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## Celebration, Loss, and Organizational Identity at Entrepreneurial Firms

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### ABSTRACT

*Objectives.* This research extends theory on celebration and loss to entrepreneurial firms. We ask:

- 1) How do entrepreneurial firms enact celebration and loss?
- 2) How do these enactments affect organizational identity at entrepreneurial firms?

*Prior Work.* Celebration and loss are linked to organizational identity. Legitimizing events include strategy away days (Bourque & Johnson, 2008), company parties (Rosen, 2000), award giving practices (Anand & Watson, 2004), and parting ceremonies (Harrison & Sutton, 1986). But these activities require slack resources and stable context. What happens to these processes when firms compete in volatile business contexts with scarce resources and rapid change?

*Approach.* We utilize a qualitative, inductive approach based on narrative interviews at entrepreneurial firms. Preliminary interviews with 10 entrepreneurs presented evidence of the enactment of celebration and loss, identified via review of the audiorecordings by both researchers. Follow-up interviews have focused on identifying successes and failures and the acknowledgement of those circumstances via ritual or specific practices. Additional interviews will be conducted through 2011, totalling 2-3 hours of interviews with 30-40 individuals.

*Results.* Celebration and loss within small firm entrepreneurs are self-referential, meaning making devices (Albert & Whetten, 1985). We characterize muted forms of celebration and loss, across structural and psychological dimensions, that create organizational identity indicative of small firm volatility. Celebration, affected by executive team expectations, is often muted, taking the form of simplistic gift giving or informal acknowledgements of common goals. In cases of loss, identity forming practices are sometimes deliberately if unselfconsciously discounted. Rapid change at these firms, however, may attenuate the impact of defensive routines or actions (Brown and Starkey, 2000).

*Implications.* Our findings support a narrative rationality framework (Fisher, 1994) of entrepreneurial action, in which meaning-making and legitimacy are socially-constructed (Downing, 2005) and intrinsically-driven rather than extrinsically validated (Tornikoski and Newbert, 2007). Executives and line staff are just as likely to adjust events and information into identify as alter the perception of identity to incorporate successes and failures. Celebration and loss are therefore used to de-emphasize the tenuous nature of firms competing in highly volatile markets.

*Value.* Celebration and loss are unavoidable psychological processes at organizations. Failing to recognize successes and failures may result in organizational identity not grounded in a shared base of experience, and uncertainty regarding how the firm is expected to succeed. Small group dynamics, executive influence, and resource scarcity increase their importance at entrepreneurial ventures.

## INTRODUCTION

There is an emerging body of literature in organizational studies linking ceremonial behavior, such as celebration and loss, to organizational culture and identity formation. Ritual and events present functional mechanisms for validating shared organizational identification. These practices legitimize celebrations via strategy-away days (Bourque & Johnson, 2008), company parties (Rosen, 2000), and award giving events (Anand & Watson, 2004). Similarly, acknowledgement of loss may be observed via mourning events such as parting ceremonies (Harris & Sutton, 1986). In this framework, celebration and loss are key sensemaking devices practiced with elaborate ritualistic and performative practices. But these types of events and actions require slack resources and a stable context in which individuals and groups function cooperatively with tacit or implicit support of formal hierarchies. Entrepreneurial firms often operate in volatile business environments with limited hierarchy. In addition, small and young firms may suffer from limited resources (Sarasvathy, 2001) and liability of newness (Stinchcombe, 1965). What happens to acknowledgement of success and failure in this context?

Based on narrative interviews with entrepreneurs and employees at small entrepreneurial firms, we investigated the processes, interpretations, and outcomes of one-off acknowledgement practices as entrepreneurial organizations. The research questions that guided this study were (1) how do entrepreneurial firms enact celebration and loss, and (2) how do these enactments affect organizational identity formation? Our story involves deconstructing celebration and mourning practices in small entrepreneurial firms in order to better understand how entrepreneurs establish and manage cultural characteristics that support shared identity and purpose.

Celebratory practices appear to be affected by founding or executive team expectations. As successes are often planned, expected, and necessary for the near-term survival of such organizations in highly fluid environments, leaders often confound the acknowledgement of success with the success event itself. Acknowledgement is often muted, taking the form of simplistic gift giving as well as formal and informal acknowledgements of shared beliefs and expectations around common goals. In cases of loss, identity forming practices are sometimes deliberately if unselfconsciously discounted or even omitted from acknowledgement. Although this seems to present a case of organizational denial (Brown and Starkey, 2000), the high clockspeed of activity and rapid change at these organizations appears to attenuate the development of defensive routines or actions. Alternately, failure is sometimes acknowledged via organizational restructuring which is seen as commonplace practices that maintain small firm entrepreneurial identity.

Our findings support a narrative rationality framework (Fisher, 1994) of entrepreneurial action, in which meaning-making and legitimacy are socially-constructed (Downing, 2005) and intrinsically-driven rather than extrinsically validated (Tornikoski and Newbert, 2007). Executives and line staff are just as likely to adjust events and information into an extant identity configuration as alter the perception of identity to incorporate successes and failures. We propose that the practice of organizational celebrations and loss within small firm entrepreneurs are key self-referential (Albert & Whetten, 1985), meaning making devices that serve to structure small firm organizational identity. We refer to these one-off events, both positive and negative, as "acknowledgement practice." However, unlike previous scholarship that highlights the performative nature of ceremonial behavior as identity making practices, we identify and characterize muted forms of celebration and loss that create and maintain a distinctive organizational identity indicative of and commensurate with small firm volatility. These practices, and in many cases lack of practice, de-emphasize the tenuous nature of firms competing in highly volatile markets. Ceremonial behavior in small, fluid organizations is distinguished from previously understood practices across both structural and psychological dimensions.

We contribute to the organizational identity and entrepreneurship literatures by highlighting how celebration and loss are key forms of practice enacted, controlled, and interpreted within entrepreneurial firms to shape a distinctive organizational identity amongst its participants. Formation of organizational identity is an important component of organizational learning, especially at young and growing firms. We improve understanding of the link between acknowledgement practice and outcomes such as culture formation. We contribute to entrepreneurship practice by noting disconnects between executive beliefs and acknowledgement enactment, as well as some outlier cases that suggest that healthy acknowledgement practice may be aligned with ongoing firm-level challenges despite resource constraints and the perception of organizational vulnerability. In particular we note how expectation theory may be linked to acknowledgement practice at entrepreneurial firms.

## THEORY

The field of organizational culture and identity has given rise to a wide field of scholarship dedicated to understanding the complex relationship between culture, institutions and actors. Organizational theorists often view identity as having self-referential meaning (Albert & Whetten, 1985) where organizations endow themselves with distinctive socio-cultural characteristics. It is generally argued that "identity refers broadly to what members perceive, feel and think about their organizations" (Hatch & Schultz, 1997: 357) whereas culture acts as "the system of such publicly and collectively accepted meanings operating for a given group at a given time" (Pettigrew, 1979: 574). The process of sensemaking is a key integrator of identity and culture as it acts as "the primary site where meanings materialize that inform and constrain identity and action" (Mills 2003: p. 35 quoted in Weick, et. al., 2005).

Despite the robust scholarship that exists within these fields of study, there remain discrepancies in how we characterize organizational identity (Corely, et. al 2006) and its relationship to organizational culture and sensemaking. We take our cue from the work of Scott and Lane (2000) who argue that organizational identity is most clearly understood via the negotiation and conflict associated with interactions between and among the various organizational stakeholders. An important form of interaction occurs during ceremonial behavior, when agents and groups act out events that are often purposefully intended to be observed by others. This creates a stage on which behaviours are understood to project or embody specific meanings for broader assimilation.

Ceremonial behavior has historically fallen under the domain of anthropological and sociological scholarship where it has been characterized as a form of ritual practice. Two dominant strands of ceremonial scholarship include the solidarity thesis, rooted in Durkheimian functionalism, where ceremony plays an integrative function around social cohesion (Durkheim, 1965) and the sensemaking thesis, where ceremonial behavior takes the form of practices that are internalized by community members as a form of controlled sensemaking (Geertz, 1973; Turner, 1969; Bell 1994; 1997). A common theme amongst these two perspectives is the highly ornate and performative aspects to ceremonial behavior (Tambiah, 1979).

Organizational theorists have adapted these fields of scholarship by applying ceremonial behavior into the realm of organizational behavior. Ceremonial practices are often viewed as mechanisms that create a shared culture that binds organizational members together (Beyer & Trice, 1987; Bourque & Johnson, 2008; Deal & Kennedy 1982; Rosen, 2000; Trice, Belasco & Alutto, 1969; Trice & Beyer, 1984). Ceremonies are performative acts that create a shared sense of organizational identity. Even in cases of loss, ceremonies can provide organizational members shared emotional support that facilitates member acceptance and transition (Harris & Sutton, 1986). Despite the proliferation of work around functionalist approaches to ceremonial behavior, recent scholarship has drawn attention to some of the shortcomings to this theoretical position.

An inherent problem with the shared culture perspective is the degree to which all organizational members share collective beliefs. For example, Scott and Lane call for a more comprehensive framework for understanding the differing perspectives held by manager-stakeholder relationships (Scott & Lane, 2000). Pratt argues that "there has not been sufficient attention paid to explicating what identity refers to at the collective level" (Pratt, 2003: 161). These unresolved debates as to what is meant by shared understanding amongst scholars has led us to turn to ceremonial behavior as a form of sensemaking, which we argue holds a more promising opportunity for theoretical development.

Under the sensemaking thesis, ceremonial forms of behavior are seen as defining moments within organizations, which provide organizational members definitive "ways of seeing the world" (Van Maanen & Kunda, 1989: 49). Sensemaking is fundamentally seen as a social process (Maitlis, 2005) whereby social activities and meaning "unfolds as a sequence in which people concerned with identity...engage ongoing circumstances from which they extract cues and make plausible sense [of] ongoing circumstances" (Weick, Sutcliffe & Obstfeld, 2005: 409). Under this field of scholarship, ceremonial behavior of celebration and loss are seen as a sensemaking device that serves to orientate and socialize organizational members. Celebration and loss are sensemaking practices that are orienting devices, used to help members acclimate into an organizational culture. These practices are demarcated, performative and highly ritualistic in nature (Rosen, 2000).

While this research does not attempt to reconcile some the discrepancies that exist amongst identity theorists (see Cornelissen, 2002a; 2002b; Gioia, et. al, 2002), we argue that ceremonial practices associated with organizational celebration and loss can help shed light on the relationship between identity, culture and sensemaking. A focus on organizational practices will represent a theoretical contribution to an under-theorized area surrounding the mechanisms organizations use in cultural identity formation (Gioia, et. al. 2010).

One area in particular that has received little study is the role that ceremonial behavior plays in small firm environments. As Maitlis argues, “sensemaking activities are particularly critical in dynamic and turbulent contexts where the need to create and maintain coherent understandings that sustain relationships and enable collective action is especially important...” (Maitlis, 2005: 21). Entrepreneurial firms operating in fluid environments represent a context of potentially high levels of dynamic change. These organizations specifically exist to explore and exploit previously undeveloped opportunities (Shane and Venkatraman, 2000). The entrepreneur and executive team may operate with limited information and uncertain goals, in part because viable business models for new opportunities can’t always be known *ex ante* (Hierman and Clarysse, 2004). These firms operate with high levels of uncertainty that permeate the entire organization, from strategy-formation to line management. In many cases, in fact, entrepreneurs may not utilize fixed goals, but may adjust intended outcomes based on ongoing assessment of resources and intermediate outcomes (Sarasvathy, 2001). In other words, the structuring activities of the organization, including events that support culture formation and resource assembly, may be part and parcel of the process entrepreneurs utilize to build the firm’s business model and test its viability (George and Bock, 2011). In this context, sense-making is especially critical, because there may be few, if any, organizational certainties around which to build stable behavioural norms or routinize processes.

Because small, early stage, and entrepreneurial organizations may not have the slack resources or historical tradition to support large-scale or repeated ceremonial behaviors, we focus the investigative lens on one-time events that acknowledge success or failure. We refer to these events collectively as “acknowledgement practice,” because the enaction occurs, or does not occur, in response to the successful or unsuccessful conclusion of a given effort. The unique context limited resources and high volatility specific to entrepreneurial firms suggests that ceremonial forms of sensemaking may take on special characteristics. Given the lack of study on these behaviours and outcomes at small and new firms, we ask the following questions: 1) how do entrepreneurial firms enact acknowledgement practices of celebration and loss, and (2) how do these enactments affect organizational identity formation?

## **METHODS AND DATA**

Because of the lack of prior theory on acknowledgement practice at entrepreneurial organisations, we utilized a qualitative, grounded approach. In particular, we conducted research in three phases. In the first phase, we reviewed long narrative interviews previously obtained from entrepreneurs describing their entrepreneurial journeys including detailed descriptions of opportunity exploitation via firm formation and early-stage development. We identified general themes of celebration and loss from this dataset, and embarked on a limited pilot study to further explore the topic. Table 1 summarizes the firms and the interview participants for each phase of the study.

The pilot study consisted of interviews with 5 entrepreneurs selected based on convenience and access. All five were associated with either Imperial College or the University of Edinburgh, either because the company was a spin-out of one of those institutions or because the entrepreneur had a prior relationship with the institution. At this stage, the interviews remained focused on broader narratives of entrepreneurial exploration and exploitation, and did not specifically request narratives of success or failure. Our review of these interviews confirmed that acknowledgement practice was an inherent element of organizational behaviour at these firms. In addition, certain aspects of this practice appeared to represent previously unassessed mechanisms of identify formation.

Although data collection is ongoing, additional interviews have been conducted with 15 entrepreneurs and employees of entrepreneurial firms. The researchers anticipate a final dataset size of 40-60 interview participants. All interviews were conducted face-to-face by the lead author, where respondents were initially prompted with questions, but were given great freedom in directing the flow and topic(s) of conversation. Our interview style mirrored the narrative interviewing approach as proposed by (Bauer, 1996), combine with a storytelling style of research inquiry where respondents were encouraged to tell stories of meaningful events in order to make meaning of those events (Boje, 1991). In particular, interviewees were specifically asked to tell stories of success and failure within the organisation, and to identify forms and modes of organisational acknowledgement for those successes and failures. In general, one story of success and one story of failure was collected from most participants. Field notes were generated during and immediately after each interview to provide guidance for ex post analysis.

To extract themes and examples from the data, we reviewed both the audio files and transcripts of the interviews. We employed both deductive analysis, identifying themes that represent a priori constructs (Hirschman, 1986), and inductive analysis, allowing for themes to emerge from the data (Spiggle, 1994). This balancing of analytical process allowed us to carefully refine and test our theoretical arguments and findings In

order to manage the volume of data generated within this study, we took inventory of our data on a monthly basis where we reviewed all of the data sources and summarized emerging themes. This process enabled us to employ strategies of triangulation as recommended by (Miles and Huberman 1994), open coding (Strauss and Corbin 1998), and the constant comparative method (Glaser 1965; Silverman 2001). Our data inventory checks meant cross checking the type of data we were obtaining from our each of our individual respondents and jointly coding and analysing data, looking for broader emerging conceptual themes (Glaser 1965). In general, the researchers reviewed data independently and then compared notes, ideas, and findings either via direct discussion or by critiquing drafted arguments.

Because coding involves the process of reductionism, we were cautious not to lose sight of what we felt were some of the intact stories often inherent within our narrative interviewing approach. While some coding categories “may subsume (i.e. to take up into a more inclusive category) a number of others” (Coffey and Atkison 1995: 47), we often referred to Van Maanen’s conceptualisation of first and second order concepts throughout our analysis process. Van Maanen describes first order concepts as the “facts” of a qualitative exploration and second order concepts as the “theories an analyst uses to organize and explain these facts” (Van Maanen 1979: 540). The relevance of second order concepts, or what Christina Goulding calls “abstraction,” for this paper was that it allowed us to “collapse more empirically grounded concepts into higher-order conceptual constructs” (Goulding, 1994: 493). This approach to analysis meant we often coded our data in larger chunks in order to preserve the structure and tone of some of the stories which emerged from our data.

## **ANALYSIS AND DISCUSSION**

Our analysis is summarized in Table 2, which shows both the first and second order concepts that emerged from the data. Note that when acknowledgement practices were not different for success and failure we refer to both as “outcomes” for parsimony. Where differences exist we specify success or failure acknowledgement. The table does not reflect specific links between first and second order constructs, because the second order constructs were developed based on integrated review of the data rather than solely abducting from first order constructs. In some cases the links between second order and first order constructs are relatively obvious and straightforward. For example, the abstraction of high expectation setting de-legitimizing celebration is clearly extrapolated from practices of acknowledging success as “rationale for moving forward,” “linked to firm survival,” and “no guarantee of future success.” Others, however, are less linear and cross-linked to a broad spectrum of data.

We review four of the first order constructs to present some of the more interesting findings at this stage of the study. These include outcome de-emphasis, acknowledgement via electronic communication, rationalization of failure de-emphasis, and managerial recognition of acknowledgement de-emphasis. We briefly discuss the second order constructs associated with some of the emergent patterns. These contribute to research on celebration and loss and learning at entrepreneurial organizations. Finally, we note the unique case of success acknowledgement we observed that was converted into operational value creation.

### *Outcome de-emphasis*

We begin by noting an example of celebration that represents the type of acknowledgement we expected to consistently observe. In this narrative, the entrepreneur describes the organisation’s meeting a sales goal. Employees had been promised immediate monetary compensation when the goal was met, but months passed before success was achieved. The acknowledgement is both formal and informal, and the celebration appears appropriate and well-enacted.

“And so that was a big sigh of relief and I think then maybe it sort of... by about half past four or five a bottle of cold white wine was found as the hair of the dog and it was one of those special days because people were struggling with their hangovers and there was real... you know, the team was pulling together, there was elation when they got the prize, there was disappointment when it disappeared again, there was more excitement when it came through and then by five o'clock they could see that they had their cash in their accounts and everyone went away feeling happy, proud to achieve something and relieved that they could go home and go to bed [laugh]!”

Perhaps the most interesting finding from our research is the rarity of this type of narrative. The most consistent emergent pattern from the dataset was the de-emphasizing of outcomes, including both success and failure. In the vast majority of interviews and narratives of accomplishment, acknowledgement practices of both success and failure tended to be muted, restricted, or even non-existent. Compare the prior example, which represented only an interim sales goal, to the following description of acknowledgement that was

originally focused on recognizing the success of a major initiative to link the firm's primary product offering to Facebook:

"How we acknowledge success to date- we have had a lot of opportunities to talk to the organization about what is important- we have all hands- we have one tomorrow in fact-very short about 15 minutes or so tomorrow we will be doing a new demo with the new tool for example. ...Going forward, we are going to have more formal acknowledgements...everything from I am the master of my domain t-shirt to tchotskies... I might just give them a nice pen or something to public acknowledgement..."

The primary form of acknowledgement of the success was public recognition during an "all-hands" meeting. But there is a clear de-emphasis on the emotional aspect of celebration, limiting it to a previously scheduled event during which the successful tool is demonstrated. In addition, this manager appears to see the celebration of success as primarily formal within established norms of gift-giving and organizational recognition: "tchotskies" (small, low-value tokens) such as mugs or pens that have the company logo and thus represent firm-centric values rather than the needs or interests of the individuals or groups. It must be emphasized that while such gift-giving fulfills specific purposes within the corporate context, it de-emphasizes the celebratory value of the accomplishment by the individuals because it specifically centers acknowledgement practice on the recognition at the firm-level rather than the individual or group level.

De-emphasis of failure often took the form of down-playing the significance of the failure. The following example reflects this, despite the fact that it represented an important milestone that the firm had previously stated was extremely important:

"So we've committed to the company in July of this year that we would have a profitable fourth quarter... We communicated it originally... in a full employee, like, all company meeting, meaning everybody from our other offices... We flew in, we had a summer kick off committed to this... We made some choices that didn't turn out to be the right choices, or they were choices that turned out to be... yeah, not the right choices, whether they were going to work choices at all, I'm not sure but we definitely made some errors... So we missed our cue for our numbers pretty significantly not because of any business issue actually, but because there's a seasonality to our business that we hadn't incorporated into the forecast, and actually the way I communicated that to the organisation was pretty very informal and sort of under the breath, far more under the breath than I should have, in retrospect, communicated. It was 'we didn't hit our financials, the business is more seasonal than we thought, you know, doesn't impact any business health.'"

Other types of de-emphasis include situations in which no recognition occurs at all, recognition occurs entirely via electronic communication (see below), and recognition limited to failure problem-solving (see below).

A number of second-order constructs that emerged from the data are directly or indirectly linked to de-emphasis of acknowledgement. First, we observed an attitude of high expectations that appears to be linked to organizational identity associated with both firm survival and vulnerability. Many of the Founders and executives chose to narrate stories of success directly associated with the survival of the organization. In these cases, success was not just an accomplishment, it was, in very real terms, *necessary*. The sense that an outcome is, in some way, required, appears to result in a de-legitimization of celebration. If the outcome is necessary, then celebrating it appears superfluous.

Similarly, many of the entrepreneurs and executives referenced high environmental volatility or rapid internal change as factors driving acknowledgement practice. In other words, there appears to be a variant of the Red Queen effect, in which activity at these organizations operates just fast enough to stay on top of current challenges. Managers perceive that deviation from this pace, including purposeful celebration or mourning practice, could detract from focus or momentum. This is an extremely interesting finding, because many of these same organizations described, peripherally, regular formalized events to facilitate breaks from work. One firm has pizza brought in for lunch every Friday. Another organizes "beer o'clock" at 15.30pm on Fridays to theoretically mark the end of the work week. Yet another has a fully administrated system by which any employee can nominate any other employee at the firm for an "instant" reward (US\$25).

The broad utilization of acknowledgement mechanisms combined with the widespread de-emphasis on actual practice presents an interesting theoretical tension. We believe that this tension is indicative of conflicting understanding and implementation of expectations, rewards, and identity formation at entrepreneurial firms in fluid environments. First, founders and executives clearly believe that reward systems are necessary and beneficial, and have developed a variety of mechanisms to incorporate formal, informal, and even devolved processes for acknowledging success. In addition, founders and executives at these firms repeatedly

emphasis the importance of learning from mistakes and not dwelling on the past. These types of formal practices and informal beliefs are potentially important components of culture and identity formation. But they are not necessarily well-aligned. Culture and identity require consistent and historically-grounded practice, expectations, and community-level sense-making. De-emphasis on acknowledging both success and failure may encourage a constantly changing perception of organizational identity and uncertainty regarding cultural norms.

We propose, then, that this de-emphasis is an unintentional by-product of managerial effort to reduce the perceived liability of newness or vulnerability of the organization to change and exogenous forces. This represents a purposeful effort to internalize learning of certain lessons from success and failure and not others. The firm attempts to reinforce best practices by identifying and rewarding successes. It also identifies failures and re-frames them as learning opportunities, presumably to prevent potentially incapacitating stigma associated with specific failures, as well as motivate a solutions-oriented culture. De-emphasizing acknowledgement reduces the perceived importance of any given success or failure, which might otherwise reflect the relatively tenuous nature of early-stage organizations.

#### *Acknowledgement via electronic communication*

Another significant pattern in observed acknowledgement practice was the reliance upon electronic communication as an accepted form of celebration and loss. Founders, executives, managers, and employees consistently reported electronic communication modes as the primary mechanism for acknowledgement practice for a variety of accomplishments and failures. These spanned the full variety of events from minor instances such as losing a small client to significant events of company survival, such as dramatic changes in strategic policy, venture financing events, and wide-ranging decisions about products and customer interaction. The majority of these acknowledgement practices were presented as “normal,” in which the use of email or other communication modes was described as the obvious mechanism for acknowledgement. Here is an example from an executive describing a planned acknowledgement of a major product launch:

“Certainly when we launch on the 22<sup>nd</sup> I have queued up the whole e-mail that goes out to the whole company saying how exciting this is for the folks on the team; thanks so much to them; make sure to pat them on the back.”

Electronic communication modes described by participants include individual or small group emails, firm or community-wide emails, instant messaging, chat rooms, dynamic wikis, and blogging. Some of these modes have a real-time component that shows similarities to in-person celebration, such as internal group-wide IM boards, comparable to a Facebook Wall. These facilitate engagement across potentially large groups of people in near-real-time, with the ability to “interact” by responding to multiple postings. Interestingly, however, we did not observe any manager-described distinction between the modes of electronic communication, despite significant differences in how they are utilized and the likely impact on acknowledgement, learning, and identity formation. For example, broadcast email is significantly more distancing and formal than IM boards.

While the utilisation of electronic communication within organisations is extensively documented and self-evident, distinctions between electronic modalities in acknowledgement practice may represent an interesting area of potential new investigation. Electronic forms of communication present potentially permanent records of interaction, with longer-term implications for individual and organisational learning.

#### *Rationalization of failure de-emphasis*

Participants consistently described a de-emphasizing of acknowledgment practice with regard to recognizing and mourning failure or loss. Here is a relatively straightforward example from a narrative about a lost opportunity with a client.

“So in that regard, you know, there was that downgrade that was marked, it’s something we discuss in our pod meetings as I mentioned are monthly meetings, but I mean, once it happens there’s not much you can do if the client decides so in that sense it was a failure at keeping them at the highest level of engagement. But, I mean, in the end they’re still engaged which I guess is a plus... So as far as emails going around, it would be indicated in those monthly emails that go out tracking matrix, I wouldn’t say it was specifically called out, but it was, you know, the information was there. And I’d imagine it was talked about on the one to one meetings between my colleague and our boss... I mean, you don’t want that to happen, but that is the nature of the business.”



Numerous rationales are presented by entrepreneurs and managers for de-emphasizing failure. The first, as mentioned previously, is positioning “failure” is an opportunity for learning, and should be immediately channeled into problem-solving. A second rationale, as referenced in the example, is that some forces and factors are exogenously derived, and are simply part of doing business. The implication is that there is little value in mourning a failure or loss that is out of the control of the people involved. This is somewhat at odds with traditional psychological theory on mourning as a human process (e.g. Kubler-Ross, 1969).

Another rationale identified more rarely is the highly idiosyncratic nature of certain endogenously derived failures. These are often attributed to specific individuals or characteristics of the organization that are considered unique. Realistically, this appears to be more likely to be a rationalization process than the result of real assessment, perhaps stemming from high levels of affinity between founders or executives and the firm or its products and technology.

Two second-order constructs link to these observations. First, the de-emphasis seems to derive from a perception that acknowledgement, and mourning in particular, is inefficient at the firm level. Although grieving as a process has been studied, primarily at the level of large-scale firm events such as divestitures and layoffs, there is little descriptive or normative theory for individual and group-level mourning, including whether such processes benefit or harm the organization. At this stage of our research, we can only posit that there appears to be a relatively high level of manipulation of the acknowledgement of failure towards directed learning that supports firm value creation, and presumably unintentional manipulation away from more human learning processes that incorporate actual emotional grieving.

The other second-order construct may be linked to the first. Acknowledgement practice appears to commonly reflect efforts by the organization to maintain a perception of control. Learning, for example, may be highly directed, but grieving as an emotional process may be quite difficult to channel.

#### *Managerial recognition of acknowledgement de-emphasis*

A few of the founders and senior executives reflected, unprompted, on the apparent de-emphasis of acknowledgement practice, specifically for celebrating success. The following example discusses a relatively significant product development at an entrepreneurial firm, and the executive discusses its importance, some of the acknowledgement that did occur, and some reflection on whether it was appropriate:

“[T]hey went out and worked on it for six weeks and built it for six weeks; and at the same time we were building it we were marketing it and, packaging it and messaging it to...our existing clients, to new clients to coordinating with some sort of trade show events... We launched the product it actually got a tremendous amount of press; for having a different perspective...so we owned it; and owned the message; and leap frogged our competition pretty dramatically ... we had a all hands meeting where we had the individuals themselves explain the product, explain the thinking behind it; and go through the marketing message. . . Talk about the clients who have adopted it and talk a little bit about initial data that were seeing in terms of the usage rate and what the consumer benefits are and; it is interesting, maybe that wasn't an appropriate celebration...typically when we celebrate big deals in this company is we bang a gong out there; we bring everyone together and we celebrate a gong... [Over time we continued to discuss the success] in small groups; actually and it is primarily with the management team; when I think about it and with the Board; we should probably should be thinking about it in a larger way. “

This finding is very preliminary, because it presented in a minority of interviews.

#### *Acknowledgement practice as potentially value-creating*

Our research generated only one clear example of acknowledgement practice as a potentially value-creating process. In this case, an IT services firm utilizes an in-house messaging board for a variety of purposes. Employees are encouraged, however, to share successes by posting to the board, and commenting positively and often in a light-hearted manner on postings of success. In one case, a senior manager posted information about a minor project that had unexpectedly generated tens of thousands of website hits and significant positive external response. Following a round of positive commentary, one of the employees in the firm's design department pasted some of the light-hearted commentary on the board into the speech-bubbles of 1950s-style comic frames. He then pasted these back to the board. Someone in the marketing group liked the designs and began using them in marketing materials, which has resulted in further propagation of the original project success. The management team has now officially promoted this by encouraging the individuals who initially submit a success posting to the board to review the resulting discussion and forward it to the design department for consideration. While there are no requirements that the design department take up the

opportunity, there have been two subsequent designs that have emerged from this process, one of which was also incorporated into marketing materials.

## **CONCLUSIONS**

This ongoing study investigates the nature and outcomes of acknowledging success and failure at small entrepreneurial firms. We contribute to the literatures of organizational identity and entrepreneurship by highlighting how celebration and loss are key forms of practice enacted, controlled, and interpreted within entrepreneurial firms to shape organizational identity.

The study suggests key findings about the enactment and interpretation of acknowledgement practices at entrepreneurial firms. First, acknowledgement practice is commonly muted or de-emphasized. This occurs for a variety of explicit reasons, commonly associated with limited resources, concerns about expectation setting, lack of time, and even lack of implementation. More importantly, however, the de-emphasis of acknowledgement affects aspects of organizational identity. It reduces the perception of organizational vulnerability and focuses interpretation of outcomes on learning and adaptation. Interestingly, however, whereas the muting of failure acknowledgement encourages setting high expectations, the de-emphasis of success is partly an outcome of high expectations.

A consistent theme of acknowledgement practice at early stage entrepreneurial firms, especially in technology intensive sectors, is the significant utilization of electronic communication modes, such as email, instant messaging, wikis, and blogs. While the primary effect of this practice is the depersonalization of celebration and loss, a few organizations also direct the artifacts of these mechanisms to further organizational activities. This is an important finding, because it demonstrates that acknowledgement practices, even while used to shape organizational activities to mitigate perceived liabilities, may also be recycled into specific resources and even broader capabilities.

Celebration and loss are inescapable psychological processes at organizations, but are especially important at early stage ventures. Small group dynamics, executive influence, and resource scarcity increase the importance of these processes. If entrepreneurs fail to appropriately recognize successes and failures, organizational identity and culture may develop without appropriate grounding in an appropriate, shared base of experience. Celebration and loss are unavoidable psychological processes at organizations. Failing to recognize successes and failures may result in organizational identity not grounded in a shared base of experience, and uncertainty regarding how the firm is expected to succeed. Small group dynamics, executive influence, and resource scarcity increase their importance at entrepreneurial ventures. Alternately, without shared celebration and loss, employees may have a skewed sense of what is important to the success of the venture. Additional research is needed to determine when de-emphasizing acknowledgement practice is detrimental to organizational outcomes, and to confirm mechanisms by which entrepreneurial firms benefit from intentionally muting celebration and loss.

**Table 1: Study participants by research phase**

<i>Phase</i>	<i>Firm and geography</i>	<i>Participant</i>
1: Prior data review	Electronics: United Kingdom	CEO
	Online music: United States	Founder
	Biotechnology: United States	President
	Health care: United Kingdom	Founder
	Biofuels: United States	President
	Manufacturing: United States	Founder
	Construction: United States	CEO
	Software: United States	Founder
	Software: United States	CFO
	Networks: United States	President
2: Pilot study	Hardware: United Kingdom	Founder
	Health care: United Kingdom	Founder
	Medical diagnostic: United Kingdom	CEO
	Therapeutic: United Kingdom	Founder
	Industrial chemicals: United Kingdom	Director of Operations
3: Targeted research	Health care: United Kingdom	Founder
	IS Services: United States	VP
	Nanotechnology: United States	CEO
	Online reviews: United States	CEO
		President
		VP
	Hardware: United Kingdom	Founder
	Business consulting: United Kingdom	Founder
	Networks: United States	President
	Email services: United States	CEO
		President
		Account manager
		Administrator
COO		
Green consumables: United Kingdom	Founder	

**Table 2: First and second order acknowledgement practice constructs**

<i>First order constructs (facts)</i>	<i>Second order constructs (abstractions)</i>
<ul style="list-style-type: none"> <li>• Outcomes not formally recognized</li> <li>• Outcomes de-emphasized</li> <li>• Outcomes acknowledged primarily via electronic communication: email, IM, wiki, blog, regular meetings</li> <li>• Failure acknowledged as “rationale for change”</li> <li>• Success acknowledged as “rationale for moving forward”</li> <li>• Recognition of lack of acknowledgement of success</li> <li>• Failure de-emphasized because of exogenous or uncontrollable causes</li> <li>• Failure de-emphasized because of idiosyncratic endogenous causes</li> <li>• Success de-emphasized because linked to firm survival</li> <li>• Success de-emphasized because no guarantee of continued success</li> <li>• Rare cases of acknowledgement of success that contribute to operations</li> </ul>	<ul style="list-style-type: none"> <li>• High expectations de-legitimize celebration as unnecessary</li> <li>• Organisational value of celebration or loss perceived to be reduced by high clockspeed or high probability of change</li> <li>• Limiting acknowledgement practice de-emphasizes liability of newness and firm vulnerability to exogenous forces</li> <li>• Limiting acknowledgement emphasizes aspects of control</li> <li>• Limiting acknowledgement facilitates focused or partial learning</li> <li>• Limiting acknowledgement of failure creates perception of mourning as inefficiency</li> <li>• Acknowledgement practice via e-modes becomes normal</li> <li>• E-acknowledgement further de-emphasizes emotional aspect of success and failure</li> </ul>

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