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CHANGES IN ESPOUSED VALUES DURING
ENVIRONMENTAL TURBULENCE BASED ON ESTONIAN
START-UP SECTOR

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I have written this master's thesis independently. All findings of other authors, literary sources and data from elsewhere used for writing this paper has been cited.

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Table of contents

| | |
|----------------------------------------------------------------------|----|
| Introduction..... | 5 |
| 1. Literature overview | 7 |
| 1.1 Espoused values as a part of company culture in startups..... | 7 |
| 1.2. Environmental turbulence and organizational response to it..... | 12 |
| 2. Methods and Data | 14 |
| 2.1. Data collection | 17 |
| 3.Results and analysis | 21 |
| Conclusion | 34 |
| Acknowledgement | 36 |
| References..... | 36 |
| Appendix A..... | 42 |
| Appendix B | 43 |
| Resümee..... | 45 |

Abstract

The primary objective of current research is to investigate the changes in espoused values within Estonian startups amidst periods of environmental turbulence. Specifically, the study aims to discern the factors driving alterations in organizational values and to analyse the rationale behind such changes. To achieve this goal, a sample comprising 115 Estonian startups was selected and analysed, comparing their espoused values at the onset of 2022 with those at the commencement of 2024. Additionally, a total of nine interviews were conducted with startup founders, managers, investors, and experts to obtain detailed qualitative insights into the motivations behind the decisions to either modify or maintain organizational values amidst environmental turbulence.

Drawing upon the findings derived from the analysis of the data, interviews, and existing theoretical frameworks, conclusions were formulated, that startups primarily change their espoused values due to internal stimulus like willingness to enhance collaboration and communication or there has been change in startups management. In rare occasions startups need to respond to external trigger like investor requirements and this also can be resulted in the change of espoused values. These conclusions offer valuable insights into the dynamics of organizational values within the context of turbulent environments and provide implications for theory and practice.

Keywords: startup, espoused values, environmental turbulence

CERCS: S189, S190

Introduction

“If you’re trying to create a company, it’s like baking a cake. You have to have all the ingredients in the right proportion.” (Elon Musk)

Leading a technology company or startup in turbulent environment is a challenge and there is no unique and guaranteed correct way to be successful and every founder must find its own path, starting with creating a company culture, develop a product and raise funds, not to mention everything which falls between to these tasks. In times of turbulence, an organization’s ability to keep its human resources aligned with business needs is critical to achieve organizational success and innovativeness (Nijssen and Paauwe 2012). Wang et al. (2020) suggested that, despite the negative impact of crisis or environmental turbulence, there might exist the potential for long-term beneficial outcome for organizations. Wang’s proposal was grounded in the context of the COVID-19 pandemic, yet the key point remains unchanged: if company can navigate through turbulent times and make the right managerial decisions during such periods, it can emerge stronger and more resilient. Key factor for company’s success is its team and how well they work together during the turbulent times, and this is where the organizational values play important role, meaning that values have helped manager to hire employees who fit to the team and have similar ideology (Jones et al. 2015).

An intense market turbulence means significant level on uncertainty in market demand and rapid changes in customer preferences (Jaworski and Kohli 1993). In some cases, it might have positive effect to demand and financial performance. Specifically, the enhancement of consumers’ consciousness regarding green consumption and green turn has led to a continual expansion in the demand for environmentally friendly products and services (Zhang et al. 2023). In such circumstances environmentally oriented companies, including startups, are more likely to develop learning and company culture which encourages innovation and response to market changes by providing innovative services and products (Yang et al. 2019). Despite the fact that there might be positive outcomes for some companies during turbulent times, majority of the companies still face challenges where the future of the company is in question and different kind of changes are inevitable.

Startup Estonia is governmental organisation, and their mission is to establish a future-proof startup ecosystem in Estonia (Startup Estonia 2024). In March 2020, Startup Estonia presented an official strategy for the years 2021 to 2027 (Truu et al. 2020). In this strategy document Startup Estonia also gave an overview of the startup ecosystem and its key metrics

as of the end of 2019. In March 2020 when the strategy was finalised, the COVID-19 pandemic started, meaning that composing this strategy for the years 2021 to 2027, Startup Estonia and its experts had no idea how the following years look like, starting from COVID-19 pandemic and Ukraine war to very rapidly growing inflation and interest rates. When publishing this strategy, they did not know that even after COVID-19 pandemic and its first waves that there will be few years of environmental turbulence due to Ukraine war, rapidly growing interest rates and electricity prices. How this turbulence will affect Estonian startups, their company culture and employees when there is so much uncertainty around?

Environmental turbulence and complicated conditions push to cope with the change and uncertainty by activating companies' human capital and its knowledge, skills and abilities with commitment and motivation for achieving innovation (Nijssen and Paauwe 2012). Due to numerous unexpected changes on the market and in the economy general, there has been an increased interest in studies examining environmental turbulence in recent years (Turulja and Bajgoric 2018; Bodlaj and Cater 2019; Wang et al. 2020). Additionally, research focusing on startups and crises has emerged (Mota et al. 2022), however there remains a gap in understanding the underlying reasons and processes behind the emergence of organizational values, although companies allocate significant amount of time and resources toward declaring values (Bourne et al. 2019).

To the best of the Author's knowledge, there are no studies which have analysed how or why startup's espoused values have been changed during environmental turbulence, although there are many researches focusing on startups and organizational values or startups performance and crisis, but any of those researches does not focus on all 3 topics (environmental turbulence, espoused values and startups) at the same time. This study is the first study which focuses on change in startups espoused values during environmental turbulence based an example of Estonian startups.

Estonian startups are chosen for a reason – The Estonian Founders Society maintains a vision wherein 30% of Estonia's Gross Domestic Product by the year 2030 emanates from the export activities of Estonian startup and technology firms (Estonian Founders Society 2024). Moreover, Estonia has solidified its position as a prominent startup hub within Europe. This is corroborated by data from the State of European Tech 2022 report (Atomico 2022), which indicates that Estonia boasted the highest density of startups per capita in Europe in 2022. Author of this study finds it extremely interesting to find out how flexible and adaptive companies like startups manage their organisational values during complex times like

environmental turbulence. Moreover, startups are attracting talent globally, and during uncertain times, they need to invest even more effort into talent acquisition and onboarding. **The aim of this study is to find out the reasons for (un-)changing espoused values in startups during environmental turbulence.** To achieve this, in this study historical data was compared with latest available, detailed interviews were conducted and joint analysis of the results with interpretation were made.

Article is structured in following way: 1) Literature overview which defines most relevant concepts together with most important related theories from literature, 2) Methods and data, which introduces how data collection was made and how the interview sample was defined, 3) Results and Analysis, which provides overview of outcomes from data processing and interviews, and 4) Conclusion, where Author summarized the study.

According to the Author opinion, current research shows that not only in startups but in any organization common values and leadership principles are important and helps any team to identify them through such characteristics.

1. Literature overview

1.1 Espoused values as a part of company culture in startups

Company culture can be compared to unspoken code of communication, which means that every member of an organization knows how to act and communicate (Cremer 1993), or it can be considered as a bonding mechanism between people which produces a culture where employees know which mode of conduct is expected (Park, Oh and Lee 2020). To be successful organization, it must have healthy and well-established company culture. On the other hand, for example in leadership and managerial literature, there has been idea, that company culture can be compared as a set of norms and values which are known by every employee and these values are shared strongly through the company (O'Reilly and Chatman 1996). Values form an integral aspect of company culture, yet they alone do not fully embody it. Stavru (2013, p. 31) provided a synthesis of 47 definitions extracted from the literature describing organizational values as “long-lasting constructs, which have emerged from the collective beliefs, experience and vision of a group or all members of the organization about what the organization should hold to be of intrinsic worth, and which have (explicitly or implicitly) certain weight in the process of decision making and the evaluation of individuals and organizations in terms of their modes, actions and end states.” In this study the author prefers the definition which Bourne and Jenkins (2013, p. 497) have composed, meaning that

organizational values are defined as “a group of values which together create a value system which every employee in the organization knows and guides their behaviour accordingly”.

Typically, the first values of an organization are initiated and reflected by the individual values of the founder or founders (Schein 1985) and with the first employees, the values become ingrained and strengthened through organizational practices and structures (Buenger et al. 1996). As organizations develop, their values develop too, meaning that those values are adjusted occasionally, but mostly it is a reaction to internal or external shifts, for example a management change or environmental turbulence (Amis et al. 2002). Additionally, Casey (1999) and Ogbonna and Harris (2002) have said that organizational values are important tool for change management and according to Gibbons (2019), one of the most crucial changes at the moment is the triumph of AI and his statement is that more technologically enabled organizations and workplaces come, then the “human factor” comes more relevant, and this goes for community, empathy, relationships, trust and purpose.

Organizational values are not only important for internal communication and creating a company culture, but also for external communication and corporate branding. In 1982 “In Search of Excellence” (Peters and Waterman 1982) was published and this put a rather new benchmark to leadership and management trends, it elevated company culture and organizational values to a higher perspective and stated organizational values as hygiene factor. Nowadays, nearly every company listed in the Fortune 100 displays publicly their organizational values and names them as a mandatory part of company culture and stakeholder management (Jonsen et al. 2015).

According to Bourne & Jenkins (2013), there are 4 forms of organizational values:

- Espoused values – See following paragraphs and Table 1.
- Attributed values – Values that are given or granted to an organization by its members, stakeholders, or external observers based on their experience of the organization's behaviour. These attributed values may not always align perfectly with the organization's espoused values but are derived from its actions and decisions. (Kalliath et al. 1999; Whetten 2006)
- Shared values – Principles or beliefs that are commonly accepted and adopted by members of an organization. Shared values represent the common understanding and agreement among employees about what is important and acceptable in organizational context. (Bourne & Jenkins 2013; Nohria & Ghoshal 1994)

- Aspirational values - Values or principles that an organization aims to achieve in the future. Aspirational values often reflect the organization's long-term vision and objectives, guiding its efforts towards continuous improvement and expansion. (Bourne & Jenkins 2013; Enz 1988)

Current study focuses on espoused values and even there are numerous different definitions, which some of can be seen in Table 1 below.

Table 1: Different theoretical approaches of defining espoused values.

| Author | Definition | Characteristics | | |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------------------------|--------------------------|
| | | Publicly displayed | Represent only part of an organisation | Part of formal documents |
| Bourne & Jenkins (2013) | Espoused values refer to explicit declarations, typically articulated orally or in written form, commonly encountered within formal organizational documents and corporate websites. | x | | x |
| Jaakson (2010) | Espoused values are generally well known and visible to everyone, but the level of their acceptance by the members of the organization may vary within the organization. | x | x | |
| Kabanoff & Holt (1996) | Espoused values are those that embody the principles and beliefs of an organization's senior management. | | x | |

Source: Composed by Author.

In current study, definition from Bourne and Jenkins (2013) is preferred, meaning that espoused values refer to explicit declarations, typically articulated orally or in written form, commonly encountered within formal organizational documents and corporate websites. From top manager point of view, espoused values are the ones which helps organization to achieve its goals and be successful.

As organisations evolve in time, espoused values might develop or change in time. In fact, there are different opinions regarding changing values, for example Collin and Porras (1996) stated that companies are more inclined towards achieving long-term success when their fundamental values and overarching purpose remain constant, even as they adapt their business strategies and practices to the evolving competitive landscape. On opposite, Kotter and Heskett (1992) claim that organizations whose company culture, including values, are adaptive, can be more successful in dynamic environments. Startups will always have dilemma to change or not, starting from company culture to ending with actual product or service. In instances of change, a reason or a trigger typically initiates the process. Within the theoretical framework of managing changes, these reasons are categorized into two distinct types: internal and external factors (Alvesson and Sveningsson 2008). Alshahrani (2020) has provided a clear and

comprehensive definition for internal and external factors. The internal environment factors of an organization encompass essential elements that are integral to its operations and sustainability. These factors include human resources, budgetary considerations, and the nature of products or services offered. Without adequate financial and human resources, an organization cannot effectively function. External factors refer to elements outside of an organization's direct control that can impact its operations and performance. External environmental factors include political dynamics, social and organizational regulations, economic conditions, competitive forces, investment requirements, and environmental/ecological considerations. These external factors influence the strategic decisions and operational outcomes of an organization, shaping its competitive landscape and overall success. In the context of changing espoused values, both internal and external factors may contribute to the impetus for change, although it is conceivable that external factors hold greater dominance, particularly during periods of environmental turbulence.

There are many different variations how to define startups, is it an organisation which does something new or is just quickly scalable. In theoretical literature it is possible to find several different startup definitions and below in Table 2, can be seen 4 different startup definitions and their characteristics.

Table 2: Different theoretical approaches of defining startup.

| Author | Definition | Characteristics | | | |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------|-----------------------|-----------------|
| | | Innovation | Scalability | Lack of prior history | Risk of failure |
| Ries (2011) | Startup is characterized as "a human institution established to develop new products and services amidst conditions of considerable uncertainty." | x | | | x |
| Blank (2010) | Startup is a partnership or a company where main goal is to search a business model which can be scaled and repeated. | x | x | | |
| Cho and McLean (2009) | Startup is an organization of temporary nature that specializes in innovating products and/or services using high technology. Such entities often operate within environments marked by uncertainty and risk. | x | | | x |
| Carter et al. (1996) | Startup is a recently established company with no prior operational history. | | | x | |

Source: Composed by Author.

In this paper startup definition composed by Blank (2010) is preferred by Author, meaning that startup is a partnership or a company where main goal is to search a business model which can be scaled and repeated. So according to this definition it does not matter in

which sector the startup operates, but more important is that searching for scalable and repeatable business model means innovation. Companies age or recent establishment are not the key characteristics according to the Authors opinion.

From founders' perspective Spender (2014) has brought out the fact that founding a startup means innovation and generating new ideas, including breaking boundaries and doing things differently that it is used to do. Startups can adapt quickly to new situations which means that startups are good example of a resilient company as their business model has no long historical roots and is based on innovation, this concludes that startups are more resilient to crisis or environmental turbulence, although there is a financing aspect, which might make startups still vulnerable. (Metro et al. 2021)

Startups are one way, or another related to technological developments, meaning the environment is fast moving and startup success and performance depends on how its managed (Leonard-Barton 1992) and this does not only need skilled managers or top management, but also a team, which is capable to perform and achieve desired results in rapidly changing markets (Eisenhardt and Brown 1998). Chorev and Anderson (2006) refers to a study which was composed among Israel startups, and it validated the fact that strong team contributes significantly to success and the specific product might not be that relevant. In addition, study showed that good team can be successful even in the adverse economic, political or environmental conditions. In the event of significant environmental changes, startups equipped with well-established company culture, structure, and procedures are better positioned to navigate environmental turbulence and mitigate unfavourable outcomes.

Chorev and Anderson (2006) claims that a strong company culture within a startup can contribute significantly to its success. Lazarova (2020) posits that many founders mistakenly believe that company culture warrants attention only once the startup achieves financial stability. However, Lazarova (2020) contends that the foundation of company culture is established early in a startup's formation, often when only a handful of individuals are involved. Bosma et al. (2004) takes this even further and claims that in case during rapid growth periods innovative companies and startups not contributing into company culture, can lead to an unproductive workplace environment.

Egard, et al. (2021) suggests that as startups undergo growth or transformation, cultures characterized by a greater degree of formality and procedures tend to emerge, often accompanied by the creation of additional formal roles. Sell and Rukholm (2022) key finding was that startups who has espoused values are financially more successful, compared to those

who do not have espoused values. Meaning that leadership based on values leads to better performance. Consequently, a comprehensive re-evaluation of values and company culture is imperative on a regular basis, considering factors such as startup growth, the external environment, and the organizational vision.

In summary, considering the importance of the startup sector in Estonia and the fact that in 2024 there still exist characteristics of environmental turbulence, this research can be valuable to the whole startup community and give them required insight for future management. According to the author's knowledge there are no research which takes all current 3 domains (startup, environmental turbulence and espoused values) under focus, like it is in current research.

1.2. Environmental turbulence and organizational response to it

Companies, including startups, strategies and innovation behaviours are affected by environmental changes (Wang et al. 2022), in a stable market situation the affect is rational and without immediate significant consequences. Although, if the business environment has a high rate of unpredictability, a significant number of changes due to the occurrence of frequent and diverse events and instability, it refers to environmental turbulence (Tsai and Yang, 2014; Turulja and Bajgoric 2018) and this definition is preferred in the current study, although alternative theoretical approaches and definitions can be seen below in Table 3.

The origins of environmental turbulence can be attributed to two primary factors: (1) technological turbulence resulting from unpredictable technological advancements that swiftly render mainstream products and processes obsolete, coupled with unexpected shifts in technology timing, and (2) market turbulence, arising from ongoing changes in customer preferences and fluctuating demands for firms' offerings. (Kam-Sing Wong 2014; Wang et al. 2015).

The literature and academic research have focused mainly on two fundamental approaches elucidating organizational behaviour amidst uncertain, rapidly evolving environments. The theory of structural inertia, advanced by scholars in organizational ecology (Hannan and Freeman 1977, 1984) emphasizes that maintaining internal stability represents the optimal response to shifting and turbulent environmental conditions as internal changes are perceived as counterproductive during such periods. Advocates of this theory context that organizations sustain stability when they maintain their usual procedural operations and

methods while approaching opportunities for innovation within turbulent environment (Boyne and Meier 2009).

Table 3: Different theoretical approaches of defining environmental turbulence.

| Author | Definition | Characteristics | | |
|--------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------------------------|----------------------|
| | | High-level of uncertainty | Several consecutive events | Rapid market changes |
| Tsai & Yang (2014), Turulja & Baigoric (2018) | If business environment has high rate of unpredictability, significant number of changes due to occurrence of frequent and diverse events and instability, it refers to environmental turbulence | x | x | |
| Ko & Tan (2012) | Environmental turbulence characterizes the unpredictable, uncertain, volatile, and diverse events occurring within the context of a specific industry's operational environment. | x | | x |
| Jaworski & Kohli (1993) | Environmental turbulence means high uncertainty of market demand and rapid changes in customer preferences | x | | x |
| Ansoff, H. I., & McDonnell, E. (1990) | Environmental turbulence is characterized by a composite assessment of variability, instability, and predictability, reflected in the complexity and novelty of alterations within the environment | x | | |

Source: Composed by Author.

On the other hand, the contingency theory posits that for an organization to succeed it must align with the conditions of its external environment (Tsai and Yang 2014). With increasing levels of dynamism, firms are compelled to swiftly adapt their strategies and structures to avert obsolescence or failure. Ansoff (1987) for example, suggested that as environmental turbulence intensifies, the appropriate response for firms is to be more aggressive in their operational and strategical actions. Organizational adaption to changing contingencies is imperative for fostering innovation (Ansoff 1987). Amidst a turbulent environment, organizational success hinges on the ability to innovate and adapt (Teixeira and Werther 2013).

Structural inertia or contingency theory can not only be followed in environmental turbulence, but similar dilemma in organizational management might occur when company operates during the crisis. Organizational crisis is characterized by its rarity, high uncertainty and significant impact across all levels of organization (Gabrielli et al. 2019). If crisis is not managed appropriately, a crisis can result in substantial negative outcomes (Ritter & Pedersen 2020). According to the Authors opinion, the organizations have similar possible options how to react in case of crisis or an environmental turbulence as there is no significant difference. Poulin (2022) has studied and described how organizational response to crisis looks like and

as brought out earlier, during environmental turbulence organizations have similar options how to tackle uncertainty. On Figure 1 can be seen a model which shows how startups, which are positioned in the centre, can choose between structural inertia or contingency theory, it is based on Poulin’s crisis model, but Author has modified it accordingly to point out the similarities of crisis and environmental turbulence. While Poulin's model is applicable across various organizational contexts, the author contends that its three distinct zones—uncertainty, learning, and advantage—also hold relevance for startups and their developmental stages.

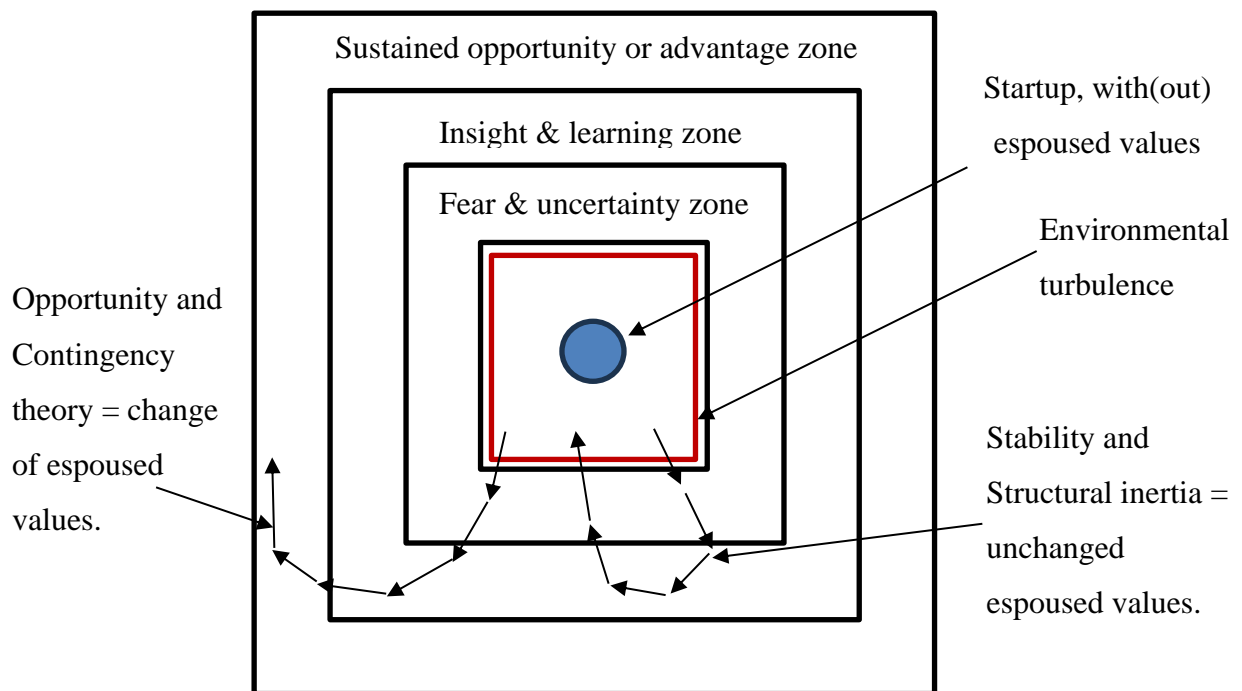


Figure 1: How startups can manage change of espoused values during environmental turbulence.

When encountering environmental turbulence, as depicted in Figure 1, startups face a dilemma and uncertainty about how to continue their operations, and whether rapid changes to their espoused values are necessary. If such changes are indeed required and implemented correctly, they could provide a competitive advantage to the startup.

2. Methods and Data

Current study consists of number of different consecutive steps. It started with detailed literature research to provide a theoretical overview of the study and its related subtopics and concepts. Below, in Figure 2, is a detailed illustration of the workflow and the sequential steps involved in the current study. This visual representation offers a comprehensive overview of

the methodology employed, delineating each specific stage of the research process with clarity and precision.

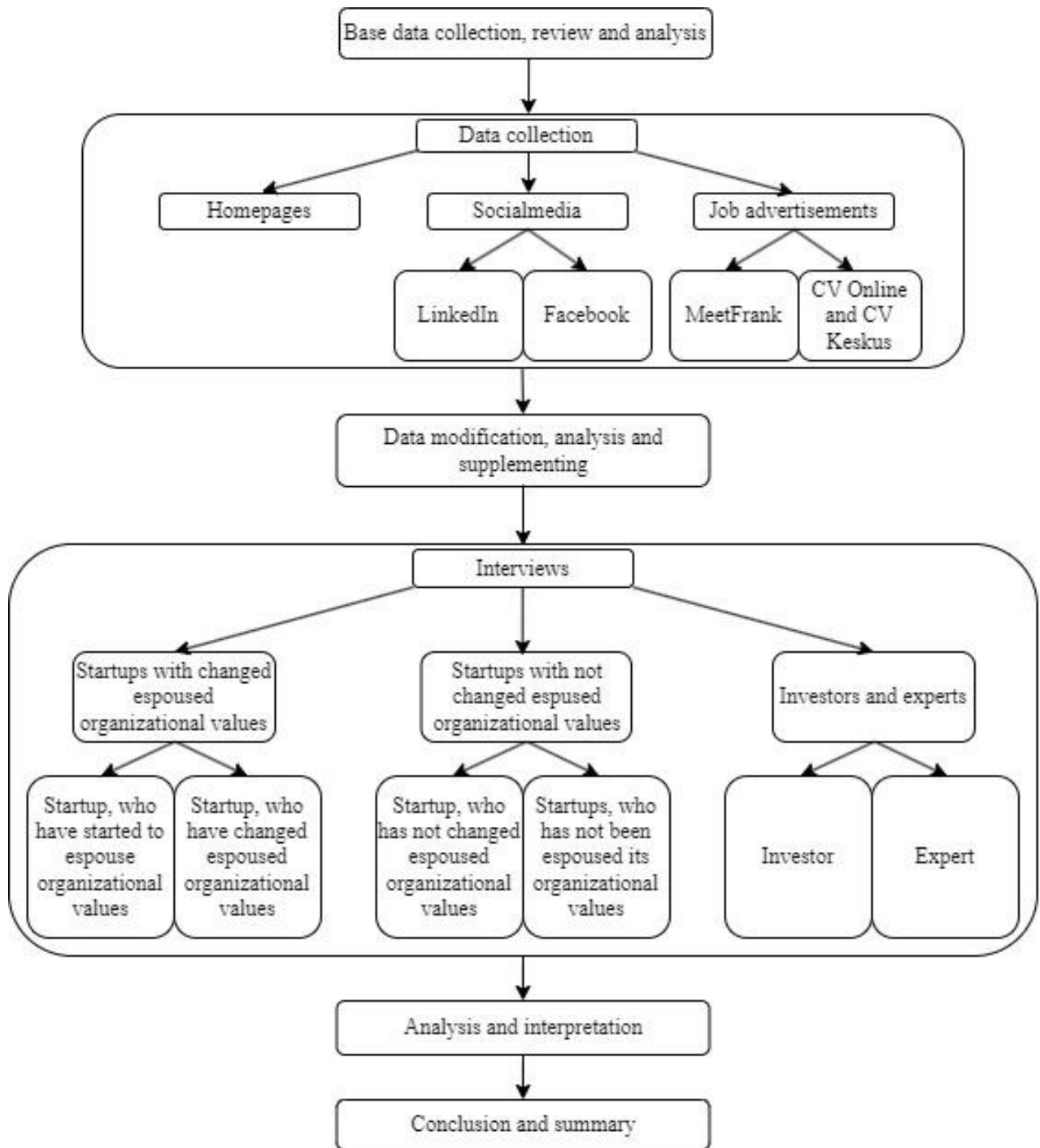


Figure 2: Research workflow

Study focuses on if and why have espoused values changed during period from January 2022 to January 2024, which is two-year period and considered as environmental turbulence, it is the period where has been several rapid changes in environment and society, which has affected world's economy in general, including Estonia and its startups. Illustrative overview

of events and environmental changes from 2020 can be seen in Figure 3. Below are listed key characteristics, why author has considered a period from January 2022 to January 2024 as an environmental turbulence:

- COVID-19 pandemic. Official world-wide COVID pandemic started in March 2020, although first cases were discovered in late 2019. Pandemic was officially declared to an end in May 2023 (World Health Organization 2024). This means that about 16 months of official pandemic was within two-year period, which Author considers as environmental turbulence.
- Ukraine war. On 24th of February 2022, Russia invaded to Ukraine and since then there is a full-scale war on Ukraine territory, and it has not had impact on Estonian companies but for society in general. More than 50,000 refugees have come to Estonia (Ministry of the Interior 2024) and in many sectors are affected by availability of raw materials, starting from construction and energy sector, ending with logistics sector and metal industry (European Council 2024).
- Historically high inflation and increase in energy prices. Since mid-2021, there has been a rapid escalation in energy prices, a trend exacerbated by the onset of the Ukraine war in February 2022 (Centre for Economic Policy Research, 2024). According to Politico (2022), the energy crisis in the EU subsided towards the end of 2023. Throughout this period, household expenses and fixed costs for various business sectors surged by approximately 50%. The substantial increase in energy prices has precipitated inflationary pressures not only in Estonia but across the entirety of the EU, with energy costs being the primary contributor to the overall inflation surge, accounting for roughly 40% (Wark 2024). Consequently, Estonia has experienced a significant spike in year-on-year inflation rates, reaching 19.2% in 2022 and 9.2% in 2023 (Bank of Estonia 2024).
- Rapid increase of interest rates. At the beginning of January 2022, 6 months Euribor was - 0,539% and within 2 years, it grew more than 4%. In the end of January 2024, 6 months EURIBOR was 3,835% and highest rate was at the end of October 2023, when 6 months EURIBOR was 4,143% (Euribor rates 2024). Interest rate growth within such a short timeframe has significantly increased not only individuals loan payments but companies interest costs too.

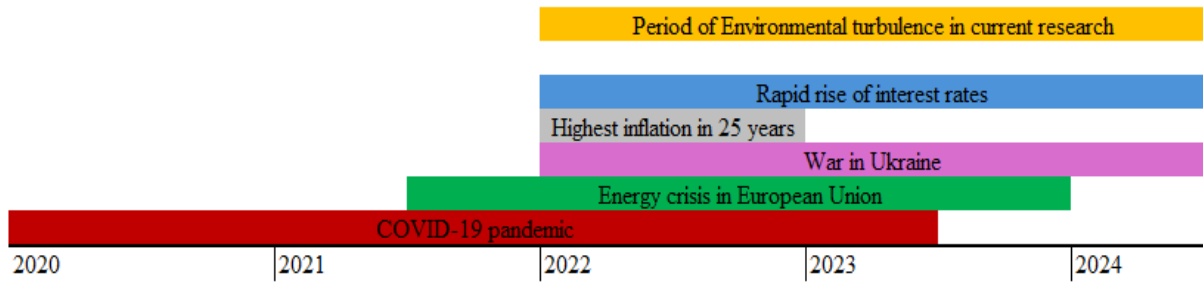


Figure 3: Significant changes and events from 2020 to 2024.

An integral component of this study is the master's thesis authored by Sell and Rukholm (2022), wherein they investigated the correlations between espoused values and financial metrics within the context of Estonian startups. The historical dataset, supplemented by updates in 2024, serves as the foundation for constructing a sample for interviews, which constitutes the primary method of data collection. This approach, as advocated by Miles and Huberman (1994), affords a comprehensive and nuanced understanding of the subject matter. Interviews are conducted in a semi-structured manner, enabling the researcher to address appropriate categories and aspects of the theoretical framework comprehensively. Moreover, this format facilitates in-depth exploration during the interview, if desired by the parties, and allows for the emergence of new insights and discoveries, which can be compared to the existing theoretical framework.

2.1. Data collection

Sell and Rukholm (2022) idea of dataset processing was that they focus only to startups who have 10 or more employees and who had started their operations before 2018. Purpose was that these companies are not in idea stage and are more likely to espouse their organizational values or have at least had opportunity to think about the values. For current study author finds this approach reasonable as 1- or 2-year-old startup which is in idea phase with for example 3 employees, who all are founders, are not the one gives adequate information and input regarding espoused values and how these might have changed. Detailed description of sampling can be seen in Appendix A.

Author of current research took Sell and Rukholm (2022) database and during the period of 15.01.2024-23.02.2024 updated espoused values information about every startup in current spreadsheet, meaning that 115 startups and their webpages, publicly available information, including job advertisements and public presentations, were searched and analysed. On their webpage's espoused values were mainly found in About us, Team or Careers

sections. On some occasion espoused values were found also on companies LinkedIn profiles or pitching presentations.

Key part of the study was conducted as detailed interviews with Estonian startup sector representatives to get more informative and qualitative understanding why have Estonian startups changed their espoused values during last few years which can be named as environmental turbulence. Considered the topic, startup sector complexity and volume of startups in Estonia, it was chosen by Author that about 10 interviews should be conducted to get representative results. Depending on the characteristic of the interviewee, questions were different although general framework was similar and can be seen below in Table 4. Detailed interview questions and structure can be seen in Appendix B as there were three different sets of interview questions, depending on the interviewee and its characteristics.

Author had to send interview requests and reminders to 3 investors/experts and 27 startup founders in order to secure the required number of interviews. Surprisingly, this process proved to be more challenging than initially anticipated. Despite there being only 16 startups that had altered their espoused values during the recent turbulent years, obtaining 4 interviews from this subset was notably difficult from the author's perspective. Several founders declined the interview invitations, citing reasons such as time constraints or busy schedules, while others did not respond at all, despite multiple reminders via email or LinkedIn. In some cases, the author attempted to arrange interviews through phone calls, but these efforts were unsuccessful too. Regrettably there were several interview cancellations in a last minute and the Author managed to get 9 interviews in total. As the difference with initial plan is only 1 interview, which is irrelevant, then results from there 9 interviews are sufficient to form conclusions. The primary objective and procedural framework remain unaffected by minor fluctuations in the number of interviews.

Although the process of getting interviews was surprisingly challenging, then in Authors opinion the list of interviewed startup founders, managers, investors and experts is high-level and not only couple of key segments or stakeholders were represented, but considered their operational and geographical diversity, results can be interpreted to the whole Estonian startup sector.

Table 4. General structure of interviews

| | |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Introduction | Please describe briefly what is your startup main value proposition, i.e. for whom and how value is created? |
| Years of environmental turbulence | How has your startup been doing in last 2 years, since January 2022? |
| | Are you satisfied with the process and results? |
| | Has your startup been affected by frequent and diverse events during last 2 years, since 2022, which can be considered as environmental turbulence? (Ongoing COVID-19 pandemic, start of Ukraine war, rapid rise in interest rates)? |
| Espoused values | How important do you consider the company's culture and the organizational values You base your management on? |
| | How and when did the organisational values for your company emerge and why? |
| | When have you decided that they must be publicly displayed? |
| | Why did you decide to change organisational values in the last couple of years? |
| | Why did you decide to start display them publicly? |
| | How has changing organisational values contributed to the company's success and growth in recent years? |
| Opinion | Please give your opinion, how much have organisational values changed in the Estonian startup sector during last couple of years, which can be considered as environmental turbulence? |
| Closing | If you were to create a startup/company today, what would be the organisational values you would want to be based on? Are they different from the current ones? |

Source: Composed by Author.

Interviews were conducted between February and April, utilizing both video calls and in-person meetings. The preference of the author was on-site meetings; however, considering logistical challenges such as the location of interviewees in Tartu or their busy travel schedules, video calls were arranged as necessary. Prior to the interviews, questions were provided to the participants, although approximately 50% of the interviewees only reviewed them and prepared for the meetings. All interviews were recorded with the explicit permission of the participants, with introductory and off-topic discussions typically omitted from the recordings. On average, interview lasted approximately 39 minutes, with durations ranging from 30 minutes to 1 hour and 9 minutes.

The decision was made by the author not to transcribe the interviews; instead, listened multiple times and detailed notes were taken in a structured manner, corresponding to the topics and interview questions. This process resulted in comprehensive memos from each interview, serving as the foundation for the subsequent coding process. An inductive approach to interview coding was adopted, with the coded interviews. Analysis and interviews were followed by results interpretation, discovering mutual findings or, trends and patterns and research ends with conclusion. More detailed information about sample and conducted interviews can be seen in Table 5.

Table 5. Interviewed startup founders, CEO's, investors and experts.

| | Planned number of interviews | Actual number of interviews | Startup | Representative | Role | Change of espoused values? | Interview date | Interview location | Interview duration |
|------------------------------------------------|-------------------------------------|------------------------------------|-----------------|-----------------------|--------------|---------------------------------------------|-----------------------|---------------------------------|---------------------------|
| Startups with change in espoused values | 4 | 4 | Uku | Rain Allikvee | Founder, CEO | Changed | 28.02.2024 | Uku office, Tallinn | 42 min. |
| | | | Lingvist | Aleksei Kolesnikov | COO | Changed | 07.03.2024 | Online, Google meets | 30 min. |
| | | | Global Reader | Indrek Jaal | Founder, CEO | Changed | 13.03.2024 | Online, Google meets | 40 min. |
| | | | Roofit.Solar | Andres Anijalg | Founder, CEO | Changed | 22.03.2024 | Online, Google meets | 32 min. |
| Startups with unchanged espoused values | 4 | 3 | R8 Technologies | Siim Täkker | Founder, CEO | Not changed | 27.02.2024 | R8 Technologies office, Tallinn | 46 min. |
| | | | Evocon | Aigar Koov | Founder, CEO | Not changed and are not displayed publicly. | 21.03.2024 | Online, Google meets | 31 min. |
| | | | Qminder | Rauno Rüngas | Founder, CEO | Not changed | 04.04.2024 | Online, Google meets | 31 min. |
| Investors and experts | 2 | 2 | Change Ventures | Rait Ojasaar | Investor | - | 06.03.2024 | Nodeswat office, Tallinn | 33 min. |
| | | | Ex-Superangel | Kalev Kaarna | Expert | - | 04.04.2024 | Online, Google meets | 69 min. |

Source: Composed by Author.

3.Results and analysis

Detailed list and division of startups by their characteristics can be seen below in Table 6. To start, there were 8 startups that ceased operations, either due to bankruptcy, merger, or discontinuation of business activities, exemplified by entities such as Paxful and Medihub. Of the total, 54 startups refrained from publicly sharing their espoused values in 2022 and have not done so either during or subsequent to the period of environmental turbulence. Contrary to expectation, a significant number of these startups were internationally well-known, leading one to anticipate the existence and public display of espoused values, notable among these were Funderbeam and Evocon.

Moreover, 36 startups, which have articulated their espoused values, have persisted in maintaining them unchanged throughout the turbulent period. Among these steadfast entities are notable startups such as Veriff, R8 Technologies and Qminder, demonstrating a deliberate or inadvertent adherence to the structural inertia theory (Hannan and Freeman 1977, 1984) in their management of company culture. In synthesis of the preliminary analytical steps, it emerges that approximately 85% of the startups in the sample have either preserved their espoused values without modification or have not displayed organizational values at all.

17 startups, constituting 15% of the total, have adjusted their espoused values amid the environmental turbulence. Among these, two startups have merely appended one or two supplementary values to their existing value set, whereas the majority have substantially revised their existing values or started to display them publicly for the first time during the environmental turbulence.

Focusing on startups that modified their espoused values during the environmental turbulence, it is notable that one startup, which had previously displayed publicly organizational values on its website before the environmental turbulence, has stopped public display as of January 2024. Among the 16 startups that changed their espoused values and their presentation approach, most merely refined or supplemented existing values.

During periods of environmental turbulence, ten startups modified their previously espoused values, with a noticeable shift towards emphasizing teamwork and extraordinary effort. This shift is evident in values articulated through phrases such as "support others," "we work as one," and "people," alongside commitments like "all in," "go beyond yourself," and "working hard." In the wake of the COVID-19 outbreak, as hybrid and remote work modes became more prevalent and subsequent events heightened uncertainty, these startups felt the need to reinforce their core values to employees. They aimed to ensure that, even during turbulent times and remote working conditions, employees remained focused and efficient.

Remarkably, six startups introduced their espoused values for the first time between January 2022 and January 2024, a period marked by substantial challenges for every startup and named as environmental turbulence in this research. It is noteworthy that these 6 startups have been operating for several years, commencing prior to 2018. In most instances, the process of supplementing or creating espoused values entails considerable work and effort. Notably, none of these startups employs single-word values; rather, each value is accompanied by a detailed description and narrative. Consequently, readers gain a comprehensive understanding of the company culture, principles, and shared organizational values.

Table 6. Division of startups according to the changes in organizational values

| Characteristic | Number of startups | Share | Examples |
|----------------------------------------------------------------------|--------------------|-------------|---------------------------------|
| Startups which have stopped operating (bankruptcy, merger, etc) | 8 | 7% | Pocopay, Paxful, Medihub |
| Startups which have not published their organizational values | 54 | 45% | Bisly, Evocon, Funderbeam |
| Startups which organizational values have not changed | 36 | 33% | Scoro, R8 Technologies, Qminder |
| Startups with changed organizational values | 10 | 9% | IoT, Jobbatical, Starship |
| Startups which have first time displayed their organizational values | 6 | 5% | Uku, Lingvist, Roofit.Solar |
| Startups which have stopped to display organizational values | 1 | 1% | DreamApply |
| TOTAL | 115 | 100% | |

Source: Composed by Author.

One of the initial inquiries posed during the interviews pertained to the startups and startup sector in general, focusing how they have been doing over the preceding 2-year period, since the beginning of 2022. The objective was to garner general understanding from founders and CEOs, not focusing only on financial performance or Key Performance Indicator, acknowledging the diverse developmental stages of startups. Processed and coded interview results with emerged categories and themes can be seen in Table 7.

It is noteworthy, that all interviewed startups, investors and experts were inevitably subject to the ramifications of environmental turbulence from 2022 to 2024, commencing with the start of the Ukraine war and culminating with rapid escalation in interest rates. Initially, it was notable that the majority of interviewed startups expressed a degree of resilience amidst turbulent and challenging circumstances, reporting still year-on-year growth. Particularly was worth mentioning the fact that interviewed startups have not been operating only a year or two, where significant growth might be easier to achieve due to non-existent reference base, but instead these startups have been on the market more than 6 years and are at least in scale up phase. Despite the potential moderation in growth compared to the preceding years of 2019

and 2020, interviewed startups still achieved notable growth. For instance, Roofit.Solar evidenced a growth of three times between years 2021 and 2023, translating to annual growth rated averaging between 70% to 100%. Such growth rates are conventionally anticipated within the startup definition, characterized by aspirations for rapid scale up and growth as delineated in the framework articulated by Blank (2010). However, the attainment of such growth in environmental turbulence, coupled with the startup’s maturity, is remarkable.

Table 7. Analysis of interview: Environmental turbulence and startups.

| Code | Category | Theme | |
|---------------------------------|-------------------------------------------|-----------------|--------------------------|
| Change of KPI's | Period of changes | Uncertain times | |
| Change of focus | | | |
| Value of money has changed | | | |
| Quick decisions and changes | | | |
| Really challenging period | Challenging growth period | | |
| Difficult at the beginning | | | |
| Prolong of cycles | | | |
| Significant impact | | | |
| YoY moderate growth | | | |
| Controlled growth | | | |
| Really successful period | Fund raising and profitability | | Financial sustainability |
| Previous efforts paid off | | | |
| Optimization | | | |
| Bootstrapping | | | |
| Profitability | | | |
| Money-stress | | | |
| Fund raising is more difficult | Values rather on the background | | |
| Values rather on the background | | | |
| Legend | | | |
| | Startups with changed espoused values | | |
| | Startups with not changed espoused values | | |
| | Investors and experts | | |

Source: Composed by Author.

Rait Ojasaar, representing Change Ventures and Aleksei Kolesnikov from Lingvist, highlighted a preceding era of environmental turbulence, there was period wherein fundraising was a goal on its own and it became a status symbol for founders, contingent upon the amounts they managed to secure. However, Ojasaar contends that the act of fundraising should not be viewed as an isolated objective.

“A startup is launched not solely for the purpose of raising money; rather, raising money is a means to an end.” (Rait Ojasaar)

In general context, it suggests that startups should orient their focus towards achieving profitability rather than prioritizing growth as the principle Key Performance Indicator. Startup sector expert, Kalev Kaarna, has highlighted a similar perspective, emphasized the increasing

importance of profitability and reaching the break-even point. From the startup perspective, R8 Technologies and Roofit.Solar concur with this viewpoint, likely due to the continued reliance of their startups and its growth on external funding, thereby necessitating a strategic emphasis on financial sustainability. From the perspective of Roofit.Solar, their operation strategy aligns closely with the approach articulated by Change Ventures, emphasizing the maximization of operational longevity through prudent management of existing financial resources, including measures such as potential workforce reduction or cutting fixed costs. Notably, to the best of Authors knowledge, Change Ventures has not engaged in investment activities or other close relations with Roofit.Solar. this observation underscores a prevailing market trend and reflects the evolving expectations of investors in environmental turbulence.

Rain Allikvee, founder and CEO of Uku, has underscored an emerging trend within the Estonian startup ecosystem over the past two years, commonly referred to as “money-stress”. This phenomenon is characterized by a pervasive sense of uncertainty among many startups regarding their ability to secure required funding and the strategies they may need to adopt to navigate these uncertainties. Consequently, this climate of uncertainty has engendered a considerable degree of insecurity among startup founders.

Amidst the dynamic shifts and challenges experienced during periods of environmental turbulence, it is noteworthy that certain startups have managed to discern positive implications within the altered economic and societal landscapes. While it is not their preference to navigate through circumstances marked by war or sudden increase in interest rates, their acknowledgment of adversities underscores a fundamental truth: within every negative scenario lies the potential for unanticipated benefits. This recognition highlights the fact that within every adverse circumstance, the potential for positive affects exists, affirming the complexity in economic and societal transformations. For instance, GlobalReader highlighted a notable observation regarding production sector wherein there was a significant upsurge in volumes subsequent to the commencement of the Ukraine war. This was particularly evident in wooden housing production sector. Given that all GlobalReader’s clients operate within production sector, they witnessed firsthand how an unfortunate event such as war could unexpectedly stimulate growth across multiple sectors, thereby positively impacting their operations.

The introductory phase of the interviews revealed that all interviewed startups experienced impacts from environmental turbulence and perceived substantial shifts within the market dynamics. Particularly noteworthy is the transition from prioritizing growth as the

foremost metric to a heightened emphasis on profitability and there was no difference if startup has changed espoused values or not, this kind of transition applied to all interviewed startups.

In Table 8 below, the perspectives of startups regarding the significance of espoused values within company culture are presented, delineating coded interview findings across four distinct categories.

Table 8. Analysis of interview: Espoused organizational values and company culture.

| Code | Category | Theme |
|-----------------------------------------------------------|-------------------------------------------|-------------------------------------|
| Values must be defined | Importance of culture and values | |
| Values are important | | |
| We rather lose in business, than lose in team | | |
| Important but not most important | | |
| Culture is not the main factor, when making an investment | | |
| Indicators and systems must be set | Culture is necessary for daily operations | Necessity and importance of culture |
| Support daily operations | | |
| Managing people is challenging | | |
| Happy customer | | |
| Management tools | | |
| Company DNA | | |
| Common language | | |
| Keeping together | | |
| Conflict with values | | |
| Find employees with similar mindset | | |
| Diversification | | |
| Ambition is important | | |
| Access to better talent pool | | |
| Culture is a face of founders | | |
| Establishing a startup need character | Importance of founders | |
| Manager needs to develop and grow | | |
| Legend | | |
| | Startups with changed espoused values | |
| | Startups with not changed espoused values | |
| | Investors and experts | |

Source: Composed by Author.

Throughout the interviews, all startup founders emphasized the significance of company culture and organizational values. As highlighted by Rauno Rungas and Aigar Koov, respectively from Qminder and Evocon, a startup with well-established and defined company culture, including defined values, are well-positioned to surmount obstacles. Drawing from his experiential insights, they suggested that startups and their teams demonstrate resilience during challenging periods, fostering a cohesive environment wherein team members support one another as needed.

„After 10 or so people, it's like a stage where there are enough points of contact between different people on a daily basis, and it's easier for you as a manager. At one point,

when the team is bigger and different sub-teams have formed and there are fewer points of contact every week, it's harder to maintain synchronicity between different teams so that they are naturally shared and therefore values are also necessary. “ (Aigar Koov)

As articulated by Roofit.Solar, organizational values serve as the fundamental essence, or DNA, of both startups and established companies and this can be compared to Park, Oh and Lee (2020) view where organizational values function as a cohesive force among employees, facilitating the establishment of a share culture, wherein behavioural norms are defined, and objectives are clearly set. R8 Technologies and Evocon emphasized a firm stance on the critical role of organizational values as instrumental tools for management. Organizational values serve as foundational elements that support daily communication and operational activities. In essence, their operational practices align with theoretical perspectives, although unconsciously as they consistently adhere to these guiding principles in their daily operations. GlobalReader underscored the profound significance of company culture and organizational values, emphasizing the paramount importance of fostering a positive work environment for employees. However, they also articulated a pragmatic perspective, noting that the creation of such a conducive atmosphere hinge upon client satisfaction. In essence, they contend that without a solid client base, adequate turnover and financial stability, the implementation of organizational values may become irrelevant, as the viability and the sustainability of the startup are called into question.

A compelling perspective was presented by Lingvist and Aleksei Kolesnkiiov, suggesting that well-defined and concise organizational values can enhance access to a talented workforce. The importance of limiting the number of values a company adopts should not be underestimated. For instance, Lingvist adheres to five organizational values, each expressed briefly in one or two words or phrases. Aleksei Kolesnikov highlighted the challenges posed by his previous employer, Bolt, which maintained ten organizational values accompanied by detailed descriptions. In such instance, employees may struggle to memorize all the values, resulting in diminished sense of connection with them, particularly when values are overly numerous or complex.

Both interviewed experts and investors, Kalev Kaarna and Rait Ojasaar, indicated that company culture, including organizational values, does not rank as the foremost criterion when assessing investment prospects in startups. Investors are drawn to startups that offer unique products or services capable of addressing tangible problems and having potential to scale.

This distinctive quality, often referred to as the “X-factor”, is particularly attractive to Change Ventures, when considering potential additions to portfolio startups. On the other hand, the culture and organizational values inherent within a startup provide valuable insights into the identity of its founders and their principles. As an investor, it is necessary to perceive founders as a prospective partner and collaborator, emphasizing the importance of aligning values harmoniously. Theoretical framework suggests that the initial values of an organization often mirror those espoused by its founders, acting as a reflection of their personal convictions and principles (Schein 1985). Ideally, as stated by Change Ventures, a founder should embody the qualities of empathy, honesty and effective leadership, while also exhibiting a willingness to think outside of the box and challenge traditional norms. Furthermore, there is an acknowledgement of the necessity for a degree of unconventional thinking, as indicated by the notion of being “a little bit off one’s head”, which underscores the imperative to challenge norms and conventional practices in the startup context. This sentiment aligns with the perspective put forth by Spender (2014), wherein the process of founding a startup involves the generation and implementation of new ideas, thereby necessitating a departure from conventional practices.

Conducting structured interviews with 7 startups and 2 investors and experts has provided a comprehensive understanding of the motivations behind startups defining their organizational values and the processes involved therein.

Second theme of the interviews brought out the importance of espoused values as a management tool and as a cohesive force among employees.

In the subsequent chapter, interviewed startups provide a more comprehensive exposition concerning the establishment of espoused values, with the coded interview data and resultant categories shown in Table 9.

Environmental turbulence includes a series of interconnected events that invariably influence companies’ strategic considerations. Within this context, the author distinguishes between internal and external pushes for organizational value change. Internal trigger refers to situations where the impetus for change originates from within the organization itself. This may arise from the necessity to establish a cohesive framework for effective communication and operation among employees, thereby enhancing overall success. Conversely, external push refers to triggers originating from outside the company, leading to the adoption of newly defined organizational values within the team. Despite the establishment of these

organizational values, it is posited that the team may have managed without them, underscoring the contingent nature of their adoption.

Table 9. Analysis of interview: Establishing espoused values.

| Code | Category | Theme |
|-----------------------------------|---------------------------------------------------------------------|------------------------------------|
| Teamwork | Internal trigger | Reasons to define or modify values |
| Employees were left alone at home | | |
| Need to improve communication | | |
| Internal need | | |
| Need for framework | | |
| Miscommunication | | |
| Fair and transparent management | External trigger, not directly related to environmental turbulence. | |
| Need to be ESG compliant | | |
| Expectations from investors | | |
| Growth in self-awareness | Continues growth and development | |
| Organic growth | | |
| Growth and development of company | | |
| Special project and workload | Value change process | Change of values in time |
| Learning during the process | | |
| Cornerstones from the team | | |
| Help of external specialist | | |
| Possible changes in the future | | |
| Legend | | |
| | Startups with changed espoused values | |
| | Startups with not changed espoused values | |

Source: Composed by Author.

During the period of environmental turbulence spanning from late 2021 to April 2024, four out of the seven startups subjected to interviews chose to change their organizational values and display them publicly. As depicted in the table above, Uku, GlobalReader and Roofit.Solar were internally motivated to redefine their organizational values, whereas Lingvist experienced external pressure to do so. From the author’s perspective, internal triggers or pushes are discerned as originating from within the team or management structure. This may manifest, for instance, in response to the imperative to establish a structured framework and operational guidelines to navigate the challenges posed by remote or hybrid work arrangements. Conversely, external triggers are characterized by influences unrelated to the broader environmental turbulence and typically stem from specific partners, events, or deals such as fundraising or fulfillment of procurement conditions.

The process of defining organizational values within GlobalReader exemplifies an internal trigger, wherein team members began to experience feelings of isolation and uncertainty while working remotely following the COVID-19 pandemic. Recognizing the need to address these challenges, management organized a workshop to collaboratively establish common values, objectives, and operational frameworks. According to Indrek Jaal, CEO and founder of GlobalReader, this endeavour proved highly beneficial. In addition to fostering team

cohesion, it notably enhanced internal communication, as employees were able to leverage the defined values as guiding principles in their interactions and decision-making processes. A similar circumstance arose within Roofit.Solar, where the company struggled not only with the disruptive effects of external events, such as start of the war in Ukraine, but also underwent a transition in its management structure. Specifically, the departure of one of the founders and a member of the management board prompted the need to clarify organizational objectives and establish a coherent framework with universally comprehensible cornerstones.

"Trees grow in the forest even without management, but in the case of a company, there must be some kind of framework from which we proceed" (Andres Anijalg)

The definition of organizational values was a collaborative effort involving every member of the team at Roofit.Solar. The organizational structure of Roofit.Solar is characterized by its flat hierarchy, a structure advocated by Andres Anijalg, CEO and co-founder, who wants to maintain a structure similar to self-managing teams. He contends that for a team to be successful, it must possess several key elements:

- Well defined purpose and a mission,
- common goals which are measurable, and
- Organizational values

This strategy parallels the perspective articulated by Nijssen and Paauwe (2012), who posit that amidst turbulent circumstances, attaining innovation and meeting business imperatives necessitates aligning team members with clearly defined objectives and frameworks. Despite Roofit.Solar's status as a startup whose growth and success relies on external funding, the organization has undertaken significant measures to prolong its operational runway, including staff layoffs and reductions in fixed costs. However, considering the organizational values of care and trust, CEO Andres Anijalg perceives these decisions as potentially conflicting, especially in terms of the team's well-being. On one hand, it reflects his dedication to preserving the trust of investors and maximizing the prudent utilization of funds. However, amidst the conflicting considerations regarding organizational values and the multiplicity of stakeholders involved, Andres Anijalg acknowledges the potential necessity to adapt or amend certain organizational values. Nonetheless, he acknowledges that his current emphasis is primarily directed towards fundraising activities rather than the refinement of organizational values and culture.

Lingvist stands out among the interviewed startups as the sole recipient of external push for organizational value revision, as posited by the author. According to Aleksei Kolesnikov's insights, it is noted that Lingvist secured over 5 million Euros in venture capital funding in 2021, with one of the prominent investors being a fund espousing principles that prioritize investments with broader societal impact, transparent governance of portfolio companies, and adherence to Environmental, Social, and Governance (Ryu et al. 2024) standards. Lingvist had not previously defined its organizational values until prompted by an investor requirement to do so. In 2022, Lingvist complied with this investor requirements by defining its organizational values and subsequently began publicly displaying them. This event can be construed as an external trigger prompting the organization to undertake this action during environmental turbulence, although there are no specific indications that in Lingvist's values were espoused due to environmental turbulence, it seems that timing was just a coincidence. For a couple of years, Aleksei Kolesnikov has held the position of second-in-command at Lingvist, offering insights into how prevailing environmental turbulence has significantly impacted company culture and work practices. Recently, he tried to validate whether the existing company culture and values remained adequate or there is a need to change something. He organized a team event focusing on organizational values and company culture. To his surprise, despite the prevailing uncertainty that characterized the preceding years, the team unanimously determined that the existing organizational values still accurately describe the team's identity, thereby concluding that no alterations were necessary. This indicates that although the organizational values were originally formulated in response to external push, they now most accurately present the prevailing working culture, and the team deems these organizational values to be appropriate.

An intriguing aspect arising from the interviews is the absence of recollection among founders or CEOs regarding a deliberate decision to publicly espouse organizational values. As illustrated by Rain Allikvee of Uku and Siim Täkker of R8 Technologies, the inclusion of organizational values on their respective company websites was an organic evolution rather than a consciously driven initiative by the founders. Allikvee noted that Uku's website undergoes continuous development, with minor updates being made regularly. It is likely that, at some certain point, the marketing team simply updated the content of the "About Us" section to incorporate the already existing organizational values, which had previously been defined by the team.

Qminder, a startup significantly impacted by the COVID-19 pandemic and the start of the war in Ukraine, witnessed a notable outcome concerning its company culture amidst the latter event. While the commencement of the COVID-19 pandemic lies beyond the scope of the current research, the emergence of the war in Ukraine revealed to Qminder's management the efficacy of their long-standing efforts in fostering a cohesive company culture. The solidarity demonstrated by the team, alongside their collaborative work ethic and mutual support, proved to be remarkably surprising and commendable for the management.

Especially in the beginning of COVID-19 pandemic but also at the start of the Ukraine war, Qminder deliberately adopted a stance of cautious restraint, refraining from hastily implementing changes due to the limited information available at the time. Furthermore, there was uncertainty regarding the potential long-term benefits of such rapid changes. This approach aligns with the structural inertia theory proposed by Hannan and Freeman (1977, 1984), which posits that maintaining internal stability represents the most optimal response to turbulent events. Consequently, during periods of turbulence, changes may be perceived as counterproductive. Rauno Rüngas, the founder and CEO of Qminder, highlighted the observation that some of their competitors endeavoured to enact swift adjustments in accordance with the Contingency Theory framework proposed by Tsai and Yang (2014) and as brought out in Figure 1, which is based on Poulin's crisis model, but Author has adjusted it accordingly to point out the similarities of crisis and environmental turbulence in the context of startups. However, Rüngas argues that these swift adjustments led to the degradation of their products and the dilution of their unique identity. Furthermore, these competitors did not achieve the same level of financial success as Qminder. Conversely, Rüngas perceives that Qminder has matured as a company and is poised to enter a new phase of growth. He suggests that the current organizational values may hinder the company's growth pace, as they may not be sufficiently ambitious for this stage. As a result, it is probable that these values will necessitate refinement and adjustments in their implementation within the team structure.

Through multiple interviews, it became evident that startups must familiarize themselves with the evolving market conditions during turbulent times, a process often characterized as adaptation. This viewpoint was notably emphasized by Rait Ojasaar, who observed that successful startups in recent years have demonstrated the ability to swiftly adapt to changing circumstances. Ojasaar further noted, based on Change Ventures' portfolio, that the most prominent performers are those that have shown agility in making rapid decisions. This

corresponds to Teixeira and Warther (2013) theoretical approach, where during environmental turbulence, company's success depends on its ability to adapt.

Kalev Kaarna shares a similar viewpoint, delineating a distinction between conventional enterprises and the predominant majority of startups. Unlike established businesses, startups are heavily reliant on external funding and investor support, resulting in limited financial reserves and operational runways typically spanning up to a maximum duration of 18 months. This aspect assumes critical importance when considering whether startups have the luxury of waiting until turbulent events subside and the normal business environment is restored, or whether they must swiftly adapt to evolving market demands, despite the inherent risks involved.

Startups like Evocon and Qminder are not dependent on external funding and from their interviews it can be seen, that during turbulent times they have had challenging times and management were forced to make several complicated decision related to laying employees off, but in general they have had the opportunity to take time and wait how different turbulent events evolve and what kind of affect these event have to the company and to markets they are active on. On the contrary, startups like Roofit.Solar and R8 Technologies, who are partially dependent on external funding and are obligated to constantly to report to the investors, have had occasions, where only option is to react quickly and there is no luxury to wait and see how the situation turns out.

The preceding chapter pointed out that espoused values were predominantly cultivated through collaborative team efforts, with key instigators for their establishment often originating from organic growth or various internal and external triggers.

In the subsequent chapter and in Table 10, coded interview findings and associated categories are presented, encapsulating the perspectives of startup founders, investors, and experts regarding the startup sector and the evolution of espoused values in general.

According to Rait Ojasaar, amidst turbulent environment, most startups are likely to undergo some form of management and cultural changes, thereby suggesting that they may not be significantly impacted by such events. Consequently, even in the absence of deliberate adjustments to espoused values, startups inherently engage with organizational values at a fundamental level. Rain Allikvee and Indrek Jaal, representing Uku and GlobalReader, respectively, lack insights into how startups have responded in terms of their espoused values during environmental turbulence. They argue that a more detailed examination of startups and their company culture is necessary to gain such insights. Rain Allikvee emphasizes that he has

observed increased financial stress in the market, leading to prolonged cycles in production and sales. Consequently, every sales process or agreement is affected, resulting in extended timelines, which, in turn, hinders startups' ability to meet performance metrics and potentially impacts their success in subsequent fundraising rounds.

Table 10. Analysis of interview: Estimation of change of values in Estonian startup sector.

| Code | Category | Theme |
|---------------------------------------------------------|---------------------------------------------------------|-------------------------------|
| Values exist in most cases | Values exists | Survival in challenging times |
| Similar values of founders | | |
| Already high standards | | |
| Public display is separate topic | | |
| Not aware of | | |
| Other challenges in difficult times | Challenges and options in turbulent times | |
| Finance vs culture | | |
| Money-stress | | |
| Impacts of ESG | | |
| Rapid changes are needed | | |
| Reduction of talent shortage | It may be too late to think about values only in crisis | |
| It may be too late to think about values only in crisis | | |
| Legend | | |
| | Startups with changed espoused values | |
| | Startups with not changed espoused values | |
| | Investors and experts | |

Source: Composed by Author.

Operating a startup presents daily challenges, and during periods of environmental turbulence, additional effort is required to ensure success. It is undeniable that amid such hectic times, founders often prioritize financial performance and potential fundraising endeavours, sometimes relegating attention to team dynamics and internal communication to a secondary position.

“If you put things in the binary way – which one is more important: finance or culture? Then definitely finance is more important at the moment.” (Aleksei Kolesnikov)

In results chapter, espoused values of Estonian startups were studied, and 9 relevant startups were found, which were the ones the Author did semi-structured interviews. Interviews were coded and results brought out several categories and themes, which were the reasons why Estonian startups changed their espoused values, started to espouse them during environmental turbulence or have decided currently not to change them.

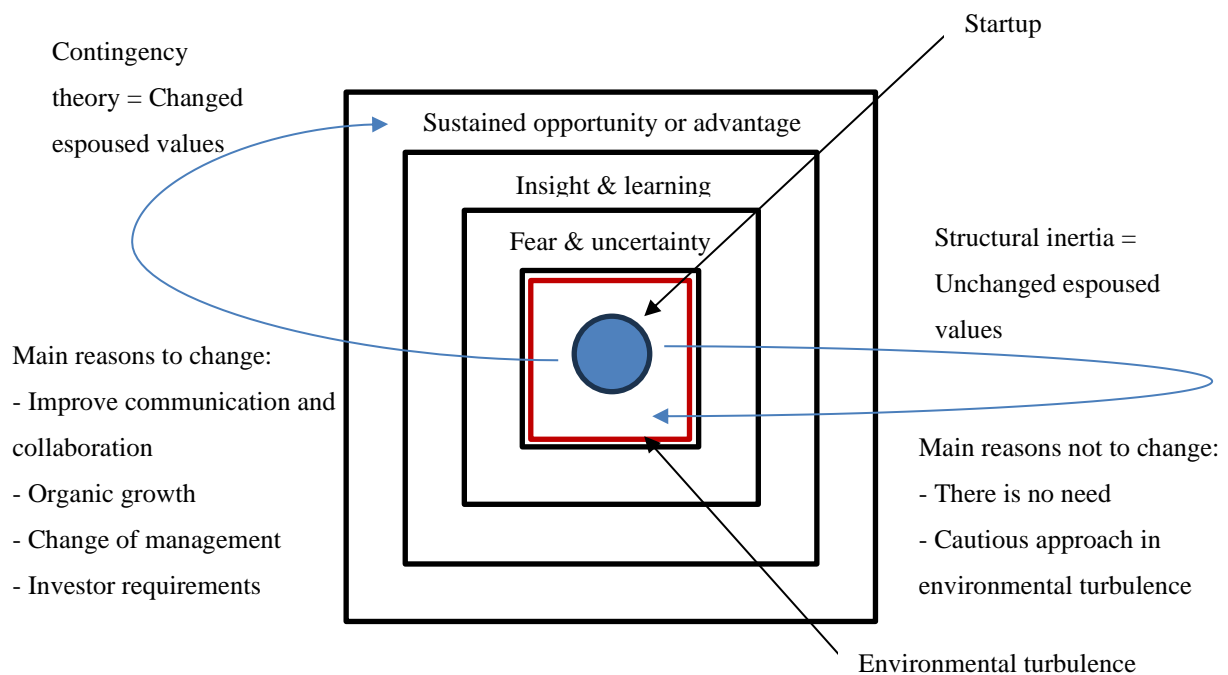


Figure 4: Startups main reasons to change or not to change espoused values during environmental turbulence.

Conclusion

This study was undertaken to investigate the reasons and factors driving changes in the espoused values of Estonian startups during periods of environmental turbulence. In-depth analysis of the espoused values was conducted through an additional nine interviews to ensure comprehensive results and insights.

The findings reveal that 15% of the startups commenced publicly espousing their organizational values during environmental turbulence, while 33% maintained their existing values without alteration, indicating that these values were embraced both before and during turbulent periods. Consequently, approximately 48% of the startups publicly display their organizational values. Given the focus on startups that initiated or modified their espoused values, it is essential to comprehend the underlying reasons.

Startups primarily commenced espousing their organizational values due to internal triggers, such as:

- changes in management,
- necessity to enhance communication and collaboration, or

- the evolution of the startup's maturity, necessitating a focus on company culture, including espoused values.

In one instance, a startup formulated and began espousing its organizational values in response to investor requirements, which can be considered as an external trigger.

All founders, investors, and experts interviewed emphasized the significance of company culture as a unifying force among team members, particularly during challenging times. They underscored the importance of having a cohesive team that shares common ideologies and is willing to go the extra mile to achieve collectively established objectives. To comprehensively analyse the operational strategies adopted by startups during periods of environmental turbulence, it is imperative to examine their funding mechanisms. Specifically, understanding whether a startup relies on external investors or has chosen to bootstrap, thereby leveraging only internal resources for growth, is essential. Under the influence of investor pressures, startups may find themselves unable to afford the luxury of prolonged deliberation amidst environmental turbulence. Rather than having the leisure to project the outcome over a 6- or 12-month timeframe, they are compelled to engage in predictive analyses and promptly implement internal adaptations to secure competitive advantages and align with emerging norms.

The present research offers a comprehensive overview of the changes in espoused values during environmental turbulence. However, in the author's estimation, a more detailed analysis is warranted post-environmental turbulence to ascertain whether altering organizational values has indeed enhanced performance, or if adhering to structural inertia by maintaining unchanged organizational values would have been preferable. As the environmental turbulence is ongoing at the time of this research, it is premature to make conclusive evaluations regarding the efficacy of decisions made during this period. Thus, a longitudinal perspective is essential to determine the optimal course of action for startups in response to environmental challenges. At the time of conducting this research, environmental turbulence persists, rendering it premature to conclusively assess the effectiveness of decisions made during this period for startups. The conclusions drawn herein are based on short-term evaluations of these decisions. Therefore, a comprehensive understanding of their long-term impact necessitates further examination as the situation evolves.

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Appendix A

Sample of startups

| Step | Detailed description | Number of startups |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| 1 | Startup Estonia (SUE) database as of 31.01.2022 | 1306 |
| 2 | Eliminating duplicates found in database | 1304 |
| 3 | Specification of Startup Estonia database with supplementing from Estonian Tax and Customs Board data of 2021 Q4. Database was complemented if some of its data was missing. | |
| 4 | Adding annual average number of employees to Startup Estonia database, based on Estonian Tax and Customs Board quarterly data. | |
| 5 | Based on supplemented Startup Estonia database composing a sample of companies: <ol style="list-style-type: none">1. Startups from Startup Estonia database with 10 or more employees2. Companies with 10 or more employees according to Estonian Tax and Customs Board database, but in Startup Estonia database has less employees or data is not available. | 171 |
| 6 | Removing companies from database, which operations started after 1 st of January 2018 according to Startup Estonia database. | 115 |

Table translated and supplemented by Author, initially composed by Sell and Rukholm (2022)

Appendix B

Interview questions depending on characteristics.

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| STARTUPS WHO HAVE CHANGED ORGANIZATIONAL VALUES OR STARTED TO DISPLAY THEM PUBLICLY | Introductory question | Please describe briefly what is your startup main value proposition, i.e. for whom and how value is created? |
| | Years of environmental turbulence | How has your startup been doing in last 2 years, since January 2022? Are you satisfied with the process and results? |
| | | Has your startup been affected by frequent and diverse events during last 2 years, since 2022, which can be considered as environmental turbulence? (Ongoing COVID-19 pandemic, start of Ukraine war, rapid rise in interest rates)? |
| | Espoused values | How important do you consider the company's culture and the organizational values You base your management on? |
| | | How and when did the organisational values for your company emerge and why? When have you decided that they must be publicly displayed? |
| | | Why did you decide to change organisational values in the last couple of years? Or why did you decide to start display them publicly? |
| | Opinion | How has changing organisational values contributed to the company's success and growth in recent years? |
| Please give your opinion, how much have organisational values changed in the Estonian startup sector during last couple of years, which can be considered as environmental turbulence? | | |
| Summary/closing | If you were to create a startup/company today, what would be the organisational values you would want to be based on? Are they different from the current ones? | |

| | | | |
|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| STARTUPS WHO HAVE NOTCHANGED ORGANIZATIONAL VALUES IN RECENT YEARS | Introductory question | | Please describe briefly what is your startup main value proposition, i.e. for whom and how value is created. |
| | THEMES | Years of environmental turbulence | How has your startup been doing in last 2 years, since January 2022? Are you satisfied with the process and results? |
| | | | Has your startup been affected by frequent and diverse events during last 2 years, since 2022, which can be considered as environmental turbulence? (Ongoing COVID-19 pandemic, start of Ukraine war, rapid rise in interest rates)? |
| | | Espoused values | How important do you consider the company's culture and the organizational values You base your management on? |
| | | | How and when did the organisational values for your company emerge and why and when have you decided that they must be publicly displayed? |
| | Why have you decided that the company's organisational values remain the same even in crisis and do not change them? | | |
| | Opinion | How has changing organisational values contributed to the company's success and growth in recent years? | |
| Summary/closing | | Please give your opinion, how much have organisational values changed in the Estonian startup sector during last couple of years, which can be considered as environmental turbulence? | |
| | | If you were to create a startup/company today, what would be the organisational values you would want to be based on? Are they different from the current ones? | |

| | | | |
|------------------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| INVESTORS | Introductory question | | Please briefly describe your relations with Estonian startup sectors and with which startups you are connected to? |
| | THEMES | Years of environmental turbulence | How much have the last 2 years, which can be considered as environmental turbulence (ongoing COVID-19 pandemic, start of war in Ukraine, rapid rise in interest rates) affected the Estonian startup sector? |
| | | Espoused values | How important do you consider the company's culture and organisational values of the startup to be successful on which the founders and managers are based? |
| | | | In your opinion, should the organisational values be changed over time in order for the startup to be successful, or should the organisational values remain the same even in the most difficult circumstances? |
| | Opinion | Please give your opinion, how much have organisational values changed in the Estonian startup sector during last couple of years, which can be considered as environmental turbulence? | |
| Summary/closing | | If you were to create a startup today, what would be the organisational values you would want to be based on? | |

Tables composed by Author.

Resümee

“MUUTUSED AVALIKULT KUVATAVATES VÄÄRTUSTES TURBULENTSES KESKKONNAS EESTI IDUETTEVÖTETE NÄITEL”

Julius Stokas

Idu- ja tehnoloogiaettevõtted on järjest olulisemat rolli mängimas Eesti majanduses ning nende edu Eesti konkurentsivõime ja maine kasvatamises on äärmiselt oluline. Kiiresti kasvava ettevõtte, nagu iduettevõtte on, juhtimine tähendab igapäevaseid väljakutseid ning eriti turbulentses keskkonnas on edu saavutamiseks vaja teha õigeid otsuseid ning vajadusel kiiresti muutustega kaasa minna. Iduettevõtete edus mängib lisaks skaleeritavale idee ja tootele olulist rolli ka meeskond ning võtmeküsimus on, kuidas ebakindlatel ja paljude muutustega perioodil nagu keskkonna turbulents, tagada hästi toimiv ettevõtte kultuur ja meeskond. Avalikult kuvatavad väärtused moodustavad ühe osa ettevõtte kulutuurist ning käesoleva uurimustöö eesmärgiks on aru saada põhjustest, miks on Eesti iduettevõtted turbulentses keskkonnas muutnud avalikult kuvatavaid väärtusi?

Töö teoreetilises osas on analüüsitud olulisemat erialast kirjandust ning välja toodud põhimõistete nagu iduettevõtte, avalikult kuvatavad väärtused ja keskkonna turbulents erinevad käsitlused ja seosed, ühtlasi on leitud ka iga põhimõiste osas antud töö kontekstis parim definitsioon koos põhjendustega. Autorile teadaolevalt ei ole varasemalt ühtegi uurimust koostatud, kus oleks eelpool mainitud 3 põhimõistet koos uuritud, eriti veel Eesti iduettevõtete näitel.

Teises peatükis on antud täpsem ülevaade, miks perioodi jaanuar 2022 kuni jaanuar 2024 on käsitletud turbulentses keskkonnana ning ühtlasi on autor kirjeldanud ajalooliste andmete analüüsi ja andmete uuendamise protsessi ning valimi moodustamise aluseid. Kokku analüüsiti 115 Eesti iduettevõtet ning nende avalikult kuvatavaid väärtusi, millele järgnes 9 pool-struktureeritud intervjuud iduettevõtete asutajate, juhtide, investorite ja valdkonna ekspertidega.

Töö kolmandas peatükis on välja toodud intervjuude kokkuvõtted kodeeritud kujul koos sisulise analüüsi ja teoreetilise käsitluse võrdlusega. Intervjuude tulemusena on Eesti iduettevõtted turbulentses keskkonnas enda avalikult kuvatavaid väärtusi muutnud peamiselt sisemiste vajaduste tõttu nagu näiteks soov parandada meeskonnatööd ja kommunikatsiooni, teatud juhtudel on sisemine vajadus ajendatud ka muutustes juhtkonnas või ettevõtte

orgaaniliselt kasvust ja arengust. Ühel juhul muutis ettevõtte enda avalikult kuvatavaid väärtusi tulenevalt investori nõuetest olla kooskõlas vastutustundlike juhtimis põhimõtetega, kuid sel puudus otsene seos keskkonna turbulentsiga ehk väärtuste muutmise ajaline kattuvus uuritava perioodiga oli juhuslik.

Uurimustöö tulemusena leiti peamised põhjused avalikult kuvatavate väärtuste muutmiseks turbulentses keskkonnas, kuid antud teemat tuleks autori hinnangul täiendavalt süvitsi uurida, et hinnata tehtud muutuste mõju iduettevõtete tulemustele, ettevõtte kultuurile ja meeskonnatööle.

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