



CATÓLICA
LISBON
BUSINESS & ECONOMICS

Fail or Thrive?

How to remain resilient when leadership transitions in startups turn into crisis

Damian Benedikt Novoa Lill

Dissertation written under the supervision of Prof. Dr. Ekin Ilseven

Dissertation submitted in partial fulfilment of requirements for the MSc in Management with Specialization in Strategy, Entrepreneurship and Impact, at the Universidade Católica Portuguesa, 05.01.2025.

ABSTRACT

Leadership transitions in startups are pivotal moments that can disrupt operations, strategic direction, and organisational culture, especially when key leaders leave. Despite substantial research on resilience, few studies look at the dynamic organisational responses required to manage such transformations, particularly in the resource-constrained and fast-paced startup environment. This thesis studies the obstacles that startups experience while dealing with leadership departures, as well as how they acquire resilience and adaptability.

Based on interviews with startup leaders combined with a resilience perspective, this study reveals cognitive, behavioural, and environmental factors that allow organisations to manage these challenges. It indicates that leadership departures frequently result in managerial misalignment, operational inefficiencies, and psychological upheavals within teams, while also sparking chances for strategic renewal. The findings emphasise the need of proactive strategies, such as role redundancy, stakeholder engagement, and cultural evolution, in mitigating immediate shocks and fostering long-term adaptation.

This thesis finds that a process-oriented approach, with a focus on resilience feedback loops, provides useful insights into how businesses might convert leadership transitions from crises to opportunities for growth. As a result, it advances the understanding of organisational resilience and provides actionable methods for startups to manage leadership changes in unpredictable contexts.

KEYWORDS: Leadership Transitions – Startups – Organisational Resilience – Entrepreneurial Challenges – Crisis Management – Startup Capabilities

TITLE: Fail or Thrive? How to remain resilient when leadership transitions in startups turn into crisis

AUTHOR: Damian Benedikt Novoa Lill

RESUMO

As transições de liderança nas empresas em fase de arranque são momentos cruciais que podem perturbar as operações, a direção estratégica e a cultura organizacional, especialmente quando os principais líderes saem. Apesar da investigação substancial sobre a resiliência, poucos estudos se debruçam sobre as respostas organizacionais dinâmicas necessárias para gerir tais transformações, em particular no ambiente de uma empresa em fase de arranque, com recursos limitados e a um ritmo acelerado. Esta tese estuda os obstáculos que as empresas em fase de arranque enfrentam ao lidarem com a saída de líderes, bem como a forma como adquirem resiliência e adaptabilidade.

Com base em entrevistas a líderes de startups, combinadas com uma perspectiva de resiliência, este estudo revela factores cognitivos, comportamentais e ambientais que permitem às organizações gerir estes desafios. Indica que as saídas de líderes resultam frequentemente em desalinhamento da gestão, ineficiências operacionais e perturbações psicológicas nas equipas, enquanto criam oportunidades de renovação estratégica. As conclusões sublinham a necessidade de estratégias proactivas, como a redundância de funções, o envolvimento das partes interessadas e a evolução cultural, para atenuar os choques imediatos e promover a adaptação a longo prazo.

Esta tese conclui que uma abordagem orientada para o processo, centrada nos ciclos de resiliência, fornece informações sobre como as empresas podem converter transições de liderança de crises em oportunidades de crescimento. Como resultado, avança a compreensão da resiliência organizacional e fornece métodos acionáveis para as empresas em fase de arranque gerirem as mudanças de liderança em contextos imprevisíveis.

PALAVRAS-CHAVE: Transições de Liderança – Startups – Resiliência Organizacional – Desafios Empreendedores – Gestão de Crises – Capacidades de Startups

TÍTULO: Falhar ou Prosperar? Como permanecer resiliente quando transições de liderança em startups se transformam em crises

AUTOR: Damian Benedikt Novoa Lill

ACKNOWLEDGEMENT

This thesis marks the end of my time as a student at Católica Lisbon School of Business & Economics. I am grateful for everything that I learned from my peers, professors, and the city of Lisbon. The university and city gave me friendships that will accompany me for a long time. I want to thank the entire university for its warm welcome, the great lecture sessions, and the projects I had the pleasure of participating in. I especially want to thank my supervisor, Dr. Ekin Ilseven, who guided me not only through my strategy course but also through this thesis with his help, insightful tips, and honest feedback that went beyond the scope of this thesis.

I also want to thank my family, who have been a part of my academic career in multiple countries, which would not have been possible without them.

Table of Contents

1. INTRODUCTION	6
2. THEORETICAL BACKGROUND	8
2.1. LEADERSHIP TRANSITIONS IN STARTUPS	9
2.1.1. OPERATIONAL CONSEQUENCES	11
2.1.2. SOCIAL CONSEQUENCES	12
2.1.3. PSYCHOLOGICAL CONSEQUENCES	13
2.2. ORGANISATIONAL RESILIENCE	14
2.2.1. A PROCESS-ORIENTED PERSPECTIVE ON RESILIENCE	15
3. RESEARCH METHOD AND DATA	18
3.1. RESEARCH SAMPLE AND DATA COLLECTION	19
3.2. DATA ANALYSIS	20
4. RESULTS	21
4.1. DESCRIPTION	21
4.2. FINDINGS AND THEORETICAL MODEL	21
4.3. MANAGEMENT MISALIGNMENT	23
4.4. OPERATIONAL TRANSFORMATION	25
4.5. TRANSITION MANAGEMENT	26
4.6. ORGANISATIONAL ADAPTABILITY	28
4.8. CULTURAL EVOLUTION	30
5. DISCUSSION	32
5.1. THEORETICAL IMPLICATION	32
5.2. PRACTICAL IMPLICATION ON LEADERSHIP TRANSITIONS	33
5.3. LIMITATIONS AND FUTURE RESEARCH	36
7. REFERENCES	39
8. APPENDIX	44
8.1. APPENDIX A	44
8.2. APPENDIX B	48

1. Introduction

The startup ecosystem is characterised by frequent leadership changes, with less than 25% of founder-CEOs remaining in their positions by the time their firms go public, according to a study on leadership dynamics in startups (Wasserman, 2003). It has also been found that leadership transitions in startups have resulted in adverse outcomes, including stalled growth and heightened failure risks, especially when transitions occur abruptly or without robust planning. For example, Uber faced a turbulent period after the departure of co-founder and CEO Travis Kalanick in 2017, struggling with cultural challenges and strategic uncertainties that disrupted its operations (Srinivasan et al., 2017). Conversely, transitions to professional CEOs in entrepreneurial firms can catalyse their evolution into mature organisations, enabling the company to scale and pivot into a stronger direction (DeTienne & Cardon, 2012). SoundCloud, once on the brink of collapse, rebounded under new leadership that restructured the business and shifted focus to subscription-based revenue streams, showcasing how leadership changes can drive recovery and growth (Constine, 2017). Soundcloud and Uber are now well-established companies, showing that there are multiple ways to succeed while experiencing a leadership transition, but the question is at what cost. Could they have attained their market position more rapidly and preserved jobs by avoiding employee layoffs and, perhaps most critically, by not burning through unnecessary cash?

It is clear that especially startups work in an ever-changing world while also being an evolving and transforming company that attempts to gain its market position by potential disruptive innovation or new products. Leadership transitions therefore are often a disruption or a shock for the startup and mark a pivotal moment in the startup's trajectory leading to significant challenges. These challenges can be workforce disruption and turnover, as teams adapt to the structured operations of a non-startup environment, therefore requiring targeted strategies to minimise negative performance impacts (Kaehr Serra & Thiel, 2019). The examples of Uber and SoundCloud illustrate the complex, fast-paced nature of leadership transitions in startups. While they hold the potential for growth and adaptation, they can also destabilise organisational cohesion, disrupt key relationships, and jeopardise strategic direction. There is a need for a nuanced understanding of leadership transitions as a critical event in a startup's lifecycle.

This thesis investigates the consequences of leadership transitions in startups and explores the organisational factors that contribute to resilience during such events. Based on current

literature, it first unpacks the consequences on operational, social, and psychological capabilities. To bridge the gap on how startups can come out stronger of leadership transition, the thesis further introduces the literature on organisational resilience which offers a solid foundation to address disruptions and vulnerabilities that occur in crisis situations. Building on this theoretical foundation, a qualitative study was applied. Information was collected on the previous experiences of multiple start-up leaders and employees regarding how leadership transitions have affected their startups and what were successful interventions. The interviews created a thorough dataset, with which this thesis attempts to explain the complex and dynamic world of leadership transitions in startups and introduce mechanisms to build resilience and minimising the negative effects, potentially even gaining strength through the transition. Accordingly, it will merge the two theoretical literatures about leadership transition and organisational resilience into one conceptual framework relying on the mechanisms identified in the interviews about leadership transitions in startups.

2. Theoretical Background

Startup leaders are often the face of the vision and, as a result, the originator of the idea and the product. They hold the root of the idea in themselves and can drive the startup with intrinsic motivation to monumental success. But at some point, a leader may leave the company due to internal or external factors, forcing a leadership transition. When such leadership transitions occur, startups face significant challenges since leaders are pivotal in shaping the company's vision, driving strategy, and maintaining essential external relationships which are critical for securing resources and growth (DeTienne & Cardon, 2012). These transitions often create unforeseen disruptions, or shocks, that can jeopardise relationships with key stakeholders, halting operations, and creating uncertainty (Boeker & Karichalil, 2002). This can leave startups vulnerable to resource instability and strategic misalignment. Unlike established organisations with robust structures and diversified leadership roles, startups are particularly affected to such disruptions because of their reliance on a small leadership team (Chen & Thompson, 2015). The transition of a leader can amplify internal uncertainties and external risks, posing a significant threat to the organisation's resilience; thus, startups must not only manage the immediate consequences of leadership transitions, but also develop the capacity to adapt and recover, ensuring that these events do not harm the startup in a permanent way (Haveman & Khaire, 2004).

What makes leadership transitions in startups furthermore unique is that the key leaders often possess valuable external relationships with investors, partners, new employees and stakeholders as well as personal knowledge that are essential to the operation (Ucbasaran et al., 2003). These relationships and skills provide startups with access to critical resources, including funding, market opportunities, or expert knowledge and the loss of these assets can weaken relationships, strain partnerships and limit opportunities (Nahapiet & Ghoshal, 1998, Bamford et al., 2006). Despite the growing body of research on entrepreneurial transitions, gaps remain in understanding how startups can tactically manage leadership transitions to mitigate risks and foster resilience. It is therefore important to understand what leaders are and what can be understood as "leadership" in startups. Leaders, in the scope of this thesis, are individuals that are key decision-makers for the startup. They can be founders, C-Level, and senior management. Leadership therefore will be understood as a social influence process that drives the discovery, evaluation, and exploitation of entrepreneurial opportunities (Covin & Slevin, 2015). Furthermore, leadership transition is understood as the leader leaving the company

behind and creating the need for realignment throughout the company (Covin & Slevin, 2015). Therefore, a departure, exit or similar can be understood as part, specifically the beginning, of a leadership transition.

A organisational resilience perspective provides a lens to examine how startups can withstand, adapt, and recover from the disruptions caused by leadership transitions (Duchek, 2020). Generally, resilience is understood in this thesis as a multidimensional capability which enable organisations to maintain operational and strategic continuity during periods of change (Williams et al., 2017). While studies have looked at resilience in broader leadership transition and organisational contexts, particularly the negative aspects, there has been little research into startups and their unique vulnerabilities during leadership transitions, as well as how they can turn the tide to their advantage. This thesis therefore aims to explore the research question: *“What are the consequences of disruptive leadership transitions in startups, and what organisational factors can help build resilience against such disruptions?”*. The thesis contributes to the literature on organisational resilience and startup dynamics by examining how startups can effectively respond to leadership transitions, ensuring both short-term stability and long-term sustainability.

2.1. Leadership Transitions in Startups

Startup leaders provide the essential foundation of the organisation, with each individual accountable for their specific role and critical to the startup's survival. When a leader decides to leave, the reasons can vary, ranging from personal reasons, new opportunities, or fallout with the other leaders (DeTienne, 2010), but one of the key reason lies in the evolving management needs of startups as they grow and mature (Boeker & Karichalil, 2002). Tensions can emerge when the leaders' capabilities no longer match an organisation's demands, such as a shift of focus, making a leadership change necessary (Kaehr Serra & Thiel, 2019). Furthermore, both rapid and slow growth can also increase the likelihood of such transitions with rapid growth potentially overwhelming a leaders capacity and slower growth leading to frustration and a desire for change (Boeker & Karichalil, 2002).

These transitions can severely disturb the startup's performance and stability, changing its overall vision and priorities (Wasserman, 2003). While established businesses may have the means to better negotiate these problems, they are nonetheless vulnerable to the detrimental

consequences of leadership transitions (Bamford et al., 2006). Bamford et al. (2006) argues, that the departure of a leader has a substantial impact on the performance of newly established companies. Dobrev and Barnett (2005) added to that, that older and larger companies tend to develop formalised structures and hierarchies that have clear guidelines and a diversified power and decision allocation. This makes them static and fundamentally different than startups, which are dynamic and can be highly sensible to the slightest changes in their surroundings, especially in the beginning (Aldianto et al., 2021). Furthermore, startups face a unique set of challenges because of their informal role allocations and heavier reliance on individual leaders (Bamford et al., 2006). This dependence on a few key figures for decision-making, resource acquisition, and team cohesion means that the loss of a leader can lead to disruptions in knowledge, relationships, and vision (Bamford et al., 2006; Wasserman, 2003). Therefore, startups' reliance on individual leaders can create a "black box" of unpredictable outcomes (Wasserman, 2003), especially when the departing leader possesses critical knowledge or strongly embodies the startup's identity (Burt, 1997). Such reliance often leaves a power vacuum (Haveman & Khaire, 2004), magnified by limited resources and a lack of formal mechanisms, further underscoring the challenges unique to startup leadership transitions (Guenther et al., 2016; Bamford et al., 2006).

While much of the current literature focusses on well-established businesses and offers insightful information about leadership succession, it frequently fails to address the particular difficulties encountered by startups. The interplay of limited resources, dependence on individual leaders, strong emotional ties, and lack of formal structures results in a complex environment necessitating customised strategies and further research (Haveman & Khaire, 2004; Kaehr Serra & Thiel, 2019; Wasserman, 2003). As such, there is a need for a deeper understanding of how startups can proactively address the vulnerabilities introduced by leadership transitions to ensure continuity and long-term growth. This thesis will analyse these vulnerabilities or consequences from three perspectives: operational, social, and psychological. The selected dimensions effectively encapsulate the complex nature of leadership transitions in startups. Although deeply interconnected, each perspective imposes unique pressure that affect the startup's capacity to adapt and recover. This thesis analyses them separately to clarify their individual contributions and the ways in which their interplay either enhances resilience or accelerates organisational decline.

2.1.1. Operational Consequences

In startups, operational processes and decision-making are often heavily concentrated around the leaders. A transition therefore disrupts the delicate balance that keeps daily operations running smoothly. Carroll (1984) and Wasserman (2003) emphasise that this dependence heightens the risk of stagnation upon the departure of key leaders. Their departure often leads to a leadership void, causing ambiguity regarding the responsibilities and authority of the remaining team members (Haveman & Khaire, 2004). Absence of clear structures may result in delays, inefficiencies, and difficulties in sustaining operational continuity.

One of the most immediate outcomes of leadership transition is the slowing of product development. Leaders deeply involved in product creation often possess specialised knowledge that drives innovation and decision-making (Teece et al., 1997). Without the knowledge they have, the remaining team may struggle to keep up, resulting in delays in releasing new products or improving existing ones. In addition to product development issues, leadership transfers frequently result in inefficiencies in operations (Bamford et al., 2006). Even when workflows and processes are established, much of the operational continuity in startups depends on the implicit knowledge about the product and problem-solving strategies of the departing leader, such as a COO or head of product/engineering (Aldianto et al., 2021). Their absence can disrupt resource allocation and delay operational routine tasks as the remaining team struggles to adapt. Carroll (1984) underscores how startups' dependency on centralised leadership intensifies these disruptions, while Guenther et al. (2016) argue that young companies, such as a newly formed software startup, often rely on ad-hoc solutions and direct oversight, making transitions particularly destabilising.

Perhaps most critically for the operations, the departure of a leader can result in a loss of competitiveness (Ucbasaran et al., 2003). Startups require agility to respond to market shifts and capitalise on new opportunities (Haveman & Khaire, 2004). All of this can result in bottlenecks and knowledge gaps, which undermines the startups' ability to pivot and respond quickly to operational challenges. In this sense, operational consequences do more than slowing down product development or similar, they can weaken the startups capacity to outmanoeuvre competitors and sustain growth.

2.1.2. Social Consequences

While operational setbacks are the most evident, the social implications can be equally devastating. Weakened stakeholder relationships, which result in a loss of social capital, can jeopardise startups' ability to access resources, maintain credibility, and form new partnerships. It is important to highlight that social capital is the sum of the real and potential resources contained within, available through, and generated from an individual's or social unit's network of interactions (Florin et al., 2003). Understanding how these networks work allows us to better appreciate why a leadership transitions are a pivotal moment for startups.

Startups function like a group of friends, characterised by intense emotional connections, which is one of the many differences compared to established companies (Florin et al., 2003). While this promotes coherence, it also exposes gaps in experience, best practices, critical skills, and external market information. To address these gaps, founders often form strong links with credible and knowledgeable partners, such as advisors, investors, and suppliers, who contribute critical expertise for the startup's growth and survival (Burt, 1997; Nahapiet & Ghoshal, 1998). These external networks, which provide access to crucial resources and opportunities, form the foundation of a startup's social capital. A leadership transition, particularly the resignation of a founder, can cause disruption in these networks. Successors frequently fail to retain the human rapport required to sustain crucial relationships, resulting in weakened strategic collaborations, and diminished market penetration (Coleman, 1988; Koka & Prescott, 2002).

With the importance of interpersonal relations and networks, it becomes clear that social capital plays a crucial role in enabling startups to navigate leadership transitions. Adler and Kwon (2002) add to the existing literature that social capital is the goodwill that exists within an organisation's network, with three important dimensions: structural, relational, and cognitive. A leader's departure frequently disturbs these dimensions, breaking external links on the structural level, eroding trust and reciprocity inside the organisational relational level, and causing misalignment regarding agreed goals on the cognitive level. While prior frameworks such as Nahapiet and Ghoshal's (1998) and Coleman's (1988) dimensions of social capital focus on social cohesion provide valuable insights, this thesis centres on how startups can leverage their broader social capital to build resilience against disruptions caused by leadership transitions. Specifically, the emphasis is on the organisational factors that help maintain and

rebuild critical external and internal relationships, ensuring that leadership transitions do not derail the startup's strategic objectives.

2.1.3. Psychological Consequences

It's important to consider psychological effects in addition to social impact and operational losses. Even in cases where external linkages are still strong, a startup's resilience can be made or broken by the shock effect on internal stress, perceptions, and morale shifts (Nahapiet & Ghoshal, 1998). Valero et al. (2015) underlines the role of leaders in shaping employee attitudes during times of instability, emphasising the severe emotional disruption their departures brings as well as the stability they provide. This stability frequently serves as a substitute for the absence of formal hierarchies and processes in early-stage businesses (Yli-Renko et al., 2001).

The transition of a leader can result in employees feeling anxious about their future role and alienated from the evolving identity of the startup, or even a lack of identity (Ayoko, 2021, Lee & Tsai, 2024). This is characterised by a lack of common vision, motivation, and affiliation with the startup (Nahapiet & Ghoshal, 1998). It is important to emphasise that this distancing is often tied to the loss of the leader's presence rather than to the organisation itself. McGrath (1999) adds to this, that leaders are often reluctant to relinquish control due to their deep connection to the vision, showing how closely the performance of a startup is connected to the leaders. Furthermore, Ibarra and Barbulescu (2010) highlight the importance of narrative identity work, in which people reconstruct their identities by generating new self-narratives. During startup transitions the remaining employees and leaders must develop new narratives to fill the void left by the leaving leader. By recognising these psychological challenges, startups can go beyond operational fixes and social ties, they can ensure that the team remains united and motivated despite a leader's departure.

These consequences are able to draw one part of the picture regarding leadership transition. However, to fully understand the whole process of leadership transition, it is important to understand how startups can leverage this disruption in their favour. To understand this, this thesis will now discuss the implication of organisational resilience in general and how it can potentially help startups grow and come out stronger of such transitions.

2.2. Organisational Resilience

Organisational resilience, defined as the capacity to anticipate, adapt to, and recover from disruptions, can offer valuable insights into how startups can navigate leadership transitions effectively (Linnenluecke, 2017). While the concept has emerged as a critical topic in management research, its complexity prevents it from having a consistent definition. Duchek (2020) describes it as an umbrella concept, encompassing numerous divergent themes and flexible enough to address a wide range of phenomena, making it applicable for startups and leadership transitions. Building on this, Williams et al. (2017) define resilience as:

"The process by which an actor (i.e., individual, organisation, or community) builds and uses its capability endowments to interact with the environment in a way that positively adjusts and maintains functioning prior to, during, and following adversity" (p. 740).

This concept can be understood both as a capability (Duchek, 2020) and as a process leading to a desired outcome (Pal et al., 2014). Resilience encompasses proactive and reactive capabilities in the phases of anticipation, coping, and adaptation (Duchek, 2020). It is therefore not only about adjusting to crises, but also about learning and improving from these experiences, turning them into chances for progress (Vogus & Sutcliffe, 2007).

Leadership shapes strategic responses, fosters trust, and maintains cohesion during adversity (Ayoko, 2021), as do organisational culture and social connections relevant to crisis response (Hall & Lamont, 2013; Williams et al., 2017). Organisational resilience has also been conceptualised as a multidimensional framework that integrates perspectives from crisis management, organisational learning, and ecological resilience (Linnenluecke, 2017). It emphasises the importance of resilience in fostering long-term sustainability and adaptability across diverse organisational contexts. Leadership transitions, particularly in startups, exemplify the kind of events that challenge an organisation's ability to adapt and recover. This is a challenge that Williams et al. (2017) has captured in a process-oriented framework he developed.

2.2.1. A Process-Oriented Perspective on Resilience

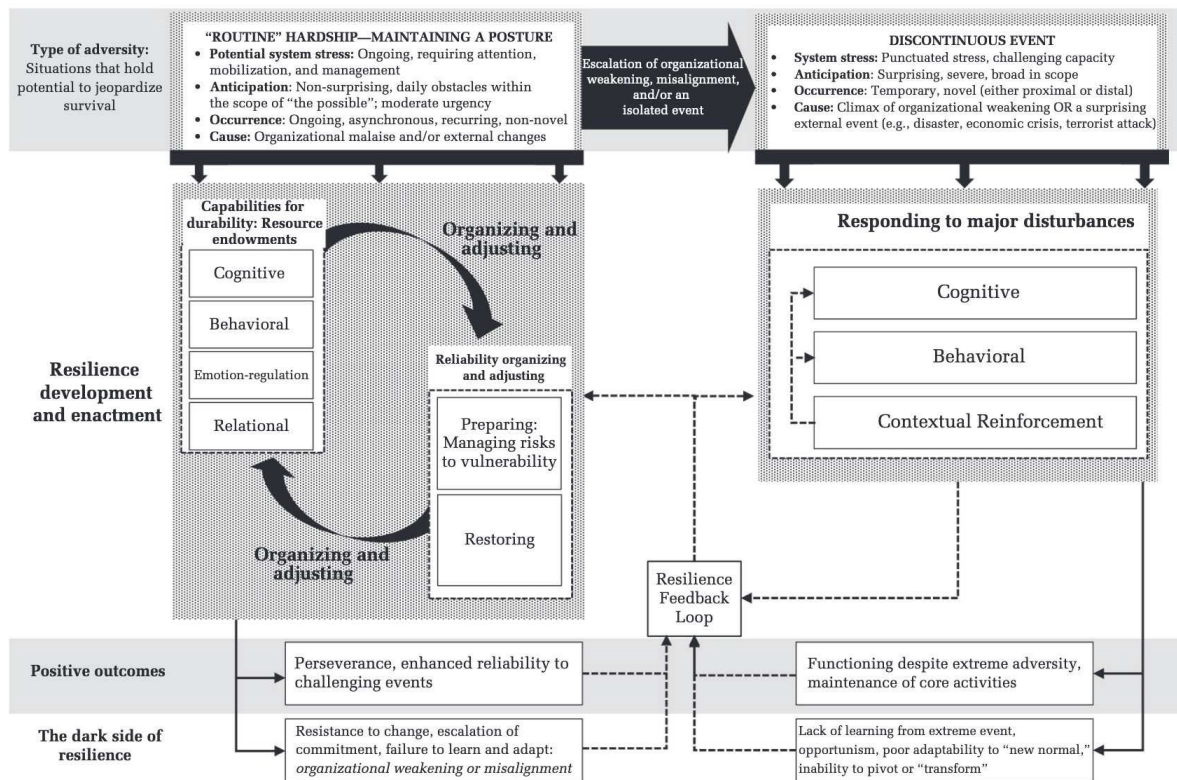
Williams et al.'s (2017) process-based framework (Figure 1) provides a structured approach to understanding resilience, particularly in the context of leadership transitions. The framework introduces an interplay between routine hardships and discontinuous events. While routine hardships involve predictable and day-to-day challenges that are not surprising, discontinuous events, such as leadership transitions in startups, are sudden and disruptive, requiring rapid adaptation to safeguard core functions and therefore the main focus in this thesis (Weick & Sutcliffe, 2015). During and after a discontinuous event, the organisation experiences immediate uncertainty. Williams et al. (2017) points out that there are multiple ways an organisation can react to such events, with the most effective reactions being innovation, improvisation, and adaptability. Innovation enables the organisation to develop new processes and solution. Improvisation, particularly local improvisation, is defined by flexible adjustment to the situation, and adaptability is the requirement for rapid adaptation to new realities. These are not specific activities, but rather general principles pointing the way for resilience in organisations. Williams et al. (2017) introduces therefore responses to major disturbances, which form the concrete implementation of these principles: Cognitive, behavioural, and contextual reinforcement responses.

Cognitive Responding is the ability to perceive, interpretate, and analyse changes. This incapsulates the quick detection of signals regarding potential disturbance (Dewald & Bowen, 2010). It is not just about survival, but to actively react to change by breaking off old thought patterns and embracing new perspectives (Williams et al., 2017). Furthermore, innovation and change are viewed as a chance, not a threat. Therefore, it enables new ways of thinking and can be a pivotal moment against the disruptive event. In addition to that, it is also the ability to focus attention on the most impactful actions, simplifying complexity and identifying viable alternatives (Dewald & Bowen, 2010). Cognitive responses moreover combine prioritisation and adaptability, allowing leaders to respond effectively to unexpected situations without being limited by strict decision-making processes. This flexible approach allows businesses to quickly respond, minimising potential losses and converting obstacles into opportunities (Williams et al., 2017). This dynamic ability to reframe obstacles as opportunities is critical for building resilience and long-term survival in unstable circumstances.

Behavioural Responding involves employing solutions and strategies to reduce uncertainty through action. This involves proactively pursuing solutions and assuming accountability for the choices made (Williams et al., 2017). It is essential to find a balance between following the established routines and cultivating new behaviours to respond effectively to evolving situations. Expanding behavioural methods enables individuals and organisations to respond more effectively to new situations, necessitating openness to new challenges and the acquisition of additional skills (Lengnick-Hall & Beck, 2005). Maintaining effective habits promotes stability and prevents the unnecessary abandonment of practices that have proven successful in the past (Vogus & Sutcliffe, 2007). Behavioural responses are overall context-dependent; thus, strategies effective in one environment may not yield the same results in another (Williams et al., 2017). This nuanced approach guarantees that organisations are prepared to successfully address specific challenges, maximising agility while maintaining operational stability.

Contextual Reinforcement emphasises the significance of the environment in influencing and facilitating cognitive and behavioural responses. Organisational culture and industry dynamics significantly influence the implementation and integration of these responses. Organisations must cultivate an environment that promotes positive and constructive responses to challenges. Moreover, organisations exhibit varying perceptions regarding costs and risks. Some individuals prioritise error avoidance to ensure stability, whereas others view mistakes as opportunities for learning and growth (Williams et al., 2017). For example, a tech business that encourages experimentation and learns from failure is more likely to successfully navigate shocks than one that penalises failures. By cultivating an adaptive and supportive culture, companies can enhance their cognitive and behavioural responses, establishing a strong foundation for resilience.

Figure 1: Process of View of the Fusion of Crisis Management and Resilience (Williams et al., 2017)



The framework of Williams et al. (2017) is particularly relevant for startups since it provides a structured framework to understand how organisations respond to sudden, high-impact disruptions. Start-ups typically function in resource-limited and rapidly changing contexts, where leadership transitions can be seen as disruptive events—unanticipated and potentially destabilising factors that test the startup’s resilience. Further exploration is necessary to determine how startups can operationalise these capabilities to attain long-term adaptability and growth in resource-constrained environments.

3. Research Method and Data

The research question, “*What are the consequences of disruptive leadership transitions in startups, and what organisational factors can help build resilience against such disruptions?*” is approached through the process-oriented framework for organisational resilience proposed by Williams et al. (2017). This framework emphasises the iterative aspects of resilience, underscoring the cognitive, behavioural, and contextual reinforcement responses that allow startups to manage leadership transitions successfully while ensuring operational and strategic continuity. Qualitative methods are employed to elucidate the complexity of leadership transitions, facilitating a deeper understanding of the unfolding processes and their implications for strategic resilience. An exploratory case study approach was selected, involving multiple interviews with startup leaders and founders, to generate insights and enhance the literature on leadership transitions and organisational resilience (Eisenhardt & Graebner, 2007). Interviews effectively capture firsthand experiences from the field, facilitating the identification and investigation of key factors influencing the continuity of the startup and the adaptive strategies employed during these processes (Edmondson & Mcmanus, 2007).

This thesis looks at leaders who have experienced a leadership transition in a startup. Nine people were interviewed who have experienced a leadership transition, either being the person who left or having a co-leader leaving the startup. These interviewees are able to give valuable insights into how startups deal with such a transition and what the impact is and how startups can potentially leverage this shock of a leadership transition. Alongside individual leadership transition cases, interviews were conducted with two particular startups, where two to three individuals from each startup were interviewed. This created a deeper understanding of the transition and the process from different perspectives. Following Corbin and Strauss's (1990) grounded theory methodology, insights were incorporated from earlier interviews to refine and expand the questions for subsequent interviews, enabling a deeper exploration of emerging themes.

3.1. Research Sample and Data Collection

Interviews with leaders who have experienced a transition in different stages of the age of the startup were taken. Through the multiple perspectives of the interviewees on the transition, it is possible to draw a picture from multiple angles experiencing the shock which underlines the theory of Williams et al. (2017) and minimise retrospective bias. The leaders were working and residing in their country where the startup was also registered. These were Germany, Switzerland, Austria and the United States. The leaders were asked to only talk about one specific transition for the deep dive but could refer at the end to different experiences. Their age varied from 25 to 67. Due to the limited time frame the sampling method chosen was convenience sampling. All interviews were drawn from personal connections and contacted via mail or LinkedIn, potentially created another bias. For more information about the interviewees, please refer to Table 1 in Appendix B.

The interviews were conducted with either teams, google meets or in-person. This made it easy to expand the scope for the interviewees globally. Furthermore, an interview script for leaders who departed the startup and leaders who were affected by the departure was created. These interview script can be seen in Appendix A. To reduce the potential for geographical bias in the interviews (Eisenhardt & Graebner, 2007), leaders from different stages in life, different social backgrounds and different startups at different stages were interviewed. With the inclusion of people who just experienced the departure and people who have experienced multiple departures that go back to up to 20 years. However, due to the lack of female leaders a gender bias was not able to be eliminated in the scope of this thesis, a limitation that will be discussed later.

All interviews ranged from 30-60 minutes and were recorded upon the permission of the interviewee to ensure full transparency and no loss of information. Nonetheless, multiple leaders expressed the wish to remain anonymous and that no detailed information about people, personal interchanges and other highly sensible information should be shared outside of the interview with the exception of my supervisor.

3.2. Data Analysis

To analyse the collected data, the interviews were transcribed using a combination of manual transcription and automated tools. The Gioia methodology (Gioia, 2021) was used, which emphasises the development of concepts rather than predefined constructs. The grounded theory approach was applied, utilising open, axial, and selective coding to derive insights and contribute to the understanding of the research topic (Corbin & Strauss, 1990). Three leaders from the same startup were individually interviewed, leading to the development of additional questions during each interview session. Through this a deeper understanding was created about the transition and the different perspectives. For the coding process, the qualitative research software Atlas.ti was used to systematically organise and interpret the data.

Following the Gioia framework, the findings were structured into first-order concepts, second-order themes, and aggregate dimensions. This approach allowed a visual representation of the coding results and their relationship to the research questions. The coding overview and resulting conceptual model illustrate the impact of leadership transitions and the organisational factors that contribute to building resilience against such disruptions. The final conceptual model is presented in Section 4.2, while additional details and coding structures can be found in Appendix C.

4. Results

This section presents the findings of the study, highlighting the key challenges and opportunities arising from leadership transitions in startups. These findings are organised into overarching themes that capture the multifaceted impacts of leadership transitions and the mechanisms through which startups build resilience to navigate these critical events. The results provide insights into how startups respond to operational, social, and psychological disruptions, illustrating both the risks posed by leadership transitions and the opportunities for organisational growth and adaptation.

4.1. Description

Leadership transitions present multifaceted challenges, that impact both internal operations and external relationship. These challenges, if not addressed effectively, can disrupt stability and the growth of startups. Unlike established organisations, startups face complex challenges due to their small size, resource constraints, and reliance on leader-driven dynamics. The departure of a leader therefore creates internal uncertainties, such as loss of team dynamics or unclarity of roles, and external risks, such as investor trust and public perception. Despite these challenges, the startups have employed resilience-building mechanisms such as proactive communication, structured role allocation, and adaptability to stabilise and rebuild during transitions. This further shows that leadership transition represents both challenges and opportunities, where lack of preparation can cause instability, while strategic response can unlock new growth avenues. The interviews have shown that leadership transition in startups is characterised by a delicate balance of operational and emotional challenges that demand proactive strategies to ensure stability and continuity.

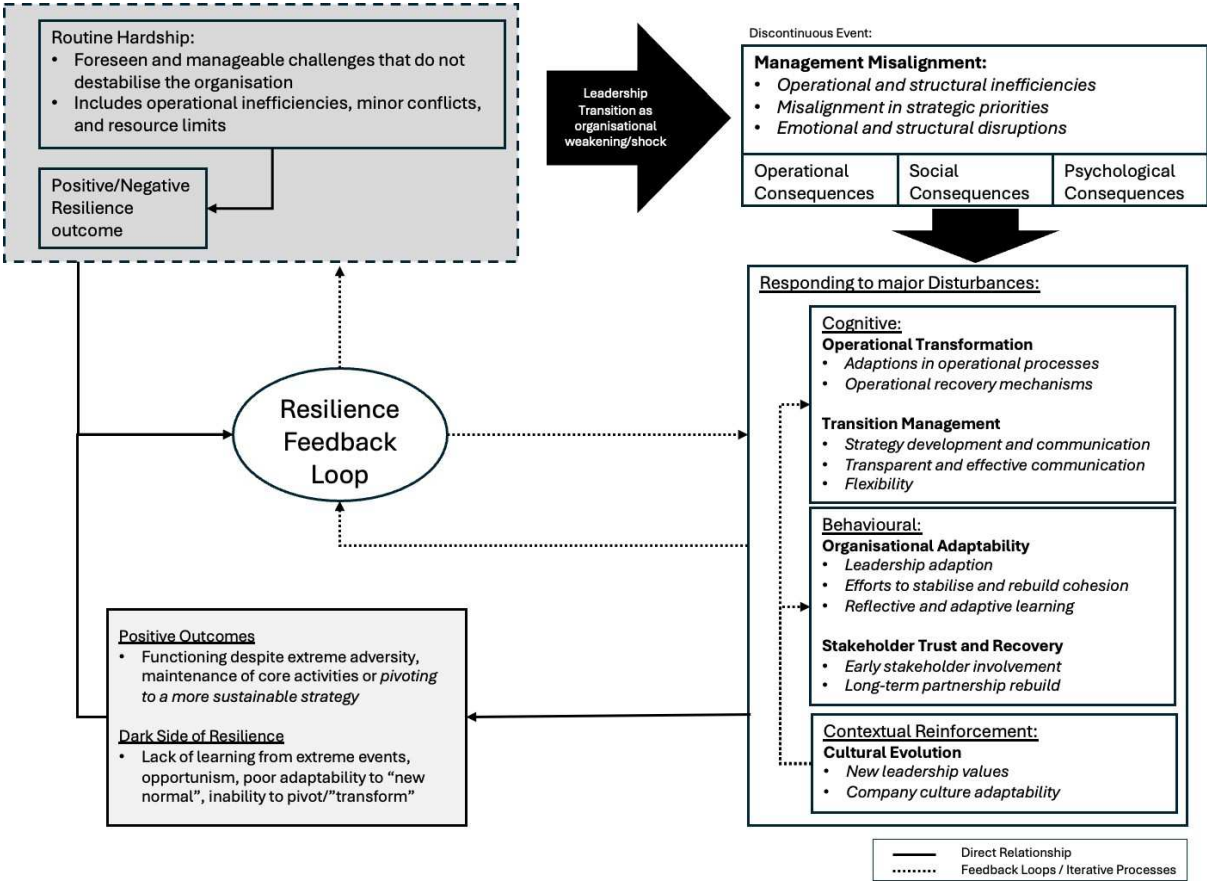
4.2. Findings and Theoretical Model

Figure 2 presents the main findings that have emerged from the interviews. The model explains the findings by integrating the concepts of routine hardships and discontinuous events from Williams et al.'s (2017) framework, emphasising their contribution to organisational resilience during leadership transitions. The framework illustrates how leadership transitions operate along a continuum, beginning with routine hardships that, due to their predictable and non-disruptive nature, are not the focus of this thesis (Williams et al., 2017). When routine hardships, such as the day-to-day activities explained earlier, are mismanaged or compounded

by external pressures, they escalate into discontinuous events, such as leadership transition, marked by operational, social, and psychological disruptions.

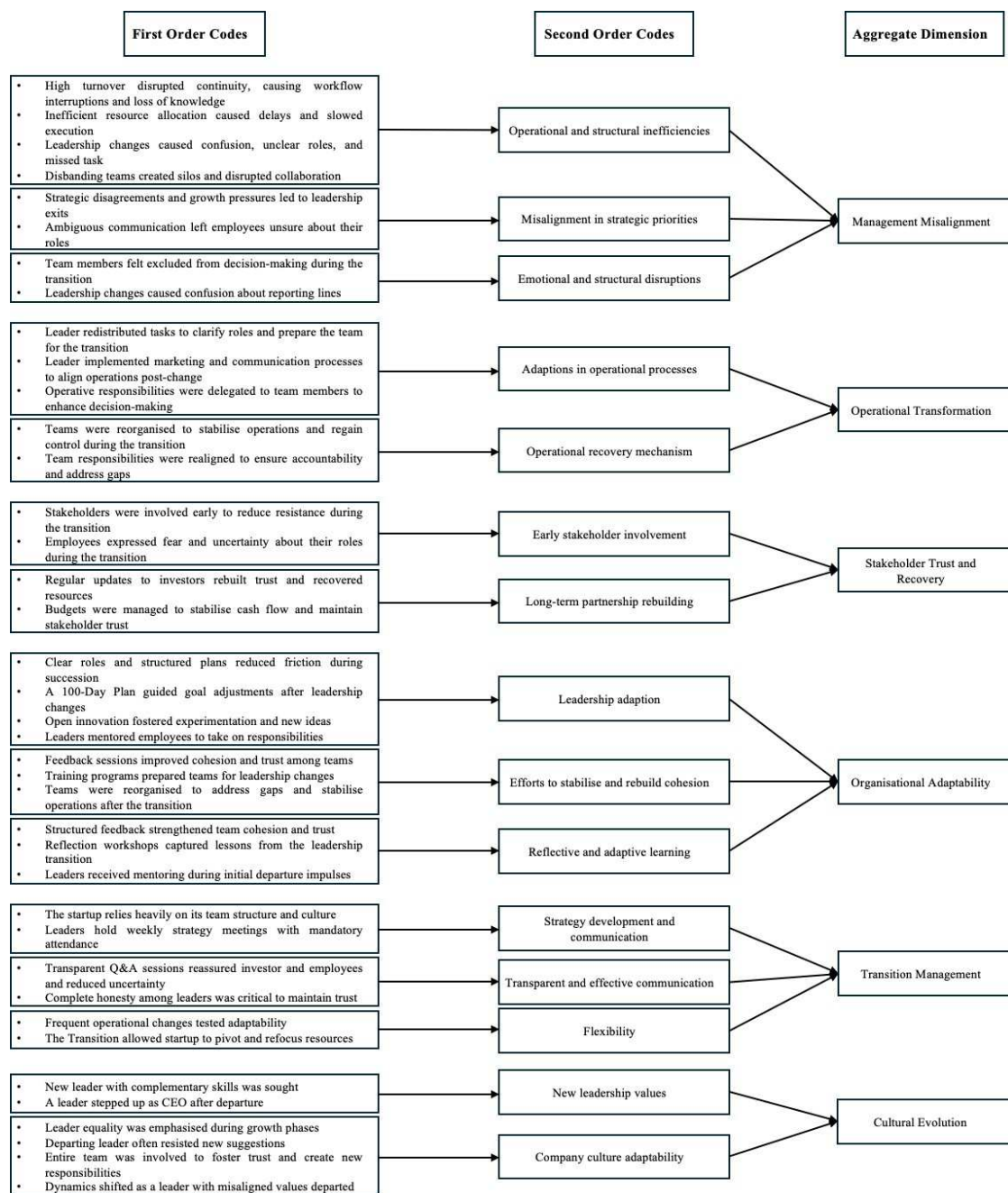
The bold boxes represent the aggregate dimensions derived from the findings, while the supporting boxes indicate second-order codes. Discontinuous events challenge resilience through reactive mechanisms, feeding into the resilience feedback loop, which fosters continuous learning and adaptation.

Figure 2: Conceptual model of leadership transition



The conceptual model effectively integrates the empirical findings with theoretical foundations, creating a structured explanation of how leadership transitions impact organisational resilience, which will be put into context through the explanation of the dimensions in the next sections and in the conclusion. A more detailed overview of the codes is presented in Figure 3.

Figure 3: Coding Overview of Leaders



4.3. Management Misalignment

The departure of a leader created many challenges to the interviewed startups, impacting various dimensions of its operations and dynamics and is an escalation of routine hardship into a discontinuous event (Williams et al., 2017). These challenges were all related to management misalignment. This triggered many mechanisms, that can be allocated to three primary levels of challenges (operational, social, and psychological) that emerge when a leadership figure exits

a startup. Operational challenges primarily arise from structural inefficiencies and a misalignment of strategic priorities. The departure of a leader typically leads to the loss of essential expertise and disrupts established workflows, requiring immediate modifications to ensure operational continuity. A notable operational challenge is the suboptimal allocation of resources and project delays stemming from strategic decisions made by departing leaders. A leader emphasised this issue by discussing a critical decision that resulted in resource wastage:

“Founding the company in the USA was a good example. It wasn’t a catastrophe, but it gave us many headaches. ... We were eventually spread around Germany and Austria, so we never really worked together from one place.” (L3)

Strategic missteps by leaders can lead to inefficient resource allocation, forcing the organisation to contend with avoidable difficulties and delays in project execution. Additionally, another leader emphasised the need for external expertise to address growth targets and pointed out:

“It was a point where a new scaling push was needed. It was about international exposure, growth with all these many people, and also a new capital raise. And that’s when we had to decide how to proceed, also with our leadership team.” (L5)

Leaders addressed the difficulties in integrating new leaders who may not align with the existing company culture. Such operational missteps can disrupt established workflows, leading to delays and decreased productivity. To mitigate these issues, one leader emphasised the importance of clear task distribution and team involvement, through which he aimed to restore operational clarity and ensure that responsibilities were well-defined.

“Then it was important to involve the team and clearly redistribute tasks, perhaps giving more responsibility to other team members, such as on the product side...” (L1)

Social challenges revolve around the misalignment of strategic priorities and the erosion of external partnerships, which can undermine the startup’s network and stakeholder trust. The interviewees have emphasised that strategic conflicts between departing leaders and investors have destabilised the organisation’s direction. Differing visions and goals resulted in inconsistent strategic implementations and disrupt long-term planning.

“And in this conflict (with both leaders and investors), I said ok, I can’t carry this anymore, and I also don’t even want to carry it any further. So, I just said I am the wrong person for this...” (L4)

The leaders also noted that the loss of key leaders hurts external relationships with investors, partners, and customers. This loss led to a downfall of the company, where it used to have a product with many customers but after the departure not only the customers left the company but also employees, diminishing market credibility.

“And when you go out and talk about (Startup), almost everyone has heard of it. I’m not aware of the actual numbers now, but they have significantly decreased.” (L5)

The last challenge described by the leaders can be allocated to psychological challenges. Emotional disruptions leading to loss of trust and doubts were visible, especially when leaders are also close friends. This made it even more difficult for leaders to actually accept the departure. Leaders emphasised that this complex situation was one of the most sensible topics during the entire transition due to the mix of professional and personal challenges: *“The biggest challenge was on a personal level. My Co-founders were simultaneously really close friends of mine. This made it extremely difficult for me, because such a departure has in some way “breakup-character” (L3).* Many others agreed to it and further emphasised that *“a lot of them (employees) were very sad” (L7).*

4.4. Operational Transformation

The dimension of operational transformation encompasses the tangible alterations in workflows and processes within a startup subsequent to a leadership transition. These adjustments frequently target the leadership gap and the necessity to fulfil emerging organisational demands and can be allocated to cognitive responses. Leaders emphasised that these changes are often motivated by strategic disagreements or divergent visions, which contribute to leadership transitions and require the restructuring of operational processes. One leader described this dynamic as followed:

“Strategic disagreements forced leadership exits, as external pressures for growth clashed with internal visions for the company’s direction. We had to decide what’s best for the company and realised that our visions don’t align anymore.” (L4)

Employees also voiced concerns about their jobs, describing inadequate communication throughout the changeover as a reason for questioning their future responsibilities. Leaders indicated a desire to provide more detailed information; however, their positions necessitated restraint, as they were still required to make several decisions regarding the transition.

“Acceptance within the team or among the employees is the most important thing for me. I believe, especially in founder teams or smaller teams—not in the corporate world, where it might be different—I believe, especially when you have an existing team that you don’t want or can’t replace overnight, you may already want or be able to, how do you ensure that everyone pulls in the same direction?” (L8)

Leaders recognised that modifications in operational processes, prompted by strategic disagreements and growth pressures, necessitated the redesign of workflows. This, in turn, led to emotional and structural disruptions stemming from insufficient communication and ambiguous role definitions, which fostered uncertainty and a sense of exclusion among team members. These operational adjustments were guided by a cognitive re-evaluation of existing workflows and a forward-looking redesign of processes to address leadership gaps effectively. Leaders actively engaged in analysing which processes no longer served the organisation's goals and developed tailored solutions to optimise them.

4.5. Transition Management

Leaders emphasised the significance of team structure and cultural cohesion as stabilising factors during the transition. Transition management depends significantly on the cognitive process of analysing existing challenges and strategically planning the required steps for change. Leaders employed foresight to predict potential disruptions and developed clear transition roadmaps to align the team with the organization's strategic objectives. Leaders reinforced shared values and unity to facilitate smooth transitions. Leaders instituted mandatory regular strategy meetings to offer guidance during this period. The meetings facilitated the

sharing of updates while also providing a platform for goal alignment, role clarification, and the addressing of emerging challenges.

“We (leaders) talked daily about our current topics. It was important because everything was changing every day and if we weren’t on top of things, we would have lost ourselves in trying to micromanage everything” (L3)

Transparency was a cornerstone of successful transition management, helping startups to reduce uncertainty and maintain trust. Leaders prioritised open communication channels both internally and externally. Internally, leaders avoided ambiguity by being forthright about the reasons behind leadership transitions. One leader underscored the importance of honesty when sharing decisions with the team:

“Yeah, in terms of communication, I think it was super important that we just shared quite honestly and open what we’re facing and what (departing leader) is facing, what the intention behind it is ... not to kind of hide that behind a lie.” (L7)

Externally, proactive communication with investors ensured that trust was maintained during critical phases: *“The investor supported us with a mediator to face the transition clearly and without subjective emotions that are irrational” (L1)*. Leaders presented leadership transition as part of a forward-looking strategy, reassuring stakeholders of the company’s stability and vision.

Flexibility was a crucial factor that allowed startups to adjust to evolving conditions and leverage leadership transitions for strategic realignment. Leaders implemented a strategy to evaluate which sectors of the business necessitated attention and consolidation. One leader noted that the leadership transition enabled the reallocation of internal resources to enhance the core product.

“Ultimately, however, it also gave me the opportunity to really say: ‘Okay, now I have to look at what is really important here!’ And I then realised very quickly that it simply made sense to focus on the product” (L6)

At the same time, leaders acknowledged that frequent operational changes were inevitable during transitions. Startups embraced an agile mindset, adjusting team structures, workflows, and strategies as needed. Leaders ensured that teams were prepared to deal with change by maintaining clear communication and creating space for innovation.

4.6. Organisational Adaptability

Leaders mentioned several factors relevant to organisational adaptability, namely leadership adaption, efforts to stabilise and rebuild cohesion and reflective and adaptive learnings. It required leaders to demonstrate proactive behavioural responses, redistributing leadership responsibilities and stabilising team cohesion through open communication and adaptive learning. Leaders leveraged the transition as an opportunity to strengthen operations and build resilience through new routines and skill sets. Leadership adaption emerged as a proactive response to minimise disruptions caused by leadership changes. Responsibilities of departing leaders were redistributed across teams, providing clarity and direction.

“Then it was relatively clear, okay, the tasks that (the departing leader) had must now be dividing among several people. Of course, there were also a few that he did on his own, so to speak, which were then divided up a little among us.” (L1)

Furthermore, startups established road maps, sometimes referred to as “100-day plans,” to assist new leaders and their teams during transitions. The plans established expectations, clarified priorities, and minimised uncertainty, facilitating the adoption of new leadership dynamics. To mitigate uncertainties and team disruptions, startups concentrated on stabilising operations and rebuilding cohesion. Structured feedback sessions proved effective in sustaining trust and addressing team concerns during the transition. One leader emphasised this approach:

“It was important for us to keep an eye on the mood in the team, as there were also changes and some people unsettled. We tried to be as transparent as possible and hold regular meetings to clarify questions and gather feedback.” (L8)

The sessions facilitated open dialogue, allowing employees to express their concerns and ensuring timely resolution of issues. Through team reorganisation and adaptive training programmes, startups effectively restored stability and enhanced team confidence. Startups

utilised leadership transitions as opportunities for reflection and enhancement, facilitating pivots in product or organisational structures. Startups integrated adaptive learning into their organisational practices through consistent feedback and reflection.

4.7. Stakeholder Trust and Recovery

The restoration of stakeholder trust depended on clear and transparent communication, making it part of behavioural responses. Leaders responded to stakeholder concerns by providing regular updates and engaging proactively, thereby maintaining trust in the startup's overall leadership. The leaders indicated that open communication, transparency, and early stakeholder involvement are essential for the success of these initiatives. Leaders elaborated that their attempt to minimise resistance from stakeholders, they were involved early in the transition process. One leader explained how he went proactive towards the doubts from the investors and made clear that the departing leader is still willing to help the startup from a consulting perspective:

“I think the only concern was actually a bit, okay, we've actually invested in you as a team, and having two co-founders is simply better regarded by many than having just one, but then to point out, okay, anyway, Luis is still involved, even if it's in a different form, he's still not completely out of it” (L1)

To rebuild trust and regain resources during the transition, leaders had regular updates with investors. Investors were kept informed about developments and felt confident in the broader leadership team and not exclusively tied to one individual.

“The investors already knew the team and had invested not only in me but also in the other co-founders. Communication was never solely through me anyway. It was a joint process, and the investors knew who they could turn to.” (L3)

By involving stakeholders early in the process and maintaining consistent updates, startups were able to address concerns, rebuild confidence, and foster long-term partnerships essential. Rebuilding stakeholder trust and fostering long-term partnerships reflect critical mechanisms of routine hardships in the conceptual framework.

4.8. Cultural Evolution

Cultural evolution necessitated that startups redefine norms and adapt to changing leadership dynamics, making it part of contextual reinforcements. This process cultivated resilience by creating new leadership values and aligning cultural practices with strategic objectives. Leaders perceived these transitions as opportunities to promote innovation while maintaining cultural cohesion. The findings indicate that, in addition to open communication, the adoption of complementary leadership styles and intentional team restructuring are essential for cultivating a culture that can withstand and thrive amid changes. The intentional integration of complementary leadership skills assisted leaders in identifying successors capable of addressing essential knowledge deficiencies or offering innovative viewpoints, especially in finance and operations.

“The handover process was something really interesting. The person I was looking for was someone complementary... someone who could bring more expertise to the whole area of finance, accounting, controlling, and so on.” (L5)

The decisions addressed immediate operational needs while also ensuring the company's strategic evolution to manage future challenges. The appointment of a co-founder as CEO in certain instances provided stability and continuity amid leadership transitions. The internal succession preserved trust within the organisation and conveyed reliability to external stakeholders. Moreover, startups that adopted equality in management experienced enhanced cohesion and improved decision-making processes. Conversely, hierarchical dynamics frequently posed challenges:

“In management, especially in a startup, you simply have to have a management team that is equal... If there are class A, class B levels, it's really difficult, especially because of the decisions.” (L8)

However, adaptability was sometimes hindered by strong, resistant opinions from outgoing leaders, which could stifle new ideas. Leaders had to balance respecting existing contributions while carving space for change. For example, one leader noted the challenges of dealing with a co-founder's dominance during growth discussions, which occasionally restricted innovation.

Integrating new team members effectively was another critical factor in cultural evolution. Leaders actively involved their teams during transitions, ensuring that communication was transparent, and roles were clarified to maintain trust and motivation. In other cases, cultural alignment required difficult decisions, such as separating team members whose values no longer aligned with the company's direction. Leaders recognised that maintaining cultural uniformity and shared values was essential for long-term success.

“We had to remove this leader from the dynamic because of massive differences. But I first had to get full backing of the other leaders to ensure alignment.” (L9)

The startups and leaders demonstrated that cultural evolution is a multifaceted process, requiring deliberate efforts to integrate new leadership values, adapt team dynamics, and align cultural practices with strategic goals. By fostering openness, equality, and a willingness to evolve, startups not only managed transitions effectively but also laid the groundwork for a culture that supports innovation and sustainable growth.

5. Discussion

This thesis examines the dual role of leadership transitions in startups, identifying them as both challenges and opportunities influenced by the specific vulnerabilities present in startup contexts. The following part will elaborate on how startups can remain resilient when leadership transitions turn into crisis. The results indicate that leadership transitions, presented as an escalation of routine hardships into discontinuous events, result in operational, social, and psychological disruptions to which different responses are needed. Therefore, leadership transitions, if managed correctly, serve as inflection points for startups to enhance their resilience mechanisms.

The integration of cognitive, behavioural, and contextual reinforcement responses provides a comprehensive framework for startups to effectively navigate and leverage leadership transitions. These responses address immediate operational disruptions and foster long-term adaptability by integrating iterative learning cycles into organisational practices. The resilience feedback loop further emphasises the cyclical nature of learning and adaptation, reinforcing startups' capacity to handle future transitions effectively.

5.1. Theoretical Implication

This thesis advances resilience and leadership transition theory by adapting and applying it to the context of leadership transitions in startups. By situating leadership transitions within the framework of routine hardships and discontinuous events (Williams et al., 2017), this research demonstrates how startups develop resilience through a dynamic interplay of proactive and reactive mechanisms. These findings expand resilience theories by highlighting the unique restrictions faced by startups, such as reliance on founding leaders and resource limitations (Bamford et al., 2006; Wasserman, 2003). Unlike established organisation, startups can leverage the transition to reassess operational priorities, innovate cultural practices, and strengthen stakeholder trust. Furthermore giving the startup a chance to pivot strategically to adapt to the ever-changing market and world.

The framework presented in this thesis introduces cognitive, behavioural, and contextual reinforcement responses as critical mechanisms for managing leadership transition. These answers address both immediate and long-term difficulties by connecting operational transformation, transition management, stakeholder trust and recovery, cultural evolution, and

organisational adaptation to the iterative resilience feedback loop. By building on Vogus and Sutcliffe's (2007) emphasis on feedback loops and Duchek's (2020) anticipatory capacities, this study situates resilience as an adaptive process specific to the startup environment. It enables a startup to look at a leadership change from both sides, demonstrating that a process-based solution, as indicated by the framework, helps to regain footing.

This thesis provides new perspectives on the interplay among stakeholder relationships, structural vulnerabilities, and adaptive capacity through the application of these theoretical frameworks to startups. This facilitates a more refined awareness of the effects of leadership transitions on organisational resilience. The emphasis on discontinuous events enables a focused analysis of resilience during critical transitions, aligning with the unique dynamics of startups.

5.2. Practical Implication on Leadership Transitions

This thesis introduces various tools and mechanisms designed to assist startups during leadership transitions to turn the shock and disruption into an opportunity of growth. The process starts before the transition even occurs and, as later in detail explained, acts as a resilience loop. It is therefore crucial to embed resilience into organisational processes well in advance of leadership transitions, ensuring these strategies are proactive rather than reactive. That includes the establishment of role redundancy, the promotion of a culture of shared leadership, and the assurance that no individual becomes indispensable. This task initially appears overwhelming, considering that startups are typically managed by a limited number of individuals; however, these measures can effectively reduce the risk of operational disruption and enhance continuity during leadership transitions.

Another critical aspect of managing leadership transitions is maintaining stakeholder trust. Leadership transitions create uncertainty for employees, investors, and partners who need reassurance that the startup will continue its operation. To mitigate these risks, leaders have to prioritise clear and transparent communication, coupled with proactive engagement. For example, early communication with stakeholders regarding transition plans, combined with regular updates, fosters confidence and reduces adverse effects during uncertain periods. This builds trust, which is one of the most valuable possessions during times of uncertainty.

Remaining leaders who can build and keep trust have the backing of stakeholders during times of change which increases the chances of not only survival but also growth.

As a result, leadership transitions are now seen as chances for development and strategic realignment. These instances allow startups to reassess their priorities, cultivate their organisational culture, and address inefficiencies and therefore potentially finding new inspiration. Leaders who perceive transitions as pivotal moments can improve their organisations' long-term adaptability and success. This involves fostering leadership agility by encouraging experimentation, critically questioning established practices, and promoting a culture that prioritises innovation. Integrating resilience into leadership and organisational processes allows startups to transform the challenges of leadership transitions into opportunities for competitive advantage.

The following part will illustrate the applicability of my findings and the conceptual framework through the case of “Canoo”, a startup founded in 2017 with the vision to revolutionise the electric vehicle (EV) industry. It is important to note that the information about this case is collected entirely over the internet. Canoo set itself apart from the competition by an innovative “skateboard” chassis—a flat versatile EV platform that could support different vehicle types, such as Minivans or military vehicles (O’Keane, 2024). They attracted significant attention for its futuristic designs and subscription-based ownership model, which aimed to make EVs more accessible for a broader audience. Yet, the startup has faced a series of leadership transitions over the years that disrupted its operations, strategy, and market perception (Hawkins, 2023). Canoo, founded by nine ex-Faraday Future employees, saw leadership departures accelerate after its 2020 SPAC merger, leaving no original founders by 2024 (Hawkins, 2023). The framework presented in this thesis allows us to break down the consequences of leadership transitions and offers insights into how they could have been addressed to remain resilient as it turned into a crisis. Each component of the framework is highlighted throughout my elaboration.

The leadership transitions at Canoo, including the departures of co-founders like CTO Sohel Merchant and Senior Director Christoph Kuttner, highlight *management misalignment* as a significant escalation from routine challenges to a disruptive event with *operational, social, and psychological* consequences. They encountered increasing inefficiencies as these transitions disrupted strategic priorities, resulting in significant gaps in organisational expertise

and undermining both operational and social cohesion (Hawkins, 2023). One of the operational consequences of losing key leaders was the fragmentation of engineering workflows and delays in drivetrain projects. The decline in stakeholder trust and the weakening of team morale reflects the wider consequences of psychological and social misalignments. The company's decision to move its operations from Los Angeles to Oklahoma and Texas risked detaching it from the innovative ecosystem of its original hub, even though its official argument was regarding cost savings (Hawkins, 2023). The application of the conceptual framework suggests that these disruptions could have been mitigated through specific responses categorised as *cognitive*, *behavioural*, and *contextual reinforcements* from the original framework from Williams et al. (2017), along with the dimensions identified from the interviews. The following paragraphs dive deeper into how these responses with the dimensions could have potentially avoided the negative impact or even created a positive outcome of the leadership transitions for Canoo.

Operational transformation and *transition management* are dimensions identified in the interviews relate to cognitive responses, emphasising strategic foresight and alignment. Therefore, redesigning workflows and redistributing responsibilities would have ensured operational continuity by addressing the gaps created by the departing leaders. The establishment of a cross-functional team to undertake the responsibilities of the Chief Technology Officer would have improved the stability of engineering initiatives. Similarly, the adoption of structured 100-day leadership plans and clear communication strategies with employees and investors would align the organisational vision and reduce uncertainty during this critical period. These measures enhance the company's ability to systematically anticipate and address the challenges associated with leadership transitions.

Behavioural responses highlight the significance of *organisational adaptability*. The implementation of leadership redundancy would have reduced dependence on individual co-founders, facilitating more seamless transitions during disruptive events. Incorporating reflective practices, such as the analysis of strategic missteps related to the SPAC merger and the risks associated with geographic relocation, could have established a basis for enhanced decision-making and promoted an adaptive learning culture. (Hawkins, 2017). Additionally, *rebuilding stakeholder trust* requires proactive engagement and consistent updates on initiatives to ensure confidence and alignment with the startup's strategic direction. For instance, framing the relocation of the company as a strategic shift to bolster manufacturing

capabilities could have reassured stakeholders. Instead, it created mistrust and uncertainty because of the lack of information on the “why” the company moved its location. Such practices would enable the organisation to navigate disruptions effectively while enhancing its long-term adaptability.

Contextual reinforcements emphasise mechanisms that facilitate cultural and systemic adaptability. Recruiting leaders with complementary expertise in finance or operations could have stabilised the organisation and introduced new perspectives, thereby fostering *cultural evolution*. Establishing open communication channels to promote employee feedback and collaboration would strengthen cultural cohesion, especially in tackling challenges associated with the rigidity of traditional leadership practices. Moreover, aligning cultural practices with strategic objectives may foster a resilient and innovative organisational environment that can effectively navigate future transitions.

Incorporating these responses into a resilience feedback loop would allow Canoo to effectively manage immediate leadership transitions while fostering continuous learning and adaptation. The feedback loop will systematically improve processes by identifying deficiencies, addressing stakeholder concerns, and informing strategic decisions. Temporary measures, such as task redistribution, can evolve into proactive mechanisms, including cross-departmental leadership structures, supported by regular workflow reviews. This iterative process will incorporate adaptive practices, including structured communication protocols and stakeholder engagement strategies, thus improving the organisation’s ability to tackle routine challenges.

5.3. Limitations and Future Research

This research presents several limitations. The retrospective nature of the interviews may introduce bias, as leaders' perspectives could be influenced by hindsight rather than simultaneous insights. Future research may address this by implementing longitudinal studies that capture data prior to and following leadership transitions. Adding quantitative methods, including structured surveys and comparative analyses, may enhance the validation of the findings.

Furthermore, the approach does not adequately account for industry or cultural diversity, assuming generalisability across many startup environments. Increasing the sample size and

including a broader variety of startups from different geographies, industries, and leadership structures would improve the framework's applicability. The omission of routine hardships from the framework constitutes an additional limitation. This focus facilitates a deeper exploration of shock-related resilience mechanisms; however, it neglects the role of routine challenges in developing foundational resilience over time. Future research may investigate the relationship between routine challenges and discontinuous events, especially within startups at various growth stages.

Additionally, the case study of Canoo relies solely on publicly available information, thereby constraining the depth of insights into the complexities of their transition. The case highlights important challenges and responses; however, it may not adequately reflect internal dynamics or lesser-known factors that impacted the startup. One must take this constraint into account when interpreting the findings and their relevance.

The influence of external stakeholders, including investors and venture capitalists, in leadership transitions has been identified as a significant but insufficiently examined domain. Future research may investigate the interactions between startups and their stakeholders during transitions, focussing on the influence of external support on resilience and recovery strategies.

6. Conclusion

This thesis investigates the consequences of disruptive leadership transitions in startups, focusing on the organisational factors that test resilience during these critical moments. It reveals that leadership transitions often unearth operational inefficiencies, disrupt social capital, and strain team morale, all of which are intensified by the resource constraints and structural informality inherent in startups. Despite these challenges, the findings demonstrate that these transitions can act as catalysts for organisational growth, provided they are intentionally and purposefully managed.

By framing leadership transitions as pivotal events that encompass both risks and opportunities, this study advances the understanding of startup resilience. It introduces a process-oriented framework linking the challenges associated with leadership departures to mechanisms of recovery, stakeholder engagement, and cultural adaptation. The findings highlight the dual necessity of addressing immediate operational stability while embedding longer-term

adaptability into organisational culture. These insights underline the potential for transitions to serve not as crises but as opportunities for strategic renewal.

The practical implications of this study are equally significant. For startups, embedding resilience into organisational structures is critical. This means developing robust succession plans, decentralising key responsibilities, and fostering a culture of transparency and trust. These measures not only mitigate the adverse impacts of leadership departures but also position startups to leverage these transitions as stepping stones for sustainable growth and competitive advantage, which makes them consequently more attractive for potential customers and investors.

To conclude this thesis, it presents three main findings that improve our understanding of leadership changes in startups and their impact on organisational resilience. First, it indicates that leadership changes, while sometimes viewed as crises, can help businesses realign strategic priorities, address operational inefficiencies, and build cultural frameworks. Second, it emphasises the importance of integrating resilience measures into the organisational fabric, such as role redundancy, proactive communication, and stakeholder involvement, in order to attenuate disturbances and develop long-term adaptability. Finally, by adopting and expanding the resilience paradigm presented by Williams et al. (2017), this study emphasises the iterative character of resilience, recasting leadership transitions as transformative chances for innovation and long-term success. With deliberate initiatives, startups may use these critical periods to align cultural values, strengthen team dynamics, and engage stakeholders, ultimately navigating uncertainty with strength and emerging more adaptive and competitive.

7. References

- Adler, P. S., & Kwon, S.-W. (2002). Social Capital: Prospects for a New Concept. *The Academy of Management Review*, 27(1), 17. <https://doi.org/10.2307/4134367>
- Aldianto, L., Anggadwita, G., Permatasari, A., Mirzanti, I. R., & Williamson, I. O. (2021). Toward a Business Resilience Framework for Startups. *Sustainability*, 13(6), Article 6. <https://doi.org/10.3390/su13063132>
- Ayoko, O. B. (2021). Resiliency and Leadership in Organizations. *Journal of Management & Organization*, 27(3), 417–421. <https://doi.org/10.1017/jmo.2021.44>
- Bamford, C. E., Bruton, G. D., & Hinson, Y. L. (2006). Founder/Chief Executive Officer Exit: A Social Capital Perspective of New Ventures. *Journal of Small Business Management*, 44(2), 207–220. <https://doi.org/10.1111/j.1540-627X.2006.00164.x>
- Boeker, W., & Karichalil, R. (2002). ENTREPRENEURIAL TRANSITIONS: FACTORS INFLUENCING FOUNDER DEPARTURE. *The Academy of Management Journal*, 45(3), 818–826.
- Burt, R. S. (1997). The Contingent Value of Social Capital. *Administrative Science Quarterly*, 42(2), 339. <https://doi.org/10.2307/2393923>
- Carroll, G. R. (1984). The Specialist Strategy. *California Management Review*, 26(3), 126–137. <https://doi.org/10.2307/41165084>
- Chen, J., & Thompson, P. (2015). New Firm Performance and the Replacement of Founder-CEOs: New Firm Performance and the Replacement of Founder-CEOs. *Strategic Entrepreneurship Journal*, 9(3), 243–262. <https://doi.org/10.1002/sej.1203>
- Coleman, J. S. (1988). Social Capital in the Creation of Human Capital. *American Journal of Sociology*, 94(1), S95–S120.

- Constine, J. (2017, August). *SoundCloud saved by emergency funding as CEO steps aside* [News]. TechCrunch. https://techcrunch.com/2017/08/11/soundcloud-saved/?utm_source=chatgpt.com
- Corbin, J. M., & Strauss, A. (1990). Grounded theory research: Procedures, canons, and evaluative criteria. *Qualitative Sociology*, 13(1), 3–21. <https://doi.org/10.1007/BF00988593>
- Covin, J. G., & Slevin, D. P. (2015). Leadership, Entrepreneurial. In C. L. Cooper (Ed.), *Wiley Encyclopedia of Management* (1st ed., pp. 1–4). Wiley. <https://doi.org/10.1002/9781118785317.weom030065>
- DeTienne, D. (2010). Entrepreneurial exit as a critical component of the entrepreneurial process: Theoretical development. *Journal of Business Venturing*, 25(2), 203–215. <https://doi.org/10.1016/j.jbusvent.2008.05.004>
- DeTienne, D., & Cardon, M. (2012). Impact of founder experience on exit intentions. *Small Business Economics*, 38(4), 351–374. <https://doi.org/10.1007/s11187-010-9284-5>
- Dewald, J., & Bowen, F. (2010). Storm Clouds and Silver Linings: Responding to Disruptive Innovations Through Cognitive Resilience. *Entrepreneurship Theory and Practice*, 34(1), 197–218. <https://doi.org/10.1111/j.1540-6520.2009.00312.x>
- Dobrev, S. D., & Barnett, W. P. (2005). Organizational Roles and Transition to Entrepreneurship. *Academy of Management Journal*, 48(3), 433–449. <https://doi.org/10.5465/amj.2005.17407910>
- Duchek, S. (2020). Organizational resilience: A capability-based conceptualization. *Business Research*, 13(1), 215–246. <https://doi.org/10.1007/s40685-019-0085-7>
- Edmondson, A. C., & Mcmanus, S. E. (2007). Methodological fit in management field research. *Academy of Management Review*, 32(4), 1246–1264. <https://doi.org/10.5465/amr.2007.26586086>

- Eisenhardt, K. M., & Graebner, M. E. (2007). Theory Building From Cases: Opportunities And Challenges. *Academy of Management Journal*, 50(1), 25–32. <https://doi.org/10.5465/amj.2007.24160888>
- Florin, J., College, B., Lubatkin, M., & Schulze, W. (2003). A SOCIAL CAPITAL MODEL OF HIGH-GROWTH VENTURES. *Academy of Management Journal*, 46(3), 374–384.
- Gioia, D. (2021). A Systematic Methodology for Doing Qualitative Research. *The Journal of Applied Behavioral Science*, 57(1), 20–29. <https://doi.org/10.1177/0021886320982715>
- Guenther, C., Oertel, S., & Walgenbach, P. (2016). It’s all about Timing: Age-Dependent Consequences of Founder Exits and New Member Additions. *Entrepreneurship Theory and Practice*, 40(4), 843–865. <https://doi.org/10.1111/etap.12148>
- Hall, P. A., & Lamont, M. (Eds.). (2013). *Social Resilience in the Neo-Liberal Era*. Cambridge University Press. <https://doi.org/10.1017/CBO9781139542425>
- Haveman, H. A., & Khaire, M. V. (2004). Survival beyond succession? The contingent impact of founder succession on organizational failure. *Journal of Business Venturing*, 19(3), 437–463. [https://doi.org/10.1016/S0883-9026\(03\)00039-9](https://doi.org/10.1016/S0883-9026(03)00039-9)
- Hawkins, A. (2023, July). *Canoo, struggling EV startup, is trying to stay afloat on government largesse* [News]. The Verge. <https://www.theverge.com/2023/7/12/23792450/canoo-ev-nasa-artemis-defense-government>
- Ibarra, H., & Barbulescu, R. (2010). IDENTITY AS NARRATIVE: PREVALENCE, EFFECTIVENESS, AND CONSEQUENCES OF NARRATIVE IDENTITY WORK IN MACRO WORK ROLE TRANSITIONS. *Academy of Management Review*, 35(1), 135–154.
- Kaehr Serra, C., & Thiel, J. (2019). Professionalizing entrepreneurial firms: Managing the challenges and outcomes of founder-CEO succession. *Strategic Entrepreneurship Journal*, 13(3), 379–409. <https://doi.org/10.1002/sej.1329>

- Koka, B. R., & Prescott, J. E. (2002). Strategic alliances as social capital: A multidimensional view. *Strategic Management Journal*, 23(9), 795–816. <https://doi.org/10.1002/smj.252>
- Lengnick-Hall, C. A., & Beck, T. E. (2005). Adaptive Fit Versus Robust Transformation: How Organizations Respond to Environmental Change. *Journal of Management*, 31(5), 738–757. <https://doi.org/10.1177/0149206305279367>
- Linnenluecke, M. K. (2017). Resilience in Business and Management Research: A Review of Influential Publications and a Research Agenda. *International Journal of Management Reviews*, 19(1), 4–30. <https://doi.org/10.1111/ijmr.12076>
- McGrath, R. G. (1999). Falling Forward: Real Options Reasoning and Entrepreneurial Failure. *The Academy of Management Review*, 24(1), 13. <https://doi.org/10.2307/259034>
- Nahapiet, J., & Ghoshal, S. (1998). Social capital intellectual capital and the organizational advantage. *Academy of Management Review*, 23(2), 242–266.
- O’Keane, S. (2024, November). *Canoo’s CFO and top lawyer are the latest executives to leave* [News]. TechCrunch. <https://techcrunch.com/2024/11/05/canoos-cfo-and-top-lawyer-are-the-latest-executives-to-leave/>
- Pal, R., Torstensson, H., & Mattila, H. (2014). Antecedents of organizational resilience in economic crises—An empirical study of Swedish textile and clothing SMEs. *International Journal of Production Economics*, 147, 410–428. <https://doi.org/10.1016/j.ijpe.2013.02.031>
- Srinivasan, S., Lorsch, J. W., & Pitcher, Q. (2017, June). *Uber in 2017: One Bumpy Ride*. Harvard Business School. <https://www.hbs.edu/faculty/Pages/item.aspx?num=52840>
- Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509–533. [https://doi.org/10.1002/\(SICI\)1097-0266\(199708\)18:7<509::AID-SMJ882>3.0.CO;2-Z](https://doi.org/10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z)

- Ucbasaran, D., Lockett, A., Wright, M., & Westhead, P. (2003). Entrepreneurial Founder Teams: Factors Associated with Member Entry and Exit. *Entrepreneurship Theory and Practice*, 28(2), 107–128. <https://doi.org/10.1046/j.1540-6520.2003.00034.x>
- Valero, J. N., Jung, K., & Andrew, S. A. (2015). Does transformational leadership build resilient public and nonprofit organizations? *Disaster Prevention and Management*, 24(1), 4–20. <https://doi.org/10.1108/DPM-04-2014-0060>
- Vogus, T. J., & Sutcliffe, K. M. (2007). Organizational resilience: Towards a theory and research agenda. *2007 IEEE International Conference on Systems, Man and Cybernetics*, 3418–3422. <https://doi.org/10.1109/ICSMC.2007.4414160>
- Wasserman, N. (2003). Founder-CEO Succession and the Paradox of Entrepreneurial Success. *Organization Science*, 14(2), 149–172. <https://doi.org/10.1287/orsc.14.2.149.14995>
- Weick, K. E., & Sutcliffe, K. M. (Eds.). (2015). *Managing the Unexpected* (1st ed.). Wiley. <https://doi.org/10.1002/9781119175834>
- Williams, T. A., Gruber, D. A., Sutcliffe, K. M., Shepherd, D. A., & Zhao, E. Y. (2017). Organizational Response to Adversity: Fusing Crisis Management and Resilience Research Streams. *Academy of Management Annals*, 11(2), 733–769. <https://doi.org/10.5465/annals.2015.0134>
- Yli-Renko, H., Autio, E., & Sapienza, H. J. (2001). Social capital, knowledge acquisition, and knowledge exploitation in young technology-based firms. *Strategic Management Journal*, 22(6–7), 587–613. <https://doi.org/10.1002/smj.183>

8. Appendix

8.1. Appendix A

Interview for departing leaders

Introduction

I would like to understand how changes in leadership roles within startups have influenced key relationships and access to critical resources, especially during significant milestones like scaling or securing funding. For this interview, I'll refer to leadership roles as changes in positions like Head of Growth, Head of Product, or similar roles that significantly impact team structure and strategic direction. I would also like to gain insights into how the startups adapted to these changes and what strategies were implemented to maintain resilience. By resilience, I mean a startup's ability to maintain continuity of critical relationships and access to necessary resources during significant milestones such as scaling or securing funding, particularly in the face of changes in leadership roles and responsibilities.

Your responses will be pooled with others, and everything will remain anonymous. Nothing you say will be traced back to you, and your identity will remain confidential. This interview will include 14 questions. I ask for your permission to record the interview for the purpose of accurate transcription and data quality. The recording will be for my use only and will be deleted after transcription. Do I have your permission to proceed?

Before we dive into the main questions, could you please briefly introduce yourself? Which company do you currently work for or have worked for during the leadership changes?

Let's begin by talking about the time before the leadership changes:

1. Could you describe the role and responsibilities of a leader before their transition? What was their impact on the company from your perspective?
2. From your perspective, how much time was the leader dedicating to internal company activities versus maintaining external relationships (e.g., with investors, partners)? Were there instances where the leader's lack of attention to stakeholders caused problems? If so, what were these problems and which stakeholders were affected?
3. Before the leadership change, what were the company's primary strategic goals, and what pressing challenges did you see them dealing with?

Now, let's move to the transition period:

4. How would you describe the specific steps involved in the leadership transition? From your perspective, how was the decision made, who was involved, and what were the key milestones?
5. How did the redistribution of responsibilities affect key external relationships with partners or investors from your perspective?
6. What challenges did the company face in maintaining critical external relationships during this transition, based on your observations?
7. Can you describe any concerns expressed by external stakeholders following the leadership change and how the company addressed them?

Regarding strategic resilience and adaptation:

8. What were the top 3 concerns (focus social capital) after the leadership transition, and how did the company adapt its strategy to address these concerns?
9. What strategic initiatives or priorities were adjusted during the transition, and how did these changes align with the new leadership's vision and objectives?
10. From your perspective, what role did external relationships (e.g., investors, partners) play in the leadership transition and the company's efforts to keep the momentum and not lose track of key milestones?
11. How did the company ensure access to essential resources while managing this transition? Can you provide specific examples of actions taken to maintain or improve access to critical resources?

Reflecting on the entire transition process:

12. How effectively did the company manage leadership changes to maintain key relationships and strategic goals, like investor relations and partnerships? Did these transitions strengthen the company's growth, or were there significant challenges?
13. How has the company's approach to managing leadership roles and responsibilities evolved since the transition, in your view?
14. What lessons would you share with other startups preparing for or undergoing a similar transition?

Looking back, if there was one thing you wish you had done differently or one action you regret, what would it be?

Interview for remaining leaders

Let's begin by talking about the time before the leadership changes:

1. Could you describe the role and responsibilities of the leader before their transition? What was their impact on the company from your perspective?
2. From your perspective, how much time was the leader dedicating to internal company activities versus maintaining external relationships (e.g., with investors, partners)? Were there instances where the leader's lack of attention to stakeholders caused problems? If so, what were these problems and which stakeholders were affected?
3. Before the leadership change, what were the company's primary strategic goals, and what pressing challenges did you see them dealing with?

Now, let's move to the transition period:

4. How would you describe the specific steps involved in the leadership transition? From your perspective, how was the decision made, who was involved, and what were the key milestones?
5. How did the redistribution of responsibilities affect key external relationships with partners or investors from your perspective?
6. What challenges did the company face in maintaining critical external relationships during this transition, based on your observations?
7. Were there any concerns expressed by external stakeholders (e.g., investors or partners) following the leadership change? How effectively were these concerns addressed by the company?

Regarding strategic resilience and adaptation:

8. How did you observe the company adapt to the leadership change in terms of strategy? Specifically, what strategic initiatives or priorities were adjusted, and how did these changes align with the new leadership's vision and objectives?
9. From your perspective, what role did external relationships (e.g., investors, partners) play in the leadership transition? How did these relationships impact the company's efforts to scale and secure funding during this period?
10. How did the company ensure access to essential resources while managing this transition, based on your observations? Did they modify roles and responsibilities, make strategic improvements to operations, identify and act on new opportunities, acquire or reallocate

resources, or adjust internal processes? Can you provide specific examples of actions taken during this period to maintain or improve access to critical resources?

Reflecting on the entire transition process:

11. In your opinion, what were the key factors that contributed to effectively managing changes in leadership roles and responsibilities? How would you assess the company's ability to maintain key relationships, and continue achieving strategic goals, such as maintaining investor relationships or securing new partnerships, during and after the leadership transition? Did the company come out stronger in terms of achieving growth, or what were the main challenges the startup experienced, whether successfully addressed or not?
12. How has the company's approach to managing leadership roles and responsibilities evolved since the transition, in your view?
13. What lessons would you share with other startups preparing for or undergoing a similar transition?

Looking back, if there was one thing you wish you had done differently or one action you regret, what would it be?

8.2. Appendix B

Table 1: Interviewee information of leaders

Interview Partner	Age Group	Industry	Role in Leadership Transition	Severity of Consequences
L1	<30	Software	Founder & CEO, transition to solo CEO	Medium
L2	50–60	Investment Firm	Founder & CEO, handover to successor	High
L3	<30	Software	Founder, exit from the startup	Low
L4	40–50	Driving School & Franchise	Founder, handover to successor	High
L5	40–50	Ride-Sharing Platform	Founder & CTO, sale of the startup	Medium
L6	30–40	Software	Head of Business Development, pivot to Founder & CEO	High
L7	<30	Software	Head of Growth, transition to structured leadership	Low
L8	40–50	Mobility	Founder & CTO, sale of the startup	Medium
L9	40–50	Mobility	Co-Founder, sale of the startup	High