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Bachelor of Arts Degree

Growing Pains in Digital Media Startups

Identifying Organisational Management Challenges
During the Transition Phase from Startup to
Established Company

in the course of study Media Management
study focus Media and Communication Management

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Abstract

The primary purpose of this bachelor's thesis is to identify and understand organisational management challenges in digital media startups. The Growing Pains approach established by Flamholtz is used as foundational framework. The model provides thorough insights on analysing organisational management problems during rapid growth. Hence, this study aims at examining the applicability of the Growing Pains to digital media startups.

In general, Growing Pains are symptoms indicating that an organisation's infrastructure is developed insufficiently to face challenges in growth phases. Therefore, they commonly occur when a company is transitioning from startup to established corporation. The first part of the paper gives an overview of the current research status on Growing Pains and related studies about digital media startups. Besides, an empirical study was conducted. Six interviews (one manager and one employee each from three digital media startups) were compared with a qualitative content analysis to determine common organisational challenges. In addition, every interviewee responded to a 5-point Likert scale Growing Pains survey.

This hybrid method establishes seven areas in which organisational management problems occur: human resources, project management, communication, management monitoring, finance, business development and corporate culture. It is found that most issues arise in human resources, project management and communication. Throughout the thesis, it remains uncontested that these issues are related to the integration and effectiveness of management controls systems. Furthermore, a relevant disparity between employees' and managements' responses is illustrated, implying an aggravation of organisational issues.

In conclusion, the results suggested that the original Growing Pains target areas are that inaccurate and do not fully represent the organisational management issues in digital media startups. Therefore, a Growing Pains modification for better applicability on digital media startups is proposed, which considers the suitable distribution of each problematic area. Respectively, it is suggested that the management of fast growing digital media startups is well advised to focus on functioning knowledge management and management monitoring as well as employee turnover and leadership recruitment.

Key Words

Digital Media

Growth Phase Issues

Organisational Growing Pains

Organisational Management

Startup Development

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List of Abbreviations

DIHK – Deutsche Industrie- und Handelskammer

DMS – Digital Media Startup

DSM – Deutscher Startup Monitor

HOD – Head of Department

HR – Human Resources

MCS – Management Control System

ROI – Return on Investment

1 Introduction

The term startup became the embodiment of entrepreneurship today. Newly created undertakings emerge on a regular basis and companies like Uber and Airbnb are the role models for the international startup scene (Austin, Canipe & Slobin, 2015). However, not every startup is as successful and most of them will never be able to join “The Billion Dollar Startup Club” (Austin et al., 2015). In fact, the vast majority of startups fails within the first three years of existence (Sage One, 2016). Therefore, all startups surpassing those first three years can be considered “survivors” (Flamholtz & Randle, 1998).

But what happens after “survival” - when the growth continues and the business starts to mature? Why do startups that initially have been considered successful, ultimately still falter as they grow larger? After all, the growth to this point proves that a demand for their service or product exists. Responding to this issue, this thesis aims at identifying what internal organisational challenges and barriers occur during the transition phase from startup to established company and how those can be potentially fatal to the business.

As the development of a startup depends on its local environment and the examined examples must be comparable, the focus lies on the German market. Moreover, the digital media sector is chosen because in this branch the most startups are founded: 33 per cent are IT-related (DIHK, 2014), and in 2016 one fifth of all entrepreneurial activities were digital – digital media entrepreneurs are considered the driving force improving the international competitiveness of the German industry (Metzger, 2016).

This paper aims to identify so called Growing Pains of companies in transition phases, as established by Flamholtz and Randle (1990; 2007; 2015), especially in regards to digital media startups (DMS). By taking into account Flamholtz et al. research, other existing literature and by conducting and analysing interviews and surveys, all relevant barriers and the reasons they occur for will be identified. It is hypothesized that Flamholtz’ approach should be modified in order to be applicable to DMS. In addition to that, eventually it is evaluated whether Growing Pains are related to a communicational gap between employees and management.

1.1 Purpose and Relevance

Although the statistics claim different numbers in regards to how many startups fail, it is evident that favourable outcomes in the long-term are rare. Depending on the source, failure rates vary from one third (Kollmann, Stöckmann, Hensellek & Kensbock, 2016) to 60 per cent (DIHK, 2014) up to 72 per cent (Triebel & Schikora, 2015). One explanation for these different findings might be that only a limited number of

institutions can acquire the appropriate amount of data for a representative statistic. And those that have access to the data (for example Bundesverband Deutsche Startups e.V. and KfW), are most likely not entirely objective, due to their own interest in presenting the industry in a positive way to attract potential investors or motivate founders.

In fact, this motivation is needed: The willingness to found decreases significantly. In 2015 the number of entrepreneurs who started a new company fell by 17 per cent compared to the previous year (Metzger, 2016). Figure 1 shows a recognisable downward trend in starting up over the last decade in Germany:

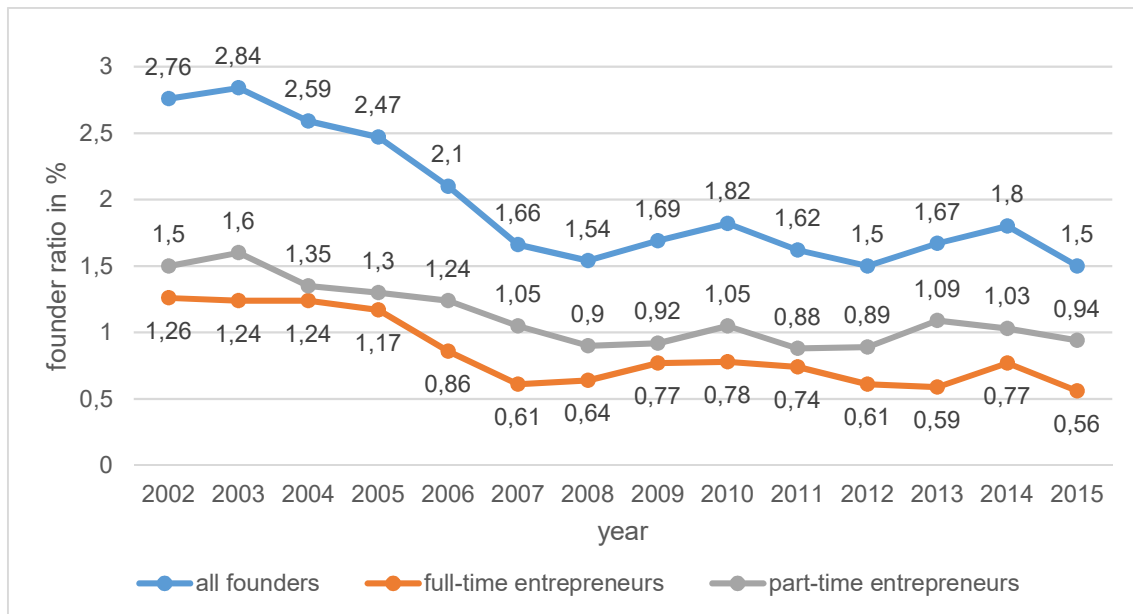


Figure 1: Founding activities in Germany from 2002 to 2015 amongst population aged from 18 to 64. Source: based on Metzger, 2016.

The graphs show the yearly proportion of new business founders relative to the German population between the ages 18 to 64 from 2002 until 2015. It decreased to 1.5 per cent in 2015, which in absolute numbers is even less than in 2012 (763,000 new entrepreneurs in 2015 compared to 777,000 in 2012). In particular, the number of full-time entrepreneurs who still were the main influencing factor to increase overall founding activities in 2014 is weakened above proportion by 28 per cent. (Metzger, 2016)

This development outlined in the statistic collected in the course of creating the KfW Gründungsmonitor (2016), can be explained as follows: macroeconomically, the founding activities are influenced by two factors. One the one side, the state of the economy functions as “pull-factor”, thus a good economic situation favours new businesses and therefore “pulls” potential employees into self-employment. On the other side, a negative development of the labour market functions as “push-factor”, as this circumstance leads more potential employees into founding their own business

instead. Concluding, the current economical and labour market situation influence the founding activities negatively. (Metzger, 2016)

According to that, the risk of founding startups is perceived too high in comparison to available opportunities in the labour market. Alternatives seem more favourable for potential entrepreneurs. However, by defining these risks more thoroughly, this paper attempts to contribute to finding solutions and identifying risks, possibly contributing to an improvement of the founding climate.

However, it is worth mentioning that despite the overall decline, the number of innovative founders (entrepreneurs who are active in Research and Development in order to create marketable products out of technical innovations) increased by 6 per cent. (Metzger, 2016)

Personal experience from this thesis' researcher in the DMS environment teaches that a lack of structural quality equals a barrier to productivity – failure becomes inevitable. Furthermore, the personal experience suggests that growth cannot be successfully managed without the frequent integration of a plethora of adjustments. In nine months at a five-year-old video marketing agency, department structures were rearranged three times, managers left the company and new ones were hired and four new project management tools were introduced. Notwithstanding, making changes alone is not sufficient since new internal company structures can cause several difficulties. It is the quality of change management that makes or breaks success. Having made this personal examination, it became evident that this growth issue is worth researching.

Therefore, the purpose of this thesis is to determine organisational barriers and challenges (also sometimes referred to as Growing Pains) that occur when DMSs grow to a certain size. In particular, it seeks to answer three main research questions:

1. What are common organisational management issues in transition phases of DMSs?
2. Is there a discrepancy between the perceived issues in organisational management for employees and the management?
3. Should the “ten classic Growing Pains” as established by Flamholtz and Randle (1995; 1998; 2007; 2015) be adjusted in regards to DMSs?

In the following sub-chapter, it is explained in which manner these research questions will be analysed and replied to.

1.2 Structure

This thesis is constructed from three different parts: first, the literature review, second, the empirical research and third, the application of results from the previous parts.

Even though all chapters are interrelated, each part focuses on finding the solution specifically for one of the above outlined research questions.

The literature review provides definitions of key terms that are used throughout the paper and also serves as an introduction to the topic in order to have a thorough understanding of what Growing Pains in companies are. The current research status on this topic will be outlined and evaluated in relation to its relevance for answering the thesis' research questions. It aims to answer research question one.

Afterwards the empirical part follows, containing six qualitative interviews and a supporting questionnaire. It is structured in a manner that explains the method and scope first, then introduces the companies that the interviewees work for and examines the interviews with a content analysis. This second part clarifies the output from the theoretical framework concerning research question one. Additionally, it intends to answer research question two.

In the final part, the previously acquired information and learnings are applied to the Growing Pains model of Flamholtz. Research question three will be covered in this concluding chapter, which has the objective to elaborate on the use of the Growing Pains approach for digital media startups and eventually, how it may be modified.

2 Literature Review

A frequently discussed question among researchers is: "What increases new ventures' chances of success?" and what are the "conditions that favour the survival and growth of new firms" (as cited in Balboni & Bortoluzzi, 2015). Notwithstanding, no ultimate formula has been found.

This thesis therefore seeks to determine elements of the opposite nature. Instead of focussing on success factors this research will broach the issue of the causes of failure. Accordingly, the following chapters form the theoretical basis of this paper. First, a brief introduction to Flamholtz' created approaches on management is given. Then, after defining basic terms, the existing literature and contemporary empirical studies on startups, company growth and Growing Pains will be reviewed in order to identify what organisational management issues in transition phases of digital media companies are.

2.1 Foundational Framework

The work of Flamholtz et al. on organisational Growing Pains builds the foundation of this thesis' research – all research questions are either directly connected to the "ten

classic Growing Pains” or related to this approach. Consequently, in order to understand the context, scope and the underlying concept, it is helpful to provide an overview of Flamholtz’ research.

Dr. Eric G. Flamholtz is a professor at The Anderson School of Management. Coming from a “Human Resources Accounting” academic background, in 1978 he founded the consulting company Management Systems. This combination of entrepreneur and academic researcher turned out to be beneficial: experiencing the clients’ problems led to the identification of patterns that can be empirically verified and help to create new models. Thereof, Flamholtz published his first book “Growing Pains” in 1986 and continued developing models in order to apply them to the businesses of Management System’s clients. Over the years, several researchers and consultants joined the company. (“Our History | Management Systems”, 2012)

The frameworks and methods of Management Systems’ focus on the areas strategy and organisational development, corporate culture, leadership molecule, leadership and managerial effectiveness as well as performance management (“Publications | Management Systems”, 2012). Their objective is to develop “research-based empirically validated practical methodologies and frameworks to build sustainably successful organizations” (“Our Frameworks and Methods | Management Systems”, 2012). The models to be mentioned at this point are the Pyramid of Organizational Development (see Appendix A) and the seven Stages of Organizational Growth (see Appendix B) as these two concepts correlate directly with the ten common Growing Pains, which will be explained in chapter 2.2.4 (Flamholtz & Randle, 2007).

The Pyramid of Organizational Development contains six factors that are key to achieve maximum efficiency and effectiveness in a company: markets, products and services, resources management, operational systems, management systems and corporate culture. These factors are built upon three basic elements: the business concept, the strategic mission and the core strategy. Flamholtz’ et al. research shows that although all of the pyramid’s factors are constantly relevant, each one is critical at specific Stages of Organizational Growth. For instance, during the phase of professionalisation, it is of importance to put the focus on management systems. (Flamholtz & Randle, 2007; “Our Frameworks and Methods | Management Systems”, 2012)

More information about the “Growing Pains” concept and the connection of mentioned frameworks to other literature follows in the coming chapters.

2.2 Definition of Key Terms

For a holistic understanding of the research and to set the scope of this thesis, it is inevitable to define basic terms. By explaining what exactly is meant by “Digital Media Startups”, “Transition Phase”, “Organisational Management” and “Growing Pains” (terms that are all mentioned in the paper’s title), misunderstandings can be avoided. Moreover, in order to ensure comparability and similar factors, the context of the thesis will be given. As the covered topics concern modern day businesses as well as long-established management practices, both, contemporary and standard literature sources are used.

2.2.1 Digital Media Startups

The term startup is defined differently by a variety of people, either from a practical business perspective or from a more theoretical scientific view. In essence, a startup is a young, not yet established company that seeks to implement an innovative business idea and usually requires some form of debt or equity-based funding until it can float itself on revenue (Achleitner, 2017).

However, external financing is not a coercive main characteristic of startups. For instance, two experts who have to be mentioned when talking about this field are Eric Ries (founder of the Lean Startup Movement) and Steve Blank. According to Ries, the main criteria for a startup is its uncertainty: “A startup is a human institution designed to deliver a new product or service under conditions of extreme uncertainty.” (Ries, 2011). Evidently, it cannot be guaranteed that a startup is successful. Blank agrees with this, adding the aspect of development and growth-orientation: “A startup is an organization formed to search for a repeatable and scalable business model.” (Blank & Dorf, 2012). Summarising the elements of these three definitions, a startup is defined by its age, degree of innovativeness, financing models, attitude towards risk-taking and growth-orientation.

This definition in general explains what a startup is. Nevertheless, for the purpose of this thesis a more specific definition is necessary because it builds the basis for an empirical study. Hence, it is useful to take into account how other studies on startup companies defined their scope. For instance, Ripsas and Tröger (2015) for the German startup monitor (DSM) use similar criteria as mentioned above, but define them more closely: startups have a maximum age of ten years, are highly innovative in their technology and/or their business model and they strive for a significant growth in terms of employees and/or revenue. In order for a company to be considered as a startup by the DSM, the first and at least one more of those three characteristics have to apply (Ripsas & Tröger, 2015). This definition ensures the reproducibility of the study for other researchers.

Having established the general characteristics of a startup, for the purpose of this paper only those in the digital media branch are relevant. Forbes Magazine claimed that “every smart startup is a digital media company” (Clark, 2012) and statistically the DSM also states that the term “startup” is mainly associated with digital companies due to the fact that the majority of startups operates in this area (Ripsas & Tröger, 2015). This emphasizes the importance of digital media in founding activities.

In conclusion, a DMS in this paper is defined as follows:

- It has to be younger than ten years.
- It offers a digital media product or service that is original/innovative to a certain degree.
- It operates in an uncertain environment.
- The main objective is to grow in company size and/or revenue.

2.2.2 Startup Transition Phases

The definitions above imply that startups, striving constantly for growth and development, go through different growth phases. Several researchers have examined this process in case studies as well as empirical studies and came to similar conclusions. A categorisation that is common in Germany differentiates between five stages: the Seed-Stage, the Startup-Stage, the Growth-Stage, the Later-Stage and the Steady-Stage (Bundesverband Deutsche Startups, 2016). The Bundesverband Deutsche Startups (2016) determines them by the marketability of the company’s product or service and their customer/user or revenue growth as follows:

1. Seed-Stage: The product or service is still in the conception phase and no revenues can be realised.
2. Startup-Stage: The product or service is market-ready and first customers are acquired.
3. Growth-Stage: With the marketable product or service the startup records a strong growth in revenues and/or customer base.
4. Later-Stage: The startup is established with a considerable market share and even may be preparing for an IPO (initial public offering).
5. Steady-Stage: The startup willingly or unwillingly does not record significant growth in revenues and/or customer base.

Statistically, most startups in Germany operate in the Startup-Phase (48.8 per cent) and only 1.6 per cent operate in the Later-Stage (Bundesverband Deutsche Startups, 2016). However, with 155 people on average Later-Stage startups hold the highest number of employees (Statista, 2016).

Flamholtz and Randle (2007) define their own five stages of growth. Nevertheless, the description of different transition phases is an appropriate measure to put startup development into context. This is due to the fact that Flamholtz et al. do not consider startups in their research and this research paper aims to analyse the phenomenon of Growing Pains within the transition phases between a startup and established company. Flamholtz and Randle (1998) categorise four transitions from one stage to another by characterising issues that typically appear in each phase.

Transition phase 1: the current developmental stage as well as future needs are assessed. Characteristics of transition one include that employees work over hours and spend too much time reversing their own or others' mistakes, a lack of communication between colleagues and managers exists, there are few plans and follow-ups and the company might grow in sales, but not in profits. Hence, a strategic mission and clear business objectives need to be established. Once the company has identified a market and starts producing a product or service that meets the customers' needs, it can grow. As soon as it grows, it is necessary to "make a fundamental transformation or metamorphosis from the spontaneous, ad-hoc, free-spirited enterprise that it has been to a more formally planned, organized, and disciplined entity." (Flamholtz & Randle, 1998), which can be supported by bringing in a professional manager.

Transition phase 2: a system for the development for the whole company is established. Flamholtz and Randle (1998) state that in regards to manufacturing firms this usually happens in a sales level from \$1 million up to \$10 million. They describe that challenges now are more related to growth than to survival, as the development is "explosive" (Flamholtz & Randle, 1998). Typical characteristics of transition phase two include the selling of unavailable resources, lacking monitoring of finances, inexplicable decrease in product quality and missing documents, which is partly caused by crashed (computer) systems. At this stage most companies go out of business. This kind of crisis is caused by entrepreneurs who fail to deal with occurring managerial challenges, an aspect on which many researchers agree (to be elaborated on in 2.3.2). (Flamholtz & Randle, 1998)

Transition phase 3: characterised by the implementation of the previously developed system and called "professionalization" (Flamholtz & Randle, 1998). Again, in regards to manufacturing firms this would start from reaching \$10 million in sales. In this phase,

it is not of importance to find the right people who manage and adapt, but to search and implement useful management systems and thus, a qualitative change arises. "This transition from an entrepreneurship to an entrepreneurially oriented, professionally managed firm is not a choice but a requirement for continued organizational success.". (Flamholtz & Randle, 1998)

Transition phase 4: is marked by the need to adjust and monitor as well as consolidate. When a firm grows until this stage, a new generation of employees enters. As a consequence, the company's culture can no longer be informal, but requires formal communication policies instead. (Flamholtz & Randle, 1998)

Comparing these definitions of company transition phases to the five startup phases, it becomes clear that there is a certain overlap. Looking at the previously outlined five startup stages, it is not defined how the businesses develop from one stage to another. Nonetheless, the characteristics of the phases imply that in order to transform to the next stage, many issues as described by Flamholtz and Randle (1998) apply to the startup and is in need of a solution. However, the assumption that Flamholtz and Randle's (1998) approach can be applied to DMSs has to be evaluated further.

2.2.3 Organisational Management

In organisational theory, which is the study of the structure and the design of organisations (Jones, 2012) there are a plethora of models and systems that analyse organisations and propose efficient solutions for managing firms. For the purpose of identifying organisational Growing Pains in DMSs it therefore is essential to define what organisational management is.

First of all, every organisation ought to have a management structure which controls the entity, while at the same time an organisation is an open system that influences its environment and is affected by it, likewise ("organization", n.d.). Thus, established researchers define the management of an organisation as all activities in forecasting and planning, organising, commanding, coordinating and controlling (Fayol & Coubrough, 1930). Drucker's definition (1974) in general agrees with this, but with a stronger emphasis on people, by stating that management is "planning, organizing, integrating, measuring, and developing people". Even young startups are in need of a professional management because as soon as a firm "grows beyond a very small size" professional management is required besides entrepreneurial activities (Drucker, 1974). This is acknowledged by Flamholtz and Randle (2007), as well: they blame ineffective control systems for an organisation that experiences pains related to growth.

Considering that this paper aims at identifying organisational management challenges that occur in relation to growth, all aspects that fall under the following description will be analysed: organisational management is “The process of organizing, planning, leading and controlling resources within an entity with the overall aim of achieving its objectives” and the organisational management “needs to be able to make decisions and resolve issues in order to be both effective and beneficial.” (“organizational management”, n.d.-a). In addition to that, organisational management also includes the adjustments that should be made to the system as well as it defines values and principles and regulate daily processes and activities (“organizational management”, n.d.-b).

2.2.4 Growing Pains

After having explained all relevant basic topics and established concrete definitions, the most important matter for this thesis can be elaborated on: Growing Pains. Growing Pains are a phenomenon that was first mentioned by Steinmetz in 1969. He described crises occurring in different stages of a firm’s life as “pains of growth” (Steinmetz, 1969). Unlike the research already mentioned by Flamholtz, Steinmetz’ refers to small businesses in particular, instead of large manufacturing firms. Therefore, he examined Growing Pains from a perspective that is more comparable to what nowadays is called a startup. According to him, in case an entrepreneur is not capable of solving the problems which are caused by growth and will be “encountered at each stage, he can expect to go out of business.” (Steinmetz, 1969).

Notwithstanding, the term Growing Pains was primarily shaped by Flamholtz et al. (1990; 1998; 2007; 2015). In their more contemporary approach, constructed from several empirical studies, the phenomenon is defined as a “symptom that something has gone wrong with the organization or with the strategic organizational development” (Flamholtz & Randle, 2007; Flamholtz & Hua, 2002). They are problems indicating the necessity for an organisation to build a stronger infrastructure and appear commonly, in particular amongst rapidly growing firms and the Growing Pains become more acute proportional to the firm’s growth rate (“Growing Pains | Management Systems”, 2012).

Another reason for occurring Growing Pains is the “inability of the existing organizational infrastructure to support the rapid expansion of the organization.” (Flamholtz & Kannan-Narasimhan, 2006). Therefore, it is even possible to experience organisational Growing Pains when a company grows slow or even does not grow at all (“Growing Pains | Management Systems”, 2012). The problems can occur at any developmental stage of the firm, even when it is already established (Flamholtz & Kannan-Narasimhan, 2006). It means that an imbalance exists between the current

organisational infrastructure and the firm's size (Flamholtz & Randle, 2007; "Growing Pains | Management Systems", 2012):

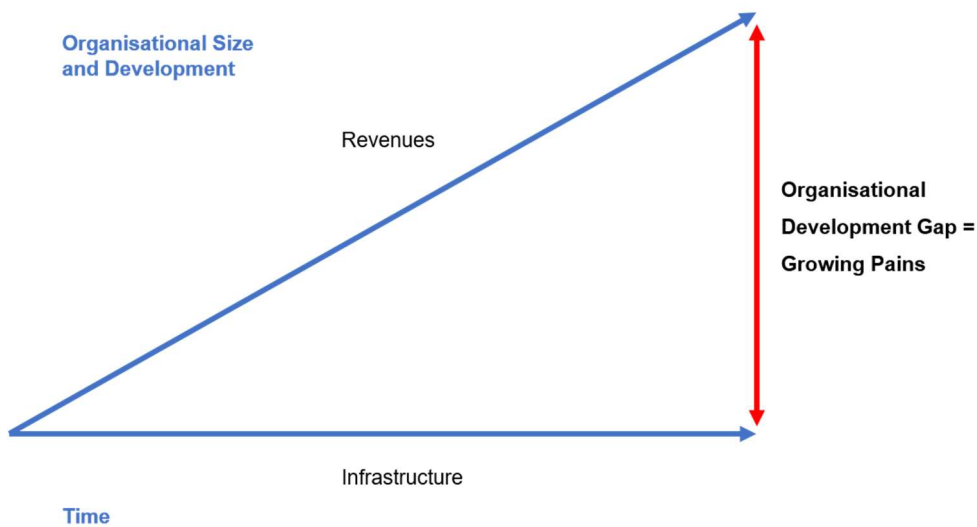


Figure 2: *Organisational Development Gap causing Growing Pains.* Source: based on "Growing Pains | Management Systems", 2012.

As illustrated above, the organisation's infrastructure does not develop over time, whereas the revenues (or budget in regards to non-profit organisations) increase. The created developmental gap results in Growing Pains. In regards to this matter, a firm's infrastructure is defined as its corporate culture, its management and operational systems as well as its resources. Accordingly, the previously (in chapter 2.1) described connection to the Pyramid of Organizational Development (see Appendix A) is drawn, as the infrastructure consists of the four top levels of the pyramid, which need to be emphasized during certain Organizational Stages of Growth (see Appendix B). ("Growing Pains | Management Systems", 2012)

Moreover, when interpreted right, Growing Pains can function as a signal to a company's management "of impending difficulties and even the potential risk of failure" ("Growing Pains | Management Systems", 2012). Failure can be prevented through improving the organisation's infrastructure according to its growth stage (Flamholtz & Randle, 2007; "Growing Pains | Management Systems", 2012).

Referring to the explanations above, for the purpose of this paper all problems occurring during a growth phase (e.g. of cultural, managerial or operational nature) will be analysed and measured in order to identify the roots of organisational Growing Pains in DMSs.

2.3 Current Research Status

Due to the ever-changing and fast-paced nature of the digital industry, specific research in the addressed field is scarce. In regards to startups, only recently studies started to emerge (Davila & Foster, 2007). Nonetheless, they still often appear to be treating specific niches, which are not representative for the whole industry. Davila and Foster (2007) for example found that, considering their research focus, even these studies only address the issues in question to a limited extend.

The following chapter will analyse in detail what the characteristics of Growing Pains are as well as give an overview of the existing relevant material covering studies of either organisational Growing Pains in general or startup related management challenges.

2.3.1 Characteristics of Growing Pains

As mentioned above, the existing literature rarely provides an overview of existing Growing Pains in companies. The only concept based on empirical studies was provided by Flamholtz in 1995. The following paragraph names each of the “ten classical Growing Pains”, outlines how they are described by Flamholtz (1995; see also "Growing Pains | Management Systems", 2012) and explains them in context.

1. People feel that “there are not enough hours in the day.”
The employees experience stress due to an excessive workload. Being overworked, work attitude issues emerge and complaints emerge.
2. People are spending too much time “putting out fires.”
This symptom shows that the business is missing a long-term strategic plan. As a consequence, employees have to cope with crises on a regular basis, which puts enormous pressure on them.
3. People are not aware of what others are doing.
The consequence of this lack of department interaction, defined roles and connections amongst roles is that the employees in each department act independently, claiming that remaining tasks do not fall within their area of responsibility. This is caused mainly by a lacking communication system between management and employees and between departments.
4. People lack an understanding about where the company is headed.
This Growing Pain is manifested by employees who do not know about the company’s objectives. Thus, they may complain about lacking direction.
5. There are too few good managers.

Being a manager does not automatically imply that the person is appropriate for holding the position. When employees feel this way, this Growing Pain becomes an issue of questioned authorities.

6. People feel that, "I have to do it myself if I want it done correctly."

Employees become discouraged because it is difficult fulfilling tasks successfully, particularly when they depend on others. This, again relates to the lack of defined communication rules.

7. Most people feel that meetings are a waste of time.

Often, this Growing Pain occurs when a firm does not implement agendas or fails to entitle leaders for meetings. Consequently, meetings continue endlessly without delivering the desired results.

8. When plans are made, there is very little follow-up, so things just don't get done.

Although processes are implemented to achieve specific objectives, after they are being introduced, the management misses to monitor them with appropriate systems. Thus, planning processes are not fully executed and even may disappear eventually.

9. Some people have begun to feel insecure about their place in the company.

Due to undefined responsibilities, employees cannot understand what they are worth to the business and whether their position is important. A wave of terminations may strengthen their feeling of insecurity. The instinct to protect themselves results in isolated employees who do not want to arrest attention, therefore teamwork and corporate culture suffer from secrecy and mistrust.

10. The company has continued to grow in sales, but not in profits.

This Growing Pain occurs as a final result of the existence of all other Growing Pains.

(Flamholtz & Hua, 2002; Flamholtz & Randle, 2007)

The existence of these Growing Pains is proven to have a negative impact on an organisation's profitability (Flamholtz & Aksehirli, 2000). Evidence also points out that Growing Pains are a potential barrier to corporate entrepreneurship:

Growing Pains might be instrumental in stifling corporate entrepreneurship spirit. [...] if an organization is unable to carry out successfully time-critical activities that are required for daily survival of the organization [...] with its given infrastructure, then it will not have the infrastructure or resources to undertake developmental or innovative projects. (Flamholtz & Kannan-Narasimhan, 2006, p.9-10)

A classic example for this is Kodak. The corporation was disrupted partly for the reason that it did not set its priorities right and failed to push innovations (Christensen, 1997).

A major consequence for companies therefore is that Growing Pains negatively influence an undertakings spirit for innovativeness and proactiveness in markets (Flamholtz & Kannan-Narasimhan, 2006).

However, problems that are similar to the Growing Pains approach also appear in startups. A detailed case study was recently conducted about an entrepreneurial crisis at a startup company. Evidently, this crisis was caused by a form of Growing Pains because the “business has grown so large that the owner can no longer control all aspects of operations” (Lee & Renner, 2016). It is described how the startup goes through different stages of growth and accordingly experiences a variety of difficulties. Thus, Lee and Renner (2016) identified the following challenges:

1. Initially, the founder had a good overview and orientation over the daily sales and operational activities. But when the company developed, “instinct” did not suffice anymore for making business decisions. Hence, a lack of reporting and monitoring systems in the company are one cause for this Later Stage startup crisis.
2. After being six years in business, customers started to be confused about the type of company the startup represented. Evidently, the business growth and expansion resulted in a missing clear strategy.
3. The current accounting system could not provide the necessary detailed information to make sustainable business decisions, especially in regards to planning future developments.
4. Regional sales opportunities were exhausted. Customers had to be acquired in other geographic areas, which caused high travelling costs, the reduction of productive work time and ultimately, decreased profit margins.
5. Continuously growing sales occupied too much warehouse space. Therefore, deliveries could not be handled as carefully and quick anymore within this limited working space. Consequently, the product and service quality suffered recognisable.
6. The management was not capable of monitoring activities, which is inevitable in order to identify which product line or service is most profitable and which ones perform inadequately. Hence, new business opportunities for expansion could not be seen, and ultimately, instead of making improvements, the whole firm’s development was negative.

Especially this last challenge led the company into a true crisis (Lee & Renner, 2016). It stands in direct connection with Growing Pain number 10 (“The company has

continued to grow in sales, but not in profits.”) for which solutions will be outlined in the next chapter.

2.3.2 Relevant Statistical Evidence

Flamholtz coined the term Growing Pains not only by proposing the theoretical framework, but by testing it empirically. The effects of Growing Pains and the applicability of linked models like Stages of Organizational Growth and The Pyramid of Organizational Development (see chapter 2.1) have been analysed in various studies (Flamholtz & Aksehirli, 2000; Flamholtz & Kurland, 2005; Flamholtz & Hua, 2002), although it has to be noted that the authors of which point out that further replicational research is required for valid confirmation.

However, one statistically significant finding for instance is the relation between Growing Pains and a company's financial (Flamholtz & Hua, 2002). The results showed that there is a connection of occurring Growing Pains and bad financial performance. Moreover, the degree to which Growing Pains appear can predict whether the firm's profits are more likely to be negative or positive.

Thus, when trying to identify Growing Pains in DMS, it is not only of interest to know what Growing Pains are, but also how to measure them. According to the consulting company founded by Flamholtz, an organisation that fails to “asses the degree of severity of its Growing Pains and develop a plan to address them” accumulates problems the business cannot cope with anymore later on – thus, the company might be exposed to foreseeable risks (“Growing Pains | Management Systems”, 2012). In order to avoid this, the Growing Pains Survey was developed.

The Growing Pains Survey builds upon the organisational Growing Pains definition by Flamholtz. In this study, a questionnaire was established that ought to quantify Growing Pains in a company. It aims at classifying how serious the Growing Pains problem of a company is, hence, how urgently measures of change need to be implemented (Flamholtz & Randle, 1998).

The study has been conducted in various entrepreneurial firms, with annual earnings in sales from less than \$1 million up to more than \$1 billion (Flamholtz & Randle, 1998). Because evidently, a different clientele than DMS is targeted with this questionnaire, its results are less important to this thesis than the actual design of the study: in step one, employees and managers of a firm fill out a questionnaire, in which the respondent marks to which degree each of the ten Growing Pains (see 2.2.4 and 2.3.2) applies to the company. The second step is to interpret the questionnaire, wherefore the answers are transformed into a scalable number system (a result of ten is the most favourable

and a result of 50 the least favourable score). Accordingly, it enables to quantify the “degree of seriousness of problems” (Flamholtz & Randle, 1998).

Finding the right methods to deal with complexity and uncertainty in startups is a complicated matter (Sommer, Loch, & Dong, 2009). While this is acknowledged by many and Flamholtz and Randle (1998) state that lacking integration of Management Control Systems (MCSs) causes organisational Growing Pains, Davila and Foster (2007) are the firsts to design a representative study about the adaption of MCSs in early stage startups, rather than focusing on corporations.

Their multi case and multi-method field research serves the purpose of understanding the integration of MCSs in startups. With the examination of 78 early-stage startups it is analysed how 46 distinctive MCSs from six different categories (financial planning and evaluation, human resource planning, product development, sales and marketing, partnerships) are adopted by the companies, at what phase of their development they are implemented and which influence certain internal factors have. A particularly interesting finding is that financial planning tools are the first tools to be integrated, followed by human resources and strategic planning systems in the third to fifth year of business. Moreover, evidently the size of the company in terms of employees and international activities as well as the existence of venture capital increases the speed of adopting new MCSs. Likewise, the integration of MCSs positively affects startup growth. Thus, during a growth crisis, the factors strengthen each other. Lastly, the effect of the difference between a manager and an entrepreneur is proven relevant to startups: founders who initiated less implementations of MCSs turned out to be replaced more often. (Davila & Foster, 2007)

This finding of Davila and Foster is supported by Boeker & Karichalil (2002) who empirically verify that “founder departure increases with firm size [...] and has a U-shaped relationship with firm growth”. This was also examined in the previously mentioned case study by Lee and Renner (2016) about the startup crisis: They clearly state that the identified issues are mainly solved by implementing financial MCSs and transforming the role of the founder into a manager. Especially the challenge of increasing sales without growing profitability can be faced with appropriate MCSs. In addition, the founder of this startup installed a Board of Directors for “guidance in the areas of operational improvements” (Lee & Renner, 2016), which is also supposed to ensure that controlling and monitoring processes are adhered to.

Notably, Flamholtz and Randle (1998) claim that the systems are related to “control”, which often is connotated negatively and calling them “performance” tools is making their acceptance amongst employees easier.

However, the case study above does not specifically research Growing Pains in startups. It is rather written from an accountant’s perspective, analysing how a specific financial MCS can be used to the benefit of a startup when certain Growing Pains occur. In general, it becomes apparent that various studies aim at solving problems that are common in startups in case they grow too quickly. Concluding, the majority of existing empirical research may be related to Growing Pains, but does not thoroughly analyse them. Instead, it is focused on either a specific sector, for example managing finances, or focused on application of methods, like the integration of MCSs and turning entrepreneurs into managers. An exception to this is the work of Flamholtz et al. (1986-2015), as they follow a holistic approach on identifying Growing Pains. For this reason, a combination of these lines of research is required to explore the organisational management issues in transition phases of DMSs.

2.4 Interim Conclusion

This first part of the paper provided a thorough insight about Growing Pains and organisational challenges in startups. The context the research operates in is now also understood. Having reviewed the existing literature, the first research question (“What are common organisational management issues in transition phases of DMSs?”) can already be answered to a certain extend:

In general, Growing Pains are symptoms that indicate the need for an adjusted company infrastructure. A company’s infrastructure consists of its resources, corporate culture as well as management and operational systems. The more organisational development lags behind company growth, the more likely it is that Growing Pains develop and their influence increases - they are proven to have a negative impact on the organisation’s financial performance and its entrepreneurial spirit.

In regards to startups, an underdeveloped infrastructure is expressed to a great extend through the lack of appropriate MCSs. It was found that startup growth and adaption rate of MCSs are proportional to each other (Davila & Foster, 2007). Thus, a growing startup develops healthier when management and operational systems are integrated. Yet, when the organisation fails to create suitable infrastructure, issues occur that are comparable to the Growing Pains. An interrelation between the startup case, MCS integration and the Growing Pains approach becomes evident.

Looking at each Growing Pain (as described in chapter 2.3.1), they can be sorted into specific categories. The categories are set up in accordance with the organisational management areas that are touched by the Growing Pains. In addition to that, examining each of the explained startup organisational management issues (as identified by Lee & Renner, 2016), it becomes clear that these are also related to similar areas. This overlap and the categories are illustrated as follows:

Categorisation of Growing Pains and Startup Issues

Category	Growing Pains	Startup Issues
Project Management	1, 2, 7	-
Communication	3, 4, 6, 8, 9	2
Human Resources	5, 9	4
Management Monitoring	8	1
Finances	10	3, 6
Business Development	-	4, 5

Table 1: Interim conclusion - categorisation of Growing Pains and startup issues. Source: based on Flamholtz, 1995; Lee & Renner, 2016.

Project Management: These Growing Pains are related to stressed and overworked employees who are lacking clear workflows and objectives. This is caused by the lack of project management rules or specific strategies for coping with regular tasks.

Communication: Frequently, communicational difficulties arise. In these cases, there is miscommunication recognised between management and employees, between different departments and between the company and its customers. Most Growing Pains fall in this area.

Human Resources: Growing Pain number 5 and startup issue 4 both describe that in terms of HR, not the right persons were hired (for the company’s management positions on the one side and for sales positions, on the other), while Growing Pain 9 implicates inadequate definitions of the employees’ positions in general.

Management Monitoring: These problems address how the firm’s management fails to supervise and oversee activities, mainly in regards to lacking planning systems.

Finances: Here, above all financial planning tools are needed. The current revenues cannot be monitored and no adequate business decisions can be made, resulting eventually in decreasing profitability.

Business Development: Issues related to too high or too rapidly increasing sales ultimately lead to lower profit markings and quality. This, however, is not acknowledged in the Growing Pains approach.

Foremost, the categories determine what organisational management areas are affected by Growing Pains. When comparing which issues (Lee & Renner, 2016) fall into the same categories, Growing Pains in DMSs are of communicational, HR, monitoring and financial nature, which provides an answer to the first research question. However, this response is limited in validity because one startup case does not suffice as representative example. Supposedly, for instance project management issues may not be reflected due to the accountant's perspective of the study or this startup simply is an exception for not having them. Moreover, as mentioned before, even though Growing Pains can appear in all developmental stages of an organisation ("Growing Pains | Management Systems", 2012), there is no empirically tested evidence on how particularly they occur in DMS. For this reason, the next part of the thesis further reflects and analyses this question through an empirical study.

3 Empirical Study

The following second main part of the thesis contains the empirical method of choice: Interviews examined through a qualitative content analysis. First, the objective and research questions are reflected on. Afterwards, the method and scope of the study are explained in detail, followed by the introduction to the chosen sample. Having described the interviews and content analysis thoroughly, the chapter finishes with discussing the results of the empirical study in comparison to the previously stated interim conclusion.

3.1 Objective

As mentioned above, the review of secondary literature alone did not lead to a satisfying answer concerning the first research question of this thesis ("What are common organisational management issues in transition phases of DMSs?"). Therefore, the first objective of the empirical study is to elaborate further on the nature of organisational management challenges in DMSs by providing additional information from actual DMSs that are transitioning from startup to established company.

Furthermore, this study is designed in particular to answer the second research question, whether there is a discrepancy between the perceived organisational management issues in DMSs for employees and the management.

With the chosen hybrid approach of interviews and surveys from three different companies, a manager and an employee each (further explained in the chapter below) eventually, a comparison on three different levels will take place:

1. Management response versus employee response

The comparison of the interviews as well as the surveys from the employee and the manager respectively aim at observing if there is a gap between the perception of management and employees regarding organisational management issues for the management (and therefore answers the second research question). Taking into account the two different measures, a quantitative and qualitative result can be drawn. Moreover, this shows what the respondents consider organisational management issues in the startup.

2. Interview response versus survey response

The survey of each interviewee and the answers from the interview itself will be compared. This comparison contributes to discussing the hypothesis about the applicability of Flamholtz' Growing Pains to DMSs.

3. All interview responses versus the Growing Pains

Comparing the overall results of the interviews with the "ten classical Growing Pains" (Flamholtz, 1995) finally the third research question in regards to the modification of Flamholtz' approach will be answered. However, this comparison will not be evaluated until the application part of the paper.

All in all, with the outlined comparisons the overall objective of the thesis and a verification or rejection of the hypothesis shall be achieved.

3.2 Method

This paper uses different research methods. To guarantee validity and reliability, it will be explained how each method is applied.

At first, six interviews were conducted verbally, in a semi-structured manner (Bryman, 2012). Interviews were chosen for a detailed insight into the three startups, which no other empirical method could provide to a similar degree of complexity and flexibility. In accordance with the research question, three of the chosen interviewees are in a management position and three are employees on a lower hierarchy level, thereof not included in the decision-making process of the business. Because of that, two different

interview guidelines had to be used. However, they only vary slightly in regards to wording and perspective and therefore ensure comparability of the answers. Moreover, although the aim was to find out about problems of the companies, for unbiased and objective information the questions were formulated as open as possible (see interview guidelines in Appendix C). All interview partners have given their consent to audio recordings (see Appendix D).

Additionally, after the interview, each respondent answered the previously explained Growing Pains Survey developed by Flamholtz and Randle (1998). This makes this empirical study a hybrid approach, as illustrated in Figure 3:

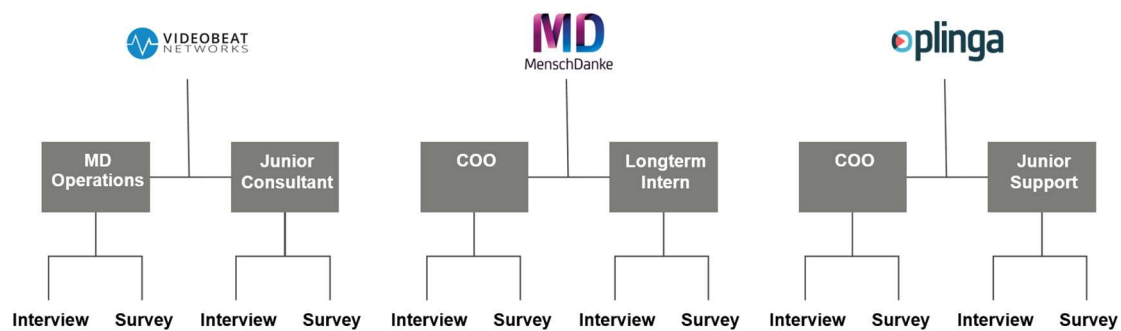


Figure 3: Hybrid method of qualitative and quantitative research. Source: own figure, 2017.

Through the combination of survey and interview as well as employee and management of each company, all levels of comparison will be covered. To analyse the results, a qualitative content analysis is conducted. This is the most appropriate measure, because a pure quantitative analysis does not consider that the meaning and relevance of text elements may vary in relation to their context (Gläser & Laudel, 2010). This reduction of complexity would contradict the hermeneutic principle as basis of socio-scientific research (Gläser & Laudel, 2010). A technique for a qualitative content analyses was developed by Mayring (1987). He allows the category system to be set up in relation to the material. Still, after developing the categories and its variables, this method analyses the frequency of categories quantitative and parts of the text that do not fall into the category system are left out, regardless of their alleged relevance (Gläser & Laudel, 2010). Because of this flaw, Gläser and Laudel (2010) introduced a qualitative content analysis method that allows an open approach, in which the categories can be adapted in accordance with the material while analysing it. Hence, this is the most suitable method for this thesis.

The process is briefly outlined as follows: First, the relevant information from the interview transcripts is extracted. In regards to this, only information that contributes to answering the research questions is considered relevant. The extraction is done by using a search grid that is developed based upon theoretical examinations previously

made in this thesis (see chapter 2.4). Those six categories are expanded by an additional category, concerning corporate culture. Each category consists of two variables: general challenges and MCS challenges. Because in this manner, the challenging areas and the influence of MCS as part of a company's infrastructure can be identified. This ensures a suitable extraction in regards to the material and the research object. The search grid thereof is the foundation of the category system and the interview information can be allocated to the fitting category and variable.

Notwithstanding the open approach, no category can be deleted after the extraction, to ensure that initial examinations do not vanish from the results. However, the categorisation of interview answers requires interpretation. Consequently, a certain degree of subjectivity remains. (Gläser & Laudel, 2010)

3.3 Introduction to Selected Interviewees

For the purpose of this thesis, specific interview partners from specific businesses were selected. Explaining the method itself not only ensures validity and reliability of the study, but also the justification of the chosen sample and explanation of scope is necessary.

Because the given information might fall into sensitive areas concerning company policies and even alleged management issues, the interviewees remain anonymous. Yet, since the characteristics of the chosen startups are a major factor for being selected and each interviewee's position influences their perception, it was agreed that the company can be named in the thesis as well as the respective roles of the interviewees.

3.3.1 Videobeat Networks GmbH

Videobeat Networks GmbH is a video marketing agency, offering services that cover the advertisement value chain. It was founded in 2011 as a small startup in Hamburg and developed into a full-service agency with offices in London, Paris and New York within five years ("Company – Videobeat Networks", 2016). Videobeat is suitable to include into this thesis' analysis because it is covered by the DMS definition (chapter 2.2.1) and went through the Growth Phase (chapter 2.2.2) just recently in 2016, while now transitioning into a small high-growth company, according to own statements (Manager A, personal communication, November 20, 2016).

The management interview partner is a managing director of Videobeat, responsible for all operational activities. This includes recruiting and operational workflows in every department except sales, HR and finance. The managing director joined Videobeat

when it was founded six years ago. (Manager A, personal communication, November 20, 2016)

The interviewed employee is a junior in the consulting and project management department and joined Videobeat as sales trainee in February 2016. Current tasks involve project management and external client communication as well as internal communication between the departments for spot production and advertising campaigns. (Employee A, personal communication, December 14, 2016)

3.3.2 MenschDanke GmbH

MenschDanke GmbH is a holding for several online sales promotion platforms. Starting up with the internet portal schnaepchenfuchs.com in December 2007, now at least six websites belong to MenschDanke and they are operating internationally. They just recently acquired a platform in the US in addition to their operations in Germany, Austria and Poland. Their portfolio grows continuously in the sector of online sales promotion and price comparison. Thus, each of the four characteristics of a DMS (chapter 2.2.1) can be applied. Moreover, their explanations about speed of growth during the last two years and the following restructuring and down-sizing of the company indicates that they have gone through the Growth Stage and are currently in a transition phase (chapter 2.2.2). ("MenschDanke GmbH | Über uns", 2016; Manager B, personal communication, December 16, 2016)

The first interview partner is the COO for the holding as well as the managing director for all subsidiaries of MenschDanke for 1.5 years and has a venture capital and investment banking background (Manager B, personal communication, December 16, 2016). The second interview partner is a post-graduate intern at the holding since November 2016 and responsible for the project management and backend-development of a recently initiated project called "Spendenscheck" (engl.: donation cheque), which functions as a separate unit with a team of three (Employee B, personal communication, January 6, 2017).

3.3.3 Plinga GmbH

Plinga GmbH is a social games publisher who started out seven years ago. It was funded with venture capital by rocket Rocket Internet. When they discovered a gap in the market connected to the high risk Facebook game developers are exposed to, they changed their business model from developer to publisher. Plinga takes social games from Europe-foreign markets like Asia, translates them into 13 different languages and embeds them on partner platforms (e.g. bild.de or spieleaffe.de). Therefore, Plinga supports developers in monetising their content internationally and in return, earns a fee for every in-game transaction. It serves as suitable example for this thesis, as they

experienced growth issues resulting into a 50 per cent decrease in employees about two years ago. ("Plinga | Corporate", 2017; Manager C, personal communication, December 19, 2016)

Plinga's management director was interviewed. He joined the startup in 2011 in product management and was promoted to managing director one year ago (Manager C, personal communication, December 19, 2016). The employee interview was conducted with someone in community management and customer support who works for Plinga since March 2013 (Employee C, personal communication, January 20, 2017).

3.4 Management Responses versus Employee Responses

This chapter comprises the first level of comparison; a holistic examination of the management and employee responses of each company. With the qualitative content analysis of the interviews and the quantitative results of the survey, the organisational management challenges and Growing Pains of each startup can be elaborated on. In addition, the second research question in regards to the gap between management and employees' perception of organisational issues will be answered.

The comparison is based on the categories established in the content analysis. While the results of the qualitative analysis are explained in detail, the survey responses are illustrated in net graphs, representing each Growing Pain from one to ten and how much the respondent agrees or disagrees with them on a five-level Likert scale (Babbie, 1999), starting from 1 ("Strongly Disagree") in the centre. Hence, the further the graphs reach to the outer ends of the net (5, "Strongly Agree"), the worse the Growing Pains are.

3.4.1 Analysis of Company A

According to Manager A, it is essential for successful project management to clearly define responsibilities within departments and the respective positions, the department's services and establish processes. In regards to business development, Employee A acknowledges that the responsibilities of sales and project managers were not divided clearly and the implemented process does not function in the best possible way, yet.

Most processes are implemented with the use of MCS. Earlier, every department used different tools, but it was recognised that more coherence is needed to simplify and have a better overview in project management. Employee A also states that it is inevitable to use a MCS to track the time and effort spend on projects as well as for keeping the overview about milestones. Integrating new MCS, however, according to

Manager A is difficult because finding the suitable system for the company is complicated. Moreover, gaining the staff's acceptance is problematic, due to e.g. the required additional work for the maintenance of new dashboards. Manager A claims that the employees receive this as a productivity barrier, but instead it is a matter of ROI – the full potential of a MCS can only be exhausted when it is properly used by everyone. This is also stated by Employee A, but in this case, the adaption of a new MCS is closely linked to communicational challenges. The management tries to overcome these by handing over the persuasive effort to the middle management: when the Head of each Department (HOD) understands and communicates the importance of the MCS clearly, it should be accepted and used to its full potential more quickly. Management also aims for a higher degree of transparency. Nevertheless, Employee A does not perceive this issue as solved.

While not being mentioned by the employee, for the management HR is a very relevant topic. Accordingly, the startup copes with several issues in this area since coming out of the Growth Stage during the last year. First of all, suddenly more than 60 people were employed, which was inefficient and not properly managed, so many had to be dismissed. It is preferred to have fewer employees, but qualified ones who stay for the long-term and are worth investing into, instead of hiring in emergency situations, like it previously had been done often. A second problem occurred after the Growth Stage: the majority of employees were too young and inexperienced. A shift towards mature and competent workers was necessary. In particular, qualified leaders are required for HODs.

Manager A also addresses management monitoring and says that transparency and knowledge flows are key. Previously, most decisions were being made due to experience or because the instinct demands it. But since the startup has grown, management decisions need to be based on tangible statistics as they have more impact. To simplify monitoring, the responsibilities are divided in accordance with one's strengths. As a consequence, for instance Manager A is not aware of how many people are currently employed.

In general, the employee indicates fewer problems within the startup and appears more optimistic than the manager.

However, this difference is not reflected in their surveys, as illustrated by the Figure 4:



Figure 4: Survey analysis of company A. Source: own figure, 2017. Based on Appendix E.

Management and employee agree completely in evaluating six of the ten Growing Pains. Evidently, their perceptions overlap to a great extent. Nevertheless, Manager A sees a bigger problem in employees having to spend too much time on crisis situations (Growing Pain 2) and, like pointed out in the interview, understands that they require more high quality management staff (Growing Pain 5). Employee A, unlike the manager, does not perceive the stress level to be irregularly high (Growing Pain 1) and also sees a bigger threat in people feeling insecure about their place in the company (Growing Pain 9). Overall, the Growing Pains score, adding up every survey answer, is 49.5 and the biggest flaws are in the areas of project management, communication and HR (Growing Pains 1, 2, 4, 5). The same areas are emphasized in the interviews.

3.4.1 Analysis of Company B

First of all, this startup works with different MCSs in every area, e.g. project management, internal communication and sales. According to the management, employees sometimes proactively propose the integration of a new system that ultimately should increase the company's productivity. Before that, the MCSs require a thorough testing phase. Eventually, to achieve a high acceptance rate, the management shifts its entire communication to the new tool only.

In detail, Employee B describes that although for project management the tool is beneficial on a daily basis for overviewing tasks and responsibilities, it is a major problem that not all colleagues use it to the same extent. Updating the dashboard only weekly might even lead to missing deadlines in the future, because the collaboration is made difficult. Especially having a structure where several projects depend on the IT department at the same time is complicated, as they have to prioritise in case urgent issues occur and consequently, timing suffers.

This dependence on the IT department can also mean chaotic communication, which causes confusion in projects. In addition, Employee B criticises the communication whenever employees leave or join the startup. Apparently, this results into unclear responsibilities - people are unsure of who is the right contact person for a task, which leads to occasional workflow issues.

HR is a challenging topic for this startup, too. Employee B recognises a high employee turnover, which the management reflects further on. Accordingly, one and a half years ago, there were few hierarchy levels and about 40 employees. It increased to 140 permanent and 40 external employees, making management more necessary to cope with the sudden complexity of the startup. In addition to that, it is addressed that with this growth middle management had to be introduced, because the number of direct reports a manager can administer is limited. Another consequence is that recruitment

in general, but especially of suitable internal and experienced external leaders have become a major issue. Manager B points out that the a highly competitive talent market in the startup sector of Berlin forces companies to offer appropriate working conditions and benefits (e.g. training opportunities, free lunches and attractive offices) in order to attract top talent. Thus, the company aims to position itself in-between flexible startup and mature company. This is also underlined by the fact that the employee would not know whether to call the business startup or established company.

Concluding, the most emphasised perceived issues by the management seem to differ substantially from the employee's. This is also reflected in their survey responses:

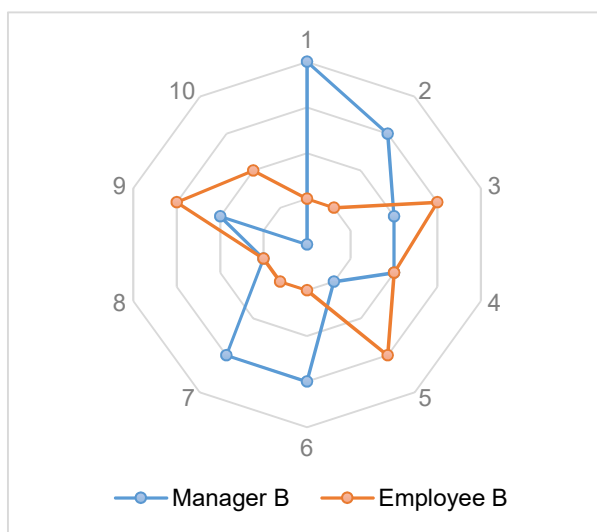


Figure 5: Survey analysis of company B. Source: own figure, 2017. Based on Appendix E.

The only overlap exists in two Growing Pains regarding the communication (Growing Pain 4, 8), which does not appear to be an issue considering the survey. Yet, as mentioned above, major communicational flaws are discovered in the employee interview. Moreover, while Employee B disagrees with the Growing Pain's statements that people are overworked and need to deal with crisis situations frequently (Growing Pains 1, 2), the manager perceives those as two of the worst

factors, besides people do not believing in team work and meetings (Growing Pains 6, 7). All in all, their accumulated Growing Pain score is 59 and therefore quite high. This indicates that a broader gap between the perceived issues for management and employees may increase the negative influence of Growing Pains. It has to be noted though, that Growing Pain 10 concerns the profits of the business, which the employee answered with "Neutral" because it is impossible to know in this position.

3.4.1 Analysis of Company C

Basically, the organisational management challenges in this company are identified through the interview with Manager C. From the employee's perspective, almost all aspects mentioned are perceived positively.

The management outlines how every department used to have different MCSs and this caused major complications. Therefore, the task was to find an overarching MCS, which is customisable for every department's individual needs. A tool eventually was

found that is used for project management, communication of feedback, holiday planning in HR, business development and knowledge management. Although this tool is useful and effective (according to both, manager and employee), its integration was a long process. Manager C points out that employees expressed many complaints, due to malfunctions and additional work.

Moreover, communication is an emphasised area, especially because this startup just came out of an intense growth phase. Accordingly, it was difficult to establish a structured and effective inter-department communication after a plethora of different departments had been set up. In addition to that, due to the small company's transitioning, the management claims that it is of high importance to provide open communication with and transparency for the employees. For instance, offering monthly meetings about the business' KPIs and objectives reduced the previously existing high level of insecurity amongst employees about the company's future.

The firm's transition also lead to challenges for HR: while the dismissal of 60 of the 120 employees was necessary after the Growth Stage, a digital company can only exist because of its employees. Manager C states that this problem is closely connected to company culture – it was extremely problematic to keep the remaining people's trust and motivation up. Failing in doing so would have had a negative impact on the firm's productivity, eventually not being able to keep the growth stable. Furthermore, this restructuring required the implementation of workflows for every department and most importantly, finding qualified leaders. In general, Manager C prioritises the value of good personnel. Nonetheless, Employee C claims that often interns or part-time employees are hired instead of more qualified staff, in order to save money.

Another challenge for HR is that employees recognised and complained about unfair salaries. Thus, in a complicated process a tool was developed that guarantees harmonic and appropriate salaries in accordance with the competition of the branch and in particular with their location Berlin.

In regards to finances, Manager C points out that being funded with venture capital puts pressure on a startup to grow. It was expected that committing to a significant initial investment in the beginning increases the chances of growth substantially. However, the turn to profitability is indispensable. The startup only manages this due to the major restructuring measures.

While these changes are barely recognised by the interviewed employee, the efforts of the management are seemingly rewarded – Employee C does not notice any problems for example in having inexperienced HODs, insufficient hand overs to new employees or high turnover. On the contrary: These aspects are praised. After all, the employee

states to not have stayed for three and a half years if the personal evaluation had not been this positive. Notwithstanding, the survey results do show issues that were not mentioned negatively in the interview:



Figure 6: Survey analysis of company C. Source: own figure, 2017. Based on Appendix E.

Evidently, the Growing Pains in the categories project management, communication and HR are the most serious issues. Manager and employee agree in this, as the overlap is relatively big. Although the employee does not acknowledge these in the interview, those categories are also the biggest organisational challenges perceived by the management. The only considerable difference between management and employee lies in the perception of teamwork, as Employee C agrees with the statement “I have to do it myself if I want it done correctly” (Growing Pain 6). Their overall Growing Pain score is 58 and therefore nearly as high as the score of Company B. In this case, the overlap between the employee and the manager is high in regards to the survey, but very low in the interviews. This supports the previously made assumption that the Growing Pains potentially increase due to a bigger gap between the two perspectives.

3.6 Discussion of Results

After the thorough examination of the interviews and surveys and testing their resemblance, the results of the empirical study can be summarised. While some identified challenges are company-specific, the following topics appear to be of relevance to at least two of the companies:

- Definition of Responsibilities

The more the startups grew and increased in complexity, the more the managers recognised the need for clear definitions of every position’s and department’s responsibilities (company A, B, C). This finding is supported by

statistics, stating that most startups advocate defined responsibilities for employees (88.6 per cent), departments (75.6 per cent) and management (83.2 per cent), however, in most cases only the developed firms monitor these (Kollman et al., 2016).

- Coherence of MCSs

Because it caused too many complications, company A and C changed from using different tools in every department to one MCS usable for as many functions as possible. Business B however has not recognised or addressed this issue and still uses different MCSs in every area.

- Integration of MCSs

When adapting a new MCS, three main challenges occur. First, detecting the suitable tool for the company's needs is complicated (company A, C). Second, employees do not accept the tool in the beginning, as it requires additional work (company A, C). Third, problems are caused because not all employees use the tool to the same extent, therefore collaboration becomes difficult and the MCS's full potential is not exhausted (company A, B).

- Knowledge Management

In general, the companies aim for two-sided transparency, enforced through on the one side, open communication from management to staff and on the other side, regular reporting from employees to management. Sharing information becomes increasingly important because the management decisions have more impact and therefore have to be based on hard facts (company A, C).

- Middle Management

An increased number of direct reports in growing companies requires the implementation of middle management. This relieves the top management and provides more structure (company A, B).

- Employee Turnover

Companies A and B already limited their employee numbers substantially after having grown rapidly. Their current turnover rate is low. However, company C just expanded the staff massively and their turnover is high. Hence, this indicates that they are still in the Growth Stage and not yet transitioning further.

- Leadership Recruitment

For all companies, it is a major challenge to find and hire qualified leaders, for either HOD or middle management positions.

- Location Factors

Companies B and C both have their seats in Berlin where the startup sector is a highly competitive environment. This increases the pressure of offering good working conditions when competing for qualified personnel.

All in all, the most challenging areas for DMSs in transition are project management (company A, C), communication (company A, B, C) and HR (company A, B, C). Hence, comparing the organisational management issues of a DMS to the interim conclusion, the previously stated theoretical findings can be verified to a certain extent. Moreover, the relation between Growing Pains and integration of MCSs is confirmed. This finding supports Flamholtz and Randle's Organizational Stages of Growth (see Appendix B) in stating that during the professionalisation of a company, it needs to be focused on management systems.

3.6.1 Interview Response versus Survey Response

In regards to asking whether there is a difference in the perception of employees and management on organisational management issues (research question 2), the following can be observed: In companies A and C, the management interviews reveal considerably more complications than their employees. The interviews partners of company B both describe many issues, but of different nature. There is also barely an overlap in their survey responses. Thus, there is a dominant disparity between employee and manager perception about what and how many issues exist in a DMS. The results furthermore imply the assumption that this disparity aggravates the negative impact of organisational management issues because the results from company B and C do not overlap and their Growing Pains scores are significantly higher.

However, since the quantitative survey comparison partially deviated from the qualitative interviews (see company A, C), the next part of the thesis reflects on the applicability of the Growing Pains approach to DMSs in transition phases.

4 Application of Results

In this chapter, the results of the empirical study contribute to discussing the hypothesis and third research question, whether the Growing Pains as established by Flamholtz (1995) require modification in order to be applicable to DMSs. In order to do so, first, all interview responses are compared to the Growing Pains survey. This leads to the verification or rejection of the hypothesis. Furthermore, this chapter introduces a modification proposal based on the findings and a critical reflection of the thesis.

4.1 Overall Interview Responses versus Growing Pains

The third and final comparison examines how the interview results are related to the Growing Pains approach. Therefore, the respective aspects of every company analysis are summarised as follows:

In company A, the overall more optimistic impression of the employee compared to the manager's is not recognisable in the surveys. However, the areas in which the most serious problems occur are represented in the surveys (e.g. Growing Pain 5). Likewise, the survey of employee C does not represent the positive statements of the employee's interview, but instead reveals flaws. Yet, these flaws are also identified in the interview of Manager C. In regards to company B, it becomes evident that there is a big overlap between their interviews and surveys. However, in this case some issues mentioned in the interview with employee B are not reflected in the surveys (Growing Pains 4, 8).

All in all, it cannot be determined which method provides more valid responses for identifying organisational management challenges. On one side, the surveys do not represent all relevant issues mentioned in the interviews. On the other side, the surveys also reveal additional challenges. Accordingly, regardless of which method is more valid and delivers reliable information, either qualitative or quantitative, it can already be concluded that the Growing Pains survey does not fully address the issues of transitioning DMSs.

However, for a comprehensive and therefore more purposeful comparison of interviews and surveys, the above-described qualitative content analysis is narrowed down to a quantitative analysis, as well. In order to do so, it is counted how many different issues in every category employee and manager respectively identify within a company. These are combined in order to examine which categories cause the most challenges. Likewise, the Growing Pains are counted in regards to their respective categories (notably, after conducting the empirical study, small adjustments were made to the prior categorisation of Growing Pains in chapter 2.4, see Appendix G). As a result, it is put into relation how the two methods weigh the relevance of each topic:

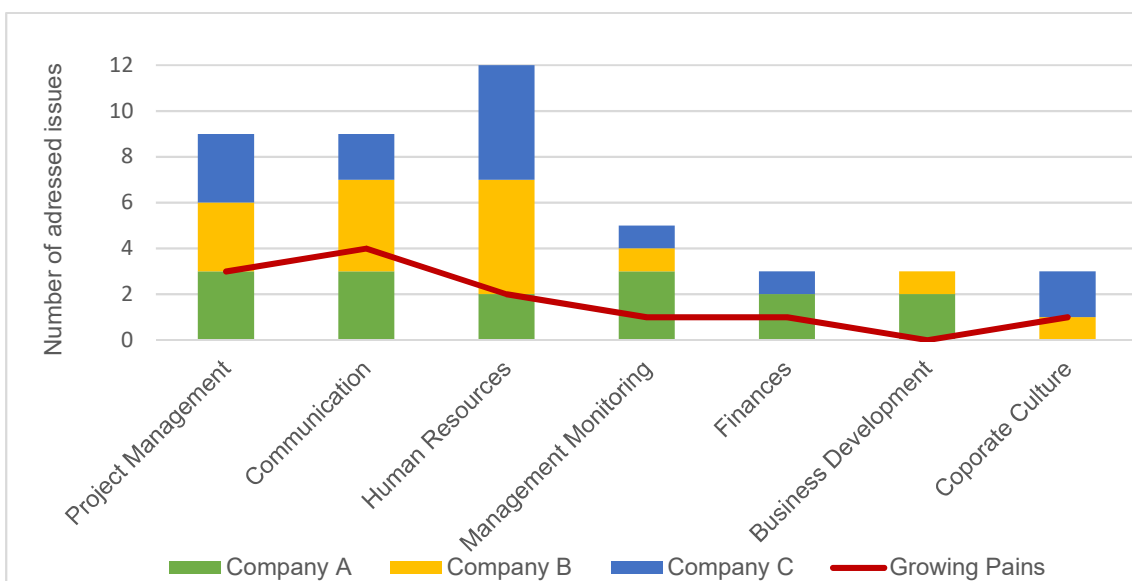


Figure 7: Comparison of Growing Pains to identified startup issues per category. Source: own figure, 2017. Based on Appendix H.

The majority of Growing Pains address the area of communication, followed by project management and HR. Evidently, the general emphasis of the Growing Pains complies with the reality of DMSs. Nevertheless, the Growing Pains approach does not represent the correct weighting in its full complexity. The illustration shows that while HR is the most challenging category for DMSs, only two Growing Pains focus on it. Furthermore, the matter of communicational issues is prioritised too heavily and potential problems in business development are not represented at all.

Thus, the illustration provides an explanation for the examined discrepancies between the issues that have been identified through the interviews and in the survey: The topics targeted in the Growing Pains survey are not perfectly in line with the actual organisational management challenges of the analysed DMSs. Hence, the impression of interview responses and results is not comprehensively represented in the survey findings. This is the most verifiable argument. Furthermore, the “10 classical Growing Pains” (Flamholtz, 1990) and the respective survey (Flamholtz & Randle, 1998) in general have been established decades ago. And although new editions are published regularly and empirical evidence is gathered, the Growing Pains themselves remain the same. Accordingly, the approach cannot be considered contemporary. In addition to that, the empirical testing (see chapter 2.3.2) does not include startups, let alone in the digital media sector. Altogether, even though a certain overlap exists, the Growing Pains approach is in need of modification in order to be applicable to DMSs. In conclusion, the hypothesis can be verified.

4.1 Modification of the Growing Pains in Regards to DMSs

Considering that the “10 classical Growing Pains” as established by Flamholtz (1990) do not provide the appropriate measure to evaluate organisational management challenges in transitioning DMSs, a solution in terms of a more suitable approach should be elaborated on.

The quantified information from figure x serves as a foundation for the redesign of the Growing Pains. Correspondingly, the categories can be allocated to different levels, depending on their frequency of occurrence. Hence, two options for modification are proposed:

Approach A takes into account the discrepancies of the emphasised categories from the Growing Pains and interviews – the number of Growing Pains in each category is reassessed. Moreover, the Growing Pains must be extended by the area of business development. The reassessment of focus (as outlined in Figure 8) results into a total of eleven Growing Pains.

Approach B also reassesses the number of Growing Pains for each category in relation to the identified organisational management challenges and adds business development. However, the appropriate weighting of the categories can be integrated further by adding more Growing Pains. Adding the distinction of another focus level, provides an improved connection between the modification approach B and the actual DMSs issues. All in all, this approach leads to 15 Growing Pains.

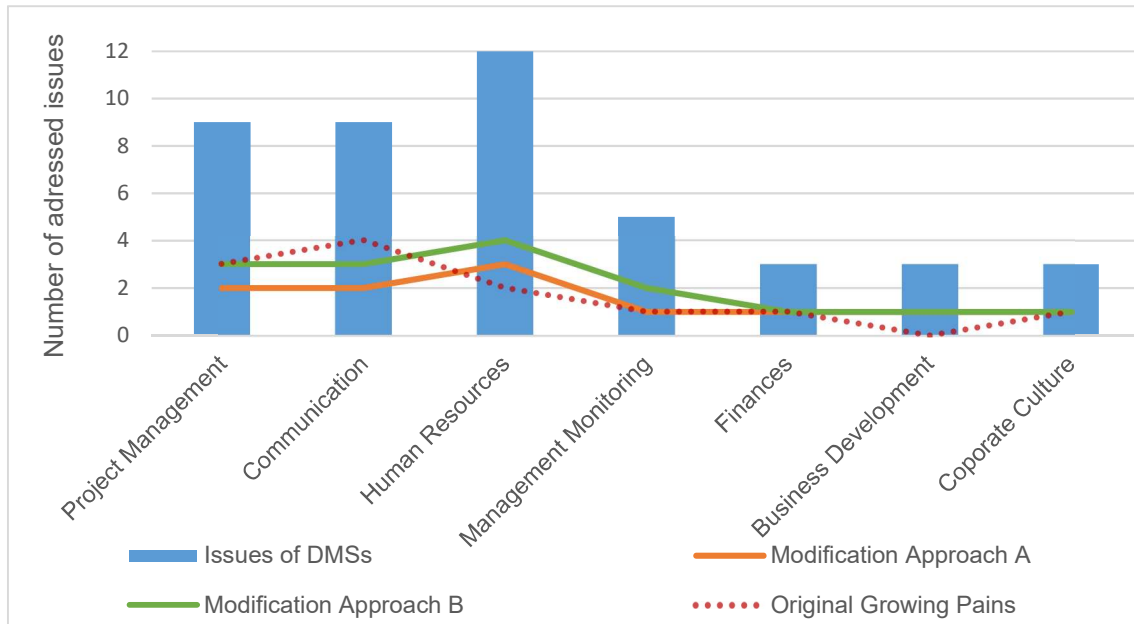


Figure 8: Comparison of Growing Pains and modification approaches per category. Source: own figure, 2017. Base on Appendix H.

On the one side, the graphic clearly illustrates how approach B complies best with the organisational management challenges of transitioning DMSs. On the other side, it was found that the interviews in some cases do not fully disclose additional issues that were identified through the surveys. Hence, a complete remodelling of the original Growing Pains by Flamholtz (1990) solely on the basis of the interviews might not be valid. However, testing the classical Growing Pains by comparing them to both interviews and surveys would require a considerably larger sample. This would exceed the scope of this thesis.

Notwithstanding, deriving from the empirical study's findings, the execution of approach B presumably provides a solution for identifying Growing Pains in DMSs. Using the original Growing Pains as starting point, evaluating their usefulness by taking into account the survey results and adding problems identified through the interviews (see chapter 3.6) eventually leads to a holistic remodelling proposal.

4.1.1 Adjusting the “10 Classical Growing Pains”

With the method described above, the following adjustments to the “10 classical Growing Pains” by Flamholtz (1990) are suggested:

Category: Human Resources

1. There are too few good managers.

Growing Pain 5 responds to the leadership recruitment issue occurring in all analysed startups, therefore it is advisable to leave it unchanged.

2. Some people are unsure about their responsibilities.

Growing pain 9 has been modified because it lacked clear definition and could belong to several categories. Moreover, clear definition of roles and their responsibility is found to be a challenge in all three DMSs.

3. Colleagues as well as managers frequently leave the company.

This statement is required as companies A and B emphasized the aim to avoid high employee turnover. Previously, no Growing Pain addressed this aspect.

4. Recruiting qualified people is difficult.

Company B and C both are challenged by their location (Berlin), due to the city’s highly competitive employment market in the DMS sector. This issue is added because it is likely to occur in other geographical areas, as well.

Category: Project Management

5. People feel that there are not enough hours in the day.

Growing Pain 1 remains unchanged, due to being agreed to by nearly all respondents.

6. People are spending too much time “putting out fires.”

Likewise, the issue of dealing with crisis situations (Growing Pain 2) occurs often in DMSs, according to the surveys.

7. There is no coherent system for every department for coordinating projects.

Adapting an overarching MCS was crucial to company A and C. This statement replaces Growing Pain 7, as survey respondents barely consider meetings as a waste of time.

Category: Communication

8. People are not aware of what others are doing.

Growing Pain 3 relates to the often-stated issues of transparency and inter-department communication. The surveys also point these out as existing challenges; therefore, the Growing Pain is adopted.

9. Employees often do not feel sufficiently informed by the management.

It replaces Growing Pains 4, as the majority of surveys show a neutral position towards knowing about the company's objectives and no interview addresses a similar issue.

10. Middle management does not gather and forward information to top management.

Referring to the required middle management in increasingly complex startups, adding this issue covers downward, upward and horizontal communication directions (Goldhaber, 1974). As identified, these are more relevant to DMSs than Growing Pains 6, 8 and 9 in terms of communicational challenges.

Category: Management Monitoring

11. When a new system or tool is integrated, people do not acknowledge its benefit right away.

Making this challenge part of the evaluation is crucial, as it is identified as major hindrance for managers to record information needed for reliable business decisions.

12. Integrated tools are not used with the same regularity by everyone.

This issue rephrases Growing Pain 8 because it addressed the challenge of all employees using a MCS to the same extent, which is stated by many interviewees. But Growing Pain 8 lacks accuracy and also could be related to communicational issues.

Category: Finances

13. People are put under pressure to perform efficiently.

Managers A and C refer to keeping profitability up through efficiently allocated resources as main financial challenge for DMSs. Growing Pain 10 is an inappropriate measure because the profit growth in relation to sales is often not answered correctly by employees. Also, the Likert scale cannot determine this hard fact. Therefore, a softer variable is needed. Moreover, stagnating profits indicate failure too late.

Category: Business Development

14. Overseeing sales processes is increasingly complicated.

According to the interviews, the business development department requires detailed monitoring and rigorously adhered to processes. This is not reflected in the original Growing Pains.

Category: Corporate Culture

15. Some people have begun to lose trust in their colleagues.

The interviews often stress the importance of loyalty and trust amongst fellow workers. Thus, this statement is more suitable for evaluating corporate culture challenges in DMSs than the vague Growing Pain 9.

Concluding, this modification proposal appears more suitable for examining organisational management challenges of contemporary DMSs than the original Growing Pains model.

4.2 Limitations and Recommendations

Regardless of the findings and results identified, it is important to elaborate on the limitations that apply to the research of this thesis. In addition, recommendations for both, further academic research and practitioners will be given.

4.2.1 Limitations of the Research

Due to certain characteristics of the study design and limited scope of the thesis, some constraints on the conducted research have to be acknowledged.

First, as previously mentioned, specific literature on Growing Pains related to the startup and/or the digital media sector does (to the knowledge of the author) not exist. The foundational literature chosen therefore had to be combined in order to gain holistic insights on this barely discovered field of research. Thus, the interim conclusion based on this combination of literature is subject to interpretation. Furthermore, especially the categorisation of Growing Pains and researched startup issues cannot be secluded entirely from arbitrariness.

In general, it has to be considered that the interviewees might not always have revealed their honest opinion, as this study aimed at identifying unpleasant matters. Moreover, their answers are based on personal perceptions and therefore strongly depend on the respondents' individual character traits.

Furthermore, some aspects limit the validity of the empirical study. Regarding the methodology, it became apparent that the interview guidelines would have been advisable to be set up in accordance with the interim conclusion. Instead, the guideline emphasises topics derived from the starting position and purpose of the thesis. Hence, the interviews could have focused more on the challenging categories for DMSs instead of Growing Pains. Respectively, the qualitative content analysis might have provided more precise and transparent results. Additionally, the relatively small sample

size constraints the validity of the findings. However, the qualitative and accordingly more extensive approach was required for gaining in-depth insights on organisational management in DMSs, which a purely qualitative method could not have provided.

4.2.2 Recommendations for Future Research and Practitioners

The study provides implications on two different levels: Foremost, the limitations outlined above eventually led to several recommendations for further research. In addition, on a business level the study has implications for practitioners.

For research on a broader scale with more access to resources in terms of e.g. time, assistants and business relations first the methodology of the study could be replicated. However, the interview guideline could be adjusted by taking into account recent findings. Afterwards, A/B testing of the original and the modified version with a considerably larger sample size would evaluate whether this thesis' results are representative. The larger sample size refers either to more study participants within one company, or to more companies in general, or both.

Another perspective to this study would be holistic analyses of each company in regards to which developmental stage (according to Flamholtz, see Appendix B) they are in and respectively, if their organisational management focus is set appropriately. Furthermore, the examination of Growing Pains in startups in different developmental phases or branches other than digital media could show whether similarities to the findings of this thesis exist or if startups cope with different internal challenges. The development of a universal applicable model has the potential to prevent startup failure due to mismanagement.

Additionally, this empirical study provided insights on which areas cause the majority of organisational problems. Hence, it paved the way for future research to narrow down the scope vertically, and thus gaining detailed insights on one specific category. For instance, a particularly interesting finding describes that competition and location influence startups.

For practitioners, in this case especially managers, this research implicates that fast-growing, transitioning entrepreneurial companies require a strong focus on HR, project management and internal communication. Organisational management is essential for consistent growth and cannot be underestimated. The findings can function as guideline as well as measurement tool for determining the internal status quo of the business. The model is particularly useful for understanding the sentiment amongst employees.

5 Conclusion

Favourable startup development in the long-term is rare and the founding activities in Germany decrease – the risk to start up one's own business often is perceived as too high (Metzger, 2016). Relating to this, this thesis asked what happens when a startup supposedly succeeds, begins to mature and why businesses that initially have been considered "survivors" falter during or after the Growth Stage. The overall research objective was to identify organisational management challenges that occur when startups transition into an established company. Hence, rather than focussing on success factors, it aimed at determining potential internal barriers arising when a startup grows to a certain size.

In the German startup market, digital media plays a major role (Metzger, 2016), but as the existing research on the matter is very limited, another model set up the foundational framework for the study. The Growing Pains approach by Flamholtz provided a thorough insight on typical problems of organisational management in regards to rapid growth and how to measure their urgency. Combining this with research on startup companies however was necessary, as his work does not acknowledge variance in different sectors.

Besides literature review, using a hybrid approach of qualitative and quantitative analyses on interviews and surveys delivered answers to the three research questions. First of all, common organisational management issues in transition phases of DMSs could be identified. Growing Pains are in general symptoms, which indicate that a company's infrastructure is developed insufficiently for supporting rapid growth. Empirical evidence showed how these negatively influence the organisation's financial performance (Flamholtz & Aksehirli, 2000; Flamholtz & Hua, 2002) and corporate entrepreneurship (Flamholtz & Kannan-Narasimhan, 2006). Additionally, it was found that MCSs are an extremely relevant factor when it comes to the existence or non-existence of Growing Pains (Flamholtz & Randle, 1998; Boeker & Karichalil, 2002; Davila & Foster, 2007; Lee & Renner, 2016). Summarising the examination of the secondary literature as well as the empirical study, it remains uncontested that organisational management challenges in DMSs are related to the integration and the effectiveness of MCSs, knowledge management and management monitoring as well as employee turnover and leadership recruitment. Seven areas have been established to categorise the commonly appearing issues. Accordingly, the management of a fast growing DMS is well advised to focus on functioning HR, project management and communication.

The second examined aspect analysed possible discrepancy between the problems the management of a company recognises in comparison to the issues acknowledged by employees. It was found that there is a relevant disparity between internal

perceptions. The results furthermore imply that this gap increases the negative impact of Growing Pains. However, the significance of these findings is questionable and requires further testing.

The final aspect addresses the applicability of the Growing Pains approach to contemporary DMSs. Respectively, the hypothesis and third research question, whether the “ten classic Growing Pains” (Flamholtz, 1990, 1995, 2007, 2015) need to be adjusted, were holistically elaborated on. It was found that the original Growing Pains do not fully represent and address the actual issues existing in the analysed DMSs. Although a certain overlap could be identified, the model does not offer for DMSs what it is supposed to: A reliable tool for measuring internal issues in order to ensure stable and healthy company growth. Thus, the hypothesis was verified and accordingly, a modification of Growing Pains proposed. This adjusted model takes the relevance of each problematic area into account and respectively expands the number of Growing Pains as well as distributes them appropriately. Reviewing each original Growing Pains in regards to whether they occur in the surveys and interviews and adding missing aspects from each category resulted into 15 revised common Growing Pains that arise in DMSs.

Consequently, this thesis contributed to reducing the lack of research in the field of startup failure in digital media. By proposing modified Growing Pains, it aims at providing a tool that is not only theoretical input for managers, but practical for evaluating a company’s organisational management. When future research allocates additional evidence on the topic, the modified Growing Pains holds the potential to provide managers with a method uncomplicated in use and beneficial for preventing DMS failure.

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Appendices

A – Pyramid of Organizational Growth

B – Stages of Organizational Growth

C – Interview Guidelines

D – Interview Audio Files

E – Growing Pains Survey

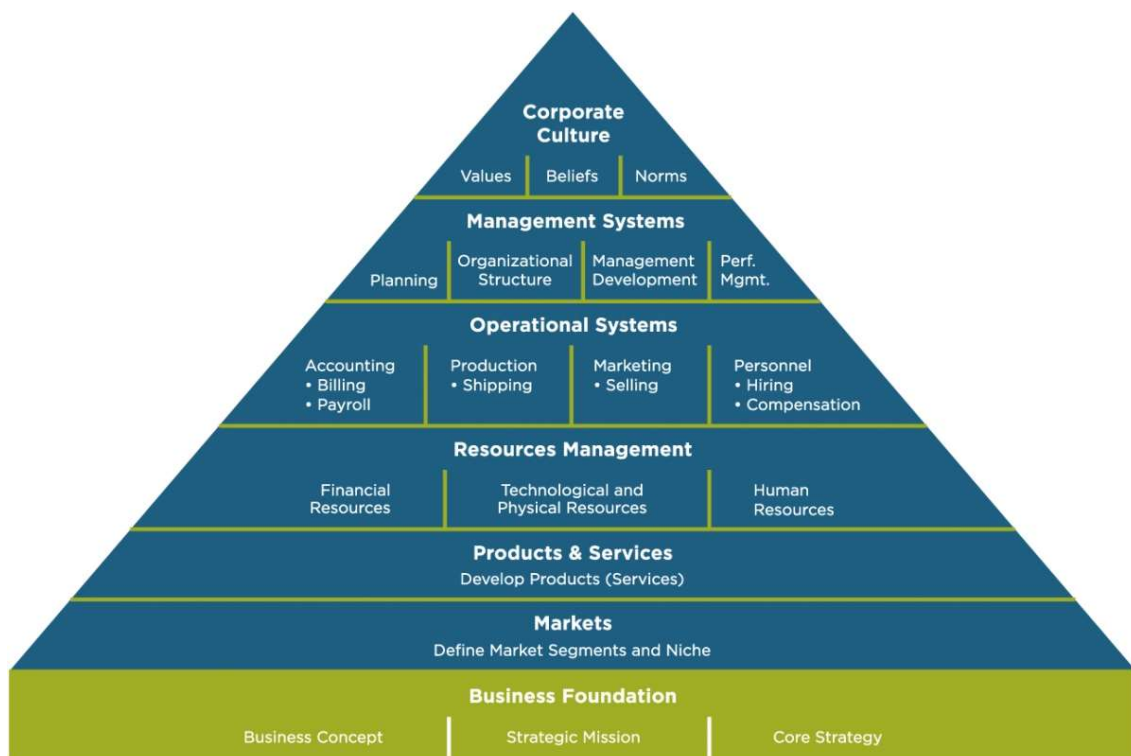
F – Qualitative Content Analysis: Definition of Categories and Variables

G – Qualitative Content Analysis: Extraction Tables

H – Quantitative Content Analysis

I – Comparison of Growing Pains and Modification Approaches per Category

Appendix A – The Pyramid of Organizational Growth



Appendix B: *The Pyramid of Organizational Growth*. Source: "Pyramid of Organizational Development™ | Management Systems", 2012.

Appendix B – Stages of Organizational Growth

Stage	Description	Critical Development Area	Overriding Objective	Manufacturing	Service
I	New Venture	Markets and "Products"	Proof of Business Concept	Less than \$1 million	Less than \$300,000
II	Expansion	Resources and Operational Systems	Scale Up	\$1 to \$10 million	\$300,000 to \$3.3 million
III	Professionalization	Management Systems	Transition to "Professional Management"	\$10 to \$100 million	\$3.3 to \$33 million
IV	Consolidation	Corporate Culture	Complete the Transition	\$100 to \$500 million	\$33 to \$167 million
V	Diversification	Replication of the Cycle	Diversification	\$500 million to \$1 billion	\$167 to \$333 million
VI	Institutionalization	Integration	Complete Transition to Multiple Businesses	\$1 billion +	\$333 million +
VII	Decline	Revitalization	Survive and Restart Growth	Any Size	Any Size

Appendix B: Stages of Organizational Growth. Source: "Stages of Organizational Growth | Management Systems", 2012.

Appendix C – Interview Guidelines

Einleitung:

- Ziel: Herausfinden, was mögliche “organisational management” Probleme und Herausforderungen in der Firma sind und wie diese die Produktivität des Unternehmens und /oder der Mitarbeiter beeinflussen.
- Interviewpartner werden gebeten, Einblick in ihre tägliche Arbeit zu geben und darüber hinaus bestimmte Situationen zu reflektieren, die zu Veränderungen im Bereich des internen Managements führten.
- Es werden Manager und Mitarbeiter aus vergleichbaren Unternehmen interviewt, um möglicherweise ein Muster zu identifizieren. Dabei werden nur die Namen der Unternehmen genannt, sowie die Positionen der Befragten grob beschrieben.
- Zustimmung zur Audioaufnahme abfragen.

Manager:

1. Was ist Ihr Tätigkeitsbereich?
2. Seit wann arbeiten Sie für diese Firma?
3. Hat sich seitdem die Struktur der Abteilungen verändert?
Wenn ja:
 - a) Welche Abteilung(en)?
 - b) Wer oder was war der Auslöser?
 - c) Wie hat die Umsetzung funktioniert?
4. Wurden Management Tools in den letzten Monaten eingeführt?
Wenn ja:
 - a) In welchem Bereich (z.B. HR, Finance, ...)?
 - b) Wer oder was war der Auslöser?
 - c) Wie hat die Umsetzung funktioniert?
5. Können Sie eine Situation nennen, in der eine organisatorische Struktur die Produktivität der Firma positiv oder negativ beeinflusst hat?
6. Wie sorgen Sie für ein stabiles Arbeitsumfeld für Ihre Angestellten?
7. In welchem Firmenbereich ist es am wichtigsten, organisatorische Veränderungen und Anpassungen vorzunehmen? Wo am unwichtigsten?
8. Würden Sie diese Firma als Startup oder etabliertes Unternehmen bezeichnen?

Angestellte:

1. In welcher Abteilung arbeiten Sie und was ist Ihr Tätigkeitsbereich?
2. Seit wann arbeiten Sie für diese Firma?
3. Hat sich seitdem die Struktur der Abteilung verändert?

Wenn ja:

- a) Welche Abteilung(en)?
- b) Wer oder was war der Auslöser?
- c) Wie hat die Umsetzung funktioniert?

4. Wurden Management Tools in den letzten Monaten eingeführt?

Wenn ja:

- a) In welchem Bereich (z.B. HR, Finance,...)?
- b) Wer oder was war der Auslöser?
- c) Wie hat die Umsetzung funktioniert?

5. Können Sie eine Situation nennen, in der eine organisatorische Struktur die Produktivität Ihrer Arbeit auf eine Art positiv oder negativ beeinflusst hat?

6. Gibt es etwas in der Firma, wo Sie eine organisatorische Veränderung für nötig halten?

7. Haben Sie das Gefühl, dass Sie in einem verlässlichen Arbeitsumfeld tätig sind (im Bezug auf die Firma, nicht die Marktsituation)?

8. Würden Sie diese Firma als Startup oder etabliertes Unternehmen bezeichnen?

Appendix D - Interview Audio Files

The audio files of all interviews can be found on the attached CD, in the folder "Appendices"; "Interviews";

"1_ManagerA_301116".

"2_EmployeeA_141216".

"3_ManagerB_161216".

"4_EmployeeB_060117".

"5_ManagerC_191216".

"6_EmployeeC_200117".

Appendix E – Growing Pains Survey

The following tables contain the survey responses of each participant (method by Flamholtz & Randle, 1998). Although each answered separately, the results are combined per company for a better overview.

Legend: **Blue Number = Manager**, **Orange Number = Employee**, **Green Number = Both**

Growing Pains Survey – Results of Company A

Comparison Company A	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
1. People feel that there are not enough hours in the day.			3	4	
2. People are spending too much time “putting out fires.”		2	3,5		
3. People are not aware of what others are doing.		2			
4. People lack an understanding about where the company is headed.			3	4	
5. There are too few good managers.		2	3		
6. People feel that, “I have to do it myself if I want it done correctly.”		2			
7. Most people feel that meetings are a waste of time.		2			
8. When plans are made, there is very little follow-up, so things just don’t get done.		2			
9. Some people have begun to feel insecure about their place in the company.		2	3		
10. The company has continued to grow in sales, but not in profits.		2			

Appendix E: Growing Pains Survey – Results of Company A. Source: based on Flamholtz & Randle, 1998.

Growing Pains Survey – Results of Company B

Comparison Company B	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
1. People feel that there are not enough hours in the day.		2			5
2. People are spending too much time “putting out fires.”		2		4	
3. People are not aware of what others are doing.			3	4	
4. People lack an understanding about where the company is headed.			3		
5. There are too few good managers.		2		4	
6. People feel that, “I have to do it myself if I want it done correctly.”		2		4	
7. Most people feel that meetings are a waste of time.		2		4	
8. When plans are made, there is very little follow-up, so things just don’t get done.		2			
9. Some people have begun to feel insecure about their place in the company.			3	4	
10. The company has continued to grow in sales, but not in profits.	1		3		

Appendix E: *Growing Pains Survey – Results of Company B.* Source: based on Flamholtz & Randle, 1998.

Growing Pains Survey – Results of Company C

Comparison Company C	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
<i>1. People feel that there are not enough hours in the day.</i>				4	5
<i>2. People are spending too much time “putting out fires.”</i>				4	
<i>3. People are not aware of what others are doing.</i>			3	4	
<i>4. People lack an understanding about where the company is headed.</i>		2			
<i>5. There are too few good managers.</i>			3	4	
<i>6. People feel that, “I have to do it myself if I want it done correctly.”</i>		2		4	
<i>7. Most people feel that meetings are a waste of time.</i>		2	3		
<i>8. When plans are made, there is very little follow-up, so things just don’t get done.</i>		2			
<i>9. Some people have begun to feel insecure about their place in the company.</i>		2			
<i>10. The company has continued to grow in sales, but not in profits.</i>		2			

Appendix E: *Growing Pains Survey – Results of Company C.* Source: based on Flamholtz & Randle, 1998.

Appendix F – Qualitative Content Analysis: Definition of Categories and Variables

1. Category Project Management

Definition: Every statement that primarily affects the project management department or situations that have their roots in the project management area.

Suitable example: The project deadline could not be met due to major planning issues.

Unsuitable example: The project deadline could not be met due to missing financial resources.

1.1. Variable General Challenges

Definition: General issues and problems that occur in project management.

1.2. Variable MCS Challenges

Definition: Issues in project management in regards to using tools.

2. Category Communication

Definition: Every statement that primarily affects the internal communication or situations that have their roots in internal company communication.

Suitable example: The manager does not inform about future strategies.

Unsuitable example: The manager has not set up a strategy.

2.1. Variable General Challenges

Definition: General issues and problems that occur in internal communication.

2.2. Variable MCS Challenges

Definition: Issues in internal communication in regards to using tools.

3. Category HR

Definition: Every statement that primarily affects the HR department or situations that have their roots in the HR area.

Suitable example: An inappropriate person was hired for the position.

Unsuitable example: The management position could not be staffed with an experienced new employee due to missing budget.

3.1. Variable General Challenges

Definition: General issues and problems that occur in HR within the company.

3.2. Variable MCS Challenges

Definition: Issues in HR in regards to using tools.

4. Category Management Monitoring

Definition: Every statement or situations that primarily have their roots in controlling and reporting by the startup management.

Suitable example: The CEO fails to address the most urgent matter due to lacking overview about the activities.

Unsuitable example: The HODs do not communicate the departments' status with the CEO correctly.

4.1. Variable General Challenges

Definition: General issues and problems that occur management monitoring.

4.2. Variable MCS Challenges

Definition: Issues in management monitoring in regards to using tools.

5. Category Finances

Definition: Every statement that primarily affects the finance department or situations that have their roots in the financial area.

Suitable example: 20 employees had to leave the company because the startup recorded decreased profits.

Unsuitable example: Financial statements are wrong because monitoring systems are not used correctly.

5.1. Variable General Challenges

Definition: General issues and problems that occur in finance.

5.2. Variable MCS Challenges

Definition: Issues in finance in regards to using tools.

6. Category Business Development

Definition: Every statement that primarily affects the business development/sales department or situations that have their roots in the business development/sales area.

Suitable example: Business developers have to travel too far to make new acquisitions because regional sales opportunities are exhausted.

Unsuitable example: Project managers and business developers cannot agree on who keeps contact with the clients.

6.1. Variable General Challenges

Definition: General issues and problems that occur in business development.

6.2. Variable MCS Challenges

Definition: Issues in business development in regards to using tools.

7. Category Corporate Culture

Definition: Every statement that primarily affects the corporate culture or situations that have their roots in the corporate culture.

Suitable example: Employees feel insecure about their position because mistrust exists between colleagues.

Unsuitable example: Employees feel insecure about their position due to lack of feedback communication.

7.1. Variable General Challenges

Definition: General issues and problems that occur in regards to the corporate culture.

7.2. Variable MCS Challenges

Definition: Issues for the corporate culture in regards to using tools.

Appendix G – Qualitative Content Analysis: Extraction Table

<p><i>Paraphrase Manager A</i></p>
<p>No challenges identified.</p>
<p>Previously, every department used a different tool to manage tasks and projects. Now, an overarching tool for all departments is implemented for more coherence in project management.</p>
<p>The integration of this (and other) tools is tough. First, it is not easy to find suitable MCSs for your company. Second, making employees accept it is complicated because every new workflow or maintenance of dashboards requires additional work. It is perceived as a barrier to productivity, but instead it is a matter of ROI. The whole positive effect only becomes apparent in the long-term when everyone uses the tool. Processes and tools can increase the effectivity about 150 per cent.</p>
<p>It needs to be clearly defined what the processes within and between the departments are to clarify who is responsible and what is offered.</p>
<p>It is tried to become more transparent.</p>
<p>To implement a MCS without difficulties, not only the directors should understand its importance, but also the middle management needs to communicate clearly to their employees why the tool is relevant.</p>
<p>After the Growth Stage the company employed more than 60 people, recognizing that this was not properly managed. They reduced the employee numbers not because of profit issues, but for reasons of efficiency</p>

Category	Paraphrase Manager A
1.1	No challenges identified.
1,2	<p data-bbox="379 165 459 1610">Previously, every department used a different tool to manage tasks and projects. Now, an overarching tool for all departments is implemented for more coherence in project management.</p> <p data-bbox="536 165 667 1610">The integration of this (and other) tools is tough. First, it is not easy to find suitable MCSs for your company. Second, making employees accept it is complicated because every new workflow or maintenance of dashboards requires additional work. It is perceived as a barrier to productivity, but instead it is a matter of ROI.</p> <p data-bbox="692 165 772 1610">The whole positive effect only becomes apparent in the long-term when everyone uses the tool. Processes and tools can increase the effectivity about 150 per cent.</p>
2.1	<p data-bbox="798 165 877 1610">It needs to be clearly defined what the processes within and between the departments are to clarify who is responsible and what is offered.</p> <p data-bbox="954 1120 979 1610">It is tried to become more transparent.</p>
2.2	<p data-bbox="1005 165 1085 1610">To implement a MCS without difficulties, not only the directors should understand its importance, but also the middle management needs to communicate clearly to their employees why the tool is relevant.</p>
3.1	<p data-bbox="1117 165 1197 1610">After the Growth Stage the company employed more than 60 people, recognizing that this was not properly managed. They reduced the employee numbers not because of profit issues, but for reasons of efficiency</p>

Category	Paraphrase Manager A
3.1 (continued)	<p>Coming out of the Growth Stage, the majority of employees are young and inexperienced, which is only partly good. A teamlead can not be inexperienced. He or she therefore has to learn to lead and make decisions based upon evaluations of efficiency. This is also achieved by providing them with the right tools and options.</p> <p>There is a huge shift to more experienced people and less interns.</p> <p>Assuming that a startup becomes more attractive as employer when it is successful. Nowadays, the requirements to be hired at Videobeat are much higher.</p> <p>It is better to have less employees, but good ones who stay for a longer period. The aim is to avoid hiring in emergencies and instead, hire people when they are not needed and give them space to grow.</p>
3.2	No challenges identified.
4.1	<p>The management is not aware of how many employees exactly currently work for Videobeat.</p> <p>One managing director is not capable of doing all tasks on his own. One needs to focus on own strenghts and weaknesses.</p> <p>In the beginning, a lot decisions are being made from experience with this or other companies or because the instinct demands it. This is impossible at a later stage, when decisions have much more impact.</p> <p>The key to more a more reliable decision making is more transparency and better knowledge flows. Information (e.g. finances, tasks, results) need to be exchanged and saved.</p>

<i>Category</i>	<i>Paraphrase Manager A</i>
4.2	No challenges identified.
5.1	Videobeat did not record loss after the Growth Stage, unlike many other startups at that point of development.
5.2	Analysing the financial output of every department showed that there is too much manpower involved compared to the low output.
6.1	No challenges identified.
6.2	No challenges identified.
7.1	Sales used to be the only area to use a MCS, because proper CRM was essential from the beginning.
7.2	No challenges identified.
<i>Category</i>	<i>Paraphrase Employee A</i>
1.1	No challenges identified.
1.2	It is inevitable to use a tool to track how much time and effort is needed for a project as well as keeping the overview about milestones.
2.1	The responsibilities between departments were not defined - the communication between sales, project management and operational departments was unclear and not every person involved in the project had the necessary information.

<i>Category</i>	<i>Paraphrase Employee A</i>
2.2	The new holistic MCS provides a good overview and simplifies internal communication, however, not everyone adapted it completely, yet. Thus, the full potential is not achieved.
3.1	No challenges identified.
3.2	No challenges identified.
4.1	No challenges identified.
4.2	No challenges identified.
5.1	No challenges identified.
5.2	No challenges identified.
6.1	Handing over new clients from sales manager to project manager caused many difficulties and arguments. A new process is supposed to make the responsibilities clear. Still, it is not functioning in the best possible way, yet.
6.2	No challenges identified.
7.1	The restructuring transformed Videobeat into a more mature business. This is primarily recognisable because it is now possible to choose customers and not having to take every inquiry.
7.2	No challenges identified.
<i>Category</i>	<i>Paraphrase Manager B</i>
1.1	No challenges identified.

<i>Category</i>	<i>Paraphrase Manager B</i>
1.2	Many different project management tools are applied, e.g. Trello.
2.1	No challenges identified.
2.2	The management communicates often only through new tools, in order to achieve a quicker acceptance between the employees and integrate the MCS faster. Slack chat programme is used.
3.1	1.5 years ago, the company had 40 employees, now 140 permanent employees plus 40 externals. This rapid growth happened partly anorganically, through M&A's. There used to be too few hierarchy levels, the management is now necessary due to the complexity of the startup. With increased employee numbers, recruitment became an important topic. Especially the recruitment of suitable internal and experienced external leaders is a major issue, as the demand for good managers in Berlin in this branch is very high. Competitors who are venuter capital funded can often offer better incentives. Thus, the working conditions need to be competitive, e.g. by providing training opportunities, free lunch, stable work environment, nice offices etc. The company tries to position itself as best of startup and corporation world - flexible, but stable.
3.2	No challenges identified.
4.1	The number of direct reports a manager can cope with is limited. With increased company size, it is impossible be the contact person for everyone, therefore a middle management had to be introduced.
4.2	No challenges identified.
5.1	No challenges identified.

Category	<i>Paraphrase Manager B</i>
5.2	No challenges identified.
6.1	No challenges identified.
6.2	MCS Salesforce was integrated, for a better overview of the department. The integration was easy because of the in-house IT department, who takes care of software issues.
7.1	No challenges identified.
7.2	People are sometimes proactive in proposing the integration of new MCS. The startup needs to test these and show flexibility. An integrated MCS should positively influence the productivity of the company.
Category	<i>Paraphrase Employee B</i>
1.1	The IT department is working for several departments at the same time, the departments' projects depend on it. This is difficult to manage because the IT is busy and has to prioritise. As a consequence, timings sometimes cannot be met, because more urgent issues occur that have to be fixed first.
1.2	Trello is used in all departments for project management on a daily basis, which is very helpful for overseeing tasks and responsibilities. But not everyone uses the MCS to the same detail and might only check and update it weekly. This is a big problem, because content becomes obsolete. It might even lead to unachieved deadlines for certain projects in the future.
2.1	Because the IT department works for several projects at the same time, sometimes the communication is chaotic and topics get confused.

<i>Category</i>	<i>Paraphrase Employee B</i>
2.1 (continued)	<p>Many people leave the company and new ones are hired, but this is not communicated to the employees appropriately. For example, this results into unclear responsibilities, people are not sure who is the right contact person and chaos breaks out due to the constant change.</p>
2.2	For a faster internal communication, slack is being integrated.
3.1	The fluctuation is high, therefore the structures are currently changing.
3.2	Time management needed to improve, therefore Tracktastic was adapted, which gives an overview for better holiday planning for the whole company.
4.1	No challenges identified.
4.2	No challenges identified.
5.1	No challenges identified.
5.2	No challenges identified.
6.1	No challenges identified.
6.2	No challenges identified.
7.1	Supposed to be a startup, but feels more like an established company.
7.2	No challenges identified.
<i>Category</i>	<i>Paraphrase Manager C</i>
1.1	No challenges identified.

Category	Paraphrase Manager C
1.2	<p>Previously, every department used different tools. That was too complicated and caused chaos. An overarching MCS was needed that is customisable for every department's needs. When integrating it, at the beginning employees complained about it, but now it is accepted and extremely effective.</p>
2.1	<p>Because a plethora of different departments was established in the Growth Stage, afterwards ways for an effective inter-department communication were hard to find.</p> <p>When the company is transitioning, open communication and transparency for the employees is extremely important for startups and small companies. This can be achieved e.g. through monthly meetings about objectives and KPI's. Before, there was a lot of insecurity amongst employees about the company's future.</p>
2.2	<p>New overarching MCS includes the feedback structure.</p>
3.1	<p>When transitioning and growing fast, the company culture must be taken care of, because people leave the company and a digital company only exists because of its employees.</p> <p>Processes need to be implemented that fit every department and most importantly, leaders need to be found.</p>
3.2	<p>Employees recognised unfair salaries. Therefore, a MCS was needed for HR that guarantees harmonic and appropriate salaries within the company. This was not easy to develop, as factors like competitors, the employment market and the branch had to be considered, in particular in regards to the location Berlin.</p> <p>The overarching tool Polio is also used for holiday planning.</p> <p>Generally, the team structures need to be open for changes all the time, because good personnel is very important.</p>

<i>Category</i>	<i>Paraphrase Manager C</i>
4.1	No challenges identified.
4.2	The importance of IT documentation is emphasised, even though in startups everything needs to be done quickly and documenting takes time and effort. But especially startups with high employee turnover have to make sure that knowledge is preserved to simplify the handover to new employees.
5.1	Being a venture capital funded startup puts a lot of pressure to grow on you. Usually, a huge amount of money is spent from the beginning, with no or few income. Plinga not only had to grow but also needed to make the turn to profitability, which was only possible by re-organising and re-structuring the company
5.2	No challenges identified.
6.1	No challenges identified.
6.2	Polio is also used for sales.
7.1	Reducing the employee numbers from 120 to 60 at once after the Growth Stage cause a major company culture issue. It was tough to keep the company growth stable in terms of productivity, while at the same time keeping the trust and motivation of the remaining employees.
7.2	Processes are needed to share information with all employees to guarantee a regulated workflow. Knowledge management therefore is an essential part of the company culture.
<i>Category</i>	<i>Paraphrase Employee C</i>
1.1	Being internationally active, the responsibilities are divided clearly according to the eight languages.

Category	Paraphrase Employee C
1.2	<p>Polio, the overarching MCS is functioning just fine.</p> <p>In addition, some specific tools are needed for needs of a department. In regards to customer support, they also depend on whether the game developer has integrated a tool, which simplifies the work.</p>
2.1	No challenges identified.
2.2	No specific tool, Skype and Email used for internal communication.
3.1	The department barely changes, only sometimes interns join or change to another team. In general, the turnover is low.
3.2	No challenges identified.
4.1	No challenges identified.
4.2	No challenges identified.
5.1	Often, interns are hired instead of more qualified people or they only work part-time, because it saves the company money.
5.2	No challenges identified.
6.1	No challenges identified.
6.2	No challenges identified.
7.1	Unsure, whether it is a startup or established company, but considers it to be more of a startup due to the familiar atmosphere.
7.2	No challenges identified.

Appendix H – Quantitative Content Analysis

Startup Management Issues in the Companies compared to the Growing Pains approach per Category

Category	Growing Pains	Company A	Company B	Company C
Project Management	3	3	3	3
Communication	4	3	4	2
Human Resources	2	2	5	5
Management Monitoring	1	3	1	1
Finances	1	2	0	1
Business Development	0	2	1	0
Coporate Culture	1	0	1	2

Appendix H: Startup Management Issues in the Companies compared to the Growing Pains approach per Category. Source: own table, 2017.

I – Comparison of Growing Pains and Modification Approaches per Category

Summarised Startup Management Issues compared to the original Growing Pains approach and Modification A and B per Category

	Modification Approach A	Modification Approach B	Issues of DMSs	Original Growing Pains
Project Management	2	3	9	3
Communication	2	3	9	5
Human Resources	3	4	12	2
Management Monitoring	1	2	5	1
Finances	1	1	3	1
Business Development	1	1	3	0
Coporate Culture	1	1	3	1

Appendix I: *Summarised Startup Management Issues compared to the original Growing Pains approach and Modification A and B per Category. Source: own table, 2017.*



Sworn Statement

I, Janina Tessarek

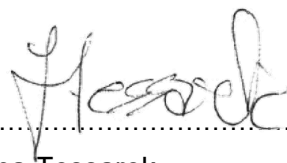
born on 26.11.1994

hereby declare that I have prepared this Bachelor's thesis independently and without external assistance. In doing so, I have not used any aids other than those mentioned in the enclosed list of sources.

All points that have been taken from publications literally or adapted form have been identified as such by me.

Hamburg,

03.02.2017


.....
Janina Tessarek