

## **New business as usual: Formalization in entrepreneurial ventures**

by

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## **1. INTRODUCTION**

Entrepreneurs and entrepreneurship are much in demand in modern society. They are always called for as remedies to almost any existing problem – in business, in politics, in local communities. Entrepreneurship has been adopted by almost all existing political ideologies, and it has also taken over the role of societal innovation and change from these ideologies. The result is that entrepreneurship is today discursively constructed as a necessary but threatened phenomenon (Jennings, Perren et al. 2005), incarnated by the entrepreneur – the dynamic and charismatic hero of modern economy (Ogbor, 2000, Drakopolou Dodd & Anderson, 2007). Consequently, the field of entrepreneurship – in theory and practice – has become a fast-growing part of management knowledge during the last century. Entrepreneurship is assumed to make a special, significant and positive contribution to action processes in most organizations and to societal growth and prosperity. Still - in analogy with Jones & Spicer (2005) – entrepreneurship research fails to identify successful entrepreneurs beforehand. That leaves us with ex post-explanations of successful ventures that tend to reinforce institutionalised heroic conceptions of entrepreneurs and entrepreneurship, rather than increased knowledge about the organizing processes of early venturing.

As a reflection of this the scientific and practical discourses on entrepreneurship usually tend to emphasize creative, non-bureaucratic and innovative approaches related to entrepreneurial organizing. That is as if such organizing should not be subject to the bureaucratic and administrative structuring that always goes on in ‘regular’ organizations. Earlier theory on

entrepreneurial organizing also tends to support such notions (Mintzberg 1973). This is a conception not least visible where high-tech venturing is concerned (Henderson and Clark 1990; Katila and Shane 2005). Due to this perception, high-tech start-ups are positively dichotomized as creative and innovative contexts in contrast to large, bureaucratic, red tape-ridden corporations (Katila and Mang 2003). The managerial conclusion to draw is that structural issues are relatively easily handled, as compared to other prompting processes during the early years of high-tech ventures (Klofsten 1997; Davidsson and Klofsten 2004). On a discursive level, a somewhat grandiose conception of entrepreneurial behavior in new ventures remain, as driven by visionary, un-bureaucratic individuals rather than by collectively created routines and formalized structures.

Differently, we suggest that the concept of organizational formalization is interesting in its own rights, because formality is perceived as a major obstacle for continued innovation in established firms. While informality is suggested as an important explanation to why new high-technology firms are innovative and competitive in comparison till established firms, we suggest that formalization cannot be accepted as a non-existent process in new ventures. Existent knowledge about new venture organization is derived from retrospective studies of established organizations, revealing that in comparison new firms are informal. , . Consequently, the strategic challenge of organizational design in large established firms has become a non-issue in most entrepreneurship literature; but there is an emerging strand of research reversing this conception.

It presents organizational formalization in new ventures as an important part of the earliest organizational evolution. Entrepreneurship theorists suggest that there is a distinguishable shift in the organizational development when the number of employees increases from 10 to 20 employees (Bouwen and Steyaert 1990; Storey 1994; Shepherd and Wiklund 2005). Formalization is generally presented as favorable to small and new high-tech ventures, operating in dynamic environments. This is a revision of the long-time prevailing conception that the dynamic context of high-tech development entails organic organizing (Sine, Mitsuhashi et al. 2006). The formalization work undertaken by entrepreneurs and the importance of formal structures are apparently aspects to consider in the earliest organizational development, It is identified as increased administrative intensity, clear managerial roles of top management and specialization of work tasks. Further, there are empirical studies indicating that overarching formal models are intentionally created by founders, through formalization of employment patterns (Baron, Hannan et al. 1996; Burton 2001). These models are important for the earliest performance, but are also path dependent and determinate the subsequent development.

Beyond the role of management cognitions other empirical studies indicate that there are multiple organizational actors interacting in the formalization process (Bouwen and Steyaert 1990; Sölvell 2008). Managers of new ventures do indeed – with some reluctance – activate formalization processes with the intention to enable commercial breakthrough. In addition, formalization is a voluntarily undertaking initiated by employees, based on their accumulating knowledge and experiences of how their venture operates. These two sub processes result in a dual-actor process (Sölvell 2008). These intentional sub-processes intermingle with informally created formality, which has its own logic in the firm operations (Eisenhardt and Schoonhoven 1990; Eisenhardt and Tabrizi 1995; Orlikowski and Yates

2002). These contributions downplay the solitary responsibility of founders to handle organizational formalization. The theoretical gap is that, these new insights have not informed the management discourses on entrepreneurship.

Taken together, formalization is indeed an important facet of entrepreneurial processes and the management of new venture development, and it is co-constructed by multiple actors related to the venture. At the same time, formalization work has been neglected in empirical research (Sölvell, 2008), not least because aspects of formalization does not fit well with entrepreneurial discourses emphasizing informality and innovativeness. The contributions point to a need for a revised perspective on how formalization evolves in new ventures, and to the need of understanding the dualism of formalization as an interactive multiple actor process rather than at the individual level, or as a dichotomy between informality and formality (Marlow et al 2010).

Focus in this paper is on how formalization is reflected in the multi-actor discourses of new ventures. We build on the managerial discourse in earlier theory on organizational formalization, but with explorative openness to how formalization is evolving based on different intra-organizational discourses. Formalization in new ventures is interesting in its own rights, but particularly so because the dominant managerial discourse offer little guidance to how formalization occurs in the first place. Our present knowledge builds on assumptions about increased complexity due to size and evolving life cycle challenges. But new ventures are different in their initial informal ways of operating. While informality is getting recognized as a liability disadvantage from an organizational ecology perspective, fuel is added to informal ways of operating in new high-tech ventures due to the dynamic environments they are part of. Present conceptualizations of formalization is consequently dichotomized as informality vs formality, without regard taken to how formalization evolves in new ventures. New ventures change their initial focus from transforming the initial venture idea toward a commercially focused organization at early stages. It has been noted that increased interaction patterns calls for formalization of structures (Fontes 2005). Additionally, high-tech ventures characteristically involve several individual experts initially. But the domination of technological/scientific employees is vital to complement in order to succeed with commercialization Van Looy, Debackere et al 2003, which is an additional indication of needs underlying increased formalization. An initial shared vision may therefore not be sufficient as an organizational principle when the operational challenges increases (Crossan, Lane et al. 1999). These venture characteristics evokes cautiousness in applying dominant perspectives of formalization in new ventures. It also opens for new theory development regarding the concept of formalization, based on new investigation of the micro environment of new ventures.

The empirical findings are derived from interviews and observations in 5 different young high-technology ventures. Previous analyses tend to neglect the co-dependency of both the concepts and managerial approaches to the employment relationship. We present an alternative conceptualization of formalization and informalization processes that emphasizes synchronization through interactional practices. Through this analysis, we suggest that debate in this area can be reframed through thinking of informality and formality as a dualism rather than a dichotomy, and challenge the notion that small firms must, should or inevitably do

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move from informality to formality. From this, we construct an inclusive model of formality and informality that better reflects practice and enables further analytical development.

### **Theoretical foundations**

increase our understanding on how formalization in new high-tech ventures is constructed in social interaction. This understanding will be based on how formalization and the perceived factors behind formalization are co-constructed by different actors involved in the entrepreneurial processes. The paper starts by looking at the theoretical aspects of formalization, and how they are related to discursive notions on formalization within the discourse of entrepreneurship. Then we present data from six different high tech ventures on how actors reason concerning formalization. The paper ends by some brief observations and conclusions.

Hence, even if it has been recognized that new organizations also suffer from structural liabilities (Stinchcombe 1965), and that they replicate their institutional context internally in search for increased legitimacy (Meyer and Rowan 1977; DiMaggio and Powell 1983) new ventures are assumed to operate informally.

In addition, Sölvell (2008) emphasizes that formalization does not only originate from the individual entrepreneur, but is rather a concept constituted by different sub-processes. One is derivable from the behavior of the manager of new ventures, and the other is pursued by other organizational members, primarily employees. The management sub-process is Taken together, the contributions points to a need for a revised perspective on how formalization evolves in new ventures. Formalization is indeed an important facet of entrepreneurial processes and the management of new venture development, and it is co-constructed by multiple actors related to the venture. At the same time, formalization work has been neglected in empirical research (Sölvell, 2008), not least because aspects of formalization does not fit well with entrepreneurial discourses emphasizing creativity and informality.

The purpose of this paper is to increase our understanding on how formalization in new high tech ventures is constructed in social interaction. This understanding will be based on how formalization and the perceived factors behind formalization are co-constructed by different actors involved in the entrepreneurial processes. The paper starts by looking at the theoretical aspects of formalization, and how they are related to discursive notions on formalization within the discourse of entrepreneurship. Then we present data from six different high tech ventures on how actors reason concerning formalization. The paper ends by some brief observations and conclusions.

## **2. THEORETICAL FRAMEWORK**

The conception of efficient organizational designs in established companies is usually treated as a strategic management challenge (Burton and Obel 1995). As noted above, formalization may become an equally important activity in new ventures, although the actors' reasoning behind this has not been subject to in-depth empirical research. In the following several theoretical aspects on formalization will be outlined as a base for the understanding of this

reasoning. We will start by returning to the underlying assumptions in classic organizational theory on formalization in new/small firms – showing them to be theoretical constructs heavily influencing entrepreneurial discourses rather than being applicable tools in empirical inquiries related to new firms. We will then introduce two important aspects on how actors in new ventures perceive formalization; (1) the multi-actor perspective, according to which different actors related to a venture may have different perspectives on the need for and content of formalization, and (2) the discursive differences in society between management and entrepreneurship that may become apparent at the micro level when ventures are supposed to be managed and ‘entrepreneuried’ simultaneously.

### **2.1 Formalization in emergent organizations**

A first fundamental discursive logic underlying classic perceptions of formalization is that organizations are goal-directed and coordinated social entities requiring an appropriate organizational design in order to be effective (Aldrich, 1999). Hence, when entrepreneurs create new organizations, it is considered as an efficient way of achieving desired outcomes when facing a new task. Starting informally they soon face challenges of boundary creation and formality related to human resource issues. Further, as tacit knowledge and informal interaction become more deeply shared and routinised interaction patterns evolve. Logically formalization is expected to increase (Aldrich and Ruef 2006). Yet without intentional activities the formalization process tends to be neglected, or evolve informally. However, knowledge about these intentional activities remains to be explored, limiting our understanding about how formalization evolves in new ventures.

A second dimension of formalization is conveyed by the life cycle approaches to organizational development – i.e. the widely held assumption that new organizations grow through a series of stages and crises, each involving problems and solutions related to formal structure. The apparent lack of theoretical consistency between different life cycle models indicates that organizational life cycles may be more or less unique for individual firms, but the very notion of organizational life cycles related to formal structure is important in theory and practice. Formalization is here seen as a sign of limitations in managerial capacity, as an intrusion in entrepreneurialism and informality (Hanks, Watson et al. 1993). While the entrepreneurial high-tech start-up is perceived as informally managed by the founder, it is suggested that managerial tasks will have to be handed over to administrative expertise if a growth stage is to be successfully achieved (Greiner 1972).

Formalization is repeatedly seen as needed, initiated and controlled by individual managers. The management perspective of new firm development is continued to be fuelled through a life cycle perspective (Beverland and Lockshin 2001; Kotey and Slade 2005), with particular attention to human resource issues. Thus formalization is assumed to be solely driven by a management crisis entering a new developmental stage, an assumption which has been revised through the new findings presented above (Sölvell 2008). Nevertheless images of the management role overshadow micro level dimensions and multi actor involvement (Baligh 2006).

Another problematic aspect of the understanding of formalization from a diversity of empirical contexts is that the conceptual apparatus of classic Organization Theory is constructed for the analysis of large, stable corporations rather than small, emerging ventures.

Contemporary research on formalization in high-tech ventures applies classical dimensions of formal structures and processes (Pugh, Hickson et al. 1963; Pugh, Hickson et al. 1968) when investigating entrepreneurial ventures. These dimensions were outlined to describe and characterize established firms rather than assessing evolving process dimensions. Today they are (still) applied to describe administrative intensity and bureaucratic level of new firms (Baron, Hannan et al. 1999; Sine, Mitsuhashi et al. 2006). Such conceptualization covers several detailed dimensions that may not be relevant or identifiable in new ventures. This has been suggested to be a reflection of a changed context for organizational design (Pettigrew and Massini 2003). It is also a reflection of new ventures bearing their own complex context, which cannot be assumed to cohere with behavior and the complexity of established firms (Brown and Eisenhardt 1997; Sánchez-Runde and Pettigrew 2003). In this recent literature, it becomes apparent that the conceptual language of organizing differs in new ventures compared to established firms. First, new firms struggle for stability and clarity without being sure of their future direction. They encounter challenges that force them into redirections even before they have found their direction. The dilemma faced is to make use of increased formalization and create clarity, while the base for formalization remains unclear. Operational routines have not yet developed, yet the uncertainty calls for stable formal arrangements. In addition, they are dependent on external stakeholders, i.e. external resources that are not in their own control. Exploring formalization in new ventures is therefore complicated when it comes to focus on relevant dimensions.

To sum up, formalization is described in extant literature as a necessary managerial activity also in small emergent firms. Although, the lack of empirically informed conceptualizations of formalization work in such firms, implies that this literature has little to contribute to an increased understanding. Instead, widely held notions of emergent firms as informally organized and as subject to recurring crises that must be solved through professional managerial interventions tend to be reinforced, depicting entrepreneurial ventures as deviant and marginal cases of organizational design. As suggested in this paper it is thus necessary to both go beyond the classic Organization Theory-inspired discourse about formalization in new ventures and to explore formalization as social processes that ought to be studied as they evolve. This entails an inclusion of several actors influencing and being co-creators of formalization.

### **2.3 Formalization as collectively constructed**

As noted above, the identification of employee engagement in formalization work resulted in the concept of dual-actor involvement (Sölvell 2008). It supports an underlying logic from organizing of small growing firms, where formalization occurs as guiding device to employees (Brytting 1991). The dual-actor concept underlines active involvement by employees, which has earlier been suggested as an interactive process between management and employees (Bouwen and Steyaert 1990). It contrasts with the dominant management discourse where management is the performer of formalization activities with the intention of fulfilling needs for coordination and control of employees, it is distanced from actors dichotomized into binary categories such as 'leaders' and 'followers' or 'managers' and 'managed' (cf Crevani et al, 2007, Gronn, 2003).

Beyond the concept of dual-actors, high-tech venturing can be seen as collectively pursued (Auerswald and Branscomb 2003). It is a temporary intense collaboration episode in an actor network (Lindgren and Packendorff, 2002, 2003, 2009). Besides attracted employees with multiple competences and working logics, external actors are involved as stakeholders. Among the most powerful are financial stakeholders.

Earlier research suggests that investors are concerned about the management of their objects of investment, not only before the investment but also afterwards (Kaplan and Strömberg 2000). To external stakeholders, formalization may imply an increased sense of legitimacy and hence trust. Formalization is then an abstraction process that makes the new venture activities and characteristics more comprehensive, predictable and identifiable. Such concerns often result in formalization of legal matters, governance structures, key organizational roles (like marketing vice president), or other human resource-related issues (Hellman 2000; Hellman and Puri 2002). Hence to analyze the discursive dynamics of formalization beyond the dominant management discourse it remains to explore how multiple actors are involved in the collective construction of the venture.

#### **2.4 In search of legitimacy: Managerialism vs entrepreneurialism**

The above notion of different actors emphasizing different aspects of formalization also relates to general ideals and stereotypes on management and entrepreneurship in societal discourse. As actors relate to such ideals and stereotypes in their daily pursuit of what they perceive as effective, appropriate and legitimate, they also co-construct various organizational arrangements. Managerialism and entrepreneurialism as discursive figures represent two rather different ideals and stereotypes, which actors in new ventures may draw upon in their continuous collective construction of a venture. They are not dichotomous; however, as they both represent aspects of leading organizations toward goal fulfillment, but there are some important differences that can be traced back to the origins of them.

Managerialism is mainly a discourse on handling the existing, with roots in the functionalist and bureaucratic ideals formulated by scholars such as Taylor, Fayol and Weber. By means of specialization and coordination, modern organizations are supposed to contribute as much as possible to the common good, and the managers who are entrusted with the difficult task of making this happen are required to live by certain normative virtues. Gustafsson (1994: 50) formulates these virtues in terms of thriftiness, diligence, sensibleness and responsibility – virtues on which all management education are built. The manager shall be in control in order to take responsibility, and organize work according to what is considered as rational and sensible.

Entrepreneurialism shares many of the features of managerialism (Czarniawska-Joerges and Wolff, 1991, Coglisser and Brigham, 2004), but there are differences in emphasis and content. Unlike management, entrepreneurship is heavily influenced by Schumpeterian notions of creativity – entrepreneurship represents the “story of creation” in modern society which is symbolised by the creative human being that makes the story possible to tell from the first place (Berglund, 2007). The entrepreneur creates and seizes opportunities, looks into the future, and acts upon his own behalf (Ogbor, 2000) – in contrast to the traditional manager, the thoughtful and rational administrator of others’ property.

After having identified the notion of collectivistic emergence of entrepreneurial processes, and the discursive differences between managerialism and entrepreneurialism, it is now time to look into how a number of actors involved in such work are reasoning.

### **3. METHODOLOGY**

In this paper we have used case study findings from two different high-tech venture investigations, in order to analyse actors' reasoning. One study was an in-depth study of a small bio-tech company (BioCorp), while the other covered five high-tech ventures from different industries (Top Security, Cell, Interpretation, Spirea and Case for Life). The findings analysed in this paper evolved from a primary focus on how formalization is initiated and developed. The results converge, are consolidated and integrated, in multi-faceted entrepreneurial processes. According to individual preferences among the respondents all ventures but BioCorp are cited with fictive names.

The investigations were focussed on understanding how the involved actors co-constructed formalization in practice. It implies analyses and conclusions that are descriptive by character. The investigations are based on recurrent interviews, participant observation and documentation (cf Boje, 2001), here with a focus on the narratives articulated by the actors. From the narratives we understand underlying logics, where problems appear, where obstacles need to be overcome, giving an understanding of why some ideas are realised and others not. Since we view leadership processes as collective interaction, the findings converged from interviews with multiple actors. The interviewees were asked to speak openly about the development of their operations, how they had worked together, what problems they had experienced. What could be collected were stories about traditional leadership activities, such as decision making, definition of areas of responsibility, management accounting & control, accountability, strategy work, formal and informal influence etc – but with the focus on these activities as organized collectively rather than emanating from a single manager or entrepreneur.

### **4. EMPIRICAL THEMES: COLLECTIVITY AND ALIGNMENT TO MANAGERIAL DISCOURSE**

#### **4.1 Formalization as co-constructed**

It is not unusual that established management wisdoms concerning organizational size and life cycle phases are drawn upon in the reasoning about formalization work:

From my industrial experience I know that there is an early limit in terms of number of employees, when it becomes urgent to start the administrative formalization. And so we did. Yet after an earlier peak the scope of the business was reduced again, stalling the formalization process (founder in Top Security)



At the same time, there are clear statements on the anxiety of actors to focus too much on formalization, as it can endanger the creative and dynamic processes in the venture:

Science is of another nature than you thought.... There is an inertia you could not imagine....it works from a management point of view. We (researchers) have never needed a CEO or a sales manager, and all these consultants running out and in without taking responsibility. We do not need any middle managers with their protocols from Astra Zeneca.  
(Founder of Cell)

External stakeholders are concerned about the management and development of their investment objects. One way of contributing to the process while also instilling measures of standardization and control, is to engage in formalization work. This is expressed in very different ways. One such way is to use experiences from other organizations – which are indeed what stakeholders are supposed to do besides providing financial recourses:

One of the members of the board, who is a consultant, has long experience from our industry. He volunteered to write a template for the product development process. It was a real relief, since we had no structured model (this was contested by the former CEO). Unfortunately, when we tried to implement it, it did not work. (employee in Interpretation).

I put a lot of effort on selecting board members. Still, it turned out as a failure when the chairman of the board recruited a substitute on my position as CEO. I had to step in again for a while to save the situation (founder in Spirea)

Another aspect of formalization is corporate governance issues, which is a way for investors to establish clear rules on how the venture is to be managed. Some may, however, feel that this is contradictory to the entrepreneurial issue of managing the internal processes:

The problem with the investor is that they do not leave any room for the CEO to handle intra-organizational issues. He is too much involved in customer contacts and a lot of his time goes to the relation with the investors. They have set pressure on key recruitments before another financial round. The result is that organizational and human resource issues are not handled” (an operationally involved board member in Cell – not investor)

The investors on our board are organizational chart fetishists. I try to convince them that we are moving forward on the organizational development. The image I use is that we are slowly moving from the space to something more tangible and clear. Yet they have now enforced key recruitments that I find is far too early (CEO in Cell)

I have declared to the board that I do not believe in top down formalization. It has to evolve from routines and working processes. Then it will become clear over time (CEO in Interpretation)

#### **4.2 Formalization as alignment to managerial discourses**

A second important aspect in the reasoning of actors is that organisational order and rules are seen as necessary per se; i.e. that formalization constitutes ‘proper management’ and that entrepreneurial ventures not paying enough attention to formalization are somewhat illegitimate. Collective and delegated decision-making on product development matters seem to evoke a need for identifying who actually does what – as if professionalism could not entirely be trusted to do the job. There is a widespread conception that rules and clearly

defined areas of responsibility are needed, and that there is not enough as it is. In fact, there are both confusion and discontent concerning this matter:

I am not sure if we actually have a formal management team. I meet regularly with Pat and Stephen, but not in a formal sense with set dates and so on, rather when someone feel that there is a need to meet. We also have an extended management team, involving Claire and Mike at the lab. That's the way I look at it. Someone else might have a different view of if we have a formal management team or not. One of the others may give you a different answer. (Mike, BioCorp)

We have formed a management team. It is me, Claire, Matthew, Stephen and Barbara – almost the whole company (laugh). Mike is part of it also. We formed the team almost a year ago, I think, but we have probably not had any meeting since then, a real planning meeting, I mean. It would be good if it continued as intended. (Pat, BioCorp)

Some core issues have emerged, yet they were not in place. They needed refinement and anchoring. Simply to be discussed among those involved. I started formalization through hands on activities. If someone does not go to the bottom of the processes old things remain and are just added on (Key-employee in Top Security)

One emerging issue is how to draw the line between areas of responsibility. In the narratives, there are several examples of this issue being retold as a constant and unsolved problem. Still, no one can identify any practical incidents following this lack of administrative clarity:

In BioCorp we have two main processes. One is to test substances and develop drug candidates, which is Pat's responsibility. Most of that work is done in collaboration with research groups at various universities, and it is quite natural that she coordinates that as she has a scientific background. The other process is to prepare and manage the clinical tests of those drug candidates, which is the job I am starting up at the moment. Pat takes care of all contacts with our partner universities, while I handle the contacts with authorities and partner companies. It is a logical division of responsibility. But in reality it is not that simple, there is a 'grey zone' in which we work much together. So our division of responsibility and work is constantly evolving. (Matthew, BioCorp)

I spoke quite a lot with Stephen on my relation to Matthew before he came, and I continued speaking directly to Matthew about it afterwards. Stephen said that we were going to have many discussions over money, fighting for the same resources and so on, but we have not had any such problems so far. When we started those discussions I did not anticipate that things would work out this fine. I have never worked with clinical testing, so I really wondered if there was a need for a full-time product development manager. But now I've seen that it is definitely a full-time job! (laugh) (Pat, BioCorp)

When we launched this venture I imagined I could just continue my research and development work. Heading this work I subsequently realized that I had to take other responsibilities as a manager. (Co-founder in Top Security)

I am information manager, expressed in traditional terminology, yet that does not fit this venture reality. It is not about selecting, formulating and disseminating information; it is more about turning what we do into something that is communicative, without lying. (Key-employee in Case for Life)

Most interviewees are of the opinion that the CEO should issue standing orders where areas of responsibility are defined (an expectation strongly deviating from the tightly held ideals of collective decision making and professional autonomy otherwise cherished in BioCorp and very frankly expressed in Cell:

Seen as a whole, I think the company would benefit from a more precise definition of areas of responsibility. I assume that Stephen wants us to bring this up ourselves, but in our current situation I think we need to sit down and sort out who is responsible for what and who can make decisions about what. I have always appreciated our open and tolerant climate, you can always propose anything. Everything can be discussed. In that way, Stephen is a very good leader. But some clear demarcations of what each employee is supposed to do would definitely be needed. (Pat in BioCorp case).

We need information about responsibilities. I know the laboratory but I do not know anything about production or ISO-9000. We have to put a deal with X on hold despite the potential gain of it. First we need to look at the core processes...this feels totally useless! You need to decide first and then delegate. [Manager] It is also a matter of what kind of responsibility individuals want to have. [Employee] There are so many here now that strive for different roles, it adds to the mess...[Manager] I do not think so, because you can work on this in many different ways... [Employee] But everyone needs to know their organizational role. [Manager] I will bring this up at the management group meeting tomorrow, I will probably know by then... (employee in Cell)

CEOs reject expectations and refer the issue back to the various formalized regular meetings for collective decision making:

There are no formal work orders; the research manager can formulate them if she wants. Some people in BioCorp want a work description, I have not written any. The task is to start clinical testing during the next year, that's what it is all about. We do have meetings, though. We had so many as nine meetings with the board of directors last year, but that were because we raised new capital and got a new main owner. There are management team meetings every week, but I am not part of them, though. I have daily meetings with the administrative manager and then bigger meetings every second week. You need formal meetings. (Stephen, BioCorp)

I think it is much too early for increased formalization. I have checked this too with my peers in the US. They laugh when I tell them about upcoming opinions about increased formalization. We are so few that we can continue to interact informally. (Co-founder and CEO in Cell)

For some people in BioCorp, management itself is becoming an emerging professional identity as the organization grows and new managerial posts are created. Management is here seen rather as a relational process than as administrative duties, however:

It's quite hard to change clothes from scientist to manager. I would like to know more about management. I learned to discuss things in Academia, but I also feel that it's in my personality to make the final decision. But I don't know about conflict management. It was always the professor's job to solve conflicts, and as a researcher I could always just tell him to go to hell, it didn't matter. And to keep focused, moving on, not getting stuck, you must think about that too. And leading personnel, I think about my lack of knowledge there. I have coached junior sports, but that's all. If you need to fire someone... you cannot tell who is a good leader until there is a crisis. The bad managers I have seen so far have always been people that could not stand up and fight when facing a problem. (Pat, BioCorp)

Management can thus be constructed as a set of skills and behaviours that you must acquire in order to be successful. In that sense, management theory and practice constitutes a performative system of norms that is internalized by management practitioners who then maintain current leader-centric ideals notwithstanding the collectivist ideals by which the daily operations are handled:

I spoke a lot to Stephen before I accepted to be labelled 'research manager'. It is a title, some more money to allocate, letting Claire run the lab. So I convey the directives from the board and the partner universities to her. I think you must have managers; I must have a CEO that represents the company in

the board and in the external environment. Then you can always wonder how many subordinates he can have simultaneously. We should be able to have a flat organization, but I don't think Stephen could find the time for everyone then. (Pat, BioCorp)

While arguing for administrative order, the CEO – when asked about leadership - still makes reference to exceptional situations where rules and norms could be set aside in a most entrepreneurial manner – even in relation to stakeholders:

I'm the coach, period. I need a team that can work and achieve the targets that we have set up. We also have a most competent board of directors; you need to feel resistance somewhere. But there can be conflicts and then you must take responsibility on your own. I'll give you an example. We had a Celltown businessman in our board of directors, at that time we were just a bunch of old scientists there so we needed him. But he turned out to be a greedy bastard, he didn't understand research, he just wanted to earn some fast money. He was supposed to help us with financial matters, and suddenly he demanded hefty consultancy fees, a private mobile phone and so forth. Our auditing firm did the same things much cheaper. So I decided to kick him out, and I used some really dirty tricks. In such a situation, you must do what it takes. (Stephen, BioCorp)

Formal management also becomes conceptually performative in the sense that it is not for everyone – it is a special job that must be taken care of by special individuals with special competencies. Hence, the upcoming retirement of Stephen is a source of much worry:

There are some drawbacks with Stephen living in another town, it is harder to communicate. He is so incredibly competent, I'm not sure you can find someone like him in Celltown. I prefer a competent person living elsewhere over a less competent local. It is actually quite easy to commute, but you need the person to come here at least once a week and stay for at least a day each time. Finding a new CEO is a problem, we are worrying about his upcoming retirement. It is a discussion that has been going on for quite a while. (Pat, BioCorp)

I started by taking control of the sales process. The marketing and sales manager was appointed to handle all external customer contacts. These were informed about the contact pattern. (The 2<sup>nd</sup> CEO in Interpretation Case)

“Here is mail from our market responsible in Asia. He continues to contact me instead of the marketing and sales manager when he faces different problems that need to be solved. I will take this to my boss before I dare to prioritize a solution”. (employee in Interpretation)

## 5. CONCLUDING DISCUSSION

The empirical findings in this paper present a complementary image by acknowledging and emphasizing organizational formalization as a central aspect of entrepreneurial processes. It is clearly shown to be co-constructed by several actors with different perspectives, including multiple underlying logics. Mutual venture logic can be identified as being under creation, and existing individual logics do often appear in conflict with each other. On the one hand actors relate to a rational management discourse when striving for rational, legitimate and appropriate decision making. On the other hand, formalization is a sense making co-creation between venture employees in their organizing activities and preservation of their respective entrepreneurial processes.

One conception that is distinguishable in this dynamic process is the problem of expressing formalization. The actors are familiar with the traditional management discourse and formality in established ventures, yet since formalization is at a creation stage in these ventures there is a misfit in the discourse. This misfit adds to the complexity of intentional formalization. Established management perceptions tend to be reproduced in the discourse but are not reproducible. High-tech venturing is pursued in an evolving context where formalization evolves as a co-creation between the employees. During the creation period it is hard to identify needs underlying formalization and appropriately express what is under creation.

As the actors do formalization work, they also reproduce notions of managerialism and entrepreneurialism, but in a slightly different way than one might expect. Managerialism is closely linked to formalization in terms of negotiating and instituting formal rules and procedures, and such everyday managerialism often originates from someone else than the founder and/or CEO. Formalization is here a way to achieve controllability and legitimacy, which is often, described as a stakeholder matter rather than a main focus for managers and employees.

Entrepreneurialism, on the other hand, is (like leadership) often described in much more grandiose and extraordinary terms (cf Alvensson and Sveningsson, 2003) – when something really important happens in the venture process, it is constructed as ‘entrepreneurship’. Entrepreneurialism is thus also dichotomously related to managerialism as a positive, adventurous and visionary phenomenon. One example of this is that several CEOs and/or founders in the study reject demands on formalization from employees and stakeholders as they fear that rules and procedures would be detrimental to the entrepreneurial spirit. On the other hand, formalization work that protects the venture from unwanted external influence or is the result of internal collective demands related to the daily operations; seem to be welcomed by everyone – but then as mundane and practical matters.

A final reflection relates to the notion of managerialism and entrepreneurialism as performative discourses, i.e. as discourses by which actors act and reinforce their identities. As noted above, formalization work is related to both discourses, and by doing formalization work actors also do managerialism and entrepreneurialism. As entrepreneurialism is generally constructed as a much more desirable and legitimate, only aspects of formalization supporting and enabling entrepreneurial actions are performed as ‘entrepreneurship’. Other aspects of formalization, such as legal requirements or corporate governance procedures, are seen as ‘managerial performance’ and appear as small-minded, bureaucratic, disturbing and insignificant.

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