are using now. Because some people in the office wanted to know more about this thing… My training was mainly with Dan (the founder). He sat with me at the beginning. (Dor)*

When the interviewees were asked about their attitude towards formal training directly, two responses were most common. Employees, such as Coz and Berly, would justify a scarcity of formal training with the argument that they did not need it and that every-day work was training enough.

> *I believe that reality is training enough. (Berly)*

> *We are already experts in a very niche market. So in a way we are setting the new trends so I don't see any need for formal training. (Coz)*

Alternatively, the lack of formal training was mentioned as an area for improvement and a current disadvantage. In these instances employees differentiated between two types of training, a formal introduction as called for by Gad and Genes, and future development opportunities as requested to by Dale and Darius.

> *So ideally it would have been better to train us in the first place and it would have improved our productivity, because we wouldn't have spend a long time working out how to do it, the best way, they could have told us that. Again, I think the hard thing is that they (the founders) just don't know. (Gad)*

> *I think I didn't expect to be thrown into the deep end as much as I did on certain things. I think some of the downsides of sometimes working in a small team is that you don't necessarily get the support and the training that you need. (Genes)*

> *Sometimes I miss that we don't have training workshops where you get called out from work for a few days and learn about something new with a consultant. I know it is early days but at some point they will also need to introduce this. (Dale)*

> *At the moment I am on a six month contract, but, if I stay on, I would like to have the opportunity to go to some classes or conferences to learn more about the area. I think it would be very important for myself and the company also. (Darius)*

The founders justified the lack of formal training with the argument that it would 'overload' employees and that staff had 'enough on their hands' learning about their day-to-day job role. Formal training was referred to as a sort of extra-curricular activity.

> *We don't offer any formal training or development. Currently we are starting so many new developments that I think the employees have got enough on their hands, teaching themselves about the new projects*

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> *and requirements. We are constantly pushing the boundaries and move at a high pace, so many new methods get researched and tested together with our clients. The company is learning incredibly fast and with it our employees. I think most of the staff is already overloaded with all the learning they have to do to keep up with the job, so they don't really want formal or theoretical training. (Caesar and Christian - founders)*

And yet, even without any formal training opportunities, employees rated the learning environment in start-ups as exceptional: superior to both lifestyle SMEs and larger organisations. As Fuller explains, this was influenced by numerous factors, including the fast pace of the organisation, the quality of the workforce, the high level of autonomy and task significance, the holistic nature of the job design, and the informal working relations, many of which have been discussed earlier in the chapter.

> *I think in my old job I stopped developing a bit, or I was not developing as fast as I liked to. This was a great opportunity to have more decision making power and just to work with people I could learn from…. I think you learn a lot about all the business processes. I learned a lot about finance, about risk, which is very interesting to me. And the level of talent is just so far beyond that in my previous job. Just the opportunity to work with great people, push forward and learn and develop my own career…Because it is such a small company, I am able to get involved with other areas I would normally have not be exposed to. The only constraint is my time and how much I can take on board. I would say a small company is a lot better for self-development. (Fuller)*

Another feature which encouraged perceptions of a positive learning environment in start-ups was the opportunity for continuous and timely feedback. The small company size allowed the entrepreneur to watch their team closely and provide regular feedback, which was especially appreciated by younger employees. An emphasis on teamwork and close working relationships between colleagues acted as a further source of continuous advice and feedback. By treating their work as holistic projects, employees were able to evaluate their contribution and learn from their mistakes. The fast pace of the start-up environment enabled staff to concurrently analyse their positive and negative impacts on the company performance and react accordingly. In addition to internal feedback in the form of self-analysis, guidance, advice and personal mentoring, employees also valued their close customer relations. Positive client feedback or market success acted as external verifications of their work effort, whilst negative feedback helped them to

refocus and adjust. In some cases, the entrepreneurs also allowed employees to access to their personal network to gain further feedback or develop a specific skill. A quote by Genes further emphasises the importance of feedback as a mechanism for self-development.
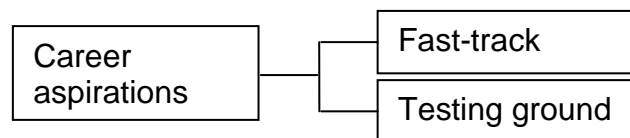
> *I particularly like the constant feedback, because I am trying to learn about myself and also what I am doing right and wrong… I really wanted to add value to a company. I can add value here quite quickly, even little things like implementing procedures or making things more streamlined. In a bigger organisation that is already done, here you can really grow... I also feel like I learned more because I was able to ask more. (Genes)*

In summary, employees perceived personal development opportunities as an integral part of the employment deal and described the learning environment in start-ups as favourable. The lack of formal training programmes and the inexperience of the founders did not prevent employees learning at a rapid pace. The high level of task significance and autonomy, the informal and open working atmosphere, the fast organisational pace as well as the opportunities for constructive and timely feedback all contributed to this phenomenon. 'Learning on the job' or 'learning by doing' were by far the most frequently cited learning strategy. Interestingly, learning was positioned as the responsibility of the individual employee. Interviewees often set aside working time to develop a new skill, such as reading about a new programming language, a practice regularly encouraged by the entrepreneurs. Employees found it difficult to describe the precise learning process or to outline specific learning needs, but, on reflection, they did report significant advances in their personal development.

5.7 Career aspirations

This theme focuses on employees' perceptions regarding their career progress. Career aspirations were frequently referred to as a common feature of the employment deal, and as an important motivational element. Due to the nascent nature of the start-ups, employee perceptions of career aspirations were largely based around the potential for future opportunities, such as the chance for promotion or the prospect of gaining experience through which to improve their employability.

The section will analyse a variety of interesting and potentially novel findings related to employees' career aspirations. Employees described the start-up as a 'fast-track strategy', emphasising the unique opportunities for internal and external career 'jumps'. However, their desire for hierarchical career progression was in direct contrast to the founders' aims for flat company structures. Issues related to a potential 'hierarchical glass ceiling' are discussed in detail in this section. Some employees also perceived their employment in a start-up as a 'testing ground' or a 'bridge' between university and the 'real world'. This was particularly relevant to junior employees, who felt that working within a high tech start-up was a means to 'kick-start' their career.

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┌─────────────┐      ┌──────────────────┐
│ Career      │──────│ Fast-track       │
│ aspirations │      ├──────────────────┤
└─────────────┘      │ Testing ground   │
                     └──────────────────┘
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5.7.1 The fast-track strategy

Employees most commonly linked their career aspirations to expectations of fast company growth and rapid expansion. Inaugural employees often saw themselves as part of the founding team, or 'core unit', and expected a series of promotions should the company become successful. To these individuals, employment in a high-growth company acted as a 'fast-track career strategy', and the risks associated with joining a start-up were seen to be outweighed by the chance to accelerate one's career. Chios, Fuller and Fischer (who worked for two of the fastest growing firms in the sample) commented on the start-up as an excellent environment for quick career progression:

> *You can move up the hierarchy faster in a small company and take responsibility for personnel. So if the firm is successful, I will soon be the manager of a larger team. (Chios)*

> *I think it is not just enhancing my career but it is a big leap. It has taken my career forward more than I would have ever achieved working in a larger company. In terms of my personal development, in terms of my responsibilities, in terms of my knowledge of complementary business units, finance, law, contact with the industry, but also just the people I am working with. They are influential, like the founders or the venture capital investors. It has opened a lot of doors, because those investors are involved in so many other businesses. I know there is a whole host of opportunities which hasn't been there before. (Fuller)*

> *The promotion opportunities are far greater here; I have already been promoted several times since I joined nearly two years ago. (Fischer)*

All three quotes above emphasise the exceptional opportunities for career advancement which are understood to manifest within a successful start-up organisation. Both Chios and Fuller understood their chances for career progression to be greater in this context than in a larger organisation. For them, as well as for Fischer, the prospect of rapid career advancement was an important motivation and a critical component of the employment deal. Great emphasis was also placed on the link between career progression and organisational growth, a point further outlined here by Ash and Amos:

> *As long as the company continues to grow, new opportunities and roles will arise, so I can slowly move away from just being a programming slave to something like project management. I don't have any specific job roles in mind at the moment, but I am quite positive about my chances here. (Ash)*

> *In terms of career perspectives, I do hope that the firm will continue to grow and that I will end up as a departmental manager, as I have been part of the team from the beginning. (Amos)*

It is important to acknowledge that this thesis focuses on growth-oriented start-ups that demonstrate annual growth rates above twenty per cent in terms of revenues and employee numbers. As a result, employees rarely commented negatively on the performance of the company, and yet, if company growth did not match or exceed employees' expectations, their outlook in terms of career progression was rapidly altered. The quotes of Ibri, Fischer, and Coz demonstrate their insistence on continued expansion, with employees going as far as to threaten to leave the organisation should growth not materialise as they anticipated. Consequently, entrepreneurs were faced with a particularly short career capital window (often below one year). The founders risked losing many of their best employees should they fail to deliver on their growth targets.

> *As long as the company continues to grow I will stay. However, should we fail to hit our targets, I am out of here. (Ibri)*

> *In effect you get double the promotions, one for your personal development and one for the company's development. However, if the company should stop growing you suddenly get no promotions, it's an*

all or nothing game, and I am an all or nothing guy. Either we continue to grow and I will give it my all or we don't and I quit. (Fischer)

I was hoping the company would grow a little faster. Perhaps the others were also hoping for faster growth or I just have grown less patient. The next 6-12 months will determine my future here. (Coz)

Interestingly, it is not only the fundamental role of growth as a source for career advancement, but also the pace at which employees expected the company to grow which emerges as a critical factor in the employment deal. For these employees, growth stagnation was synonymous with failure.

In addition to progressing within the organisation, interviewees also described the start-up as a potential spring-board for their career outside of the enterprise. Quotes form Ishi, Dale, and Flint demonstrate employee expectations that working within a start-up will provide a 'kick start' to their career.

This start-up is my chance. In large firms career progression is slow and I don't really want to start from the bottom. After uni I was offered a graduate scheme. It sounded great at first, but actually what they were saying was no promotions for three years, regardless of my efforts and skills. If we are successful I will move up the hierarchy much quicker here. I could be managing a team of ten people by next year and who knows how far I could push it in three. With the success of the firm behind me I can switch to a multi-national anytime and be in a much better position. (Ishi)

Take any CEO under thirty-five and you will find that they work for a technology company and began their career in a start-up, not a larger organisation. (Dale)

I think this can be a great thing on my CV, there are not many people that can say that they managed to build a main-stream consumer brand in just a couple of years. And that is the way we are heading. (Flint)

Not only do these employees share a desire to use the start-up as a 'spring board' for an accelerated career progression, they also demonstrate great optimism in this potential outcome. Ishi and Dale were completely convinced that working for a successful start-up, as opposed to a larger organisation, offered them far greater opportunity for rapid career progression. This thesis had neither the aim nor the scope to verify their claims, but instead emphasises that these perceptions and

expectations were a primary motivational factor, and operated to both attract and retain a large proportion of the workforce in high tech start-ups.

Start-ups are known to face limited 'legitimacy as employers' (e.g. Williamson and Robinson, 2008) and often experience high failure rates (e.g. Storey and Green, 2010). Despite these characteristics, employees did not consider their career choice as particularly 'high-risk'. Interviewees (and in particular junior employees) felt that their employability would remain largely unaffected should the company prove unsuccessful, as the owner would take most of the blame (i.e. lose career capital). Considering employees' limited financial investment in the start-up, a failure would also have little effect on their personal savings. Furthermore, joining an existing start-up was seen as less risky than founding alone. In general, employees believed that their employability could only be enhanced as their experience increased. Words of caution from family members or friends were generally ignored.

> *Despite my parents' worries, the risks are actually quite small. All I can lose is time. I have not invested any of my own money and I am not looking for a job-for-life. Should we fail the founders will take most of the hit, financially and in terms of their reputation. But if we continue to grow, then I will be very much part of the success story, fast-tracking my career. (Amir)*

> *Even if this projects fails, I still have time to find another company. This is my first job in Germany and my primary aim is to gain experience and better my career options for the future. (Barak)*

Similar to their outlook regarding individual development, employees took personal responsibility for improving their employability and career capital, which is to say, they did not expect the company to manage their career plan. Interviewees were fully aware of the high failure-rate of start-ups, but did not consider this to be remotely intimidating; confident in their own employability, they joined the company for their own benefit and would simply leave should it cease adding value to their career capital, as evident from quotes by Dale and Chios:

> *I don't have to stick with the same company for a long time, when I think it is not adding any value anymore, I can just change companies. What I like about this job is that I have learned so much since I arrived. (Dale)*

> *There are two scenarios. If the company continues to grow, and the next year is the make or break point, I will stay here. If we do not*

manage to keep our cash flow liquid and secure larger clients, I will go into self-employment. (Chios)

The founders were clearly aware of employees' desire to fast-track their career, and sold the start-up as a place which could offer this chance.

The people grow with the company. So we have got someone who is 25, he started with us as a programmer as one of the first six-seven people. And he has now a team of four people who are under his leadership, so despite his young age and little work experience he now has quite a big influence on what is happening. But of course that only works with rapid growth rates. We grow about fifty per cent a year in terms of our workforce. So you can calculate how quickly people will come in underneath you. Of course there might be a few more senior members joining at some point, but for now, especially in the technical areas, we always employ at the lower levels. So the people who joined first move up the ranks. They become a product manager or lead a new project. What does career progress really mean? Does it mean more responsibilities? That is something we give people right from the start. And in terms of subordinates, they grow with the company. (Aaron - founder)

Founders also candidly admitted that, in reality, fast career progress was rare. Despite some success stories (Dale for example was promoted four times in the course of just one year, and his colleague Dor grew a team of fifteen employees underneath him within two years) sixteen out of the twenty-five employees interviewed had not been promoted since starting their respective jobs. This creates an intriguing perceptual gap between employees' optimistic expectations regarding their career progression and the reality as described by the entrepreneurs.

One possible explanation for the difference in perceptions is the link between career advancement and organisational growth, as envisioned by the employees. As long as the company grew they expected to be promoted regularly. However, as the accounts of Caesar and Christian suggest, founders were in fact more interested in maintaining flat organisational structure, even under conditions of growth.

In terms of career progression, I think most employees expect to move up the ranks as the company grows, but we will try to keep our management structure as flat as possible. There might be some opportunities for spin-off projects or separate ventures to come out of this company, something I would encourage. In that case we might be

their first customer or one of their first shareholders.
(Caesar and Christian - founders)

Caesar and Christian go as far as to suggest that a 'spin-off' or side-project might be a more viable form of career progression than awaiting a promotion within the original start up framework. The aim of the founders to limit hierarchical structures was in direct contrast to employees' desires for promotion. Furthermore, upwards career progression was limited by the fact that the founders would always reserve top management positions for themselves. An example helps to illustrate this issue further: Genes recently joined 'Recruitment' as a sales rep. The head of the sales, Gallio, is one of the three co-founders. Even if the company continues to grow and Genes performs exceptionally, he will not be allowed to advance past Gallio. Genes referred to this as a 'glass ceiling', fully aware of a further career level above which remained indefinitely out of reach.

> *I would say there is a sort of a glass ceiling in a place like this, because obviously there is twelve of you, you cannot climb the ranks, there are not many ranks to climb (laughter). (Genes)*

Gad provides another example. He has joined 'Recruitment' on a one year placement and is now considering if he should return to the start-up after finishing his degree.

> *I am never going to be the boss unless I am given some shares… I wouldn't really want to come back and think, this is my role and I can't really progress anywhere upwards… In the end of the day, I learned a lot and I don't think I can learn much more in my position. (Gad)*

Both Genes and Gad outline a problem with upwards mobility. They might be put in charge of supervising new employees joining the organisation, thereby gaining more responsibility and status, and yet the top management positions will be reserved for shareholders only.

With the exception of 'Fashion', organisations interviewed as part of this thesis had not yet addressed the apparent conflict between employees' expectations of promotion and entrepreneurs' desires to retain flat organisational structures. In effect, the entrepreneurs were living on borrowed time. At 'Fashion', the tipping point had

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already been reached; despite exceptional organisation growth rates, the company experienced high turnover rates as they could only offer very few employees a chance for promotion.

> *We have a high staff turnover. We only keep people on if we can offer them higher positions. We will not pay more than €400 to someone just doing the same job as before. Being an editor is not the most skilled job, you can pick it up quickly, but if a person shows real potential and drive we try to find them a higher position. (Dor)*

'Fashion' utilise their high staff turnover rate as form of selection, but this was only possible due the constant influx of new recruits, and relatively simple job descriptions (little expert knowledge was required to become an editor for one of their blogs). However, many of the other start-ups were expected to seriously struggle should some of their key employees leave the organisation, taking with them much of their expert knowledge, tacit insights, and valuable clients.

The origins of employee expectations regarding career advancement were not entirely clear. Undoubtedly, their hopes were fuelled by the founders' ambitious growth predictions and stories of successful employees (e.g. Aaron, p. 167). However, they also prepared an exit strategy should their expectations not be met, often allowing the entrepreneurs only a year (or less) to prove the viability of the venture and to satisfy their career aspirations.

At this point, it is important to clarify that staff reported no formal procedures for career advancement. Jobs were rarely assigned to specific functions, there was no clear career plan, and job openings were not formally advertised within the company. Suitability for promotions seemed to be based on the founders' perceptions only, and career progression did not come with any additional training. Instead, employees would simply be assigned additional roles or tasks. Despite this lack of formal structure, employees did not perceive this system to be unfair.

In summary, interviewees expressed a strong desire to move up some sort of career ladder. Employment in start-ups was often described as a 'fast-track career strategy',

and employees understood that organisational growth and rapid career advancement were interlinked. The risks associated with joining a young start-up seemed to be outweighed by the chance to accelerate one's career. However, employees' expectations for rapid progression directly conflicted with entrepreneurs' desire to retain flat company structures. The founders risk disappointing their staff in the long-run and faced a particular strain to grow the company fast or risk losing some of their most valuable staff (i.e. founders faced a short career capital window). Most of the start-ups under investigation had not yet reached this tipping point and the consequences of this scenario were not entirely clear. A logical prediction would be to envisage an increase in staff turnover as experienced by 'Fashion'. On numerous occasions, individuals threatened to leave the organisation should growth rates decrease. On the other hand, employees' quest for rapid promotion seemed to stem primarily from their desire for self-development, recognition, and increased responsibility. As long as the company continued to grow its employee base, existing employees would get the opportunity to increase their level of responsibility and recognition, building and managing their own team. Coupled with an attractive share package, this might be sufficient to keep employees satisfied in the longer term.

5.7.2 First job

Most of the junior employees in the sample set regarded their position in the start-up as their first professional job. They had joined the respective start-up straight from university, and held little or no prior working experience. As such, the job was often referred to as a 'testing ground': a place where individuals could learn about a range of business areas and apply themselves to a variety of job roles.

> *I am young and I want to try out a few things. I am not sure what career path to persue in the future, but I think a start-up is the ideal place to figure it out. You get to see the whole business process and can put on many different hats (job roles). (Hali)*

> *I wanted to have a look around everything and see where I fit best. (Dale)*

Some recruits, such as Amir, also viewed the young enterprise as a 'bridge' or 'stepping stone' between university and a 'real' job. Employees valued the informal

and 'fun' working atmosphere and described the start-up as a great environment for personal development.

> *It's a bit like the Google campus, just in miniature: retaining the university feel whilst doing professional work. It's fun and informal, but at the same time we are creating some great products for some really large players. (Harod)*

> *We are a young team in a young company. It's not so different to a university project I guess. I think it is a good start into the working life. You learn a lot, probably more than in a large firm, but we also have a lot of fun. I don't think I am ready for a real job in a large multi-national yet.* (Amir)

Apart from a using the start-up as a 'stepping stone' for future employment, numerous interviewees also expressed their desire to set up their own company at a later stage. By working for an entrepreneur, they hoped to reduce some of the risks associated with founding a company as well as gaining valuable experience and access to the founders' network.

> *My ultimate dream is to start my own firm. I am here to get experience, to learn how a start-up works, how things could be done better. (Coz)*

Entrepreneurs such as Aaron and Gallio promoted their enterprise as an interim learning environment: a place where employees could test out some of their university knowledge, apply themselves to different job roles, and experience entrepreneurship first hand.

> *Employees expect to learn something, to apply some of their university knowledge. The developers are quite interested in how things work in a small company, because they might want to found themselves at a later stage. So I don't think we will have people staying for more than three years, by then they might want to cut back on their working hours or do their own thing. I see it as a career step. So they can look back and say, I worked in a company which grew by 200 per cent to 300 per cent, this is the things I did, now give me that amazing job. (Aaron - founders)*

> *I think they quite enjoy it because it is very close to what they just left, which is university. They can feel like they are a student that has not quite left, maybe that might hinder us as a company in a couple of years -time, when they say: 'well, I am done with this, I want to go'. (Gallio - founder)*

Aaron and Gallio both understood and accepted a potentially short duration of employment in those they recruit. They did not expect their employees to view the start-up as a long-term career choice, rather they focused on individuals who were at an early stage in their career, offering them a place to explore and learn. Naturally, this component of the employment deal was less relevant to senior employees, and could go some way to accounting for the young average age of the workforce.

5.8 Summary

This chapter presents the results of the thematic data analysis and directly addresses the first research question of this thesis: why do people choose to work in growth-oriented high-tech start-ups? Employee expectations, needs, and desires were categorised into seven discrete 'motivations' including: financial rewards, working environment, founder(s), job design, business idea, opportunities for personal development and career aspirations. Table 10 lists and describes each component and subsidiary component in turn, thereby acting as a chapter summary in itself.

A variety of intriguing and novel conclusions can be drawn from the analysis, both in terms of individual components as well as the employment contract as a whole. First and foremost, it was possible to demonstrate that the employment deal in growth-oriented high-tech start-ups differs from the exchange relationship found in larger, organisations and established SMEs. Components such as job security (which have traditionally been regarded as critical) were deemed less relevant, whilst others, such as the founder or the business idea emerged as key motivational elements. A detailed examination of each component further revealed that even components known to exist in larger organisations carried a different meaning within this context. For example, career progression continued to form an important part of the employment deal, but in contrast to larger organisations the emphasis was on utilising the job as a fast-track strategy or a bridge between university and a 'real' job. Financial rewards, commonly believed to hold a pivotal role in motivating employees in SMEs and larger corporations were deemed less relevant in start-ups, particularly to junior employees. The working environment was characterised by particularly

strong team cohesion and camaraderie, both within as well as outside the work place. Whilst this 'family like', informal and 'fun' atmosphere was considered positive by many junior and senior employees alike, it also engendered a culture of peer pressure, where some employees could feel compelled to 'fit in' and participate in social events. Employees were critical of the narrow age range as well as the lack of guidance and structure which characterised the working environment. Perhaps the most imperative element within the employment deal was the employee's perception of opportunities for personal development. Features such as the high level of task significance and autonomy, the informal and open working atmosphere, the fast organisational pace, as well as the opportunities for continual and timely feedback created an exceptional learning environment which profoundly influenced interviewees. The importance of personal development was also stressed by the founders, who referred to employees' longing for personal development as important selection criteria. However, the data also revealed that much of the responsibility for personal development and career planning was placed on the employees themselves; formal training opportunities or established procedures for career progression was rare.

Employees' previous working experience was identified as an important indicator of their motivations and was used throughout the analysis to differentiate the experiences of junior and senior employees. Whilst junior employees viewed the start-up as a learning experience and a spring board for their future career, senior employees were more interested in the impact of their work, the chance to 'build something new' and the opportunity to hold shares in the company.

Another interesting finding revealed by the data was the growth dependence of many of the components as well as the exceptionally short career capital of the entrepreneurs. Both of these findings suggest that the employment deal in growth-oriented start-ups is a faith-driven, short term contract, an idea explored further in the discussion chapter.

In most cases the discrepancy between entrepreneurs' and employees' perceptions of the employment deal was minimal, suggesting effective communication. A notable exception to this rule emerged in their respective expectations regarding career progression. Whilst employees assumed fast hierarchical career advancement under conditions of growth, entrepreneurs indicated their desire to maintain a flat organisational structure.

Finally, many of the components described by employees as motivations could also manifest as disincentives when taken to extremes. Strong team cohesion and camaraderie could produce peer-pressure, informal and flexible working relations could result in a lack of structure and guidance, and the 'studio-style' office layout brought higher noise levels and a feeling of constant surveillance. These findings will be discussed in greater detail under the section 'Too much of a good thing" (p. 210)

In conclusion, this chapter focused on exploring why people choose to work in growth-oriented high-tech start-ups and how their needs and desires contribute to shaping the employment relationship. The chapter made extensive use of individual narratives, offering authentic, first-hand evidence of employees' personal interpretations and perceptions. Seven core components of the employment deal were identified and described in detail. Table 10 offers a comprehensive summary, listing each component and subsidiary component in turn. The discussion chapter will now evaluate the wider impact of the results in relation to the theory outlined in the literature review. Particular emphasis is placed on the third research question: how can we conceptualise the PC in growth-oriented high-tech start-ups?

Table 10 – List of the components of the psychological contract in growth-oriented high-tech start-ups

Component	Subsidiary Component	Notes:
Financial Rewards		Base salary/pay: explicit, often referred to as a 'necessity' by employees. Also described as: a security, a form of recognition (justice), or simply a means to cover living cost. Long-term, financial benefits include share packages (exclusive to senior employees) and implicit promises of profit sharing. Clear difference between junior and senior employees, with the later placing more emphasis on (fixed) pay as well as share options. Junior employees by contrast rarely mentioned financial rewards as a key motivation.
Working environment	Working conditions	Tangible: Physical layout of the office: modern, simple, open work space (studio-style), 'home-like'. Inspired by tech-hubs like the 'Google campus' in London. Use of artifacts such as football-table and 'chill-out areas'. Alternatively, start-ups rented rooms in traditional office complex (four case). The 'studio layout' was referred to as a relevant component of the employment deal (motivation), particularly for junior employees. At the same time staff complained about higher noise levels, more clutter and a feeling of constant surveillance. The traditional office layout sparked neither positive nor negative emotions. Resource constraints were mentioned as a main disadvantage (e.g. no canteen).
	Working Relations	Intangible: Interpersonal relations: Strong team cohesion and group identity, both within as well as outside of the work place. Much emphasis on camaraderie and team work (particularly by junior employees). Common use of 'family' metaphor. Supportive. Personal relationships. Paternal management style. Homogeneous group. Particularly narrow age range. Peer pressure to 'fit in'. Blend of work and social activities. Working atmosphere was described as: informal, open (to new ideas), emphasis on 'fun culture', creativity and learning from mistakes, flexibility in terms of working hours, positive learning environment, but also high intensity, nowhere to hide, emphasis on reciprocity, peer pressure to participate in social events, little guidance, little structure, short-termism, ageism, high time commitment, fast working pace.
Founder		Personal sympathy for founder(s). Vision and charisma of the founders played a critical role during the recruitment process. Motivated by young, dynamic, enthusiastic entrepreneurs. Passion rubbing off. Role model (particularly for junior employees). Preference for founding teams (rather than ventures started by an individual). Founders occasional depicted as inexperienced (work/life). Conflicting desire for strong leadership (guidance and structure) versus informal working relations (with an emphasis on informality, autonomy and flexibility).

Table 10 – List of the components of the psychological contract in growth-oriented high-tech start-ups - continued

Component	Subsidiary Component	Notes:
Job design	Work content	Skill variety: Broad job role. Job diversity. Mixture of niche market competences and multi-skilling. Involved in all aspect of business. Task identity: Completion of a 'whole' and identifiable piece of work. Project oriented work. Critical about the extent of job diversity, the need for continues learning and the weak support systems in place (these concerns were only expressed by senior employees).
	Task significance	Impact: Influence over events/decisions/people. Ability to create change. Opportunity to make a difference. Ideas are taken into account. 'Experience the fruits of one's labour'. Affect on company performance. High level of responsibility (which also resulted in added pressure). Involved in strategic decision making. Feedback: Through seeing impact. Sense of being noticed/listened to/needed was appreciated by senior and junior employees alike. Appraisal. Support. Previously felt lost in a larger firms. Recognition: internal (e.g. founders/co-workers) and external (company performance, customer feedback, responds from within the tech community).
	Autonomy	More freedom/flexibility in terms of scheduling their own working hours. Working from home. Opportunity to structure work around other commitments (e.g. a Master thesis). Work more independent. Take ownership for own actions/decisions/motivation. Founders demanded employees to demonstrate high levels of self-initiative/self-reliance. Short decision making paths/less hierarchy/red tape/formalisation vs. missing structure and guidance.
Business idea		Employee belief/conviction in business idea/concept was crucial. Invested into business idea emotionally. Emphasis on shared vision. Ability to see market potential and level of innovativeness/novelty. Entrepreneurs traded in ideas/hopes/dreams. Faith-driven contract.

Table 10 – List of the components of the psychological contract in growth-oriented high-tech start-ups - continued

Component	Subsidiary Component	Notes:
Development opportunities		Employees (particularly junior) identified opportunities for personal development as the most important component of the employment deal. They expected to gain general working experience, learn about a range of business functions or the start-up process. Aimed to develop specific skills, niche expertise and tacit knowledge, soft skills, as well as improve their sales, negotiation, leadership, team working and problem solving. Personal development was not only an option, but a requirement (and the responsibility of the individual). To some extent T&D was dealt with during the recruitment (attitude to develop self). Learning methods: Learn on job/learning by doing. Personal coaching from founder. Extra time allowance for personal development. Attendance of external workshops. Founders and employees learned together as the company grew. Little formal training opportunities within the organisations and commonly described as an extra-curricular activity. Numerous aspects of the job resulted in particularly favourable/'ideal' learning environment:. Fast operational pace. Constant feedback. Attitude to learn from the mistakes. Informal working relations. High levels of job diversity and task significance. Quality of the workforce. Holistic nature of the job design and high level of autonomy.
Career aspiration	Fast-track	Accelerate or kick-start career. Fast-track career strategy. Be part of success story. Expected chances for promotion. Employees' desire for hierarchical career progression was in direct contrast to the founders aims to keep company structures flat. 'Hierarchical glass ceiling'. Strong expected link between expected career progression and organisational growth. Entrepreneurs faced a particularly short career capital window. Employees (junior) associated limited risks to joining a start-up (except time). Self efficient in terms of career planning. Tipping point if failed to deliver on (growth) expectations (resulted in increased turnover).
	Testing Ground	First job (applied to junior employees only). Bridge university and 'real' job. Stepping stone. Employees who wanted to found own firm at later stage. Emphasis was on increasing one's employability (learn, apply university knowledge, gain working experience across different functions). Start-up is no long-term career choice. Definite end data.

6. Discussion chapter

This chapter presents a discussion of the research findings. So far, this thesis has used the literature review to map and critique current understandings of employment relations in growth-oriented, high-tech start-ups. It isolated some existing research limitations and outlined three relevant research questions. The psychological contract (PC) was proposed as an appropriate conceptual framework to better understand and analyse employment relations in growth-oriented high tech start-ups. The results chapter presented the key findings of the in-depth interviews. It provided a detailed account of employees' reasons for working in this particular type of organisation, thereby directly addressing the first research question. It outlined the components of the employment deal (from now on 'the deal') as perceived by the founders and the employees. This chapter will evaluate these accounts in relation to the literature and discuss how the findings can help to enhance the theory of the PC, as well as our understanding of the working relations in growth-oriented high tech start-ups.

The chapter will start by reminding the reader of the key research questions before offering its principal contribution: a new, process-oriented, visual model of the PC. Crucially, the PC is conceptualised here as a dynamic contract which is in constant need of adjustment. The model will be used as a structural reference point throughout the chapter as some of the more intriguing findings of the thesis are discussed in greater detail. Five discoveries are evaluated in greater depth:

First, the formation of the PC is considered. This is a complex process which is influenced by many organisational, individual and external factors, such as the organisation's public image, employees' affinity to the start-up scene, and the cultural/institutional context. Whilst a large number of factors and processes inform or influence the 'PC formation', two were deemed particularly relevant to this sample. (1) The findings suggest that the previous working experience of employees had a significant effect on their expectations of 'the deal'. (2) The homogeneous culture of

the growth-oriented, high-tech start-up scene overshadowed any differentiation based on national culture.

Second, many of the components making up 'the deal' were tailored specifically to growth-oriented start-ups. This supports the argument that the PC in SMEs and established organisations differs to the PC found in start-ups. Components such as job security are regarded as less important, whilst others (such as the founder) become pivotal. Even elements which seem similar to the ones found in larger organisations carry a different meaning in this context. For example, personal development is still regarded as a very important component of the PC, but instead of formal training employees expect the opportunity to experiment and learn with the company, not from it.

Third, the current PC literature suggests that met expectations have a positive effect and unmet expectations have a negative effect on employees' motivation and company commitment. Findings from this study reveal that many of the reasons and motivations for employees to commit to the organisation can be perceived as a disincentive if deemed excessive. For example, an employee might be motivated by the high level of task significance and impact whilst, simultaneously, the same employee might hold a negative view of the high pressured working environment, given that their actions have an increasingly direct impact on company performance. This phenomenon is categorised under the label 'motivation/disincentive' in Figure 5, and will be discussed in more detail under the heading 'too much of a good thing'.

Fourth, I want to suggest that the PC in growth-oriented high tech start-ups is not a long-term or open-term contract, but a short-term contract with a defined 'expiration date'. The diagram refers to this as the 'tipping point'. Having gone several times through the 'evaluation' cycle, employees reach the point at which they decide (or are forced) to either leave the company or stay with the organisations under the conditions of a new contract.

Fifth, employees face a high level of risk and uncertainty when they first join the start-up. With a limited track record, founders are forced to rely on their charisma and sales skills as well as the employees' positive perceptions of the business proposition. The employee is taking 'a leap of faith' as they enter the employment relationship. The venture is highly growth dependent and lives on 'borrowed time'. As time progresses, the company will succeed or fail to deliver on its promises and employees will adjust their perceptions accordingly. This section of the chapter is further discussed under the heading 'true lies', which also takes a closer look at the power dynamics within the negotiation process.

Overall, this thesis argues that the employment deal in growth-oriented high-tech start-ups differs to the one found in larger, more established organisations or established SMEs. The chapter contributes to the literature on employment relations in the unique working context of growth-oriented start-ups as well as presenting a new theory of the PC.

6.1 Research questions

To reiterate, this thesis aims to enhance our understanding of the motivations and experiences of employees working in young, entrepreneurial, growth-oriented, high-tech start-ups. In particular this thesis seeks answers to the following questions:

- Why do people choose to work in growth-oriented start-ups?

- How do employees' needs and desires contribute to shaping the employment relationship?

- In light of the above, how can we conceptualise the PC in growth-oriented start-ups?

6.2 A new Model of the Psychological Contract

The following section will introduce a new Model of the Psychological Contract: one that is informed by the results from this study and also draws upon Guest and Conway's (1997) work discussed in the literature review (p. 72). The model will be

used as a structural reference point throughout the chapter as the elements of 'the deal' are evaluated in the context of growth-oriented, high-tech start-ups. Employment relations in small firms and start-ups are commonly described as informal, complex and often contradictory (e.g. Ram, 1994; Marlow, 2006), but a more refined model of the employment deal in start-ups is still missing. Research continues to be characterised as under-developed and scarce (Ram and Edwards, 2003) and the entrepreneurship literature has paid little attention to employment relations in start-ups, particularly from an employee perspective. Studies that do exist (mostly in the SME literature) warn about the difficulty to draw out meaningful generalisations about the employment contract in SMEs due to their diverse employment practices (Atkinson et al., 2014). Whilst some contexts such as low-wage labour (Arrowsmith et al., 2003; Cox, 2005; Edwards and Ram, 2006), HRM in the manufacturing sector (Deshpande, and Golhar, 1994; Stephen et al., 2011) or employment relations in micro-businesses (Matlay, 1999) have enjoyed some attention, others, such as such as the growth oriented high-tech start-up require further attention. This thesis argues that the enhanced model of the PC presented below addresses some of these research gaps and makes a significant contribution to the existing literature on employment relations in start-ups. It offers a visual conceptualisation of the employment deal as it moves along the different stages of the employment process. The model also marks a significant contribution to the existing literature on the PC by adding not only valuable empirical data but also offering a theoretical development of the concept. As such it is a key outcome of this study and a direct response to the third research question.

Figure 5 – Process-oriented model of the psychological contract
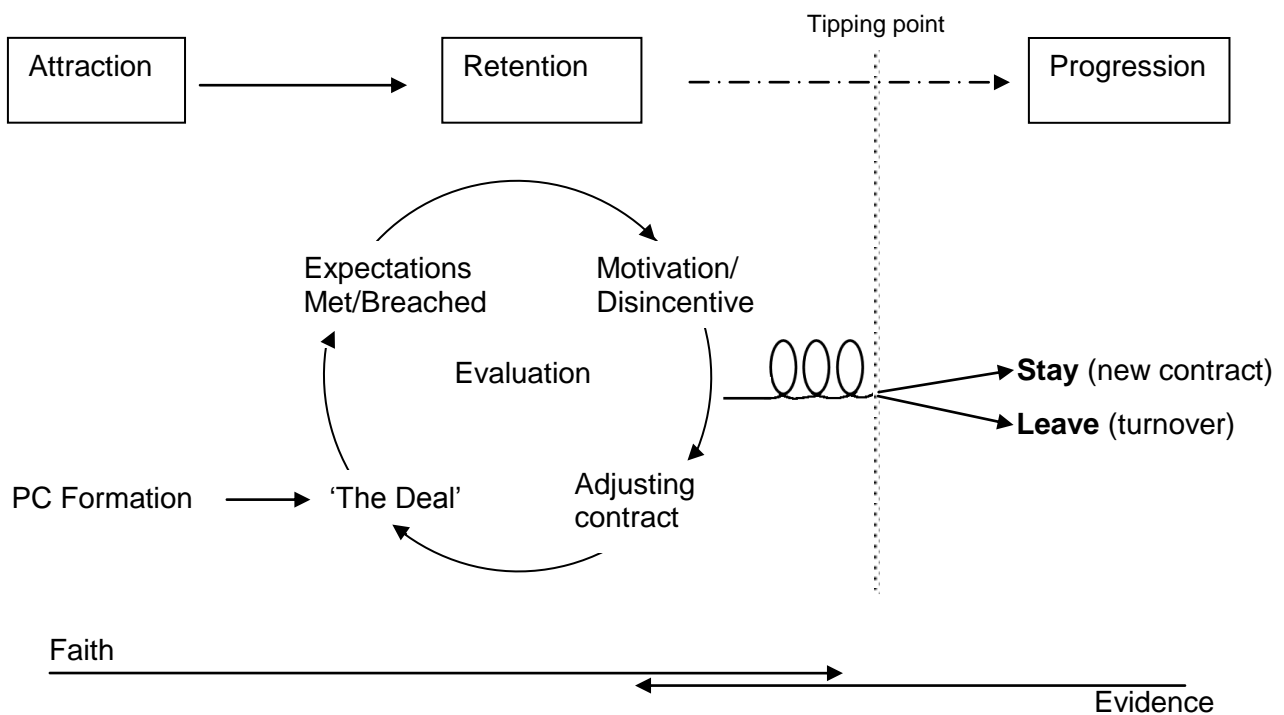
Rousseau defined the PC as an "individuals' beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party" (1989, p. 123). In other words, the PC describes the components that make up the employment deal as perceived by both parties. Using this definition as a basis, the results chapter spent considerable time summarising and analysing employees' reasons for working in growth-oriented, high-tech start-ups, i.e. addressing the first research question directly. However, the PC is more than an accumulation of beliefs, expectations, obligations and promises. It describes the reciprocal exchange relationship between employers and employees. It is interested in how employees' expectations are developed and what happens when they are breached or violated. The PC is an analytical framework which helps to conceptualise employment relations and their changing conditions (Schein, 1980). In an attempt to provide a more inclusive model of the PC, Guest and Conway (1997) divide the PC into three core areas, cause, content and consequence. Similar to Guest and Conway's diagram, this thesis also distinguishes between these three stages and aligns them with three broad phases of the employment process, namely attraction, retention and progression. The attraction phase includes all processes involved in the recruitment and selection of employees as well as early negotiations of the employment deal. The retention phase corresponds to the time during which a

person is employed by an organisation and thereby engages in an active employment relationship. The 'tipping point' refers to a moment in time at which the relationship is dramatically changed. The relationship can either be terminated or the terms of 'the deal' are changed to such an extent, that it triggers the formation of an entirely new PC. The progression phase can therefore be described as the consequences following a dramatic change of the employment relationship.

This thesis argues that employment relations are dynamic and undergo continuous re-negotiation. If the PC is to capture the relationship effectively, it must adopt similar features. Considering the informal and volatile working environments of growth-oriented, high-tech start-ups, this was particularly relevant to this sample. Consequently, this thesis offers a process-oriented model of the PC. The process is set into motion by the first contract between the employee and the organisation. The diagram refers to this as the PC formation. It aligns with the attraction stage of the employment process described earlier and includes anything that might help to inform, influence or negotiate a first version of the PC. This might comprise, but is not limited to, activities such as a first meeting between the founder and their potential employee as well as features such as a job description, an employee's previous experiences, alternative job prospects and their perceptions of the industry. In essence, it includes anything that impacts on the formation of the PC prior to employment. This is similar to Guest and Conway's (1997) model, which categorises any factors influencing 'the deal' as 'causes'. However, the PC formation focuses exclusively on pre-employment factors and early socialisation.

The next stage concentrates on an individual's employment at an organisation and is visualised as a circular evaluation process. This thesis argues that by accepting a job offer, the employee agrees to the employment deal. As outlined in the literature review, this deal is based on individuals' perceptions and does not have to be explicit or mutually agreed. In essence, it is a collection of expectations, beliefs, obligations and promises. Guest and Conway refer to this as the 'content' of the PC. Over the duration of the employment, employees (and founders) might perceive their expectations to be either met or breached. As suggested by the 'PC violation

literature', this might have a range of positive or negative effects. Guest and Conway identify these as attitudinal or behavioural 'consequences'. This thesis is primarily concerned with employees general motivation, which is broadly "reflected in the sense of feeling motivated by the job and looking forward to going to work each day" (Guest and Conway, 1997; p. 2). As outlined in the literature review, motivation is strongly linked to job satisfaction, organisational commitment and a positive PC. An in-depth discussion on this stage can be found under the heading 'Too much of a good thing' (p. 210). As employment continues, both sides might feel the need to re-adjust the exchange relationship or specific components of 'the deal'. Promises might have been met or breached, new beliefs might have formed for numerous reasons and expectations will most definitely have changed, in particular, employees who feel a strong sense of dissatisfaction are likely to engage in active re-negotiations. As a new, adjusted deal is formed, the cycle starts again. This evaluation cycle continues as long as the employment is resumed. It aligns with the retention stage of the employment process.

'The deal' is put to the test over several evaluation cycles, represented by the looped line. Employees' expectations are met or breached and consequently act as motivations or disincentives. The contract might be adjusted numerous times, but at some point it reaches the 'tipping point', which indicates a dramatic change in the relationship. At this point, employees decide (or are forced to) terminate the employment contract. Alternatively, they stay within the same company but the employment relationship is changed to such an extent that it can be defined as an entirely new contract (for example due to a promotion or relocation). Considering the close link between employee expectations and organisational performance, the 'tipping point' is likely to be triggered as a consequence of particularly good/poor company performance. If the venture is not successful and goes out of business, the employment deal will be terminated (as employees choose to leave the organisation or are forced to do so due to company closure). Alternatively the start-up can be very successful and thereby reach a point at which it can no longer be defined as a start-up. If employees choose to stay in this successful and now established organisation, their PC is most definitely changed beyond recognition. Informality, uncertainty and newness are replaced by more formal structures and processes, job security and a

consistent company track record. At this point, 'the deal' is comparable to an employment contract found in established companies. A detail discussion on this can be found under the heading 'the tipping point'.

Finally, I want to draw attention to the two arrows at the bottom of the diagram labelled as 'faith' and 'evidence'. This is a feature of the PC unique to the context of growth-oriented start-ups. As employees form their expectations and beliefs for the first time, they have very limited information about the organisation, the founder or the chances of success. The literature review referred to this as the "liabilities of newness and smallness" faced by start-up (Cardon and Stevens, 2004; Heneman and Berkely, 1999). In essence employees enter the relationship on good faith, a concept further discusses under the heading 'True lies' later in the chapter (p. 219).

Many of the components of the PC are linked to the growth expectations of the organisation. As the start-up is beginning to produce 'evidence', employees are able to judge if their expectations are met or breached and thereby verify the legitimacy of the employer. Over time, employees are less dependent on goodwill. Their faith might even turn into mutual trust, a concept often referred to in the PC literature.

A concrete example will help to further clarify the process-oriented model of the PC presented above: at the time of the interview, Gad had been working at 'Recruitment' for one year. Wishing to become an entrepreneur himself, he joined the young enterprise with the primary aim to learn about the start-up process and develop his skill range. Even before entering the employment contract, Gad held numerous expectations regarding his personal development. During the attraction stage he refined these and related them to the context of 'Recruitment'. Influenced by the selection process, his personal assumptions about growth-oriented high-tech start-ups (and 'Recruitment' in particular) as well as the founders' implicit and explicit promises, he developed his personal interpretation of the PC (PC formation). Gad's employment contract included numerous tangible and intangible components, most evidently, his expectations regarding personal development ('the deal'). Over the course of Gad's employment (the evaluation cycle) his expectations were either

fulfilled or breached, thereby acting as a motivation or disincentive respectively. Gad reported that most of his expectations were fulfilled (and even exceeded), describing the enterprise as an 'ideal learning environment'. However, he was also critical of the lack of formal training during the first days at 'Recruitment' (p. 160). As his employment continued Gad kept on evaluating the employment deal, adjusting his expectation where necessary. After one year (and several evaluation cycles) Gad reached the 'tipping point'. He felt that in his position he could not develop much further (p. 168). His career progression was slower than expected and his learning needs had changed. Considering the pivotal role of 'personal development' as a components of his employment deal, Gad decided to leave 'Recruitment' (one month after the interview) to pursue a job in another growth-oriented start-up. The example not only illustrates the dynamic nature of the employment relationship, but also highlights the short lifespan of the PC in growth-oriented start-ups.

In conclusion, the process-oriented model of the PC presented above is regarded a key outcome of this study. It offers an inclusive picture of the employment relationship as the PC progresses through the formation, evaluation and expiration stage. The model helps to develop the PC beyond a simple list of components and for the first time, emphasised its dynamic nature in a visual diagram. Having been developed in the context of growth-oriented, high-tech start-ups, it directly addresses the third research question. The chapter will now use the empirical data from this thesis to discuss each element of the model in greater depth.

6.3 The Formation of the Psychological Contract

Most of the literature on the PC has focused on its content (Rousseau, 1990) or the consequences associated with a breach of the contract (Rousseau and Aquino, 1993). As a result, very little research has analysed the factors or processes affecting PC formation (Rousseau, 2001), such as the antecedents which inform or influence people's assumptions about what an employment relationship ought to contain. This thesis argues that the PC formation is an important stage in the development of the employment relationship and should receive greater critical attention. As illustrated in Figure 5, PC formation takes place largely during the

attraction phase of the employment process. In 2001, Rousseau produced one of the few theoretical conceptualisations of PC formation (Figure 6), arguing that the PC is activated to a large extent through pre-employment experiences, recruiting practices and during early on-the-job socialisation.

Figure 6 - Phases in PC Formation – (adapted from Rousseau, 2001)

Pre-employment →	Recruitment →	Early Socialization →	Later Experiences
Professional norms	Active promise exchange	Continuing promise exchange	Changes often incorporated into existing psychological contract
		Active information seeking by workers/agents	
Societal beliefs	Evaluation of the signals by both firm and workers	Multiple sources of information from firm	

Subsequently, academics have added further variables to Rousseau's model, most notably employees' personality (Liao-Troth, 2005; Suazo et al., 2009; Ho et al., 2004) and individual values (Cohen, 2012). Considering the long list of possible antecedents (e.g. values, job market, reputation of the company or the industry, recruitment processes, induction period, etc.) or 'causes' as Guest and Conway (1997) would call them, most studies have focused on one factor only. In the literature review and methodology, this thesis suggested that employees' perceptions of the PC might differ due to the distinct institutional, market and cultural contexts of Berlin (Germany) and London (England) (p. 37). Whilst this will be discussed in greater detail in the following section, it is important to acknowledge that this thesis did not find convincing evidence that national culture had a significant effect on employees' beliefs and expectations regarding their employment deal. The homogeneous culture of the growth-oriented, high-tech start-up scene seemed to overshadow any national differences. This is interesting for a number of reasons: it suggests that, in this context, professional norms had a stronger influence on employees' perceptions than societal beliefs. It also challenges numerous studies on cultural variations of the PC (e.g. Rousseau and Schalk, 2000).

Whilst employees' perceptions could not be differentiated on the basis of their workplace location, the study did find another interesting antecedent: employees' previous working experience. The findings revealed significant differences between the expectations of junior and senior employees, an issue discussed in more detail as the section unfolds.

6.3.1 Location

Berlin and London were identified as Europe's most prominent start-up hubs for high-tech ventures (e.g. Startup Genome, 2012, The Guardian, 2012) and subsequently used a geographical sample criterion. The assumption was that, considering their popularity and vibrant internet start-up scene, top talent would congregate here. An added benefit of investigating case studies from two distinct locations was the unique opportunity for a cross-cultural comparison. Previous research had argued that national values were likely to influence employees' perceptions of the employment relationship (Sparrow, 1998; Rousseau and Schalk, 2000; Thomas et al., 2003; Kickul et al., 2004). Interestingly, in the context of growth oriented internet start-ups, this research study did not find any evidence to support their claim. Moreover, the management strategies and the organisational cultures of the eight cases were highly similar across national boundaries, supporting a similar finding by Chan et al. (2006). This is not to suggest that Berlin's and London's cultural and institutional context does not differ or that the nature of entrepreneurship is not influenced by its cultural setting. Instead, I argue that the high-tech community as a global phenomenon had formed such a strong start-up culture (inspired by the 'Silicon culture') that national differences had little impact on employees' expectations.

The finding is somewhat surprising considering the works of other academics on this topic. In 2000, Rousseau and Schalk edited a book compiling thirteen studies on cross-national perspectives of the PC. They concluded that employees' experiences of the PC varied widely across countries. The PC of French employees, for example, was based on conflict rather than agreement, the Japanese highlighted instead the importance of organisational membership and a sense of belonging, in Belgium

societal forces created a high similarity of employees' perceptions across workers and firms, whilst American workers reported highly idiosyncratic deals. In short, all the studies in Rousseau and Schalk's book argue that national culture affected employees' perceptions of the PC. This was further supported by a study of Kickul et al. (2004), who compared the PC of Hong Kong Chinese working in the banking industry and American part-time MBA students. They concluded that employees from the two cultures assigned a different weighting to the importance and breach of the PC. Finally, Thomas et al. (2003) propose in a conceptual paper that employees from cultures with a strong sense of collectivism were more likely to form relational contracts whilst employees from an individualistic oriented country favoured transactional contracts. The only paper to simulate the findings of this thesis is a study by Chan et al. (2006). They investigated a sample of the "50 Best Managed" firms in Canada, concluding that fast growth cancelled out all other differences in terms of management style. Chen et al. attribute this homogeneity to the fact that the key management challenges related to growth were very similar across their sample.

The question remains, what differentiates the cases of this thesis to the conclusions drawn from the works above? After all, it seems only logical that national values influence how employees interpret and process information regarding the content of their PC (Sparrow, 1998). The methodology chapter outlined numerous differentiating factors between Berlin and London, including the absence of the minimum wage in Germany, the different start-up environments of both cities (e.g. Berlin is known for its creativity and app-developers whilst London offers good links to capital finance), the risk-aversion of Germans compared to the British, the high-level of collectivism measured in Germany and the different attitudes towards unionisation, just to name a few. However, despite these contextual variations employees' perceptions regarding their employment deal did not differ based on national culture. The study assigns this to a number of reasons, most notably the strong international community/identity of high-tech start-ups across national boundaries.

This thesis specifically focused on growth-oriented start-ups offering technology driven products or services. The reasons for this narrow research focus have been discussed earlier (p. 12) and included the importance of the sector to the UK and German economy, the ability to gain deeper insights into this under-researched domain, and the increasing popularity of start-ups an employer. However, this emphasis on one specific type of start-up also resulted in a very homogeneous selection of companies. All the firms seemed to have adopted an organisational culture inspired by the Silicon Valley high-tech start-up scene, promoting values such as open communication, flat hierarchies, fast operational pace, high levels of innovativeness, blurred boundaries between work and private life, high working pressures, risk-taking behaviours, big dreams, tight resource constraints, a 'fun' culture, strong team cohesion and long working hours. It was also not possible to confirm individual risk-aversion often associated with the start-up culture in Germany (e.g. Wagner, 2002). Many of the cases aspired to compete and be recognised internationally. 'Fashion' and 'Mobile' had already exported their products globally, whilst 'Software', 'Consult' and 'Lending' had attended numerous international industry trade shows. Calling the cases 'born globals' or 'international new ventures' (Oviatt and McDougall, 1994, 1995) might be an over-statement, but they were all aware of the international market place and aspired to belong to a global community of high-growth, high-tech new ventures. The Berlin based ventures conducted much of their work and especially their coding in English. Employees were clearly aware of the stereotypical image associated with high-tech start-ups and aspired to join this community. Instead of referring to local customs, interviewees told anecdotes associated with 'Silicon stars' such as Facebook, Google and others. They also related to tech-entrepreneur icons such as Steve Jobs, the Samwer Brothers, Peter Thiel and Hasso Plattner, often referring to them in their examples. Some of the individuals, such as Amos, Humul and Ivah, had previously worked for start-ups in other countries, further breaking down national barriers. For others, like Darius, Dor, Barak and Dale, this job itself was outside of their home country. I argue that it was this international orientation of the individuals as well as the organisations, which reduced the effects national culture had on employees' perception of the employment deal. In other words, the strong internationalisation of the IT industry and their shared identity as association to the US start-up scene seemed to erode expected culture differences.

The only distinction that this study was able to make referred to the start-ups attitude towards part-time employment. The Berlin start-ups were much more likely to employ students on a part-time basis. Six of the thirteen Berlin-based employees interviewed had joined their respective start-up though a part-time position. They commonly used their work experience as a subject for their Bachelor or Master thesis, before joining the firm full-time after graduation. The founders accommodated employees with university commitments, as pointed out by Ash (p. 152). Allowing students to work as part-time staff while still at university was used by companies as a recruitment strategy to attract some of the best talent before they secured a graduate position with a larger organisation, as well as a method to test employee abilities and 'fit'.

In summary, despite many authors suggesting that national culture effects PC formation, in the context for this thesis no evidence for this claim could be found. Instead the findings suggest that growth-oriented, high-tech start-ups have a strong sense of belonging to an international community. The homogeneous case selection and employees' international orientation made it impossible to distinguish between the expectations of German and UK employees. In her study on the PC in small firms, Atkinson (2008) concluded that the SME sector is too heterogeneous to develop a single typology of the PC in small firms. This thesis argues that this might be correct for the SME sector on the whole, but that the employment deal in growth-oriented high-tech start-ups showed strong consistency, even across countries, thereby increasing the generalisation of the findings for other start-ups in this sector.

6.3.2 Career stage

Whilst it is not part of the research design specifically, employees' previous working experience (also referred to as their career stage) did emerge as an important antecedent to PC formation during the data analysis. 'Working experience' was defined as the amount of job-related experience an individual had accumulated over the course of his/her career (Tesluk and Jacobs, 1998). This thesis distinguishes between junior employees (little or no previous work experience) and senior employees (a minimum of three years of relevant work experience). The findings clearly show that individuals' reasons for joining a growth-oriented start-up and their

perceptions of the employment deal were influenced strongly by their career stage. Considering the otherwise strong homogeneity of the individuals in this sample, this was considered the most important antecedent in the context of growth-oriented start-ups.

Identifying employees' working experience as an important antecedent to PC formation might not come as a surprise to academics in the field of career development. The idea that employees' needs and expectations are influenced by their respective career stage can be traced back as far as the nineteen fifties (Super, 1957). Moreover, work ethics (Pogson et al., 2003), job attitudes (Smart, 1998; Flaherty and Pappas, 2002) and organisational commitment (Allen and Meyer, 1993) have all been shown to correlate with employees' career stage. And yet, this antecedent remains largely ignored by researchers in the PC and entrepreneurship literature. A rare exception includes the work of Guest and Conway's (1997), who investigated if previous redundancies experienced by employees influenced their expectations regarding job security. Guest and Conway concluded that most employees felt secure in their job, even if they had experienced redundancies in the past; arguing thereby that employee experience had no significant effect on the PC. A more recent study by Hess and Jepsen (2009) investigated if individuals' perceptions of the employment deal were dependent on their respective age cohort. Again, little evidence to support this claim could be found. In contrast to these two studies this thesis argues that employees' working experience (not just in terms of redundancies or their generation cohort) had a significant effect on their expectations regarding the employment deal.

The only paper known to this thesis which does acknowledge that the PCs of junior and senior employees might differ is a conceptual paper by Ng and Feldman (2009). They propose that employees' degree of tolerance regarding unfulfilled promises decreases as age and work experience increases. However, their paper focuses on PC breach not PC formation. It does not discuss any specific elements of the employment deal and provides no empirical data to support its claims.

The discussion will now turn to examine in more detail the differences between the employment deal as perceived by junior and senior employees respectively. One very simple but telling finding of this thesis is the sheer dominance of junior employees found in the start-up working environment. Nineteen out of twenty-five employees interviewed by this study reported to have little or no significant working experience (less than three months). They had joined the start-up during or shortly after graduation. Only six employees (Buz, Coz, Chios, Flint, Fuller and Hamul) could be classified as more experienced, senior employees. This finding suggests that growth-oriented high-tech start-ups predominantly attract and select younger employees who were at an early career stage. If the employment deal offered by start-ups was perceived similar by all age groups, one would expect to find a relatively even spread of junior and senior employees. In Super's theory on career development (Super, 1957; Super et al., 1988; and later added to by Savickas 2001, 2002), he distinguishes between four different career stages; exploration (to mid 20's), establishment (to mid 40's), maintenance (to early 60's), disengagement or decline (Late 60's through retirement). At each stage individuals are expected to have different developmental needs, different aspirations and expectations. Start-ups seem to attract predominantly 'explorers', individuals who are concerned with clarifying their career interests and aptitudes in order to make choices about their career direction. None of the interviewees could be classified as a member of Super's last two stages. This thesis proposes that the employment deal offered by growth-oriented, high-tech start-ups is tailored predominantly to the needs and desires of junior employees. Individuals who were at a later stage in their career development rarely join young start-ups. If they did, like the senior employees interviewed as part of this study, they held a different set of expectations regarding the components of 'the deal' compared to their junior colleagues. For example, senior members of staff were most interested in the high levels of task significance (impact) and the chance to own shares in the start-up. The idea of 'jump starting' their career or using the start-up as a 'bridge' between university and a 'real' job did not apply to them. They also placed less emphasis on the social programme provided by the start-ups (such as after work activities or weekend trips).

One of the quotes which perhaps best summarises the difference between junior and senior employees was given by Sara, a venture capitalist and entrepreneur interviewed as part of the exploratory study. She also used the terms senior and junior to distinguish between employees' motivations to join start-ups.

> *For the more senior people it is the opportunity to earn some more money through the share packages as well the chance to prove themselves by building something from scratch and for the more junior employees it is a dynamic and exiting place to work, with less structure than in larger organisations. (Sara)*

With the help of the other in-depth interviews it was possible to identify four key distinctions between the senior and the junior employment deal. (1) As indicated by Sara, (all) senior employees expected share options as part of their remuneration package. To some extent they balance the risk of joining a start-up with the opportunity to share financial rewards should the venture be successful. None of the nineteen junior employees receive share packages, though some were offered a profit sharing scheme as well as bonuses. (2) Having worked in other, often larger and established organisations, senior employees particularly enjoyed the process of creating a new company from the ground up. They often saw themselves as part of the senior management team and took an active role in determining the future direction of the organisation. To some extent this desire for influencing the direction of the start-up might have originated from their frustrations of limited impact and slow change in their previous job. (3) Seniors desire to prove themselves in this new setting was also reflected in their strong yearn for personal development.

> *I think in my old job I stopped developing a bit, or I was not developing as fast as I liked to. This was a great opportunity to have more decision making power and just to work with people I can learn from. (Fuller)*

Similar to their junior colleagues, senior employees saw the start-up as a great learning opportunity. However, their learning expectations were often linked to a negative sense of stagnation experienced in their previous job (Fuller above). Chios, for example, had been with his previous employer for ten years. Now he felt the need for something new, not just a promotion but an opportunity to learn about business processes he could not gain exposure to previously. As a software engineer he felt

his only chance to learn about new product development and marketing was by joining a small, driven start-up. (4) Finally, in contrast to their junior colleagues, job security raised some concern.

> *I set an ultimatum regarding the venture funding, because I have a family with two kids, so my costs have to be covered. I told them (the founders), I want to earn the same as before with some opportunities for personal development. They managed to get the funding, so I joined the company and took some of my clients with me. It was worth it for both sides. (Chios)*

Senior employees did mention the need for a minimum level of job security. Considering their career and life stage, they naturally had more responsibilities (such as a family or a mortgage), which demanded a certain amount of stability. Their opportunity cost of switching from a secure, well paid job in an international corporation to a young enterprise can also be assumed much greater. And yet all six senior employees left their previous jobs voluntarily and with the observable desire to join a start-up. In contrast to their junior colleagues, senior employee had a clear set of expectations regarding the terms of the contract (e.g. Chios set an ultimatum regarding the funding of the start-up) and their expectations often linked to a longer time frame than the expectations of their junior colleagues.

Considering the high percentage of junior employees, their particular perceptions are treated as the default employment deal in growth-oriented start-ups and will be discussed under the next heading. So far, the section has outlined four distinctions between senior and junior employees, concerning (1) their financial rewards, (2) their desire to co-creation and impact, (3) their needs for personal development and (4) their concern for a minimum amount of job security.

Having discussed some of the differences regarding the employment deal, it is also important to acknowledge that entrepreneurs changed their management strategies according to the seniority of their employees. Taking Goffee and Scase (1995) typology for instance, the working relationship between the founders and their senior employee can best be described as fraternal (i.e. working alongside one another, emphasising team work and an egalitarian ethos), whilst junior employee were

organised using a paternalistic management style. A comparison can also be drawn to a study by Ram (1999b). In a case study on a small management consultancy, Ram uses the concept of 'mutual adjustment' (a term first introduced by Mintzberg, 1983) to describe the working relations in WhitCo (a professional-service firm). The case emphasises the importance of building a trust relationship. Similar to senior employees from this study, Ram's interviewees showed high levels of self-reliance and organised much of their work between themselves. In contrast, junior employees from this sample set relied on more direction and guidance (i.e. managers or supervisors to coordinate the actions of workers).

In summary, this thesis argues that PC formation is an important and under-researched phase of the employment relationship. It is influenced by numerous antecedents and processes, as outline by Rousseau's model (2001). This thesis focused on two of these antecedents, national culture and career stage. It is argued that senior and junior employees perceive the employment deal differently and that their previous work experience is one of the most telling antecedent of PC formation. Entrepreneurs have recognised this distinction and adopted their management style as well as the components of the deal accordingly. In contrast, national culture was rejected as an antecedent to PC formation in the context of growth-oriented high-tech start-ups. I propose that cultural differences associated with Berlin and London were outweighed by a particularly strong cross-national identity of the high-tech industry itself.
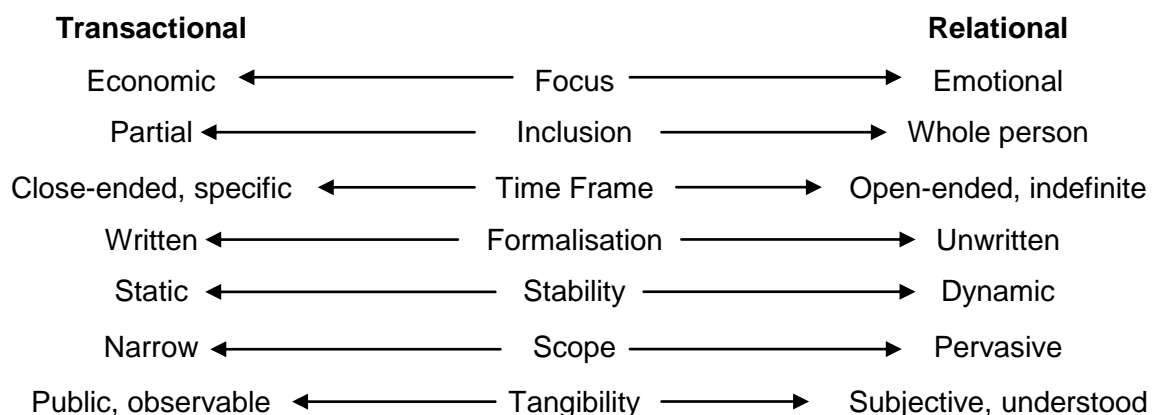
6.4 Components of the PC in growth-oriented start-ups

This section will focus on the content of the PC ('the deal') and the 'evaluations cycle' (see Figure 9). The results chapter already dedicated a large amount of effort to describe and analyse the components of the PC in growth-oriented high-tech start-ups. Table 10 on page 179 provides a list and short description of each component. The aim of this section is to discuss these findings in relation to existing literature on the PC and outline some of the most interesting differences.

As discussed in the literature review, employment relations in growth-oriented, high-tech start-ups differ to the ones found in larger, more established organisations or established SMEs. This is due to numerous characteristics of start-ups, including their young age, small size, high levels of informality and strong orientation for growth, as well as the volatile and fast chancing market they operate in. As a result, academics have called for more empirical data within this specific context (e.g. Heneman and Tansky, 2002; Marlow, 2006). The findings from this study confirm that the employment deal in start-ups has a number of specific features. Components, such as job security were regarded as less important whilst others, such as the business idea or the role of the founder are pivotal. Furthermore, elements which seemed similar to the ones found in larger organisations carried a different meaning in the context of growth-oriented start-ups. For example, personal development was still regarded as a very important component of the PC, but instead of formal training employees expected the opportunity to experiment and learn with the company, not from it.

The following section will look at some of the distinct features of the employment deal in start-ups in more detail. First, 'the deal' is predominantly relational. Rousseau (1990) proposes that an employment deal can be made up of transactional and relational components. She differentiates between the two as outlined in Figure 7.

Figure 7 - A continuum of contract terms - (adapted from Rousseau 1990)

Transactional		Relational
Economic	← Focus →	Emotional
Partial	← Inclusion →	Whole person
Close-ended, specific	← Time Frame →	Open-ended, indefinite
Written	← Formalisation →	Unwritten
Static	← Stability →	Dynamic
Narrow	← Scope →	Pervasive
Public, observable	← Tangibility →	Subjective, understood

According to her categorisation, the only component of the deal in start-ups that could be defined as transactional is financial rewards. They also represent the only

explicit promise made by the founders towards their employees. The legal or formal employment contract rarely exceeded a basic job description and a statement of 'the wages paid for the number of hours worked'. This confirms similar findings by Nadin and Cassell (2007) on the PC in small firms, but contrasts with other studies on the PC, which have categorised opportunities for career advancement, formal training, the working environment and job security as part of the explicit, transactional PC (e.g. Rousseau, 1990; Atkinson, 2008). This thesis argues that in the context of start-ups the components discussed by employees in the data chapter were in fact relational. Take career advancement for example. Just like in larger, established organisations, this was perceived as an important component of the PC in start-ups and employees had numerous expectations regarding their career progression. However, these expectations were unwritten, they changed over time (i.e. dynamic), they had a very broad scope, were subjective to the individual and had no definite time frame as they were dependent on growth. In other words, they showed all the characteristics of a relational component.

The reasons for this predominantly relational contract are discussed in turn. Most influential is the uncertainty surrounding the future success of the start-up. Their weak track record, fast operational pace, lack of strategic HRM practices, highly personalised and informal working relations as well as the volatile market condition they are exposed to, all contribute to this elevated level of ambiguity surrounding the PC. Guest and Conway (2002) argue that organisations should aim to adopt certain HRM practices and communication strategies, which would enabling them to make explicit promises, thereby reduce the likelihood of incidents of contract violation. However, in the context of start-ups, founders are (1) not able to offer clear transactional promises due to the reasons named above and/or (2) not willing to do so. In fact, this thesis argues that despite entrepreneurs' efforts to be open in their communication, they also benefit from a certain amount of ambiguity. It helps founders to build flexibility into the contract, a finding also supported by Millward et al. (2003). Founders strayed away from using terms such as 'promises' and 'obligations' to define the component of 'the deal', as this would limit later efforts at re-negotiations. This thesis agrees with the arguments of Nadin and Cassell (2007), who question the explicit management of the PC and argue instead that "it is the

'fuzziness and ambiguity' associated with the psychological contract that in this context (small firms) makes it effective" (p. 434). Buz, a senior employee at 'Travel' gives a good indication of the ambiguity and uncertainty which define the PC in start-ups.

> *The point is this, what we offer is the idea, the vision we have. Potential employees have to decide, using their imagination, do they think it is possible that it can work and be successful. If it works, and that is something we as a team believe, then it is a real career chance, because everyone who is part of this close-knit team will come out on top. (Buz)*

The quote also illustrates that employee were aware of the faith-driven nature of 'the deal' and did not expect founders to make formal promises beyond the financial rewards. In essence, employees took a leap of faith. Their reasons for working at the start-up included the expectation to have a fun and exciting job, to 'go on an adventure', to have a chance for self-development and to 'be part of a success story' amongst others, all of which could be categorised as implicit and relational. Employees were aware of the risks associated with growth-oriented start-ups and made the conscious choice to accept a PC dominated by relational, not transactional components. As Darius, an employee at 'Fashion' reflects:

> *I had an offer from a more established firm, which I turned down. It was more risky to take this job, but I hope in the end it will be worth it. (Darius)*

Considering that all but financial rewards were classified as relational, this thesis calls into question Rousseau's categorisation. In the context of growth-oriented start-ups, her conceptualisation of the employment deal (transaction versus relational) does not help to understand the employment relationship better. There is however one element of her model which this thesis would like to develop further, the concept of 'time'. One of features Rousseau uses to distinguish between relational and transactional components is a concept she refers to as 'time frame', "the duration of the employment relationship" (1994; p. 467). She differentiates between short-term or specific components and open-ended or indefinite ones. A contract based on short-term components would include temporary employment services ('a fair day's work for a fair day's pay') whilst long-term relationships required "considerable

investments by both employees and employers" (p. 466). This thesis argues to employ her concept of 'time', but instead of using it to differentiate between short-term and long-term contracts, it is understood as a continuum to investigate when and how employees evaluate the delivery of the component. In the process-oriented model of the PC this is visualised by the arrow between 'the deal' and 'expectations being met/breached'. An example helps illustrates this point further. Take Coz, he is in his early thirties and has worked at 'Consult' for eighteen months. He accepted the job because he 'wanted to start something new, to explore new terrain'. During the interview stage he 'fell in love' with the business idea and warmed to the founding team of three. He joined 'Consult' on the condition of a monthly salary. He also expected to be given a large amount of autonomy and create 'impact' with his work. Additionally, he aspired to develop his leadership skills and run the sales department at some point in the future. In Coz's case, the employment deal consists of the following components: pay, business idea, founders, autonomy, impact, personal development and career advancement. Coz will have perceived his expectations to have been met or breached at different points in time, as represented in the Figure 8 below. When he started the job, his only formal component of 'the deal' was a monthly salary. He was not promised a secure job, a pension scheme, any other financial or financially convertible rewards (such as a bonus or a share options), a clear career path or any other component, that could be categorised as transactional. His expectations regarding the business idea were met during the interview stage. His relationship with the founders as well as his monthly salary were met very early In the recruitment process and continue to be met. At the end of the first month, Coz was given the autonomy to start a sales department (although he was the only member of the sales force at this point). Over the next months he started to build strong client relationships and secured the first three major clients for the start-up. He felt like he was real contributing to the growth of the firm (impact). By the end of the first year he hired his first sales assistant. This enabled him to finally start developing his leadership skills. However, at the time of the interview his team had not grown any further and he did not perceive his expectations regarding his career progress as met.
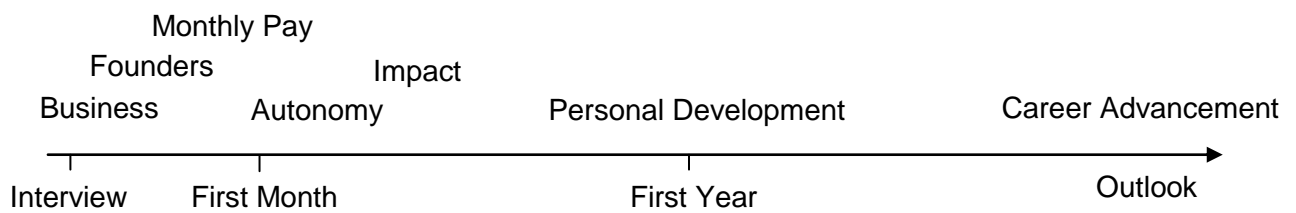
Figure 8 - Coz's Employment Deal

Figure 8 presents a highly simplified model of Coz's employment deal. Evaluation the individual components is not a 'one of event', but a continuum. Coz might change his perceptions regarding any of the components. He might fall out with the founders and experience this as a breach of the PC. His expectations regarding his financial rewards might change as he secures more clients for the start-up. As indicated earlier, the PC is a dynamic construct which is in constant need of re-negotiation. Adding a time dimension to the PC recognises that components are met or breached at different points in the employment process. Components such as pay, work content, autonomy, impact, working relations and work environment can be judged after a relatively short interval of employment whilst others, such as personal development, career advancement and share options are dependent on longer intervals. Each employee will have their own perceptions of the employment deal and, as time moves on, these perceptions are expected to change.

Similar to Rousseau, this thesis uses the concept of 'time' to evaluate how fast (when) specific components of the employment deal can be (are) met/breached. However, instead of using the answer to distinguish between short-term (transactional) and long-term (relational) contracts as done by Rousseau (1990), the thesis understands the employment relationship as a process and the employment deal as a continues evaluation/negotiation. The concept of time is used to illustrate the dynamic nature of the employment deal.

In summary, the employment deal in start-ups is predominantly of relational nature. Financial rewards were the only component which could be categorised as transactional and Rousseau's classification is called into question. Instead, this

thesis suggests mapping components along a time scale which indicates when or if expectations are met. This is not only important to further the theoretical understanding of the PC, but also helps employees to visualise and communicate their expectations more clearly. It can further be used by employees to track their own progress or as a management tool by employer, similar as a 'performance development plan' (PDP).

6.4.1 Taking a closer look

The chapter will now discuss some of the components of the employment deal in relation to existing PC literature. The results chapter and in particular Table 10 on page 179 has already offered a detailed description and analysis of components relevant to employees in the context of growth-oriented start-ups. This comprehensive list is regarded as a key outcome of this study and directly addresses the first research question. The aim of this section is to remind the reader of some of the most interesting findings and relate them back to the literature.

List of components:

- Financial rewards
- Working environment (working conditions and working relations)
- Founder
- Job design (work content, task significance and autonomy)
- Business idea
- Development opportunities
- Career aspiration (fast-track and testing ground)

At a first glance, many of the components listed above are in line with previous research on the PC content, and in particular the works of Guest and Conway (1997) and Atkinson (2008). However, differences exist and it is these differences which the thesis will now focus on. Perhaps the most notable distinction is, that (1) job security was not deemed an important component of the PC (particularly for junior employees) and (2) that the founder(s) and their business idea was regarded as a key motivation. At a closer examination of each component, it also becomes apparent that the meaning attached to many of the components differs to the perceptions held by employees in larger organisations or established SMEs. Most of these differences are related to the strong growth orientation of the start-ups in this sample and the

unique working environment they provide. As Tyagi and Agrawal (2010) write in their literature review on the PC, "expected growth in profitability and in opportunities is the fuel that feed 'the deal' that employers might be able to offer employees". The section will now take a closer look at four of the components and examine how they differ in the context of growth-oriented, high-tech start-ups. (As outlined earlier, the perceptions of junior and senior employees differed. The following discussion is based on the expectations of junior employees and their perceptions of the employment deal.)

(1) The role of financial rewards was marginal: employees rarely identified pay as a primary reason to work for a start-up or as a significant motivation. At best they viewed it as a security, a form of recognition, or simply a means to cover living costs, but not as an incentive to join or remain working for a start-up. As Amos, an employee of Software reflects:

> *At the beginning of your career you can go to a start-up, try out some things, let off some steam. Earning money you can do later. (Amos)*

This finding is interesting considering that financial rewards are the only type of reward or compensation which has enjoyed at least some attention in entrepreneurship literature (e.g. Cardon and Stevens, 2004). It is also in contrast to popular works in the PC literature, such as Guest and Conway's (1997) study, which suggests that pay and job security formed the top three motivations as perceived by employees. In contrast, the findings from this thesis reveal, that in the context of growth-oriented, high-tech start-ups, pay was not employees' main concern. Staff recognised the resource scarcity generally found in start-ups and place more emphasis on other components such as personal development or opportunities for career advancement.

One of the few studies that does support this finding includes a conference paper by Kemelgor and Poudel (2009), which reports that employees in entrepreneurial companies preferred non-financial rewards over financial rewards.

(2) The working environment: previous research on the content of the PC has been inconsistent with regard to the importance of the working environment as a component of the employment deal. Whilst some (e.g. Guest and Conway, 1997; Atkinson, 2008) include it in their studies, others (e.g. Rousseau, 1990; Hess and Jepsen, 2009) make no mention of it. Researchers which have included this component generally use the term to refer to the physical features of the workplace, such as the safety of the working environment, as well as relational characteristics, such as the level of informality (e.g. dress code at work) or 'flexitime'. Working conditions (physical), flexibility (in terms of working hours and level of perceived bureaucracy) and informality were all regarded as important by employees working in start-ups. As the section 'Too much of a good thing' will explain (p. 210), they could be perceived as a motivation as well as a disincentive. However, employees were clear in outlining that it were in fact the interpersonal work relations and team atmosphere which they regarded as most important.

Most studies on the content of the PC (with the exception of Guest and Conway, 1997, who mention 'working with people you get on with' as a motivation), do not include working relations (with co-workers as well as superiors, or in this case founders) as an important component of the PC. In contrast, this thesis argues that it is in fact one of the most important motivations, especially in smaller organisations. Employees joining a growth-oriented, high-tech start-up expected a 'fun culture' and a strong sense of camaraderie between co-workers which extends beyond the workplace.

> *There is a great community in the company, so for example we play football together, we have a fitness class, we grab a beer after work, all those little things. We are a bit like a family. (Fuller)*

The quote by Fuller summarises the conditions found across all of the cases. The 'family' metaphor was often used to illustrate strong team cohesion. This thesis thereby supports Rainnie and Scott's (1986) 'small is beautiful' thesis within the context of this sample set, as they also reported on a 'family atmosphere' in small firms and its positive influence on team morale. Founders were fully aware of the importance of this and 'went out of their way' to ensure a harmonious working environment with a strong sense of community.

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Another finding worth highlighting is the emphasis on 'fun' within and outside of the workplace. This is not a new concept in the HRM literature, but seems particularly relevant to this sample. The Silicon Valley high-tech start-up community has become a synonym for a 'work hard/play hard' philosophy and the cases under investigation were fully engulfed in this culture. Over the past decade numerous academics have argued that fun at work is essential for enhancing employee motivation and organisational commitment (Berg, 2001; Lundin et al., 2002; Marriotti, 1999; Weiss, 2002). Just how popular this movement has become shows a study by Levering and Moskowitz (1994), who found that all of *The 100 Best Companies to Work for in America* now included 'fun' as part of their corporate mission. In an effort to depict how academics and practitioners defined 'fun' in the work place, Karl et al. (2005) identify twenty-six activities themed around food, contests, outings, awards, gifts, games, wild and wacky and celebrations. All of these activities and more could be found within my sample and the start-ups often took them to new extremes. For example, Karl et al. (2005) suggest that 'taking employees out to lunch once a month' would qualify as a 'fun activity'. At 'Software', the founders offered their employees cold dinner on a daily basis, free of charge. Aaron, the founder, reported that on average fifty per cent of employees would participate in the dinner sessions. Such intensity of 'fun at work' also resulted in negative consequences, as will be discussed in more detail under the next heading. However, overall, employees expected companies to provide a strong sense of community and a 'fun' working atmosphere.

This thesis proposes numerous reasons for this emphasis on community and fun. (i) Entrepreneurs and employees perceived it as an industry standard for twenty-first century growth-oriented high-tech start-up. (ii) Strong interpersonal relationships help to build employee commitment in an environment dominated by uncertainty and fast change. (iii) To compensate the moderate financial rewards, employees expected their job to be 'fun' and 'meaningful'. This might to some extend be related to the needs and desires associated with today's younger workers (often referred to as Generation Y). Numerous academics have argued for the importance of creating a culture of fun as a means of retaining and motivating Generation Y employees (e.g., Raines et al., 1999; Tulgan 1995).

(3) Opportunities for personal development: most studies examining the content of the PC include training and development as an important component of the employment deal. However, they generally referred to this component as comprising formal training opportunities or developmental programmes such as a graduate scheme. This is in direct contrast to expectations and experiences expressed by employees from this study. In the context of start-ups formal training was rarely an option. Instead employees referred to ongoing on-the-job training, self-training and personal mentoring. Fuller offers an appropriate summary:

> *You kind of learn all the time. So every meeting is nearly like training because you learn something new. It is not formal, we don't have to tick any boxes. And if you don't understand something you are expected to put up your hand and say that you don't understand it. Then people are absolutely willing to help and explain something. But it is on you to understand your job and what you have to deliver. (Fuller)*

Not only was learning ongoing and informal, but it was also regarded as the responsibility of the individual. Employees did not demand formal training programmes, but instead expected the company to offer a 'positive learning environment'. This included an environment which encouraged employees to ask questions and allowed them to make mistakes, gave employees the time to develop a new skill on the job (such as learning a new programming language), and promoted task variety and role transitions. Features such as high levels of informality, strong team cohesion and a fast operational pace further encouraged this positive learning environment. Employees, such as Gad, as well as the founders emphasised that they were learning together as the business grew and matured

In their comprehensive review of HRM in small firms, Cardon and Stevens (2004) found "little research on training non-founders within entrepreneurial organizations" (p. 308) and called for more empirical data on this topic. Studies that do exist, have emphasised that informal on-the-job training substitutes for formal processes (Chao, 1997) and that small firms pride themselves on more hands-on highly interactive learning opportunities (Rollag, 2002). Training is associated with ongoing activities related to individual development (Jones et al., 1995) and authors such as May (1997) suggest that the start-up environment encourages multitasking, cross-

learning and functional flexibility. Employees are required to present a consistent face to customers and other stakeholders, engage proactively in problem solving and display extra-role behaviour (Messersmith and Guthrie, 2010). This study has confirmed many of these findings, but also emphasises that employees took responsibility for their own self-development. They did not expect formal training but a 'positive learning environment'. Interestingly, training and development became part of the recruitment process as the start-ups used a 'proactive attitude towards learning' as a key selection criteria.

> *We spend a lot of time trying to find the right people. New employees have to show a capacity for learning. They have to be very quick thinkers and to be able to pick things up very quickly. They have to have a passion to want to learn, to be challenged, to innovate and to be a bit outside their comfort zone. (Fuller)*

Finally it is important to stress that despite the lack of formal training, employees reported that their needs and desires in respect of personal development were exceeded. This is in line with Arnold et al. (2002) study, who found skill development often 'over-met employees' expectations'.

(4) Employees' career advancement: similar to personal development, opportunities for career advancement have long been regarded as a component of the employment deal, but need to be refined within the context of growth-oriented high-tech start-ups. Past studies have categorised career progression (advancement) as relational (Stiles et al., 1997) as well as transactional (Rousseau 1990), generally defined them in terms of promotions or access to other roles within the firm (Atkinson, 2008). In the context of growth-oriented start-ups, employees also expressed their expectation of career progress along the organisational hierarchy, often at a fast pace. However, career advancement was highly dependent on organisational growth and came to conflict with the aim of founders to keep a flat organisational structure (Caesar and Christian, founders of 'Consult').

> *In terms of career progression, I think most employees expect to move up the ranks as the company grows, but we will try to keep our management structure as flat as possible. (Caesar and Christian - founders)*

The findings revealed a minority of the individuals enjoyed stories of extremely fast career progression as some companies ('Lending', 'Fashion', 'Software') grew above fifty per cent annually in terms of employee numbers. However, most employees interviewed (sixteen out of twenty-five) had not been promoted, exposing career advancement as the component most likely employee expectation to remain unfulfilled (and thereby the most likely cause of conflict and dissatisfaction).

Furthermore, junior employees often referred to the start-up as a 'bridge' between university and 'a real job', a 'testing ground' which would allow them to build up their career capital and enhance their employability. As a result this thesis proposes to broaden the definition on career advancement and include not only internal promotions, but also the job's effects on employees' overall perceived employability. Similar to personal development, employees saw this predominantly as their own responsibility. In 1994, Waterman et al. proposed a concept they called 'career resilience', whereby employees should develop marketable skills and were expected to manage their careers across numerous employers. This thesis suggests that this concept does fit employees' perceptions in start-ups particularly well.

In summary, this section has discussed the content of the PC in growth-oriented high-tech start-ups and thereby directly addressing the first, and to some extent the second research question. It argues that start-ups offer a unique working environment and that the employment deal in this specific context differs from the one found in larger organisation or established SMEs. The success of a high-tech start-up is largely dependent on the commitment and quality of its workforce. It is therefore crucial to understand what attracts employees to work in this high-risk environment, what they expect from the job and what management strategies entrepreneurs can use to build a sustainable workforce. The contribution of this specific section (in conjunction with Table 10 on page 179) is the depiction of 'the deal' in start-ups. It is argued to be predominantly relational. Financial rewards are identified as its only transactional component. Rousseau's classification is called into question and this thesis proposes instead to map components along a time scale which indicates when or if expectations are met. The section then took a closer look

at the distinctions between employees' expectations in growth-oriented start-ups and more the current PC literature. Job security was not deemed as an important component of the PC whilst the founder and their business idea was regarded as pivotal. This thesis argued that many of the other components carried a different meaning than originally associated with them. Whilst the role of financial rewards was perceived as marginal, other components, such as the working environment and the opportunities for self-development were central. Employees expected the start-ups to provide a strong sense of community and a 'fun' working atmosphere. They also expressed the need for a 'positive learning environment', whilst taking responsibility for much of their own self-development. Training was rarely formalised, yet exceeded employees expectations on a regular basis. In terms of career advancement, employees did not only expect progression within the company, but to enhance their overall employability and career capital. Hierarchical career progress were rare and could be identified as a potential cause for grief.

The chapter will now have a closer look the process of contract fulfilment or violation as perceived by employees.

6.5 Too much of a good thing

The first section of the chapter proposed a new process-oriented model of the PC, which was identified as a key outcome of this study. So far, PC formation and the components of 'the deal' have been discussed at length. As reiterated in Figure 9, the evaluation of 'the deal' is a cyclic, ongoing progress. It involves employees judging if their expectations

Figure 9 - Evaluation cycle of the PC

were met or breached, which in turn triggers a behavioural or attitudinal consequence (motivation/disincentive). Finally, employees and founders might renegotiate specific elements of 'the deal' and adjust the contract accordingly. The aim of this section is to focus on steps two and three of this evaluation cycle. As

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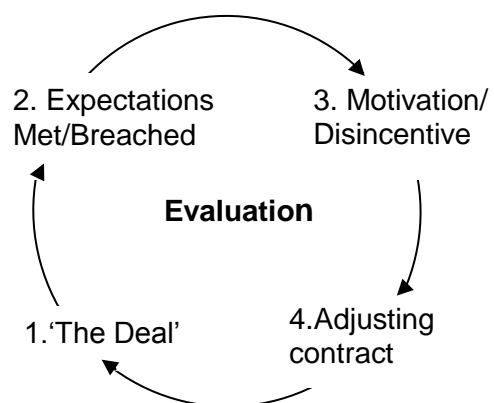
discussed in the literature review, much of the research on the PC has been concerned with investigating contract fulfilment and breach. Job satisfaction, commitment and intention to leave have been amongst the most researched consequences (Zhao et al., 2007). The literature has been very clear in arguing that employees reacted positively if they feel their beliefs and expectations are met/fulfilled and negatively if they perceive a breach/violation. PC fulfilment has been found to reduce intention to leave the organisation, higher job satisfaction and higher affective commitment (Flood et al., 2005; Larwood et al., 1998) whilst an increase in perceptived contract breach has been linked to lower job satisfaction (Gakovic and Tetrick, 2003; Lester and Kickul, 2001; Porter et al., 1998; Sutton and Griffin, 2004). In their model, Guest and Conway (1997) also rate contract fulfilment to work effort, organisational citizenship and attendance/absence. Many of these consequences are inter-connected and this thesis has chosen to use employee motivation as a overarching concept to gain a better understanding of employees' sense of contract fulfilment. Motivation can broadly be defined as "sense of feeling motivated by the job and looking forward to going to work each day" (Guest and Conway, 1997; p. 2). During the interviews, employees were asked what attracted them to work for a particular start-up, what their main reasons were for choosing and staying at the firm, what motivated them and what they liked about their work; but also what they found most challenging, what they would change and what could make them leave.

On the whole, the findings of this study support the preceding research; employees who perceived their contract to be fulfilled talked positively about the components of the employment deal and referred to them as motivations. In contrast, unfulfilled expectations turned into disincentives and had a negative effect on employee motivation. Several employees indicated that they would leave the start-up should their expectations not be met over the succeeding months. Overall, employees seemed very satisfied with their choice of employer. They often reported that their expectations were met, even exceeded at times, and that they would recommend working for a start-up to friends. This is in line with research of Arnold et al. (2002) who found that small organisations often managed to exceed employee expectations. However, this thesis adds an important observation. Expectations that were not only met but exceeded did, at times, turn into disincentives. Too much of an otherwise

desired component could thereby result in negative consequences. An example helps to illustrate this point further. Hamul particularly valued the flexible working structures (at 'Mobile'), arguing that it gave him the freedom and autonomy to innovate and explore new ways of working. His expectations regarding 'autonomy' were not only met, but exceeded, as the founders gave him the freedom to run his own app project, work on flexi-time and take full responsibility for many of critical decisions. Judging by the current theory on PC fulfilment, Hamul could be expected to feel very positive and motivated about his employment deal, and to some extent he did. However, when asked about his main concerns and reasons for discomfort Hamul critiqued the lack of structure and guidance. Too much freedom left him feeling lost and demotivated. In other words, as his desire for greater 'autonomy' were met and exceeded, they turned into a major source of concern and discomfort.

This phenomenon was not restricted to a single case or a specific component. Employees' expectations regarding 'fun' at (and outside of) the work place offer another great example. In response the desires of their workforce, the founders abolished many of the boundaries between work and recreational life, between colleagues and friends, between work and fun. The physical office space was redesigned into 'living rooms'. Many of the start-ups offered socials on a daily basis. Fun and work were often blended together beyond recognition. Employees referred to this as a key motivation, but simultaneously recognised some of the drawbacks. The frequent socials were not just an extracurricular activity but became part of the job. Peer pressure to participate and manage a 'healthy' work-life balance became a major concern for employees.

Playing table football, going for dinner together, perhaps a weekend trip, company parties, that's what I like. I don't just come here to work, I come to meet friends. (Amir)	*Now I hang out so much with people from work I hardly get to see my old friends. It gets a bit much at times. But if I don't join the company socials I will get left behind. (Amir)*

The accounts of Amir (above) and Chloe (below) directly relate to the apparent conflict been employees desire for 'fun' and 'camaraderie' at work, and the problems of added peer pressure (to participate and 'fit in') and extended working times.

Interestingly it was often the same employee would first praised a particular feature of the start-up environment, such as its flexible working times or blurred boundaries between work and recreational activities, before criticising it shortly after.

I enjoy the close connection between us and the founders. We go for drinks together. Sometimes it gets a bit late and if we don't get to the office by 9am on the day after, they understand. (Chloe)	*With our young founders, the split between working and private life is not always clear. Sometimes I get a call at 10pm, 'can you quickly do this or that for me.' (Chloe)*

Another good example of the two-sided nature of expectations exceeded can be found within employees' desire high levels of task significance. Fuller had switched from a multinational organisation to 'Lending' for numerous reasons, most pre-eminently the ability to create 'real' impact and be recognised for it. However, his increased level of responsibility also resulted added pressure to deliver.

I see the fruits of my labour, I see the pace the company is growing at and I take a certain degree of pride in that, which I think is very important. (Fuller)	*There is a lot of pressure to succeed. You will be held personal accountable if things go wrong so work here can be very stressful… You can't hide behind bureaucracy. (Fuller)*

Opportunities for personal development were another component that had great potential to motivate employees, but could also act as a disincentive. Many employees, such as Ishi, indicated that their main reason for joining a start-up was the expectation for fast learning. And yet the constant need to learn and develop w

I have developed a great deal since I joined. That's why, if I had to chose again, I would always go for a job in a start-up. (Ishi)	*There is just so much to learn. It's really frustrating sometimes… It's like doing two jobs, first you have to teach yourself and only then can you do your actual job.(Ishi)*

This thesis argues that employees held numerous expectorations some of which turned into disincentives when over-exceeded. Too much flexibility could leave employees disoriented. Too much emphasis on team cohesion and 'fun' isolated

some employees and added peer pressure onto other. Whilst employees expressed the desire for autonomy, they also critiqued the lack of guidance. The fast working pace, the constant need for learning and the high level of personal responsibility added further pressures. However, these were also the same reasons for employees to join the start-up in the first place.

How can one make sense of these apparent contradictions from a theoretical perspective? El-Sawad et al. (2004) offer an appropriate starting point. Upon observing not only differences but contradictions within individuals' accounts of organisational life, El-Sawad et al. start an investigation into the source of this apparent paradox. They distinguish between three types of contradictions: (1) the differences between organisational policy versus the experience of practice, (2) the dissimilarity of the account of one organisational member versus the account of another and (3) a concept they referred to as 'doublethink', "when one individual holds simultaneously two (or more) conflicting beliefs." (El-Sawad et al., 2004 p.1189). The first paradox could be compared to the current understanding of PC violations. An employee perceives a certain promise made by the organisation. In practice their expectations are not fulfilled and the employee might experience negative behavioural or attitudinal consequences as discussed earlier. Second, inconsistency might accrue as individuals' viewpoints conflict. The PC is generally viewed as an idiosyncratic and personal contract; it therefore accepts that personal experiences can differ. Third, the same employee holds simultaneously two opinions, knowing them to be contradictory and believing in both of them. This thesis argues that this was often the case when alleged motivations turned into disincentives. Employees were aware of the dilemma certain components such as flexibility, team cohesion and autonomy created, but did not attempt to confront or resolve these issues. They accepted the apparent conflict as part of their lived reality. This thesis proposes that 'doublethink' can be used to explain some of the dilemmas outlined.

Furthermore, a second interpretation of events is proposed. Instead of defining the positive and negative consequences of fulfilled expectations as a contradiction, they can be understood as an overabundance. Despite employees desire for certain

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components (e.g. task significance, flexibility, autonomy), under conditions of excess of these could turn into disincentives. Just like eating too much ice cream can cause stomach pain, too much autonomy left employees feeling lost, too much task significance resulted in excessive levels of pressure and too much emphasis team cohesion conflicted with the work-life balance of employees. The important point to take away from this section is that, in contrast to the current understanding of contract fulfilment, expectations that were not only fulfilled but exceeded can have a positive as well as a negative effect on employee motivation.

6.6 The Tipping Point

Thus far, the chapter has discussed PC formation, 'the deal' and its components as well as the evaluation process. Met expectations were depicted as motivations, whilst unmet expectations translate into disincentives. Expectations which were exceeded could be perceived as either. The evaluation of the employment deal was depicted as an ongoing process and employees adjusted their expectations as and when appropriate. I argue that this process is not indefinite, but that the employment deal in start-ups has a rather short time horizon. In Figure 5, this is illustrated in form of a 'tipping point'. The 'tipping point' is defined as a radical change in the employment relationship which results in a change of the original deal beyond recognition (or alternatively in its termination).

Traditional theory on employment relations suggests that larger organisations and established SMEs benefit from long-term or at least open-ended contract. The cost of recruitment on inauguration of staff is costly (Ramlall, 2003; Henricks, 2006) and companies are advice to thrive for low turnover rates (Baron and Hannan, 2002; Sturges et al., 2005). Similarly, employees are expected to value job security (Kramer et al., 2005) and avoid the stress and hustle of searching for new employment on a regular base. High-skilled labour in particular, is difficult to come by and companies as well as individual employees are expected to value loyalty (Kickul, 2001) and long-term commitments.

I propose that, in the context of growth-oriented high-tech start-ups, the employment deal is in fact characterised by a very short time horizon and a definite expiration date. In other words, both parties view the relationship as a temporal, short-term cooperation. I further argue that this unique feature of the contract is largely reciprocal.

Two reasons for this novel finding come to mind and will be discussed in turn. First, the strong growth orientations of the companies under investigation and the short lifecycle their industry is exposed to. Internet start-ups are often faced by a simple predicament, grow or vanish. Stagnation or even slow growth is not a viable option (p. 166). The employment deal promised to employees is highly growth dependent. If the company is able to meet (or exceed) its growth expectations, employees are motivated to stay. However, should the company fail to deliver on its growth prediction (and thereby its side of the contract), many of the employees interviewed indicated that they would leave the organisation. As Barak puts it, 'if the company is not growing, it is dying'. What he means by this is that a high-tech start-up that does not grow will find it difficult to retain its top employees or recruit any new ones. As key staff leave the organisation, the company's chances for success are further reduce. The founders have a very short time window (often less than one year) to prove to their employees that they can succeed. Career development, learning opportunities and financial remuneration through share packages are all highly dependent on fast company growth. Take Chios, Coz and Chloe who work at Consult for example; all three have joined the organisation with high expectations. Chios prime motivation was to start managing larger team SAP consultants. This will only be possible if the company sales continue to grow at the same rate, freeing up resources to hire more staff under him. Coz and Chloe are interest to learn and develop with the company. However, should company growth stagnate, so will their development opportunities. A breach of the contract would be inevitable. In the worst case scenario, growth would not only stagnate but turn negative. The start-up would eventually go out of (thereby terminating the employment contract), an option ever so likely considering the high failure rates of internet start-ups and the speed at which the industry is moving.

In the event of success, the start-up eventually surpasses its novelty status and becomes an established organisation. Employees that choose to stay in this 'new' organisation will most definitely experience a radical change in their employment deal. Informality, uncertainty and newness will be replaced by more formal structures and processes, job security and a consistent company track record. At this point 'the deal' will be comparable to an employment contract found in an established company. The exact point of this transformation from start-up to established organisation is debatable and subject to personal interpretation. Noteworthy is the idea that the venture creation phase itself is a transitory state; consequently, the PC in start-ups epitomises a temporary contract.

Second, many of the employees interviewed did not describe the young firm as a long-term employer option. Instead they referred to it as a 'stepping stone', a 'learning opportunity' or simply an 'adventure'. For example, Chloe aimed to learn about new technologies before perusing a career as a school teacher, Ishi, Gad and Coz wanted to experience the start-up process first hand before found their own company at a later stage, Amir and Hali used the start-up as a bridge between university and a 'real' company, and Amos was in it for the adventure. Common across the examples is the idea that their job was merely a short-term career step. This finding is important as employees' expectations regarding the duration of the employment relationship affected their perception of the PC. Job security and formal career plans became less important, whilst fast personal development and a 'fun' working environment were perceived to be critical. Entrepreneurs in turn were faced with particularly short windows of opportunity to prove the worthiness of their business. One reason for the limited patients of the younger recruits might also be their perception of a 'New Work Oder' (Gee et al., 1996), where qualities such as employability, continued learning, flexibility, and independence have replaced job security and organisational dependence. Generation Y talent knows that they have to take their career progression into their own hands. In an ever faster moving economy they simply do not have the time to wait around waiting for growth to materialise slowly. Considering the below-average financial remuneration of start-ups, they might be under additional time pressure. Of cause numerous employees also aimed to stay with their respective start-ups for longer periods of time.

Particularly senior employees holding share packages express a keen interest in long-term relationships. However, as their employer transitioned from start-up into established company, so did their contract.

In conclusion, this section proposes the idea that the employment deal in growth-oriented high-tech start-ups has a definite expiration data. It thereby differs from the long-term or open-ended contracts commonly found in established companies. At the 'tipping point' employees chose to (or are forced to) radically change their employment deal. This point is determined by the fast organisational growth (or lack of it), but also the preference of employees for short-term employment contracts.

6.7 True lies

Finally, this thesis argues that the PC in growth-oriented start-ups is a faith-driven contract. Figure 5 (p. 182) illustrates this characteristic by two arrows labelled as 'faith' and 'evidence' respectively.

'Faith' represents the initial goodwill employees are asked to invest into the contract. Growth-oriented high-tech start-ups embody particularly high levels of risk and uncertainty. As employees form their expectations, beliefs and assumptions regarding the employment deal for the first time, they hold very limited information about the organisation, the founder or the chances of venture success. The young start-up has not yet developed a viable track record upon which to base judgements, or a recognisable brand which could help to identify organisational culture (e.g. Williamson and Robinson, 2008). The literature review referred to this as the limited legitimacy of start-ups as an employer (p. 9). The risk is further increase by the high failure rate of high-tech start-ups (e.g. Storey and Green, 2010), their tight resource constraints (e.g. Henricks, 2006) and the short-term employment contract discussed in the previous chapter. To persuade potential employees, founders were forced to rely on their charisma and sales skills, as well as the individuals' positive perceptions of the business proposition. In essence the employee is taking 'a leap of faith' as they enter the employment relationship. As Ben explains:

In a start-up you don't live for the moment, you live for the vision. (Ben - founder)

Employees joined their respective start-ups because they believed in the vision of the founders and because they 'want to be part of this success story'. Consequently they were willing to accept a certain amount of uncertainty associated with start-ups, but only for a limited amount of time. As Buz puts it:

It is a high risk, but also a great chance (Buz)

The employment deal was fundamentally defined by the vision and ambitious growth aspirations of the founders, resulting in contracts based on dreams, ideas and hopes, rather than evidence. The negotiation process and ultimately the employment deal were dominated by something this thesis refers to as 'true lies'. Most components of the employment deal were dependent on venture success. Sustained growth thereby validated the founders promises (and thereby the employment deal), whilst stagnation or decline falsified their predictions. As outlined in the previous section, the entrepreneurs lived on 'borrowed time'.

As the employment relationship continued, evidence regarding the success of the venture started to accumulate (as presented in Figure 5 on page 184). Employees were now able to judge if their expectations would be met or breached, verifying the legitimacy of their employer. In the process they also became less dependent on goodwill.

The main conclusion to take away from this short discussion is the faith-driven nature of the employment deal in growth-oriented high-tech start-ups. More than any other characteristic it was this feature, which defined the employment relationship in the organisations sampled. Most components of the PC were dependent on the belief and realisation of fast organisational growth. It was also this feature which resulted in the definite expiration date of the contract and the short window of opportunity for the entrepreneurs.

Authors investigating the PC in larger organisations have commonly argued to manage the PC through formal HRM practices and communication strategies (e.g. Guest and Conway, 2002). In contrast, this thesis suggests embracing 'faith' as an integral part of the employment relationship in start-ups. It agrees with Nadin and Cassell (2007) who suggest that it is this "fuzziness and ambiguity" (p. 434) which differentiates employment relations in small firms and which gives entrepreneurs the chance to compete with some of the top employers. Employees on the other hand have to be aware of entering a relationship based on 'true ties' and ambitious growth expectations. To protect themselves, individuals commonly limited the duration of the contract (and their expectations), defining a set expiration date.

6.8 Summary

In conclusion, this chapter argued that the PC is an illuminating conceptual model to further understand employment relations in growth-oriented high-tech start-ups. It helps to offer insights into why employees chose to work for a particular organisation and what they expect in return. The process-oriented model presented by this chapter reflects the dynamic nature of employment relations. It offers a more inclusive picture of the employment deal as it passes through the attraction, retention and progression phases of employment. In the process it addresses how the needs and desires of employees contribute to shaping the employment relationship. The new model marks a significant contribution to the existing literature on the PC by adding not only valuable empirical data but also offering a theoretical development of the concept. It is regarded a key outcome of this study.

The chapter then examined PC formation, 'the deal', the evaluation process as well as the concepts of a faith-driven, short-term contract in more detail. It argued that the geographic location of the start-ups did not affect employees' perceptions strongly, whilst individuals' working experience was introduced as an important antecedent to PC formation. The chapter gave a detailed account of the employment deal in start-ups and suggests that it differs to the one found in larger, more established organisations or established SMEs. 'The deal' was found to be predominantly relational. Financial rewards were identified as its only transactional component.

Rousseau's classification was called into question and this thesis proposed instead to map components along a time scale which indicates when or if expectations are met. The chapter then took a closer look at the distinctions between employees' expectations in growth-oriented start-ups and more established organisations. Job security was not deemed an important component of the PC, whilst the founder and their business idea were regarded as pivotal. This thesis argued that many of the other components carried a different meaning as had originally been associated with them. Whilst the role of financial rewards was perceived as marginal, other components, such as the working environment and the opportunities for self-development were central. Employees expected the start-ups to provide a strong sense of community and a 'fun' working atmosphere. They also expressed the need for a 'positive learning environment'. Formal training opportunities were rare, yet employees' self-development exceeded their expectations. In terms of career advancement, employees did not only expect progression within the company, but also to enhance their overall employability and career capital. Furthermore, the chapter argued that, in contrast to the current understanding of contract fulfilment, expectations which were over-exceeded could act as a motivation as well as a disincentive. Finally, the PC was identified as a short-term, faith-driven contract with a defined expiration date and a high dependence on growth. Employees were expected to take 'a leap of faith' as they entered the employment relationship. More than any other characteristic it was this feature, which defined the employment relationship in the organisations sampled.

7. Conclusion

The aim of this study is to investigate why people choose to work in growth-oriented high-tech start-ups and how their needs and desires contribute to shaping the employment relationship. The PC was proposed as a suitable theoretical framework. The preceding chapters present an array of information and evidence in this respect, the salient points from which will be highlighted in this final chapter, in order to draw conclusions and indicate the contribution made by this study. Furthermore, this chapter considers the limitations of the research undertaken, together with indications of future research that will build on the outcomes of this study.

7.1 Summary of the research findings

Running and growing a new venture is a team effort. It is this simple but important realisation which serves as the foundation stone for this thesis. Entrepreneurs are heavily dependent on the knowledge, integrity and commitment of their first employees (Williamson et al., 2002) and commonly identify their workforce as a critical success factor (e.g. Tocher and Rutherford, 2009). And yet, literature at the intersection of entrepreneurship and employment relations remains surprisingly scarce (Marlow, 2006). The limited research that does exist focuses predominantly on the perspective of the founders. Employees' perceptions of the employment relationship remain largely unaccounted for.

From the outset this thesis focused on high-growth new ventures (also known as 'gazelles' - Birch, 1979) as the popular symbol for entrepreneurship. They are known to policy makers as critical drivers of economic prosperity (e.g. Meiritz, 2013) and have proven to generate a disproportionately large net share of jobs (Henrekson and Johansson, 2010). At its most simplistic the over-arching aim of the dissertation is to investigate 'why someone would want to work in one of these growth-oriented start-ups and what it would be like'.

The literature review began by outlining some of the unique opportunities and challenges faced by growth-oriented high-tech start-ups. Their limited legitimacy as an employer (e.g. Williamson and Robinson, 2008), high failure rates, tight resource constraints (e.g. Henricks, 2006), incomplete HRM systems (e.g. Katz et al., 2000) and strong growth dependence were all discussed at length. The chapter went on to review the current literature on employment relations in established SMEs and larger, established organisations. It discussed the apparent contradictions between the 'small is beautiful theses' and the 'bleak house scenario' and used Ram's work (1994) on 'negotiated order' to offer a more refined interpretation of the complex, contested, and continually changing employment relations in small firms. However, this thesis concluded that the employment deal in growth-oriented high-tech start-ups and established SMEs was likely to differ. Furthermore, considering the informal, interpersonal and ad hoc approach to employment relations in start-ups (Marlow, 2006), this thesis argued that HRM theory that presumes a sophisticated level of corporate managerial complexity was simply not appropriate to understand this particular context. Instead, the thesis proposed to move away from studying individual HRM functions and adopted a broader, more flexible analytical framework. The PC was offered as a conceptual model and reviewed in detail. It was deemed particularly suitable considering its ability to look beyond the formal, written employment contract and to investigate the 'softer' aspects of the exchange relationship, evaluating the explicit as well as the implicit components of the employment deal. PC fulfilment is known to correlate strongly with behavioural outcomes such as motivation and intention to stay, therefore directly addressing the first two research questions. Furthermore, the PC utilises the personal interpretations of individuals (Rousseau, 1989), thereby complementing the philosophical positioning of this thesis. The chapter concluded by proposing Guest and Conway's (1997) model of the PC as a foundation upon which to further conceptualise employment relations in growth-oriented, high-tech start-ups.

The literature review was followed by a comprehensive discussion on the methodology deemed most appropriate for this thesis. The research was positioning within an interpretive paradigm, justified by the exploratory nature of this thesis: the emphasis of the research questions on individuals' interpretations of the complex

and contradictory nature of employment relations in small firms (Ram, 1991, 1994), the "disjointed, discontinuous non-linear" character of entrepreneurship itself (Bygrave, 1989; p.28), and the researcher's own personal preferences. The ontological and epistemological assumptions also proved particularly suitable to the theory of the PC. The chapter proceeded to discuss the development of the research questions and the application of a preliminary pilot study. A qualitative cross-cultural case study approach was chosen as an appropriate research strategy. The methodology chapter also illustrated the data collection process, starting with the selection criteria applied to the sample. Intuitive thematic coding was used to make sense of the large amounts of interview data. Finally the section examined the use of a number of evaluation measurements, before considering the practices undertaken to ensure the ethical treatment of all participants.

The results chapter formed the heart of the thesis, presenting and analysing the extensive data collected. The deliberate use of broad research questions allowed themes to materialise naturally. The coding framework that emerged offered a comprehensive list of motivations relevant to employees working in growth-oriented high-tech start-ups. Table 10 on page 179 is recognised as a key outcome of this study and directly addressed the first research question (why do people choose to work in growth-oriented high-tech start-ups?). The generous use of rich extracts from the interview data allowed the reader an in-depth understanding of individuals' perceptions of the employment relationship. The distinction between junior and senior employees, the idea of a faith-driven contract with a relative short window of opportunity as well as the importance of understanding the employment relationship as a process were all evaluated at greater length within the discussion chapter.

Finally, chapter six discussed the wider impact of the findings in relation to the theory outlined in the literature review. The PC was presented as an appropriate conceptual model to further understand employment relations in growth-oriented high-tech start-ups. However, considering the unique employment context, numerous distinct features could be identified. First and foremost, the employment deal was defined as a short-term, faith-driven contract with a definite expiration date and a high

dependence on growth. Employees were expected to take 'a leap of faith' as they entered the employment relationship. More than any other characteristic, it was this feature which defined the employment relationship in the organisations sampled. Second, this thesis argued that, in contrast to the current understanding of contract fulfilment, expectations which were over-exceeded could act as a motivation as well as a disincentive. This apparent contradiction highlights the conflicting and continuously changing nature of employment deal in start-ups, a conflict that might be resolved using the concept of 'negotiated order' developed by Ram (1994). Third, two antecedents to PC formation were analysed at greater depth; concluding that the geographic location of the start-ups did not affect employees' perceptions strongly, whilst individuals' working experience exhibited a strong influence on individuals' employment deal. Forth, the findings support the hypothesis that the employment deal in start-ups differs from the one found in larger organisations or established SMEs. 'The deal' found in new ventures was dominated by 'relational' components. The usefulness of Rousseau's classification was called into question. Instead this thesis proposed to map components along a time scale which indicate when or if expectations were met. Job security was not deemed an important component of the PC for employees working in start-ups, whilst the founder and their business idea were regarded as pivotal. In addition, many of the known components of the PC carried a different meaning in this specific context than had originally been assumed. Whilst the role of financial rewards was perceived as marginal, other components, such as the working environment and the opportunities for self-development, were crucial. Employees expected the start-ups to provide a strong sense of community and a 'fun' working atmosphere. They also expressed the desire for a 'positive learning environment'. Formal training opportunities were rare, yet employees reported that self-development generally exceeded their expectations. In terms of career advancement, employees expected not only progression within the company, but to enhance their overall employability and career capital. Finally, the discussion attended to the third research question (in light of the above, how can we conceptualise the PC in growth-oriented high-tech start-ups?). A process-oriented model of the PC, as presented in Figure 10, was proposed. This new model, which is considered a key outcome of this thesis, is able to reflect the dynamic nature of employment relations, as it passes through the attraction, retention and progression phases.

In conclusion, the researcher argues that this study contributes to the existing body of knowledge both empirically, through the in-depth analysis of the employment deal and the development of a comprehensive list of components relevant to employees (Table 10), and theoretically, by presenting an alternative, process-oriented model of analysis to further understands the employment relationship in growth-oriented start-ups (Figure 10).

Figure 10 – Process-oriented model of the PC (repeat)
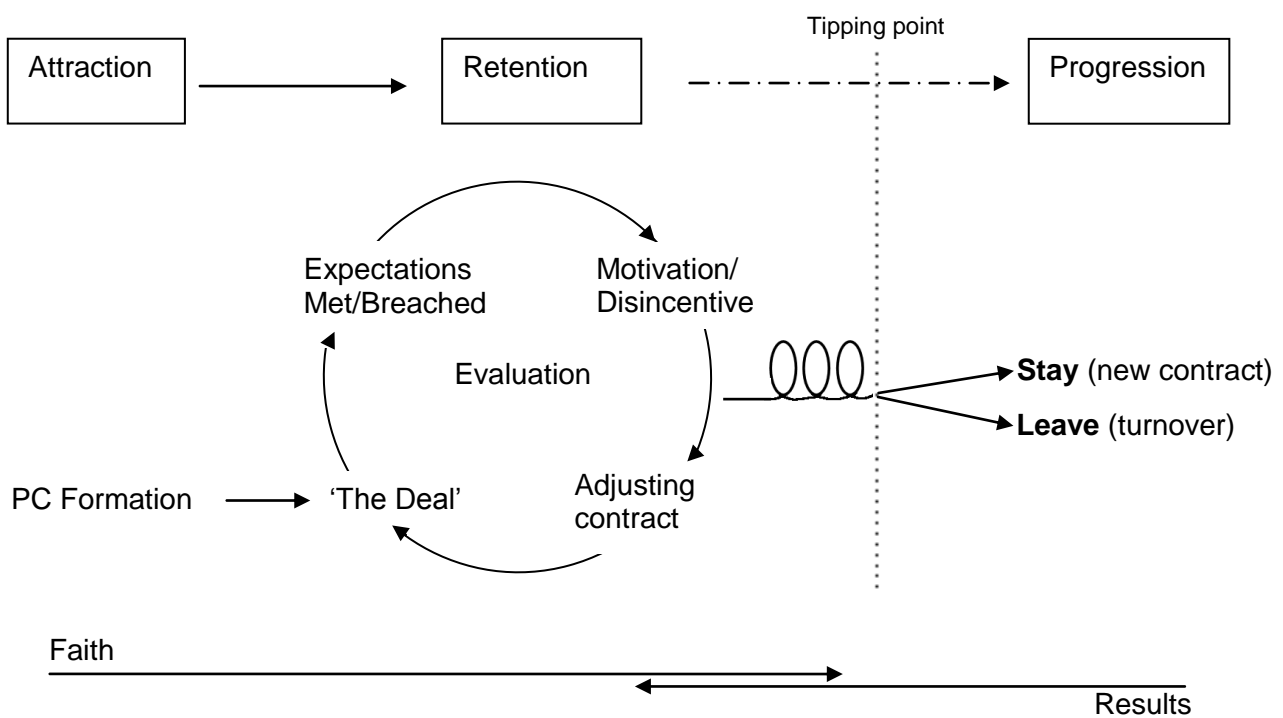
7.2 Limitations of the research

In order to evaluate the research carried out it is important to recognise and specify the shortcomings of this study, particularly in terms of its methodology. Despite a rigours research design and a careful data analysis it is acknowledged that, as with all research, limitations exist and must be considered carefully.

In contrast to large scale quantitative studies on 'people issues' in entrepreneurship (e.g. Heneman et al., 2000; Baron and Hannan, 2002), this study focused on a considerably smaller sample size (thirty-three interviews). It did not attempt to identify a full list of growth-oriented high-tech start-ups located in Berlin and London from which to select a random sample, but instead used purposive sampling to single out eight 'gazelle'-like ventures. In a purely positivistic sense the validity and generalisability is therefore limited. This thesis instead offers numerous alternative evaluation criteria (such as sensitivity to context, commitment, rigour, transparency, coherence, impact and importance) which were discussed at greater length in section 3.5.2. (p. 107). Subsequently this study was judged to score high on context sensitivity, commitment, transparency and importance.

The philosophical paradigm chosen for this study (interpretivism) enabled the researcher to identify and analyse participants' personal interpretations of their employment relationship. However, this thesis accepts that much of the data collection and evaluation process was also subject to the personal interpretations of the researcher. It is argued, however, that this did not necessarily negate the validity of the research findings, but instead formed in an integral part of the research design.

Although grounded in a comprehensive literature review, it is important to recognise that this thesis adopted a 'data driven' research strategy (p. 105). Semi-structured interviews by their very nature allow findings to emerge in a fashion driven by the participants. Consequently not all areas of enquiry were covered in the same depth. For example, much greater emphasis was placed on the content of the employment deal rather than PC formation or a potential breach of the contract. Numerous components (such as development opportunities) were discussed at great length,

whilst others (e.g. working conditions, work content) received much less attention. It is also possible that individual aspects of the employment contract were overlooked. In an effort to minimise this risk and compensate for a lack of articulation on the part of some respondents the data collection was continued until a sufficient number of interviews was conducted to justify saturation (p. 106).

Furthermore, some of the data collected was regarded highly sensitive as it could reflect negatively on the start-up or the entrepreneurs themselves. To encourage an open and constructive discussion, the researcher placed particular emphasis on creating a supportive interview climate in which respondents were relaxed and in which probing of responses was acceptable. All raw data were treated as confidential.

Another limitation to consider is the narrow and limited case selection of this study. This thesis focused exclusively on growth-oriented high-tech start-ups in Berlin and London. Preceding studies on the PC in small firms (e.g. Atkinson, 2008) have shown clear differences across industries and company size. It would be interesting to collect additional data on start-ups operating across a range of different sectors, as well as organisations that are less growth dependent and at a different stage in their development cycle. Moreover, it would be helpful to expand this exploratory study and interview employees working for established organisations, so that direct comparison between their employment contract and the deal found in start-ups could be drawn. Data prior to joining their respective employer and after terminating the contract would also prove useful. However, considering the time constraints and limited funding for this project, such a large scale data collection would not have been feasible. Instead the thesis calls for future research to apply the process-oriented model presented as a key outcome of this study (Figure 10) to a wide variety of contexts.

7.3 Future Research

This section draws together earlier discussions on the research contributions and limitations of this thesis to outline potential avenues for future research that may usefully build on the findings presented by this study.

If nothing else, this thesis strongly argued for investing more research efforts at the intersection of entrepreneurship and employment relations. Start-ups are heavily dependent on the quality and commitment of their workforce, yet few studies have collected any empirical data on this subject, especially from the perspective of the employee. Considering the integral part of growth-oriented start-ups for economic success (p. 11), the myth of the lone-wolf entrepreneur (p. 31), the critical importance of employees for new ventures (p. 33) and the under researched nature of the field (p. 77), the first and foremost call is broad in scope but pivotal in relevance. More research at the intersection of entrepreneurship and employment relations is required!

More specifically, the thesis proposes to investigate employee motivation in the context of start-ups, utilising both existing theory as well as developing new concepts for this specific context. The process-oriented model of the PC developed by this research is proposed as a starting point. To establish the robustness of the model, further research is required. In addition to the eight cases presented by this thesis, it is suggested to apply to model to a range of start-ups operating in different industries. Additionally it would prove useful to apply the model to established organisations that express a strong growth orientation. As discussed earlier, the contribution of this study has focused on the content of 'the deal'. Future researchers are advice to investigate further PC formation as well as the consequences of contract fulfilment/breach in the context of start-ups. Furthermore, considering the ongoing negotiation and adjustment of the employment deal a longitudinal research design would be particularly relevant and novel.

Other theories toughed upon but not developed further by this study include goal alignment theory, P-O fit, employment ownership and job design theory, all of which should be considered for future studies in the context of entrepreneurship.

Finally, the thesis suggests the use the in-depth analysis of 'the deal' and its components to inspire future research projects. A sheer endless number of interesting research questions comes to mind: Which component of the employment deal was most like to define the 'tipping point'? Does a 'home-like' office design change employee's attitude to work-life balance? Did employees who emphasised the importance of camaraderie continue their interpersonal relationship after terminating the employment contract (i.e. did they lose their job as well as their friends/'family')? Did homogeneous founding teams (e.g. based on age) produce superior organisational growth? To what extent did the entrepreneur capitalise on the strong desires of junior employees for personal development (e.g. through actively promoting it within their job advertisement)? To what extent is the PC a construct between individuals and the industry? How did the entrepreneurs justify the limited opportunities for promotion to employees? Do employees join the start-up for different reasons than staying there? To what extent do the founders actively chose to exaggerate individual components of the employment deal? How do the founders build trust within this highly uncertain environment?

In the end this thesis delivers on its purpose as an exploratory study, raising more interesting questions than it is able to answer.

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Appendices

Appendix 1 – Letter to potential Interviewees

Appendix 2 – Interview Guide, Entrepreneur's version

Appendix 3 – Interview Guide, Employee's version

Appendix 4 – Sample Interview Transcript,

Appendix 5 - Confidentiality statement

Appendix 1 – Letter to potential Interviewees

Loughborough University

David Achtzehn
Post Graduate Researcher
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tel
email

Hi,

As part of a PhD study I am looking for a small sample of interesting entrepreneurial firms in Berlin to take part in a new and stimulating study. The study intends to answer why people seek to join and remain working for young entrepreneurial companies. The research is fully funded and there is no cost to the companies involved. The firms need to have between 5-50 full-time employees and exceed an annual growth rate 20% (in terms of revenue and staff) for a minimum of two years.

The research aims to enhance our understanding of the motivations and experiences of employees working in young, entrepreneurial, growth-oriented firms in Berlin and London. This will not only help future employees to better manage their expectations, but allow the entrepreneur to further enhance their recruitment and compensation strategies and attract as well as retain a more motivated workforce. Whilst information gained from individual interviews will be kept strictly confidential, all participating companies will receive a short report summarising the research findings and recommendations.

The study will involve a 30-60min interview with the founder/founding team and a minimum of three interviews with employees working full time in the enterprise. Financial or other confidential information are not important to the study or of interest to the researcher. Rather it is the opinions and work experiences of both, the entrepreneur as well as the employees, which appeal to the study. If I do not hear from you before, I will try to get in touch with your company next week to further discuss your possible involvement in this innovative research as well as answer you any questions you might have.

Best wishes,
David Achtzehn,

Post Graduate Researcher
University of Loughborough, School of Business and Economics

Appendix 2 – Interview Guide, Entrepreneur's version

Employer

Factual:

•Turnover rate

• Sickness leaves

• Employee number

• Growth rate in terms of employee/revenue

• Salary system

Recruitment/selection:

• Could you walk me through a typical recruitment process for your organisation? (Recruitment channels, job description, selection process, etc.)

• What does the ideal employee look like? Selection criteria?

• How do you sell your organisation to potential employee? How do you attract them?

• How much knowledge did they have of organisation/culture?

• What expectations do employees have? What do they want to get out of working here?

• How do you welcome/integrate new recruits?

• What would be the consequences if some of your key employee would decide to leave?

Job-design:

• How would you describe the way you manage the organisation?

• What makes it attractive to work here? What is driving employees?

• What is most challenging about working here? If employees leave, why?

Culture/Identity:

• Can you tell me about the working atmosphere here? Do you expect it to change as the firm growth? How does that affect older employees?

• What makes it different to work in an organisation like this?

• *Training and development/ Career:*

• What training do you provide? How do employees feel about that?

• How easy is it to progress in a place like this? Opportunities/Constrains of working here?

Closing:

• Is there anything you would like to add or emphases that you believe to be relevant?

• Is there anything you would like to ask me?

Overarching research question

• What motivates employees to join and remain in young entrepreneurial organisations?

• What were the expectations of employees at entry level and how have these been met in reality?

• To what extent have the entrepreneurs realised/responded to the needs and desires of their employee?

Appendix 3 – Interview Guide, Employee's version

Employee

Recruitment/selection:

• How did you come to work for this organisation?

• What did you know about the organisation/culture before joining?

• What expectations did you have before starting work? Did they change? Where there any surprises? Where did you have these expectations from?

• Can you tell me a bit more about your/their selection criteria? (personality, values, attitudes)

Job-design:

• What is it like working here? What does a usual working day look like?

• What do you want to get out of working here?

• What makes it attractive to work here? The main reason to chose/stay here?

• What makes it challenging to work here? What would you change? (stress, autocratic leadership, resources scarcity, internal turmoil, overly positivistic)

Training and development/ Career:

• What training have you received? How do you feel about that?

• In terms of your personal development, what possibilities do you have here?

• What does the learning process look like? What did you learn so far? As expected?

• How does your work here affect your future career? How easy is it to progress your career in a place like this? Opportunities/Constrains of working here? What does it look like to be successful in your career? How can you achieve this in this organisation? Future plan/aspirations? Risks?

• What do your family/friends think of you working for in a job like this? Pressure to work in a larger organisation? (How long do you expect to stay? What then?)

Culture/Identity:

• Can you tell me a bit about the working atmosphere here? (If applicable: how does it compare with larger organisations you worked in?)

• What makes it different to work in an organisation like this? (autonomy, work flexibility, task variety intrinsic job satisfaction, self-actualisation)

• Is it important to you to work in an organisation which is growth-oriented and innovative?

• Do you expect the growth of the company will potentially affect the current working atmosphere?

• Would this affect you role in the organisation?

Closing:

• Why did you choose to work for an organisation like this?

• What expectations did you have prior to joining? Have they been met?

• Is there anything you would like to add or emphases that you believe to be relevant?

• Is there anything you would like to ask me?

Appendix 4 – Sample Interview Transcript, C7E3 - Genes

C7 - 'Recruitment', E3 - Genes

Researcher: So just to start off, how did you start of here?

Genes: Well I actually go to Aston University and obviously I have to undertake a placement year. And I was at the time looking to try getting into a company. It wasn't necessarily a young company; I didn't choose to work here because it was young at the time. I was actually quite set on working for a brand name, to be honest. And I was going for different roles in different companies and in the end I got down to two, which is a travelling company and 'Recruitment', where I obviously work now. And I went to both assessment centre days, because that's the process I have to go through to get a job. They were just so different. The 'Recruitment' day was quite relaxed, quite informal, quite fun, you are getting our personality across. And the TUI day was more corporate, it is obviously a huge office in Luton with thousands of people just sat hot-desking. And here it was a bit more intimate, and for me I have always been in small teams, I went to a very small secondary school, there were only 22 people in my year, and then I went to Aston University as I said, there is only 3000 people there. I have always been in small teams and really liked that aspect of working here. That's what sold it. And then it was the fact that young, and comparing them, the responsibility, that's probably why I choose here. And that's the process I went through in deciding. I actually got offered both jobs, but I turned the corporate brand down for this one so ... (laughter)

Researcher: So what did you know about the company before hand?

Genes: Well, obviously you could go on the website and see that they were three students from Loughborough, I knew that they were they had set the company up, that it was quite young, innovative and was growing, and I felt I would have more responsibility and I remember, I was driving actually back from my TUI assessment centre when I got the call offering me the job and I incidentally took it. And the next

day I rung the graduate recruiter, Tom B. From TUI, and chat to him about what he though, because he knew the guys, they do business together, and I asked him what he thought I should do and he actually told me to take the job here, he said I would actually get more responsibility, and I would not be able to hide in the shadow, I would have to be out there working and learning more. So he actually recommended of the record that I took the job at 'Recruitment', so I did.

Researcher: At this time you were still at the other Office (previous 'Recruitment' Office)?

Genes: I never saw the office, I never saw anything like that, I just met the team. The three boys were at the assessment centre, they run it in a bar. So it was really sociable, and there where drinks afterwards and it is probably that that stuck in my mind. And then it is obviously the fact that you get so much responsibility as well, so compared to something where you have to go through layers and layers of people to get anything down. Here you can just literally go, I want to do this, and normally they say, OK, try it. And I liked that aspect of it.

Researcher: What expectations did you have regarding the job in the beginning?

Genes: I wasn't really sure. I knew I wasn't gone be able to shadow someone, because there is not really someone to shadow. It is not like being in a big company where all my friends go, ohh, I got three weeks of shadowing before I can do anything. And I didn't really know what to expect. And I was in Italy one week before and I kept getting emails from them saying, consider this, consider that. It was all about marketing ideas and I thought, that's when I started to thing, this is gone be a job with allot of responsibility. That's what I imagined would happen.

Researcher: And did it change, some of your expectations perhaps?

Genes: I think I didn't expect to be thrown into the deep end as much as I did on certain things. I think some of the downsides of sometimes working in a small team is that you don't necessarily get the support and the training that you need. Especially at a level that I am, we are placement students, this is the first full time job I ever had, so I think in comparison to a big company, you probably get a little more training, a little bit more development, that side, but I made up for it in the fact of the responsibility. I learned more about myself then probably people in larger organisations. The responsibility has been huge for me.

Me: And on other aspects, perhaps something was particularly positive, or negative?

Researcher: Positive I say is the team. It is a really nice team to come in to, you want to get up, you want to come in the morning. The fact that it is a small team means you get involved in everything, and you don't get to do the same thing every day. I have different activities. And the fact that it is so small it is very supportive as well. Really supportive. The directors go out of their way to make sure you are ok. We are all very young, we are all on the same sort of wavelength, we all go out together, so the positive is probably the fact that it is not just a place to work together, it is a bit like a family. Which is something I think that really helped me, because I am a placement student, I have moved down from Stoke on Trent, where I am originally from, to London, didn't really know anyone, and I am enjoying my job which is obviously a good thing. I don't think many placement students can say that they really love their job, but I do. The downside I would say is, that with it being a small team, sometimes it is a bit busy, some people don't always notice what you are doing, you have to shout sometimes about what you are doing, because everyone is so busy. You don't necessarily get the training like I said, that you need, because there is no one to really train you . They don't know necessarily what they are doing, so they can't really tell you what to do. Allot of it is working of your own initiative, which if you are that sort of person, that's fantastic, but you might struggle if you are not. I guess that is what they look for when they recruited people which they can leave alone to get on with it.

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Me: You mentioned that it is a quite young company; everyone in the team is quite young. Is that a positive or negative thing, are you looking for that?

Genes: I think it's both, I think on the negative side there is sometimes not enough experience here, they don't have life experience. They are only 27, the directors are. And my manager is 24. Although they had a couple of jobs, it is not like being with someone that is older and maybe slightly more mature in the fact that they got more experience, to be able to give you an idea what to do. They're learning just as much as I am learning at time. That can be a bit frustrating when you want answers and when you want to decide something quite rapidly and they don't know because they are not too sure. That can be a bit frustrating. But what makes up for it is the fact that they are really dynamic, so if you want to put an idea forward, with them being young and innovative, it normally gets put forward and you can run with it. So the positives are really that you can do whatever you want to do with their support, with them being young and fresh faced. They want to do everything and try everything, and they are quite keen to do different things. So I think that makes up for the fact of being inexperienced, the fact that they'll support you in doing things which maybe a manager in a big firm wouldn't necessarily think. So they got a bit more of a wider reach.

Researcher: When you started in the company, you said there wasn't a formal training week, so how did the first week look?

Genes: We did have a bit of a training week, Lisa, who put my training week together, had only been at the company for three month herself, so it is a bit like the blind leading the blind in some cases. But it is fantastic in the fact that she put together a bit of a week that involved us learning about the software, because obviously there is a lot of software which comes with a website, so we learned all about that. In terms of training week we did do that. But she was also running a promotional night for interns so we were thrown in the deep side with that. Organising that, getting the students to come along, we were on the phones ringing people to get free stuff. So it was a bit of a mix. On one side we had a bit of structure with how to chat to next, we

had meetings with every director, we had tutorials on all the equipment, we had health and safety about not to through yourself out of the window (laughter). There were elements of a formal training programme, with allot of work thrown in that we would be doing. And we did have sales training and things like that and that but I doubt it was on the scale my friends had it. We obviously don't have as many brand guidelines, especially in the marketing department, especially in the marketing department, as somewhere like Amazon, who have book loads. So we don't have to learn the same sort of things.

Researcher: Are you missing that perhaps, the more corporate form of training?

Genes: I am actually gone work for a corporate in about four weeks time. I decided to go and try it out. I think when I go and work for a corporate firm I will really appreciate the environment I had and the level of responsibility. But I have nothing to compare it with at the moment, so I wouldn't know. But I imagine more guidelines are there on what to do and how to behave, how to go about things, but I think will be that I will not be able to be as innovative as I am here and I think it will take longer to implement things compared to here.

Researcher: So you think you learned more here than you could have learned in a larger company?

Genes: Yes, I would like to say Yes. The variety of tasks I had here, because obviously we are a team of eleven, so I had to do a large variety of things which I might not have been able to do if I had been sat in an organisation with billions of people. If I want to do something I have been able to do it. Personal development wise I think I learned more in this year then I have in the last three years of my degree. I can only compare myself to my friends who work in big organisations and I think compared to them I have learned more.

Researcher: Is there some kind of pressure to work in a bigger organisation, or does your family care about that?

Genes: Yea, actually there is. It sounds very stupid, but the amount of people that have said, why did you turn TUI down, because they are a brand. And some people go, ohh, were you not bright enough to work, because obviously you need like 300 UCAS points and psychometric tests. At TUI I was quite happy to pass the psychometric test, but I didn't chose to do that. And I think sometimes people see a brand name as quite prestigious, so if you work for someone like IBM, you are considered to be quite highly bright, and you are considered to be able to get into there. So I think sometimes in larger companies, because the recruitment process is so strict it is almost puts a kind of gloss on the job. And I think sometimes the job does not live up to the hype of what it is in bigger organisations. But I find that out in a couple of month (laughter)

Researcher: So I have to interview you again in a couple of month.

Genes: Yea. In September I can tell you the comparison.

Researcher: How do you think that it is going to reflect on your career later on?

Genes: That's why I have gone for a bigger organisation. I don't think I want to work in a big organisation, I don't doubt I have got the skills and ability to get in a big organisation, but I love being part of small teams, I love having a very dynamic role and I am not sure I will get that in such a large career sort of organisation. But the reason I have got on an internship in September is because I want to prove to people that I can do both. So I can work in small teams but I can follow guidelines and I can go to big organisations and fit in with them. So I think there is a pressure to have it on your CV, I really do, but once I got it I might never go back to it. It is literally on my CV, so I can say I did it.

Researcher: You mentioned the word career organisation...?

Genes: ...I think sometimes you go to an organisation and you just keep going up the ladder and stay there. I will work for Axon, I don't think I want to work in a paint and solvent industry for the rest of my life. But I think to imagine that the first job you ever worked for will be the job for the rest of your life in today's society is wrong, I don't think that happens, you move around. That's what I intend to do.

Researcher: Very interesting, how easy is it to progress in a place like this?

Genes: I would say there is a sort of a glass ceiling in a place like here, because obviously there is 12 of you, you cannot clime the ranks, there is not many ranks to climb (laughter). I think you think you get noticed on your work allot more because there is 12 people. You'll get noticed. In terms of career progression you can only take it so far compared maybe with an organisation that is allot larger, because obviously there is allot more levels of senior managers. There is the seniors members team. Whereas here you cannot go higher than the three directors. But the way we work in this smaller organisation is we do pretty much the same work, so there is no feeling of, I am the underdog, I am the placement student, photocopying and stapling, I don't think I have ever done that. So there is no levels really. I don't feel like I am at the bottom of the chain, which is what some of my friends say they are. I imagine that there is sort of a glass ceiling of some degree that you can't go further. Which is probably why I would like to work somewhere in between. I don't know if I would like to work in a huge multinational, but maybe somewhere in between. I am currently looking at agencies; obviously they might have a bit more of experience than my directors, managing people and things like that. But at the same time they are very informal, they are very flexible with the roles, so I am looking for something a bit in between I think.

Researcher: Do you think you will not come back to 'Recruitment' after you finish university?

Genes: I am not too sure to a degree. I would like to. But I don't think the possibility will be here to come back. Not for a while anyway. Just because they will hire interns in, interns can do my job quite well. And unless the onside campus promotion, which is the other side of the business really grows, I think do a degree they will not really need anyone else. So it is not like IBM, who will take on allot of students and retain allot of them. I think I will not have the choice to come back for a while. I think it will be very adhoc, I will get a phone call on Friday, can you come in on Monday please. But I haven't really discussed it with them. I never came on a placement, expecting to get a graduate job. I want the experience, to be able to develop myself, and then go on to get a graduate job. I didn't really have that expectation, so I am not disappointed.

Researcher: What sort of experience were you looking for and did you get it?

Genes: To be honest, the reason I chose to go out on placement was really because I can't graduate from Aston without it. It might sound really strange but I think that people think that we are consumers and we can pick placements, but we can't because we have to pick the first one that comes along. Because we can't graduate, and we spend 28000 trying to graduate. So I think to a degree I wanted to get a placement because I wanted to finish my degree. And then I started to think, ohh, I'll be more employable then people who haven't done this. I try to make myself as employable as I can, in every way, that's why I decided to do a summer internship. I could have just gone home. I have got enough money saved up, so I could go home and not do anything for three month but I am trying to make myself as employable as possible. Hopefully I come out of Aston with a first and if I have to internships behind me, 1 ½ years of experience, hopefully I beat everybody else. Because obviously I work in an organisation that deals with people that can't get jobs, so I am fully aware of how hard it is to graduate and get a job. So that is the experience I really wanted,

to make myself so employable that I don't really have to worry. And I am not in my final year applying to things and getting turned down and getting demoralised.

Researcher: But you are not looking for a job in a larger company, rather a medium sized one?

Genes: Yea, I think I will be applying for a few graduate schemes. But the most important thing I learned is to not just have a job to have a job, you have to be happy. And I think if I am wrapped up in a grade scheme for three years no matter how much it pays, but it is the most awful job in the world, I am not going to be happy. So to a degree, doing my placement and working for a smaller organisation has made me realise that you have to be happy at work. So I will be applying for things where I think, ohh, that job is really cool, I would like be in that role rather than, ohh I need a job, quick. And hopefully with me having all that experience I can hold out. And think, well I want that, I can go for it, rather than applying for everything and hoping that I just get something. I didn't want to be in that position and hopefully I will not be.

Researcher: In terms of the atmosphere, what is it like working here?

Genes: Really, really good. Very laid back. A really nice atmosphere to work in. As I said, I want to get up in the morning and come to work. I don't wake up and think, ohh my good, I don't want to go to work. Really supportive, and like I said, on a Thursday we sometime get together, we socialise together. So there is quite allot of different things that we do that you probably get in a bigger company with all the grads, just here we are a bit more integrated. So we get the directors going out and everything like that. But I say it is a really friendly place to work.

Researcher: What makes it particularly attractive to work here, specifically compared to a larger organisation?

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Genes: I would say that everyone is so approachable. In a way there are distinctive funds, I understand them, my managers tell me instructions and they give me instructions, and I follow them, and I do have that respect for them. So even though we are quite equal in parts, I still understand that they are my managers, but they are approachable. I can ask their advice on stuff, engage them and say, I really don't know how to do this, how do I do it, and they don't seem as scary as maybe someone 20 years my age. So I would say that is what I enjoy about the job here, I feel like I learned more because I was able to ask more. So that is probably one of the best reasons for it?

Researcher: And on the contrary, what makes it perhaps a bit more challenging to work here?

Genes: Probably blurred guide lines, they are my friends but also my bosses, that can sometimes be difficult, you have to remember that they are the bosses at the end of the day, they are not always my friends. I think in a bigger organisation you would have these guidelines spelled out more, whereas here, sometime you say things, oh can't say that, they are still my boss, I still have to have that respect for them, even if we sometimes go out for a drink with them. That is probably one of the downsides, but it depends on what type of person you are.

Researcher: Do you think it was a higher risk working in a company like this, they didn't have a brand name?

Genes: Yea.

Researcher: You could have gotten the right or the wrong company?

Genes: I think you were OK in a company like 'Recruitment', because they got access to a 120 graduate recruiters, and graduate recruiters are obviously gate

keepers to get on a grad scheme in an organisation. So when I went to TUI and said I was at the assessment centre of 'Recruitment', the graduate recruiter went, ohh they are great guys. These people are known for being one of the nicest people in the industry to work for. So allot of the graduate recruiters, even if not publicly, in the market they are in they are very well known. So it didn't really worry me as I had the contacts to people. When I have been applying for internships they (the founders) have been really supportive, and if they have known somebody there, they dropped them an email telling them to look out for my application. And things like that. They not necessarily told them to bump me up the scale but I still have the links. I probably have a bit more of a grasp because of you were working for another organisations, you probably only have the ranks to go up in that organisation, whereas I have got the contacts for 120 different people, which I could go to if I wanted a job.

Researcher: That's great, I think I have a few smaller once, but we are through all my big questions already, so thank so much already. Perhaps just to summarise, regarding your previous expectations for the job, have they been met?

Genes: Yes, I think I would have possibly liked a little more direction with my job, it has been very ad-hoc. We have been the first placement students so they haven't really had that experience of dealing with placement students, and I think we are different calibre to graduate students because we need a little bit more attention and help and praise, because we never had a job before. So I think a little bit more direction would have been nice on how to do things. Especially because we have to go on career fairs and when we are on our own allot of that time. Maybe they address that this year, because it was quite a lonely period and it was hard. But in terms of what I wanted to learn, I wanted to learn a bit more about myself, I wanted to get experience of working in a job, and they have been thoroughly meet. I have learned more about myself in this year, as I said, than any year before. I have done things that I never thought I would do, and I have loved every second of it. I would quite happily come back into a role like this one. Now that I got the experience of knowing what it is like. But is has been good, and my expectations have definitely meet and probably exceeded.

Researcher: And what motivated you to really give 110% here?

Genes: Obviously I am not motivated my money because I am a placement student and we don't get paid allot. And I don't really get bonuses. I say for me, I am motivated my doing a good job, I am quite proud of the work that I do. I want, and especially in an organisation where my work is my own, there is no body to check it, there is nobody to say that is right or wrong, I do it and I want to make sure it is the best I can do and when I give it to them I know its complete, its water-tied and solid and they can use it. I would say I am quite motivated by recognition in a way. I think allot of my friends are motivated by that. My friend the other week, a company trip came up to Madrid, and she was out of the office but had worked very hard and they gave it to somebody else and I thought she is actually going to kill herself. I think it is bits like that, as a placement students, it is just recognition of how hard you are working. And I think that is probably what motivates me and my friends also. I saw they guys (founders) give good bonuses over Christmas, I got a better bonus then all my friends. But I would say recognition of what you do. And also development, them giving you constant feedback, because I am trying to learn about myself and also what I am doing right and wrong because I have never been in a working situation before. So I would say personal development, them saying, Genes, don't do that, or please do that, continue doing this.

I really wanted to go into recruitment for a while and they let me do the recruitment process by myself. Now had didn't have any training on it, but luckily my dad works for the IFA and took all the documents and copied them to a degree and had a look. And I implemented it here, and I did like 300 phone calls. We had a few placement students, and I got some I am so proud of, and it is a great thing to use when I go for jobs as well. For like competency questions, I think I am ahead of most people that have done work experience or worked in a university setting in a group project. I can say I hired three placement students, and did telephone interviews.

Researcher: Was it important for you to work in a growth-oriented company?

Genes: I really wanted to add value to a company. I can add value here quite quickly, and even little things like implementing procedures, like making things more streamlined, in a bigger organisation that is already done, here you can really grow. Like Sam, the other placement student introduced tax-back, which is a great sort of, getting the tax back to students and we can take a cut of it. So that is a whole new stream for the business. So definitely you can add more in a small company than you can do in a larger company.

Researcher: Do you think, it will be changing quite? Now you are going to 15 employee and hopefully more than that next year.

Genes: Yea, when I started, I think it was three boy, us three, there was eight of us, so we grown quite considerably. And I can see them being really successful because they work so hard and they do so much, and I think it will continue to grow. The will probably get more placement students in, they are at the right age, they are willing to learn, they are really keen. I can see them grow in that sense as well. Obviously they retained Elana as a placement student as well. She decided to stay, things like that. I think they will grow and get allot better, and I think they probably will be the best in the industry for what they are. I can see it happening.

Researcher: And perhaps you will be coming back as well.

Genes: Yes, perhaps.

Researcher: Are you thinking of founding as well yourself?

Genes: I don't know, I have not decided. I will keep all my options open. But I want to get my degree first. And that's the important for me. Obviously career progression is

really good, but without a degree I can't go anywhere, so I go back to Aston and finish.

Researcher: It's not a bad place to be.

Genes: I think it will be alright.

Researcher: Yea, I think that is it from me. Do you have any questions for me.

Genes: I hope I answer all your questions alright. Thanks.

Researcher: Thanks you.

Appendix 5 – Confidentiality statement

Loughborough University

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Confidentiality statement

1. The purpose and details of this study have been explained to me. I understand that this study is designed to further scientific knowledge and that all procedures have been approved by the Loughborough University Ethical Advisory Committee.

2. I have read and understood the information sheet and this consent form.

3. I have had an opportunity to ask questions about my participation.

4. I understand that I am under no obligation to take part in the study.

5. I understand that I have the right to withdraw from this study at any stage for any reason, and that I will not be required to explain my reasons for withdrawing.

6. I understand that all the information I provide will be treated in strict confidence and will be kept anonymous and confidential to the researcher.

7. I agree to participate in this study.

Date:

_____

Doctoral Researcher   Research Participant
David Achtzehn

_____   _____

Notes for corrections:

- Add missing appendix
- Abbreviate growth-oriented high-tech start-ups
- Focus Introduction and Conclusion (gaps in lit, main contribution)
- Ref p.14 (to strong assertion)
- (need to mention earlier) – re-position the culture thing (p.15)
- Clear from outset that it is positioned in the entrepreneurship literature
- P.26 distinguish between the entrepreneur and entrepreneurship (actually talking about entrepreneurial organisations)
- P. 39 position culture issues, summary does not reflect discussion
- P.42 clarify
- P. 49 clarify
- Put in introduction that interested in interviewees where highly educated
- P59 vague on trust
- P.108 reflexology
- KPMG-Studie: Deutscher Startup Monitor 2014 – berlin most start-ups in Germany.