

# EXPLORING THE CONTEXTUALIZATION OF WORKPLACE SPIRITUALITY IN STARTUPS

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## ABSTRACT

This study explores how spirituality in workplaces is contextualized in South Korean startups. With the unprecedented development of technology, new small-sized ventures, so-called startups have emerged as the major drivers in today's global market (Schwab, 2017). The disruptive changes that startup creates in the market imply the growing needs of both organizations and individuals to be more adaptive to the given changes. Backing up these trends, an increasing amount of new consumers' needs is fulfilled through innovative breakthrough, possibly only temporarily, at the expense of tremendous stress that individual employees at startups suffer from. Nonetheless, to survive through the volatile market, secure the competitive edge of the fast-paced industry as well as to create an inclusive work environment, numerous startups emphasized entrepreneurial orientation as well as team spirit. Here, entrepreneurial orientation means the ideation and implementation of new ideas as well as the exploration of new business opportunities. Additionally, team spirit refers to team members' attached feelings to commit themselves to their team's shared goal. The emphasis on the spiritual dimension of entrepreneurship and teamwork aligns with the "spiritual movement" (Ashmos and Duchon, 2000). Based on the paradigm shift in organization science, which leads to the empowerment of individuals by prioritizing employee's work-life balance, spirituality in workplaces has gained much attention in the early 2000s. This movement aims to make the workplace more inclusive so that spirituality enhances individual employees' well-being, highlights their self-existential meaning in workplaces, and deepens the understanding of interconnectivity with others (Karakas, 2010; Houghton, Neck and Krishnakumar, 2016). Despite the debate over defining spirituality, a plethora of empirical studies have substantiated the positive effect of spirituality at workplaces, especially regarding the link between spirituality and performance/productivity (Giacalone and Jurkiewicz, 2003; Duchon and Plowman, 2005; Rego, Cunha, Souto, 2007; Petchsawang and Duchon, 2012). As the efforts that South Korean startups have exhibited to link this 'spirit' discourse to their productivity aligns with the aforementioned spiritual movement in workplaces, this study is designed to seek an answer to the fundamental question around this matter; does the emphasis on 'spirit' positively influence the perceived productivity in South Korean Startups? To corroborate this link, this study explores the mediating effect of team spirit in the relationship between entrepreneurial orientation and the team's performance towards the South Korean startups. Based on the analysis of 240 responses from 66 startup teams, this study concludes that team spirit fully mediates the positive association between entrepreneurial orientation and team productivity. The conclusion also suggests the organizational development strategy to build a more inclusive workplace for startup employees.

Keywords: Startups, Team Spirit, Workplace Spirituality, South Korea

## **INTRODUCTION**

Based on the exponential technology development, successful startups are deemed as the main drivers of the economic growth and diversification in that the success of startups leads to new job creation (Decker et al., 2014). To reinforce this chain of innovation, South Korean government has actively invested in promoting startups since 2013 (Debanes, 2018), which brought mixed responses from the startup ecology; although the number of newly established startups was 108,874 as of 2019, the proportion of startups which sustained their business for longer than five years are only 27% (STEPI, 2019). This means that the startup economy in South Korea, despite its robust state innovation policy, needs further exploration in terms of its sustainability.

The literature on startup's success has mostly focused on what contributes to the survival of startups (Kamm & Aldrich, 1991; Kim & Choi, 2017; Lee & Noh, 2014; Lee & Nam, 2018, Stam & Elfring, 2008, Witt, 2004; Yoon & Hwang, 2007). What is notable is that the focus of entrepreneurial variables has moved from individual entrepreneurial activity to team performance or the characteristics of the entrepreneurial team. Moreover, according to the previous studies on startup survival in South Korea, the success of certain small businesses relied much on the operational performance of business incubators. Nevertheless, little effort has been given to delve into what makes start-up teams successful and sustainable; what team factor(s) contribute to their business sustainability?

More to note, the startup economy discourse in South Korea has put disproportionate emphasis on innovation (Debanes, 2018). The government sponsorship has recently focused on upgrading R&D sectors of high-tech startups, promoting the value of innovation; this aligns with the venturing spirit for the new millennial cohorts, asserting the importance of new possibilities, adaptations, and sustainability (Cho, 2018) in order to flourish in the age of innovation fully. This assertion of venturing spirit goes back to the workplace spirituality movement, which was popular in the early 2000s in the U.S., in which individuals' agency was foregrounded for their enhanced self-understanding, and ultimate self-actualization (Nadesan, 1999; Pawar, 2009). Although the definition of spirituality has been debatable among the researchers (e.g. Ashmons and Duchon, 2000; Giacalone and Jurkiewicz, 2003), the relevance of spirituality to the employee's well-being has been explored in diverse angles, including how spirituality promotes individuals' meaning-making of their life, deepens the interconnection with other individuals (Karakas, 2010). Moreover, according to Nadesan, the "entrepreneurial views of subjectivity" is promoted through the workplace spirituality, which espouses the constant needs for individuals' adaptation to a newly designed workplace (p.4). In this sense, the innovative spirit discourse that South Korean startups have exhibited share commonality with the American workplace spirituality movement, in that both emphasizes the entrepreneurial discourse. That is, both the South Korea startup economy discourse and the American workplace spirituality connotes the excessive emphasis on the venturing spirit; entrepreneurs being constantly adaptive to the ever-changing business environment.

According to Short (2019), there has been a paucity of literature, regarding human resource development in small and medium-sized enterprises (SMEs) due to the informality of workplace learning as well as the heterogeneity of the enterprises. That is because workplace learning in SMEs does not take place in the form of formal training, but through daily activities, it is practically difficult to capture the dynamics embedded in these social interactions. Moreover, the sizes, resources, or infrastructure of the SMEs are different

according to the maturity of the business, which exacerbates the practical difficulty of categorizing the SMEs as one homogenous group.

Thus, this study brings the discourses around team research and workplace spirituality together to explore the dynamics of South Korean startups, particularly in connection with the workplace spirituality. According to Pawar (2009), workplace spirituality has been deemed from different perspectives, including individual's spiritual experience at the workplaces or the organization's practices promoting individuals' spiritual experience. Moreover, Karakas (2010) outlined three perspectives of workplace spirituality – i.e. employee well-being, sense of meaning and sense of community. From these understandings, we can assume that the workplace spirituality in South Korean startups are mostly connected to the sense of community among team members as the South Korean startups are a team-sized enterprises (Korea Startup Ecosystem Forum, 2016), and given the majority of employees being Millennials (Cho, 2018), the meaning of work has been sought in connection with their team spirit. That is, the workplace spirituality discourse, particularly regarding the interconnection among team members has been actively adopted to enhance their productivity in South Korean startup economy discourses. Thus, this paper will mainly focus on the dimension of sense of community, and how this dimension of workplace spirituality accounts for the percolated effects of team spirit toward team productivity. In particular, the authors delved into the mechanism by which the team spirit – the team members' attachment to their shared goals – mediates the entrepreneurial orientation of team members and the perceived performance of the team.

The research question that this paper aims to explore is as follows:

Does team spirit mediate the positive relationship between entrepreneurial spirit and the perceived performance of South Korean startups?

## **METHODOLOGY**

### ***Research design and research participants***

The fundamental purpose of this study is to corroborate the mediating effect of team spirit in the relationship between entrepreneurial orientation and team performance in Korean startup companies. The target population of this research is startup companies. Startup companies mean the economic agent which drives its business based on the innovative idea using new technologies and engages in high-risk-high-return market with the support of external investors. Although startup companies may not be required to be legally defined, according to the South Korea Support For Small And Medium Enterprise Establishment Act, startup companies, or business startups, mean new small or medium enterprises which engage in business less than 7 years since its formation. Moreover, it should be noted that whether the company has received their investment from external financial sources such as via government funds or venture capitals at least once since their formation is an important criterion for the firm to be a startup business (Korea Startup Ecosystem Forum, 2016).

Thus, the target population of this study is startups, which have commenced their business for less than 7 years and been funded by government or private capitals. Based on the statistical report of startup business published by the Ministry of SMEs and Startups in 2017, the number of startup companies whose age are less than 7 years is around 440,868. Among them, only 1.6 % have received investment from government or venture capitals, which

enumerates around 7,053. As the information regarding the investment is generally confidential, it is hardly possible to know the list of companies which have ever got investment. However, there have been published several web sites and reports with regard to startup investment. For instance, Platun(2017) annually publishes the investment trends report on startups based on the accessible information on startup investments and M&A's. According to the report, the total number of investments targeted upon startup is 242 in 2017. Considering the statistical sampling, the sample to represent such population will be 130 for 7% precision or 81 for 10% precision where confidence level is 95% and  $p=0.5$  (Israel, 1992). As a result, the target number was 81 teams. However, after the data collection, a total of 255 responses from 71 teams were collected (response rate = 4.89%).

### ***Research instruments***

The research instrument contained questions regarding individual, job characteristics and the variables of the model including entrepreneurial orientation, team spirit, and team performance. 5-point Likert-scale was used for all the variables. Unlike the entrepreneurial orientation questionnaire and team performance questionnaire, the team spirit questionnaire was translated into Korean by the researcher and examined by five specialists, who were proficient in both English and Korean. Moreover, to ensure the validity of the instrument, confirmatory factor analysis was conducted for the entrepreneurial orientation instrument, and the team performance instrument, whereas both exploratory factor analysis (EFA) and confirmatory factor analysis(CFA) were conducted for team spirit instruments.

Entrepreneurial orientation is measured by using questionnaires developed by Kim (2016) based on the questionnaire developed by Lassen et al. (2006), Covin and Slevin (1986), as the previous study was towards a similar type of populations (i.e., venture companies locating at business incubators). The questionnaire included a total of 18 items, 6 items for each three construct – proactiveness, risk-taking, autonomy. The overall reliability of the questionnaire was .893.

Team spirit instrument was developed by Jaworski and Kohli (1993) and translated by the researcher. After getting feedback from five specialists, one reverse item was removed, which in turn made a 6-item questionnaire. The results from EFA – the cumulative variance of .66, the KMO test of .880 – showed the validity of the translated instrument. The reliability of questionnaire was .678.

Team performance instrument was developed by Hochwarter et al. (1999) and later translated by Kim and Kim (2014). The 4-item questionnaire was proven to have a decent reliability (Chronbach's  $\alpha = .803$ ).

## **RESULTS**

### ***Validating the Multi-level analysis***

As the ground notion on the field of social sciences, the research on team behavior should consider the aggregation bias and contextual fallacy (Ostroff, 1993; Park, Kim & Choi, 2003). That is, within the context of team-level research, the level of measure and level of analysis do not coincide. So the correlation or coefficient should be inferred in a different manner but in general, majority of team research often aggregate individual responses to draw the group or team response.

In this study, to reduce such kind of bias, the  $r_{wg}$  index was utilized to aggregate the individual responses. The  $r_{wg}$  index indicates the within-group similarity of agreement and is calculated by comparing the variability of a given variable within a specific unit with the expected variance. The value of  $r_{wg}$  index ranges from 0 to 1 and if  $r_{wg}$  index is lower than .07, it means that the aggregated individual responses don't indicate the collective response of the unit. Following this criterion, a total of 5 teams were removed, which left 240 responses from 66 different teams for the final analysis.

### ***Demographics of Respondents***

More than half of participants identified as men ( $n=166$ ; 69.16%), and the remaining 74 (30.84%) identified as women. Most participants age less than 34 ( $n=150$ ; 62.5%), among which participants aging less than 24 accounts for 15.67% (29 respondents), 25-29 were 37.85% (70 respondents) and the remaining 54 were 30-34 years old (29.19%). Participants whose age ranges from 35 to 39 were 9.73% (18 respondents), and respondents more than 40 were 7.56% (14 respondents). This demographic results show that the majority of employees working at startups are less than 34-years-old, reflecting the fact that startups have rather homogeneous populations compared to other businesses. With the regards to the level of education, the majority of respondents have responded to hold a bachelor degree at university or college, which consisted 76.66% (163 respondents). In terms of the type of industries in which their startup teams are engaging in, the highest frequency was software development/ IT(49.17%). The second highest frequency was service industry(11.25%). With regards to the team age, about 38% ( $n=42$ ) of 66 teams have operated their business less than 3 years. The remaining 24 teams identified their team's duration as more than 4 years, less than 7 years.

Before exploring the positive effect of entrepreneurial orientation on team spirit, correlation analysis was conducted. The correlation chart of 3 variables is shown in the Table 1. all of the correlation relationships among variables were statistically significant with the p-value less than .001.

After confirming the appropriateness of data for simple regression analysis – checking multicollinearity using variance inflation factor (all lower than cut off of 5) – simple regression analysis was conducted between entrepreneurial orientation and team performance ( $B = .112$ ,  $p = .221$ ); the result shows that there exists no statistical significant association between entrepreneurial orientation and team performance. However, team spirit was shown to form a positive association between team performance ( $B = .355$ ,  $P < .001$ ).

Table 1. Correlation among variables.

	1	2	3	4	5	6
1. Team Performance	1.00					
2. Entrepreneurial orientation	.42**	1.00				
3. Proactiveness	.49**	.87**	1.00			
4. Risk-taking	.23**	.84**	.73**	1.00		
5. Autonomy	.45**	.87**	.78**	.68**	1.00	
6. Team spirit	.44**	.78**	.78**	.61**	.76**	1.00

\*\*p<.001

To explore the simple mediating effect of team spirit on the relationship between team performance and entrepreneurial orientation, simple mediation analysis was conducted, setting team spirit as a mediator respectively. Additionally, to examine the mediating effect, bootstrapping method given 95% confidence interval was utilized to statistically infer the indirect effect of mediator. The mediating model was built using lavaan package in R, and further examined my model using SPSS Process macro's level 4 model.

The figure 1 shows the simple mediation model where team spirit mediates team performance and entrepreneurial orientation. According to the result, the F statistics of the model was statistically significant (30.91). Furthermore, team spirit has a full mediating effect in the entrepreneurial orientation and team performance relationship as the main effect ( $c'=.180$ ) between entrepreneurial orientation and team performance identified statistically insignificant (LLCI and ULCI being  $-.014, .371$ ) whereas the indirect effect ( $ab=.207$ ) turned out to be statistically significant ( $.067, .333$ ). The total effect ( $c=.387$ ) also proved to be statistically significant as well ( $.232, .513$ ). The total variance of the simple mediation model through team spirit was  $.21(p<.001)$ .

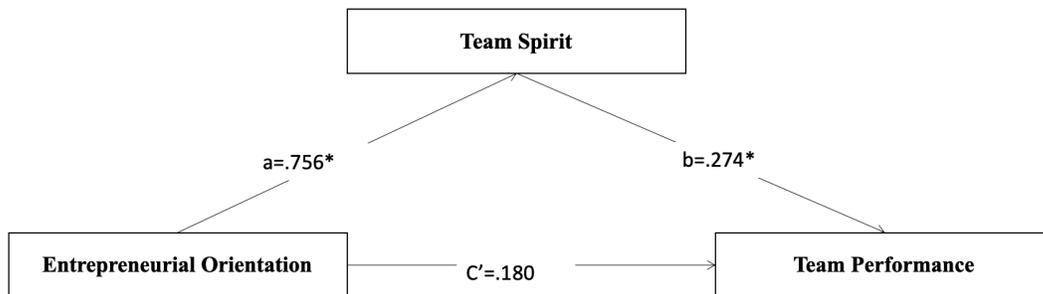


Figure 1. Simple Mediation of Team Spirit.

## CONCLUSIONS

The hypothesized mechanism by which team spirit mediates the positive association between entrepreneurial orientation and team performance was corroborated by the result. Moreover, team spirit fully mediates the relationship between entrepreneurial orientation and team performance. The full mediating effect of team spirit indicates multiple significances, considering the parallel between the U.S. workplace spirituality movement in the early 2000s and the contemporary innovation discourses of South Korean startup economy.

The full mediating effect of team spirit signifies the mechanism by which individual's entrepreneurial subjectivity links to the team performance. According to Nadesan (1999), the discourse around workplace spirituality highlights the entrepreneurial subjectivity in connection with its potentiality for actualizing self within the unprecedented work environments. That is, because entrepreneurial subjectivity seeks strategies to adapt to the newly configured workplaces by being proactive, taking risks, or fully enacting one's autonomy in the process of decision-making, individuals would find their way to enact their authentic self – although the notion of authentic self is contestable. The discourse espouses the individuals' self-actualization, which brings forth the need to align their individual needs with the organizational values. By linking their individual values with their organization's value, individuals can fully thrive in the workplace, which will ultimately help them finding their existential meaningfulness at work (Kyle, 1995). The full mediation of team spirit definitely substantiates the effect of the workplace spirituality discourse; because team members are obliged to follow the team's values, their entrepreneurial subjectivity coincides with the team performance.

However, it should be noted that still, the effect shows the discursive effect of workplace spirituality discourse; although the mechanism was corroborated by using a quantitative method, there still remains a contestable space in which whether this sort of language is only appropriated for the management or such practices are practically enacted in the workplace. As aforementioned, the ubiquity of workplace learning and the heterogeneity of SMEs provides a practical limitation on capturing the authenticity of how practices are operating in the workplace (Short, 2019). Moreover, the workplace spirituality has been under criticism in the face of misappropriation (Lips-Wiersma et al., 2009). That is, the emphasis of self-actualization in the workplace can be led to the control mechanism in which individuals prioritize their work identity over anything else. Moreover, individuals might be treated as one instrument to the organizational goal.

The prevalent work ethics illustrated by the previous study on the young founders of startups in South Korea (Cho, 2018) depicts this misappropriation of workplace spirituality. Young entrepreneurs who are invested by the government sponsorship are selected by their entrepreneurial performance, which imposes much value on "innovation", "breakthrough", "social responsibility," or so. This prominence over the innovation-like discourses percolates within the startup team, as shown by the rigid work environment; individuals are expected to prime their work over anything else (Park, 2017). To keep pace with the innovation-like discourses, individuals in the startup teams are forced to work hard.

Thus, to further investigate the contributing factors for sustainable startup business development, more exploration deserves attention, especially regarding how spiritual turn is enacted in the startups. As this study illustrates how the mechanism by which the

entrepreneurial subjectivity links to the team performance, more investigation toward the actual practices would be necessary.

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