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How Multicultural Startups Manage and Succeed in Finland

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ABSTRACT

Nowadays, startups are the organizations which perform best in an uncertain global business environment. In this age of constant change and internalisation, especially multicultural startups can be a highly powerful and agile force which boosts economic growth. This thesis explores how multicultural startups manage and succeed in Finland.

The aim of this thesis is to provide a deeper understanding of the multicultural startup scene in Finland. The goal is to explore the existing Finnish startup ecosystem and to create a list of recommendations for multicultural startups in Finland in order to help them overcome certain difficulties they face and succeed in what they are doing. This thesis can be also useful for anyone who wants to build their own multicultural startup or work in such organization.

This study is based on deductive approach and qualitative methods of data analysis. Both secondary and primary sources of data are used in the research. Secondary data is collected from reliable printed and electronic sources. Primary data is collected by conducting interviews with employees of multicultural startups. This thesis examines relevant theories about startups, such as the lean startup methodology and startup lifecycle. Startup ecosystem, its maturity level and Finnish startup ecosystem are also explained in theoretical part of the thesis.

Findings of the research suggest that multicultural startups and their employees face employment issues (specifically for hiring people from abroad), bureaucracy, the startup scene being significantly developed only in Helsinki but not in other regions of the country, lack of financing, cultural issues and unfair use of unpaid work. In order to overcome these issues multicultural startups need to seek help from startup hubs, mentors and Finnish government, be active, improve cross-cultural communication, use lean startup method and be aware of certain issues to avoid having problems with them.

Keywords: startup company, multicultural startup, Finnish startup scene, startup ecosystem

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1 INTRODUCTION

The world has been changing dramatically over the past decade. The pace of that change is accelerating. Large corporations find it difficult to deal with this change. They often feel threatened by this pervasive change as there are so many uncertainties. Startup companies and small businesses, on the contrary, find opportunities and even prosper severe competition. (Burns 2014, 2-3). According to Ries (2017, 45), startups do not do everything perfectly from a modern company perspective; however, these kinds of organizations perform best in an uncertain global business environment. Moreover, startups account for creating a significant number of jobs (Spinelli & Adams Jr. 2016, 7-8). This thesis focuses on multicultural startups in Finland.

1.1 Research Background

One of the many current changes in the global scene is that the world is becoming more international. This applies to many aspects of life, to business in particular (Harris, Brewster & Sparrow 2004, 2-3). According to some studies on organizational culture, there is a connection between multiculturalism in the company and its productivity and competitiveness (Cox & Blake 1991, 45-46; Brannen & Salk 2000, 451-487). Multicultural startups can be a highly powerful and agile force which create economic growth and allow people to work towards fulfilling their dreams and getting a reward for their hard work despite their ethnicity (Spinelli & Adams Jr. 2016, 8).

Not much research has been done concerning startups in Finland, although the country is known for its interest in entrepreneurship and support for it (GEM 2015). According to Harris (2017), multicultural and female entrepreneurs, in particular, are given only a tiny fraction of venture capital. The thesis therefore focuses on finding out how multicultural startups manage in Finland, in particular. The topic should be studied in order to help startup entrepreneurs be more successful.

1.2 Thesis Objectives, Research Questions and Limitations

This thesis aims to provide a deeper understanding of the multicultural startup scene in Finland. The goal is to explore the existing Finnish startup ecosystem and to create a list of recommendations for multicultural startups in Finland in order to help them overcome certain difficulties and succeed in what they are doing.

Identifying research questions is a crucial stage for any research project. A research question brings out the specific inquiry the study will investigate (Collins & Hussey 2014, 103). The main research question of the current study is the following:

- **How do multicultural startups manage and succeed in Finland?**

In order to help answer the main question several subordinate research questions are needed:

- **What is a multicultural startup?**
- **What is a good/poor startup ecosystem?**
- **What difficulties do multicultural startups face in Finland?**

There are always limitations in any research. This study focuses on exploring the multicultural startup scene only in one particular country, Finland, and therefore it is hard to generalize the results for other countries. Another limitation is the sample size of the study. Four employees of multicultural startups were interviewed. A bigger sample size would generate more broad results. Finally, the third limitation is the lack of studies in the chosen research topic as the thesis focuses on a very current and evolving research problem. (Dudovskiy 2017.)

1.3 Theoretical Framework

In order to thoroughly explore the chosen topic, it is essential to create a theoretical framework. It will help illustrate the research process and provide a better understanding of certain key concepts (Saunders, Lewis, & Thornhill 2009, 159).

The theoretical section of the thesis defines concepts such as “startup” and “multicultural startup”. In addition, other types of startups will also be discussed. Moreover, the thesis discusses good and poor startup ecosystems and their components.

1.4 Research Methodology and Data Collection

At the beginning of the research process, it is important to choose a research approach. Different approaches represent different ways of working with theory (Saunders, Lewis, & Thornhill 2009, 159). There are two main research approaches: deductive and inductive. The deductive approach begins with examining theories related to the research topic. After that, based on the theoretical background, a hypothesis related to the research topic is created and tested. A study based on the inductive approach, on the other hand, proceeds vice versa. First data is gathered and then, based on the collected data, a theoretical assumption is developed. (Greener 2008, 16; Wilson 2014).

Figure 1 illustrates the differences between the two approaches. This study applies the deductive approach.

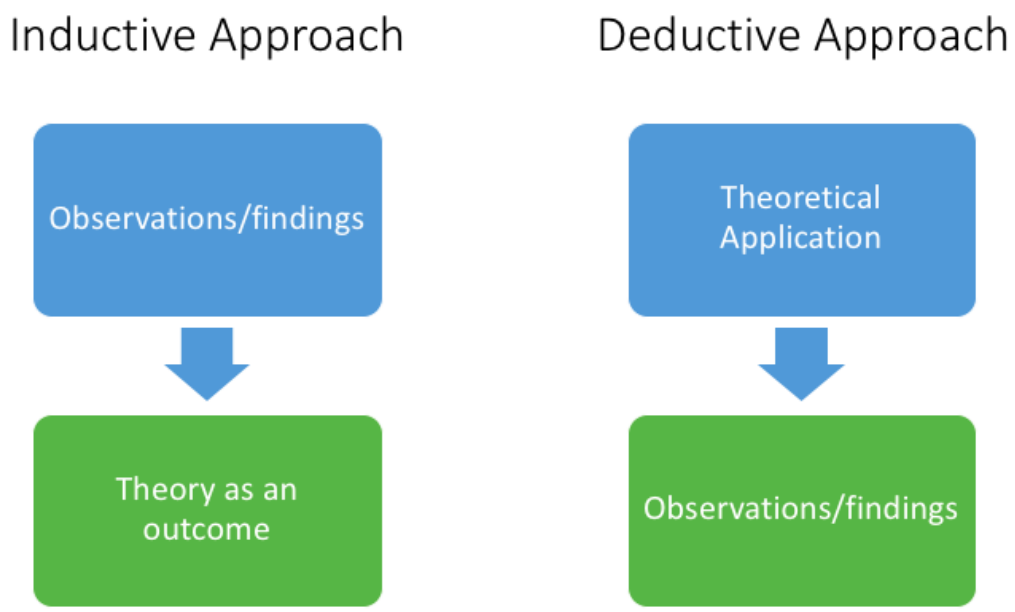

FIGURE 1. Differences between deductive and inductive approaches.

After the research approach is chosen, it is important to decide on what research methods to use and how to collect data. Research methods are commonly divided into quantitative and qualitative methods. (Myers 2013, 7). Quantitative research can be described as a strategy that emphasizes the use of numerical data and its analysis (Bryman 2015, 32). In qualitative research, on the other hand, non-numerical data such as words, pictures, and video clips are collected as data an analyzed (Saunders, Lewis, & Thornhill 2009, 151). Qualitative research accent the relationships between entities without trying to quantify them, while quantitative research not only describes the relationships but also precisely measures their magnitude (Walliman 2010, 108).

In order to meet the objective of the thesis and develop a better insight into the multicultural startup scene in Finland, the thesis applies qualitative research methods.

After the appropriate research methods have been chosen, it is time to collect data and analyze it. Data come in two main forms: primary and secondary. The data collected by the researcher is called primary data (Walliman 2010, 69-71). In this study, primary data is collected by interviewing representatives of Finnish multicultural startups. Secondary data refer to any data a researcher gathered from existing materials such as books, articles and electronic sources (Myers 2013, 122). The theoretical section of the thesis is based on secondary data.

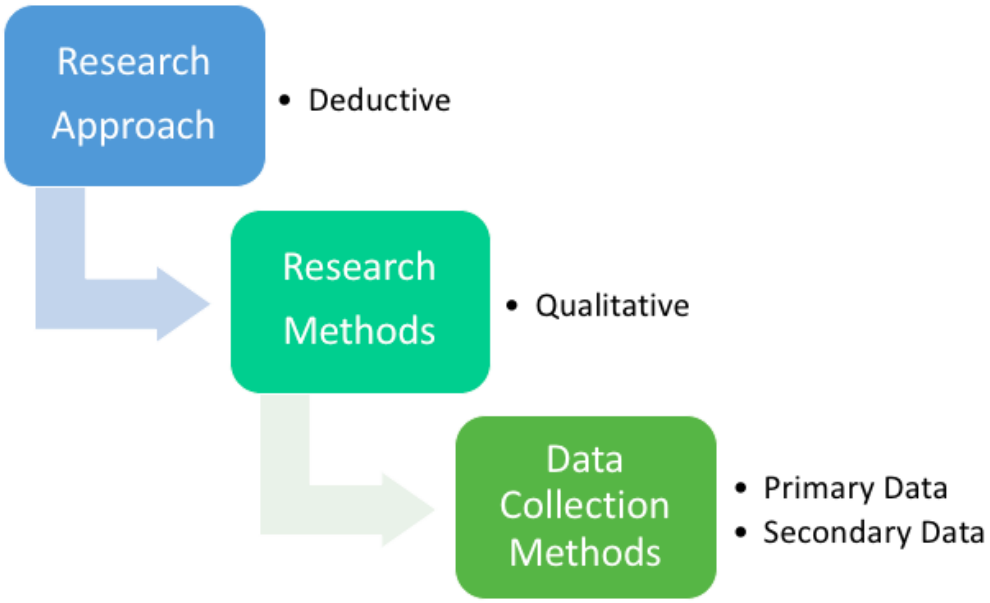

FIGURE 2. Research methodology and data collection methods of this thesis

Figure 2 above shows the research methodology and data collection methods of this thesis. The study is based on the deductive approach, empirical data is collected through interviews, and both primary and secondary data is used.

1.5 Thesis Structure

The figure below illustrates the structure of this thesis.

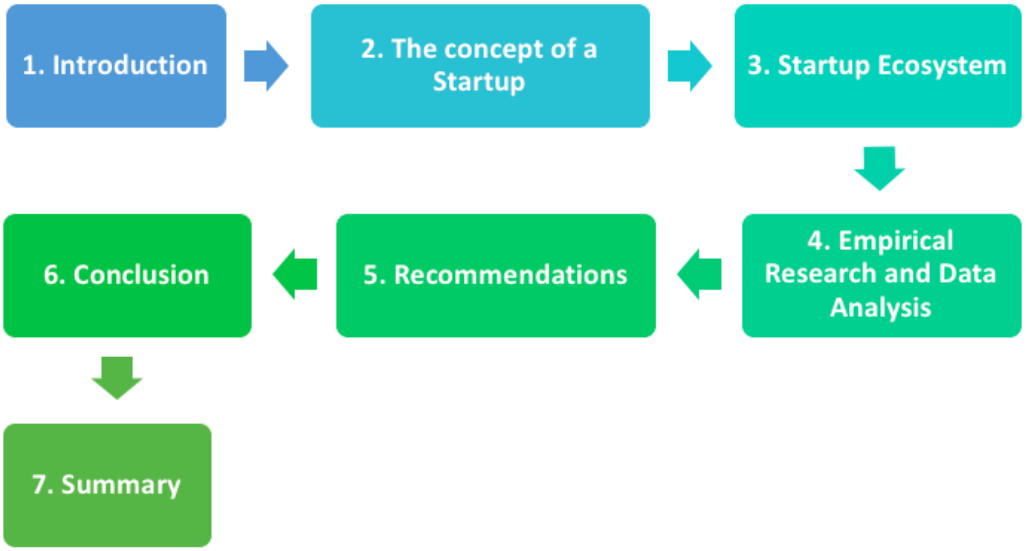

FIGURE 3. Thesis structure

The first chapter introduces the topic of the thesis. The second chapter describes the definition of a startup, explains different types of startups and the lean startup methodology. The third chapter focuses on startup ecosystems, their maturity levels and also evaluates the state of the Finnish startup ecosystem. The next chapter, chapter 4, is the empirical part of the thesis. The chapter describes how the research data was collected and analyses the data. Chapter 5 proceeds to provide recommendations for multicultural startups on how to succeed in Finland. The list of recommendations is developed by exploring the research topic and finding problems multicultural startups face in Finland. Finally, the concluding chapter summarizes the key findings of the thesis and answers the research questions. It also describes the validity and reliability of the thesis as well as gives suggestions for further research. The thesis ends with a summary.

2 THE CONCEPT OF A STARTUP

This chapter discusses the definition of a startup, different types of startups, the lean startup method, and the startup lifecycle. That is, the chapter aims to introduce these key concepts used in the thesis.

2.1 Definition of a Startup

Although the concept of a startup is familiar to many people and the word itself is commonly used, it is quite hard to find a universal definition of a startup company. Longman Business Dictionary (2018) gives a short description of a startup simply as a company that has just been formed. However, this definition is not extensive enough.

The term “startup” originated in the US in the late 70s and became very popular around the year 2000. It was used to describe a new company in its early stage with high potential for fast growth due to the new technology it was developing (Startup Commons 2018a). The popular definition of a startup, a "tech company with less than 100 people", fails to explain the main concept and the entire philosophy behind it.

For many years in the past, startups were treated by investors as small businesses. However, there is a big difference between a startup company, a small business, and a large corporation. (Renderforest 2017.) Steve Blank, a Stanford professor, and Bob Dorf, a serial entrepreneur, emphasize that a startup is not a smaller version of a larger company. They state that a startup is “a temporary organization in search of a scalable, repeatable, profitable business model”. (Blank & Dorf 2012.)

Eric Ries (2011, 8) defines a startup as an organization dedicated to creating new products and services under conditions of extreme uncertainty. Ries (2011, 9) argues that when startups are created they "do not yet know who their customer is or what their product should be".

In a model of work of a big company, such things as customers, their problems and necessary product features are all known variables. In contrast, startups operate by implementing a “search mode” as they are trying to find an optimal and profitable business model to succeed. Startup Commons (2018a) hold the position that:

> A Startup is a team of entrepreneurial talent with innovation in process, in identifiable and investable form, in progress to validate and capture the value of the innovation - with a target to grow fast with a scalable business model for maximum impact.

This definition describes the main aspects and philosophy behind the concept of a startup. Startups are important for the society because they bring new innovations to the market. Startups also create a great number of new jobs, attract foreign direct investments, as well as help international talents find their place (Startup Commons 2018).

It is important to investigate when a company stops being a startup. There are several different metrics to identify when an enterprise loses its startup status. Augelli (2018) advocates the view that a company is a startup “until it finds product/market fit and begins to scale” (Renderforest 2018). TechCrunch writer Alex Wilhelm suggests a so-called 50-100-50 model. According to this model, if the company fits or exceeds any of the below criteria, it is not a startup anymore:

- $50 million revenue run rate (forward 12 months)
- 100 or more employees
- Worth more than $500 million, on paper or otherwise (Wilhelm 2014).

However, because Wilhelm notes in his article that he simply “made it up” there is no general consensus about the model.

Successful entrepreneurs such as Jan Koum, the co-founder of WhatsApp, and Homejoy CEO Adora Cheung simply state that “a startup is a state of mind”. They believe that being a startup does not depend on the time the company has been on the market or the revenue it brings. (Chernikova 2014. Translated from Russian by Aksenkina; Shontell 2015).

Considering what has been discussed in this chapter, in this thesis a startup in understood to be a company that has started its operations and is in search for repeatable, profitable and scalable business model.

2.2 Types of Startups

This thesis focuses on multicultural startups. A multicultural startup is a startup company with founders and employees from distinct countries, ethnicities, and backgrounds (Reynolds 2018). Andrew (2017) states several reasons why multicultural startup businesses are successful. One of the reasons is that hiring people from different cultural backgrounds exposes the company to a great number of diverse top talents. Another reason is that having multicultural staff helps a startup grow due to having diverse opinions, interests, and thoughts, which will help the business to move forward and expand. Multicultural diversity also helps a startup to connect with a wider demographic and makes it easier to maintain relationships with a range of clients. (Andrew 2017.) However, operating as a multicultural startup is not easy. Alice Vilma (2017), Executive Director at Morgan Stanley’s Multicultural Client Strategy group, says that “women and people of colour can find it hard to raise money because they're trying to prove out the business model” (Morgan Stanley 2017). Porter Braswell (2016), the CEO and co-founder of the multicultural startup Jopwell, mentions that it is tricky to maintain ~~a~~ workforce diversity even knowing that it has proven value.

Blank (2011) holds the position that there are 6 types of startups divided by their goals and strategies. These types of startups are: lifestyle startups, small business startups, scalable startups, buyable startups,

large company startups and social startups. All of these startups require different ecosystems, educational tools, and economic stimulus.

The purpose of lifestyle startups is to facilitate a particular lifestyle. Entrepreneurs in such startups live their life enjoying working for themselves and following their passion (Renderforest 2018). In Silicon Valley a lifestyle entrepreneur can be a journeyman coder or web designer who loves the technology and creates a startup because it's his or her passion (Blank 2011).

Small business startups are not designed to scale. Their owners just want to have a business to "feed the family". Such startups often are barely profitable. However, such enterprises create local jobs and support the economy. (Blank 2011.)

Scalable startups are created by traditional technology entrepreneurs. These entrepreneurs believe that their idea will change the world and will bring millions of dollars in sales. Scalable startups require significant external venture-capital investment in order to expand fast. These startups tend to group together in big innovation clusters like Silicon Valley, Shanghai, Israel, etc. Scalable startups make up a small part of the six startup types, nevertheless, they attract huge capital and attention of the press. (Blank & Dorf 2012.)

Buyable startups are founded to be sold to a larger company for millions of dollars. These startups are usually created by web and app developers. The phenomenon of buyable startups has become popular in recent years. Low developing costs for web/mobile apps make it easy for startups' founders to fund themselves while creating the product and then sell the startups for $5 million to $50 million. (Blank 2011).

When large companies are pressured by changes to introduce entirely new products for new markets, they either acquire innovative companies (e.g. buyable startups) or they try to build disruptive innovation startups internally. However, the whole process of creating a large company startup

is difficult to execute mostly due to differences in organizational cultures. (Blank & Dorf 2012.)

Unlike scalable startups, social startups are not focused on gaining wealth for the founders. They seek solutions rather than profit. That is, social entrepreneurs want to make the world a better place. Social startups are often organized as nonprofit, for-profit, or hybrid organizations. (Blank 2011.)

Overall, there 6 main types of startups: lifestyle startups, small business startups, scalable startups, buyable startups, large company startups and social startups. All of them must be treated differently. Ethnical diversity of startup founders and employees makes a startup multicultural. The next sub-chapter is exploring a method many startups use in their operations.

2.3 Lean Startup

Nowadays Lean Startup Methodology (LSM) is one of the most popular tools for startups to use in their operations (Adhiya 2017). It was created in 2008 by Eric Ries, an entrepreneur himself. The method quickly became popular, and his book *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Business* became a New York Times Bestseller (The Lean Startup 2018). The book applied the idea of lean thinking to startups and popularized the idea of lean startup business.

The figure below shows the Build-Measure-Learn feedback loop which is at the core of the Lean Startup model. Ries (2011, 76) encourages entrepreneurs to continually engage in this loop by “exploring and developing hypotheses that they then test among customers to elicit feedback".

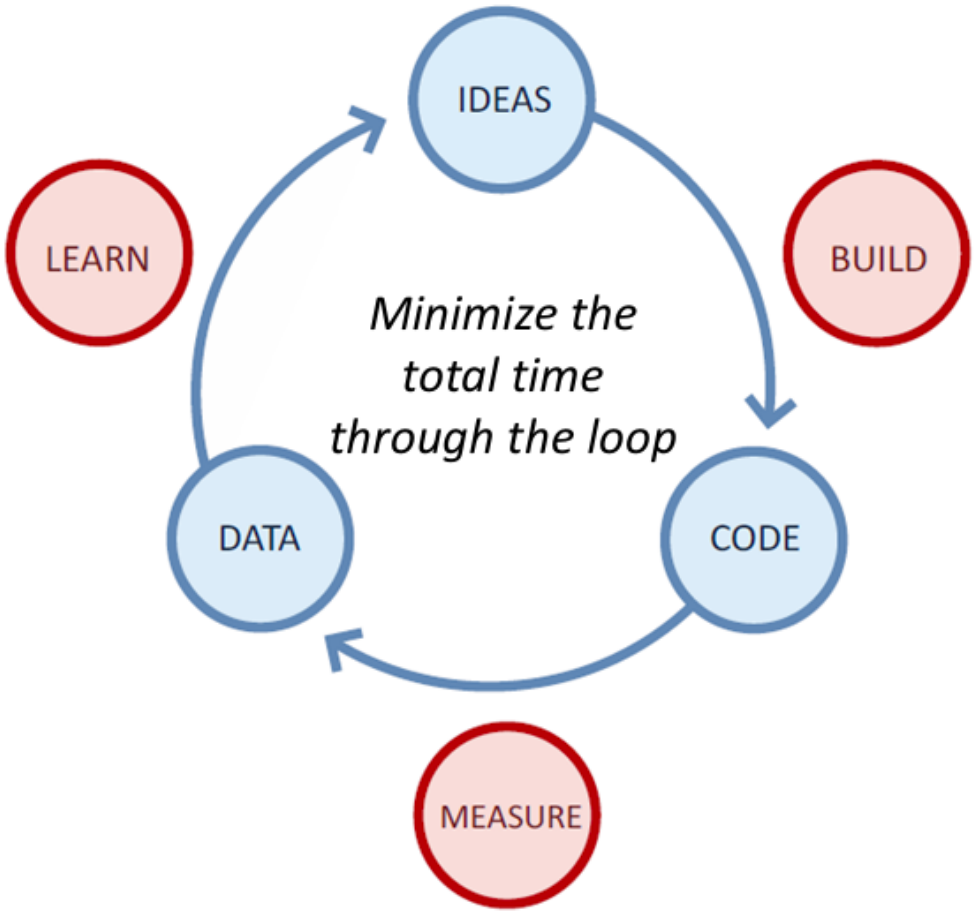

FIGURE 4. The lean startup process (Ries 2011, 81)

Entrepreneurs use the feedback they get to redesign their products. (Rouse 2018.) Ries (2011, 86) points out that instead of spending months on creating a big business plan entrepreneurs should accept that everything they have before starting operations is just a big guess. Therefore, instead of writing a complex business plan, entrepreneurs should use a business model canvas to list their hypotheses.

Lean Startups also use a special approach called customer development to test their hypotheses. (Blank 2013) They go out and ask their potential clients and partners for feedback on all elements of their business model

including product feature, distribution channels, etc. This allows startups to assemble products quickly and to obtain customer feedback. Then, using their customers' suggestions, entrepreneurs revise their assumptions and start the cycle over again. They test new offerings and make small adjustments (iterations) or more significant ones (pivots) to ideas that are not fully working.

Lean startups also practice agile development. This term first appeared in the software industry. The agile development method aims to eliminate wasting time and resources by developing the product iteratively and incrementally. It is the process by which startups create the minimum vital products they test.

Blank (2013) has shown that the Lean Startup model really works. This method is now being taught at more than 25 universities, and it has successfully replaced some old models such as stealth mode (when a startup keeps information about new products confidential and operates in secret).

2.4 The Startup Lifecycle

In order to investigate startup development, researchers often apply the organizational lifecycle theory (Tsai & Lan, 2015). The theory assumes that all startup operations follow a certain pattern, which can be developed into certain sections and studied. Several startup lifecycle theories exist, but most of them are outdated and have lost their relevance. This thesis focuses on the modern startup lifecycle models by Steve Blank (2015) and Fred Destin (2013).

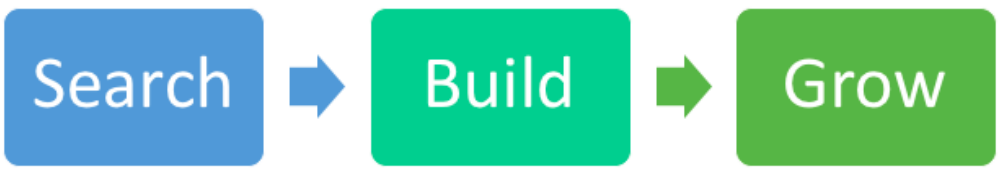

FIGURE 5. The lifecycle of a startup (Blank 2015)

The figure above shows Blank's lifecycle model. The model consists of three steps: search, build and grow. In the first step, the goal of a startup is to search for the most suitable and scalable business model. It usually takes several adjustments and pivots in order to find the right market fit. Startups try to find the match between the products they build and the people who will buy them. Most startups fail at this stage. (Blank 2015.) In the build phase, the startup company starts changing in order to scale. The startup grows the number of its employees and the whole organizational culture starts changing. (Blank 2015.) In the growing phase the company is growing by repeatable processes and "has achieved liquidity (e.g. an IPO, or has been bought or merged into a larger company event)" (Blank 2015).

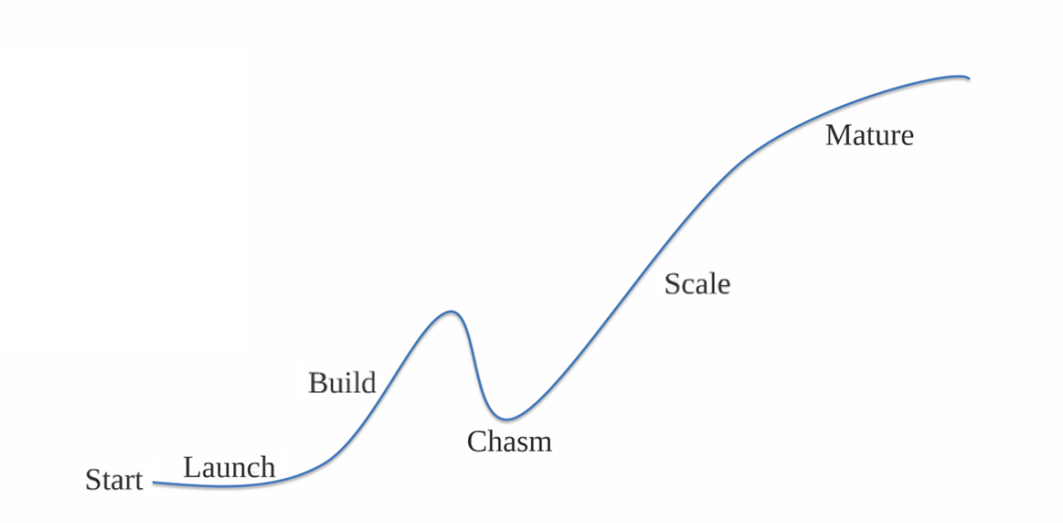

FIGURE 6. The startup lifecycle (Destin 2013)

The figure above illustrates Destin's startup lifecycle model. Destin was inspired by Blank's and Ries's works and combined their ideas. He created this lifecycle model with guidelines for each step.

Destin (2013) emphasizes that it is important to pick the right co-founder at the start phase. He also advises using a direct vesting. This is when cofounders receive their shares up front but are subject to vesting (Startup

Lawyer 2018). In addition, minimizing costs and spending more time on product/market fit is essential at this stage as well (Destin 2013.)

Destin (2013) indicates that in the launch phase it is important to "be lean". That is, it is important to apply the lean startup method and business model canvas. At this point, a startup should focus on providing value for the customers. Using validated learning, iterations and pivots help achieve product/market fit as soon as possible.

In the build phase, focus should be on activation and retention (Destin 2013). It is important to be data-informed, but not data driven. That is, entrepreneurs should listen to their intuition before making important decisions (trying to see the big picture) and use analytics for optimization.

In the chasm phase, aggressive investment before product/market fit can be dangerous (Destin 2013). In order to grow, startups need to cross the chasm from early adopters to the early majority.

In the scale phase, startups build a repeatable customer process as well as a solid infrastructure for billing and deployments. In this stage, the team is growing and company culture is evolving. (Destin 2013.)

To conclude this section, both startup lifecycle models of Blank and Destin revolve around three main steps: searching, building and growing. Although, Destin’s model has more steps and a set of specific recommendations to each step. Continuing the research, the next chapter will explore a startup ecosystem concept.

3 STARTUP ECOSYSTEM

This chapter discusses startup ecosystems, ecosystem maturity levels, and the Finnish startup scene.

3.1 Startup Ecosystem

The startup ecosystem is composed of people, startups in different stages and various organizations in a physical and/or virtual location, cooperating and interacting as a system in order to create new startup companies. The organizations can be further divided into categories: universities, funding organizations, research organizations, service provider organizations (legal, financial services, etc.), large corporations and support organizations such as incubators, accelerators and co-working spaces. (Startup Commons 2018b.)

A startup ecosystem is a complex structure. In order to understand the way such ecosystem works, it is important to look at all the related components. These components are shown in the figure below.

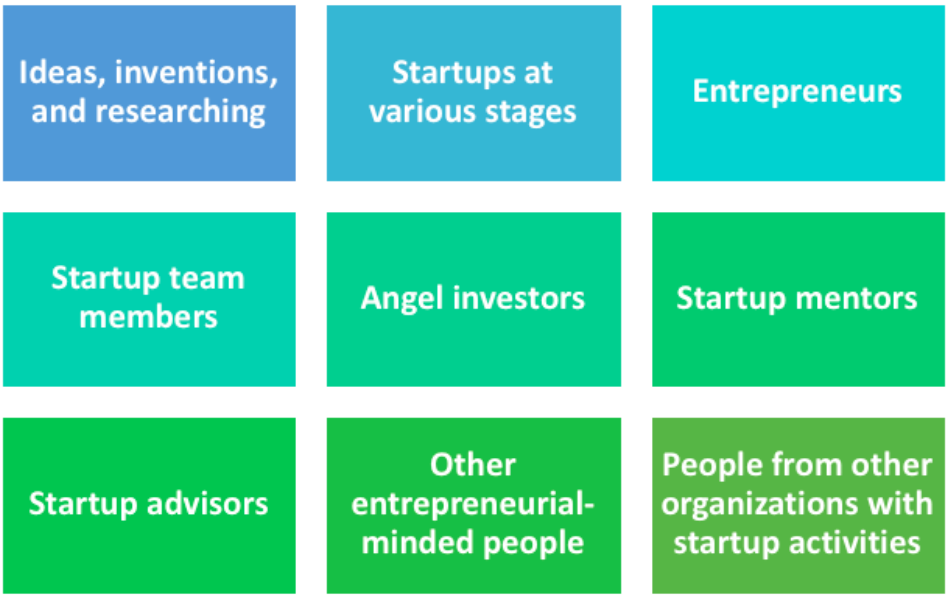

FIGURE 7. Components of a startup ecosystem (Startup Commons 2018b)

In addition, the following table includes related facilitating organizations and activities and funding providers.

TABLE 1. Facilitating organizations and funding organizations (Startup Commons 2018b)

Facilitating organizations and activities	Funds providers
Universities	Venture capital companies
Advisory and mentoring organizations	Crowdfunding portals
Startup incubators and accelerators	Other funding providers (loans, grants etc.)
Coworking spaces	Investor networks
Service providers (consulting, accounting, legal, etc.)	
Event organizers	
Startup competitions	
Startup blogs and other business media	
Other facilitators	

The below figure, Figure 7, includes the components of a startup ecosystem as whole. The aim of this figure is to help visualize the concept.

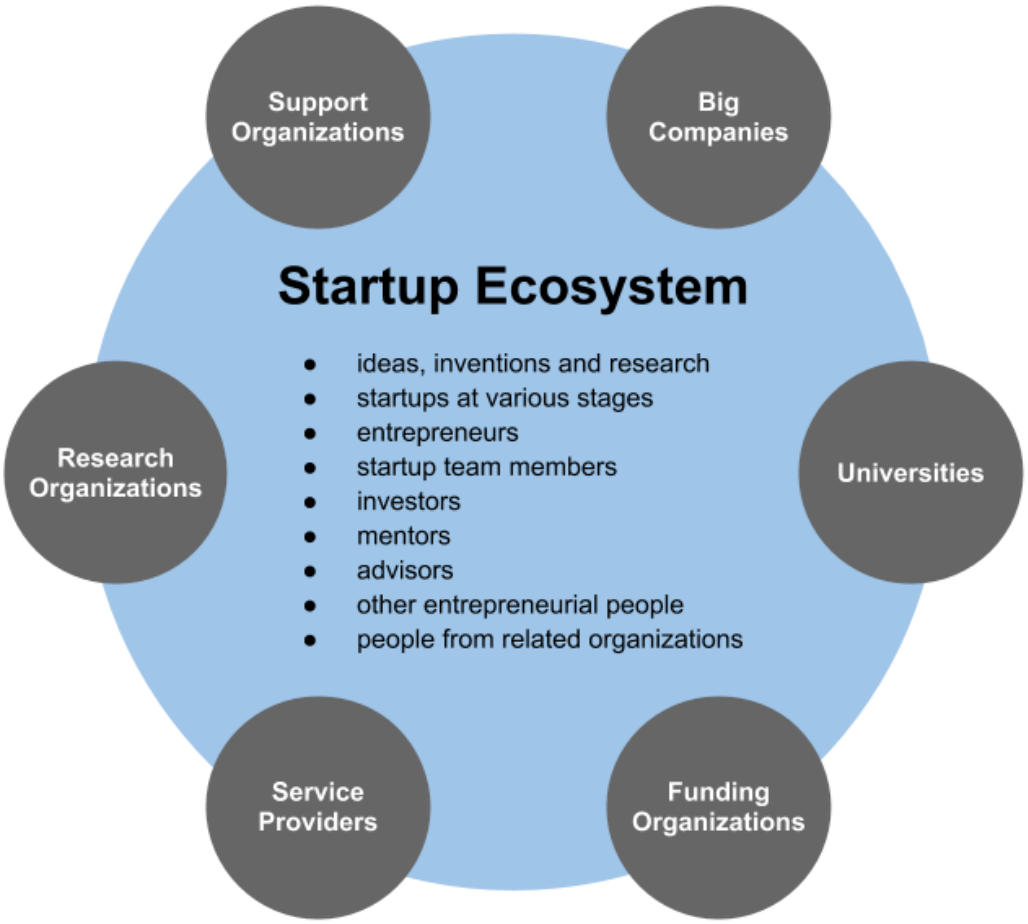

FIGURE 8. Startup ecosystem (Startup Commons 2018b)

Startups ecosystems are usually defined as a network of interactions between humans, certain organizations, and their environment. There are many types of such ecosystems, but usually they are associated with the startup ecosystems of certain cities or online communities. (Startup Commons 2018b.)

Such resources as skills, money and time are important parts of a startup ecosystem. Usually, the flow of these resources happens at certain events and during special activities organized by people or organizations who play an active part in the startup ecosystem. Such movement of resources in the system helps to create new startups and strengthen already existing ones. Effective startup ecosystems cultivate new startups that may create

a significant number of new jobs, attract international talent and foreign direct investments (Wiens & Jackson 2015). One of the most important factors affecting the economic growth of such systems is the network connectivity between and within startup ecosystems. (Cukier, Kon & Krueger 2015; Startup Commons 2018c.)

A startup environment which has good internal and external communication and is constantly developing and evolving is considered to be a good startups ecosystem. However, not all ecosystems develop. There are examples of a reverse process and the degradation of ecosystems. (Cukier, Kon & Krueger 2015.) Continuing exploring startup ecosystems, it is important to introduce maturity levels of ecosystem and how to differentiate these levels.

3.2 Ecosystem Maturity Levels

Ecosystems vary in size, clarity, visibility and maturity level. The maturity of ecosystems is mostly about how complete, vibrant, understandable, managed and measured the ecosystem is as one unit. Understanding the level of maturity is important for startup ecosystem development. (Startup Commons 2018d.)

Even though studying startup ecosystems is a fairly recent research topic, some researchers (e.g. Cukier, Kon & Krueger 2015) have found enough examples and concluded that all startup ecosystems go through four phases. First, a startup ecosystem is in a nascent phase. Then, it begins to evolve further and eventually matures. Finally, the ecosystem is self-sustainable.

The following figure, Figure 8, illustrates four phases of ecosystem maturity. The criteria for differentiating these phases is discussed later in the chapter.

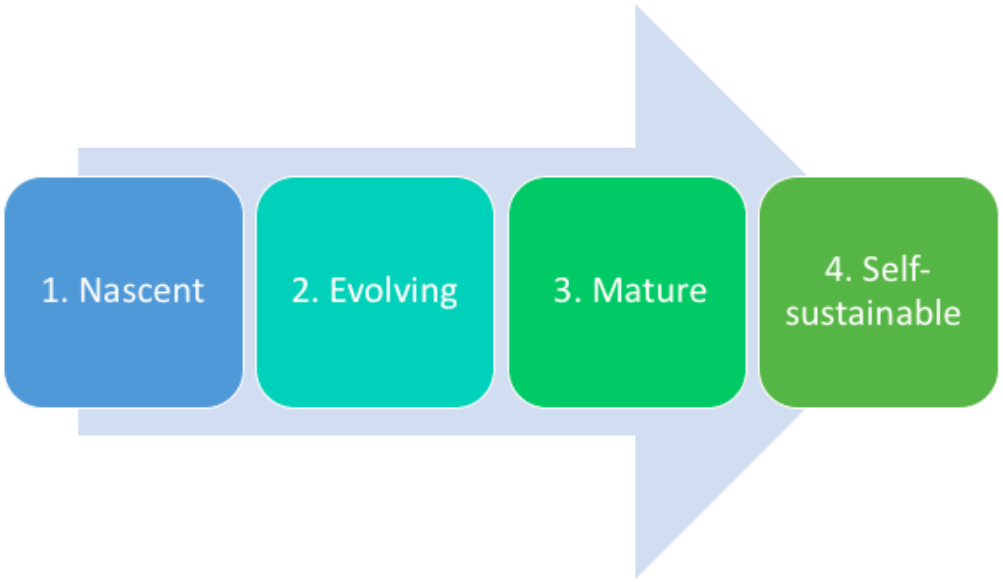

FIGURE 9. Ecosystem maturity levels (Cukier, Kon & Krueger 2015)

In the nascent phase, the startup ecosystem is already recognized as a startup hub with several existing startups, several successful investment deals and some government initiatives supporting startups, but there is no big impact on job creation and no worldwide penetration (Cukier, Kon & Krueger 2015).

When its evolving, a startup ecosystems includes a few successful companies. It has some regional impact, it generates jobs, and it has some local economic impact. (Cukier, Kon & Krueger 2015.)

A startup ecosystem enters the mature phase when it has a number of existing successful startups with global impact, a considerable number of investment deals and the first generation of successful entrepreneurs helping the ecosystem to develop and become self-sustainable (Cukier, Kon & Krueger 2015).

Finally, self-sustainable startup eco-systems have thousands of successful startups and investment deals, at least a second generation of startup mentors, many startup events with inclusive environment and a presence of highly skilled technical talents. (Cukier, Kon & Krueger 2015).

In order to define the maturity level of ecosystem, startup ecosystem has to be measured by using special criteria such as the number of exit strategies, number of startups, the level of bureaucracy, tax burden, accelerators quality, access to funding, etc. The more detailed classification of criteria influencing maturity levels of an ecosystem is shown in appendix 1 and appendix 2.

Cukier, Kon and Krueger (2015) bring up a very interesting point related to the present study:

> Even places with very different cultural behaviours have their own successful ecosystems, which shows that specific cultural characteristics themselves are not a requirement for the existence of healthy ecosystems, but a base over which ecosystems evolve.

This means that it is possible for a multicultural startup ecosystem to succeed and evolve. Overall, the main key to the success of a startup ecosystem is communication between its parts.

3.3 Startup Ecosystem in Finland

Only a few years ago, Finnish startup scene was relatively small, but nowadays it draws international attention and attracts innovative companies and talents from around the world (Cord 2014). Melén (2017) remarks that the seed for a vibrant and evolving startup ecosystem was planted back in 2009 when the game industry started getting popular along with the startup conference Slush. Today the Finnish startup ecosystem is still evolving and has room for growth.

While Finland has relatively few startups compared to other big startup hubs, it has a very high number of good quality startups considering the size of the country's population. According to StartupBlink (2017), Finland is 19th in the world ranking of startup ecosystems and "Finnish startups excel in various fields including gaming, IT and digital health".

Helsinki, the capital of Finland, is an epicentre of country's startup scene (Startup Genome 2017, 107). In the 2018 Global Startup Ecosystem report Helsinki was number one in Top 10 Ecosystem for Local Connectedness as the Helsinki region has a high level of local relationships (among founders, investors, and experts) (Startup Genome 2018, 39). Marja-Liisa Niinikoski, CEO at Helsinki Business Hub, comments the report in a press release:

> Helsinki has one of the leading startup ecosystems in the fields of in the information and communications technology, gaming, and cleantech. Recently we have witnessed rising stars also in health. We have excellent co-operation between startups, cities, corporations and research institutes, which makes Helsinki very strong in order to solve great global challenges (City of Helsinki 2018).

Every winter Helsinki attracts thousands investors and startups from around the world to the famous startup event Slush. The main purpose of Slush is to arrange meetings between startups and investors. In 2017, Slush gathered around 20,000 attendees from over 130 countries (Slush 2018).

Finnish Business Angels Network (FiBAN) and Finnish Venture Capital Association (FVCA) show that foreign investments to Finnish startups rose to €208M, resulting in a yearly increase of 33%, which is the new record (Pääomasijoittajat 2018). This shows that the Finnish startup scene is rapidly developing and attracting more investments than ever before.

Working in cooperation with the Ministry of Economic Affairs and Employment and the Finnish Funding Agency for Innovation, Vainu.io Software Oy, a Finnish big data startup, created an online platform that

provides a real-life view of the Finnish startup scene. According to their data, in May 2018 there were 2,349 startups in Finland. The website also provides useful data about revenue growth, staff numbers, locations, etc. According to Cukier, Kon & Krueger's (2015) maturity level model, a startup ecosystem is considered to be self-sustainable if it has more than 3,000 startups, access to investments of more than 1 billion dollars, etc. (see Appendix 1 and Appendix 2). Based on this, it can be concluded that the Finnish startup scene is at the mature phase but rapidly evolving and growing.

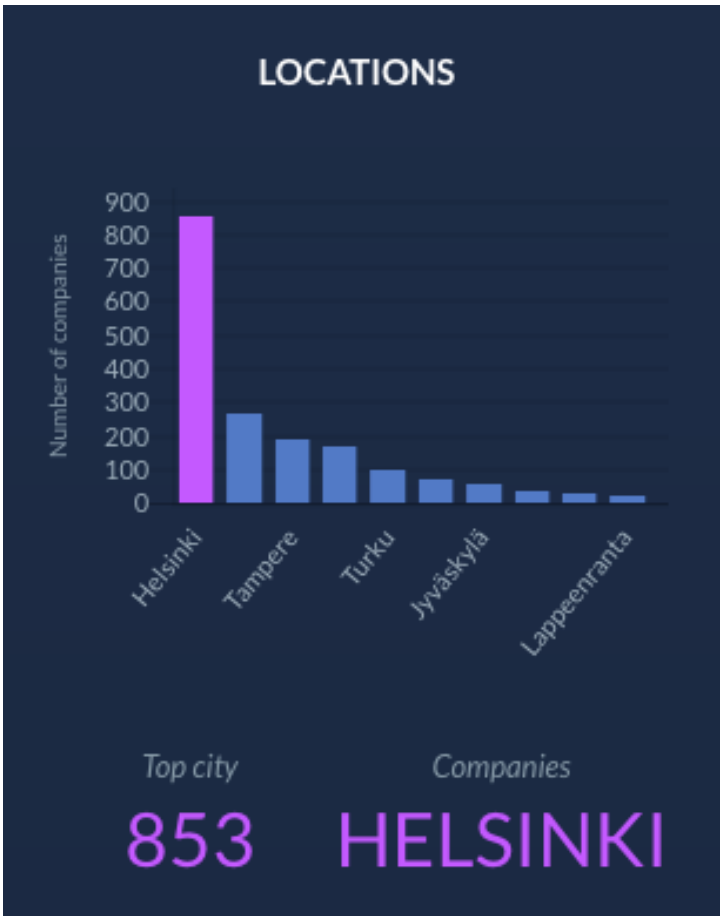

FIGURE 10. Locations of Finnish startups (Vainu 2018)

The figure above shows how unevenly the number of startups is spread among Finnish cities. Helsinki alone has more than third of all Finnish startups. This indicates that other Finnish cities are not as developed from the viewpoint of startup ecosystems.

Founder Institute (2018) released a guide to Helsinki startup ecosystem and startup ecosystem canvas in order to help entrepreneurs to easily navigate through the scene. Addou Babet (2016) has created a similar guide for StartUs Insights. StartUs Insights is Europe's leading innovation network which provides corporates with actionable information on innovation driven by startups and their technologies. These guides provide startups with valuable information about the resources they might need in order to operate in Finland.

Another positive change in the Finnish startup ecosystem is the Finnish Startup Permit which launched at the beginning of April 2018. Business Finland summarizes on its website: "The permit gives an opportunity for talented growth entrepreneurs to build a startup company in Finland and to become part of Finland's startup ecosystem". (Business Finland 2018.)

4 EMPIRICAL RESEARCH AND DATA ANALYSIS

This chapter illustrates the empirical research of this thesis. The chapter is divided into two main parts. The first part, chapter 4.1, describes the process of gathering primary data by conducting interviews. The second part, chapter 4.2, presents how the data was analysed.

4.1 Data Collection

The following figure, Figure 10, shows the timeframe of the thesis data-collection process.

FIGURE 11. Data collection timetable

The secondary data were collected between March and April 2018. The data was collected from books, articles and electronic sources. The purpose of secondary data is to research the topic, define related concepts and create a theoretical framework.

Interviews

The primary data was gathered through interviews. An interview is a meaningful discussion between two or more people (Saunders, Lewis, & Thornhill 2009, 156). Interviews provide in-depth information related to participants' experiences and viewpoints of a particular topic (Turner 2010, 754).

Interviews may be categorised into three groups:

- structured interviews
- semi-structured interviews
- unstructured interviews

A predetermined and identical set of questions is used in structured interviews. Semi-structured interviews are based on a set of topics and questions the researcher wants to cover, although they can vary from interview to interview. The order of questions asked can change based on the conversation flow. Some additional questions may be asked in order to explore the topic deeper and uncover some new facts. Unstructured interviews, in contrast, do not have a prepared set of questions. In such interviews, the interviewee is given the opportunity to talk freely about some events or beliefs related to the research topic. The empirical data for this thesis was gathered through semi-structured interviews as they combine the best of both structured and unstructured interviews and allow the interviewees to add important insights as they arise during the conversation. (Myers 2013, 123.)

In order to get reliable and valid data, the interviews were conducted with four people who work in Finnish multicultural startups. LinkedIn and professional connections of the researcher in Finnish startup scene were used to choose and contact people.

The first interviewee was Anna Pogrebniak, a digital marketing specialist at Lumoa. Lumoa is a startup company focusing on measuring customer experience. Pogrebniak has worked for several multicultural startups in Finland. Another interviewee was Anna Shutko, a growth marketer at Supermetrics. Supermetrics develops tools for business reporting. The next interviewed person was Ilyas Boudrari, a sales specialist at AdLaunch, a startup which provides software solution that allows companies to start online video advertising quickly and on a budget. The fourth interviewee was Jessica Christian, a content writer and social media manager at Coachilla. Coachilla offers a platform that helps professionals

to find and meet verified coaches via video calls. Although the respondents belong to the same age group, their experiences differ as they come from different cultures and the startups they work for operate in different sectors.

The list of questions was formed after exploring related theories. The next subchapter will discuss the interview findings.

4.2 Data Analysis

The purpose of data analysis is to find the answers to research questions. Thus the main goal of the interviews was to find out how multicultural startups manage in Finland and how their employees cope with possible problems.

Three of the interviews were taken by using Facebook Messenger video calls, the remaining one was taken using Skype video call. Each interview lasted between 20 to 30 minutes. All interviews were audio-recorded. Written notes were also taken during interviews. The language used during interviews was English. Information from each interview was written down and saved into separate files.

The interview questions consisted of two parts. The first six questions were mostly about work in multicultural startups, and the second part was about personal experiences in the field in Finland. The questions are listed below in Table 1.

TABLE 2. Interview questions

Part 1	Part 2
What are the things you like and dislike about Finnish startup scene?	Do you have any problems related to cross-cultural communication in your workplace?
What are the main challenges that multicultural startups and their employees face in Finland and how they solve them?	Have you ever witnessed any cultural discrimination at your workplace?
Do you think the fact that you startup is multicultural makes things easier for you to operate in Finland or harder? Why?	Is there anything you wish you knew before working for a multicultural startup?
Do you feel like you need to be more active than other startups in order to succeed?	Are you aware of any employment issues in multicultural startups for people from different countries?
What authorities could do to help multicultural startups do business in Finland?	
Do you use Lean Startup Methodology in your work?	

Most of the interviewees told is that the Finnish startup scene is open to foreigners and is very international. And the share of inhabitants with an immigrant background will continue to grow significantly, which will have an effect on both the labour market and entrepreneurial activities (Joronen 2012, 11). Besides that, Finnish startups often give opportunities to people who want to work for them even if they do not have a specific educational background. For example, Pogrebniak mentioned that the developer in the startup she works for has a degree in politics. Boudrari is responsible for sales in the startup he works for even though his background is in finance.

All of the respondents also mentioned that multiple startup hubs and co-working spaces (e.g. the Shortcut, Microsoft Flux, Mothership of Work, maria 01, etc.) show great support for startups and people interested in entrepreneurship. Some allow working there for free. There are also many free startup events organized in Finland. For example, the Shortcut, Microsoft Flux, Maria 01 and other startup hubs often organize thematic talks and workshops which are free to attend (Eventbrite 2018). There are also online platforms supporting startups. For instance, The Hub, a free-of-charge community platform which gives an overview of the Finnish and Nordic startup scene and helps startups to get assistance with their recruitment of talent, connection with investors and access best practice tools (The Hub 2018). Shutko noted in her interview that this way, "entrepreneurship in Finland becomes an open ecosystem in which everyone can participate." Indeed, as explored in the chapter 3, it is important for an ecosystem to have high level of engagement between its components in order to develop and stay dynamic.

The lack of finance was mentioned during the interviews. Some interviewees said that to get more investments startups have to be as active as possible or in critical situations ask support from the Finnish government. For example, Finnish government provides a grant for entrepreneurs. The purpose of startup grants is to encourage new businesses and promote employment. "The grant provides an entrepreneur with a secure income during the time that getting the business up and running is estimated to take – however for no more than 12 months." (TE-palvelut 2018a.) Helsinki-based startups can also apply for a travel grant from the City of Helsinki to support their international expansion. The grant covers 70% of travel costs up to €2,500. (NewCo Helsinki 2018.)

Marjo Ilmari (2015), director of the startup program at TEKES, the Finnish Funding Agency for Technology and Innovation (which is responsible for Finland government grants) explained that there are three main types of grants for startups in Finland (Weinglass 2015). At the initial stage, when the startup is planning for global growth, TEKES can provide a grant of 75

percent of the money needed to grow, maximum 50,000 euros. With this money the startup can test the customer base, build a minimum viable product or service and get a better understanding of new markets. (Weinglass 2015.)

The second type of financing is dedicated for research, development and pilot projects. The startup company has to pay this loan back. The loan level is 50-70 percent of the project. The startup companies can develop their products, services, business model and show the functionality of the solution they offer. (Weinglass 2015.)

The third type is funding for young innovative companies. This type of funding is meant for the most promising startups with a scalable business model that are capable of fast global expansion. There the funding is up to 1.25 million euros. TEKES funding had a major role in 60 percent of innovations in Finland. For instance, Supercell and Rovio both had funding at the initial stage. (Weinglass 2015.)

One interesting point brought up during the interviews was that some multicultural startups use foreigners as free workforce through unpaid internships. This does not provide support or opportunities for growth. Indeed, unpaid internships are generally considered to be a problem (Allcock 2014; Kenner 2018).

One of the biggest problems multicultural startups face in Finland is related to employing people. The Finnish visa and immigration process is complicated and long for both the startup and the potential employee. Although citizens of most of EU/EEA member states do not need any special permit in order to work in Finland, non-EU/EEA citizens need to get a ‘residence permit for an employed person’. The permit is generally granted for employment in a specific field. In order to get the permit a person needs to collect a series of required documents and apply though Finnish Immigration Service. To get a permit an applicant must also have a gross salary of at least €1,189 per month (in 2018). (Migri 2018a.)

> An Employment and Economic Development Office makes a partial decision on the application. After this, the Finnish Immigration Service makes its own decision. The Finnish Immigration Service needs about 1–2 months to process the application. The total processing time is about 4 months. (Migri 2018b.)

"We're not ready to sponsor and bring a person from outside of Europe or wait for a person for several months", Pogrebniak commented. Finnish government has recently introduced a new type of residence permit for startup founders. Expected processing time for this permit is 1 month. However, this permit is created for growth entrepreneurs with rapidly scalable business models. Start-up entrepreneurs must also get a positive statement from Business Finland before they apply for this residence permit. (Migri 2018c.)

Anna Shutko said that Finnish immigration service Migri could provide more detailed information and be more in contact with startups regarding residence permits for employees hired from abroad. In addition, the local authorities of Finnish cities could perhaps assist with relocation more actively. For example, they could help find suitable apartments and information about living in Finland, and they could offer Finnish language courses.

> For now the main challenge seems to be hiring new people to the very company-specific positions: the labour market in Finland is quite small and relocation of professionals from another country takes time and effort from both the company and the individual's side. However, once this relocation is completed and in case the person fits the company well after the probation period, it totally pays off, Shutko also added.

Indeed, according to Kyyrä and Pesola (2018) the number of working-age people in Finland is shrinking, and the overall population aged 15 to 74 will start to decline in 2020. The population share of working-age people is expected to decline from the present level of 63% to 59% by 2030 and further to 57% by 2060. Researchers suggest that one of the ways to increase labor supply is to encourage immigration, along with programs

that help immigrants to integrate in the Finnish labor market and society. (Kyyrä & Pesola 2018.)

All the interviewees mentioned that it is essential for any multicultural startup in Finland to have a Finnish person in the team. This makes it easier to operate and fulfil all the legal requirements. In case some paperwork is needed in Finnish, people who know Finnish can deal with it. Otherwise, by having multicultural employees, the company gets many different points of view on how to develop the startup and help it to grow faster. It was also discussed during the interviews that some startups with no Finns in the top management team often bring the workplace culture from their own countries and try to force it to the startup employees without considering the importance of understanding Finnish culture. For a multicultural startup operating in Finland it is important to know Finnish business culture, attitudes and customs in order to succeed in business. For example, as Finland is amongst the least corrupted countries in the world, so gifts or money, should never be offered to government officials or business partners. (Enterprise Agency 2017.)

The interviews supported the notion that the situation for multicultural startups is good in Helsinki. At the same time, however, it was mentioned that in other cities there might not be as many accelerator programmes, communities and government support as needed. Therefore, entrepreneurship societies and hubs which provide the mentioned services could be more developed and get more funding. Multicultural startups should strengthen their bonds with local entrepreneurship ecosystem to help each other grow together.

Jessica Christian from Germany came to Finland to work for a multicultural startup. According to her, for somebody who wants to start a startup or work for one, it is important to have a broader mindset in order to find global solutions. Finland is a country with a relatively small market, and many startups develop their product for the international arena. Finnish people indeed are internationally oriented (Invest in Finland 2018).

English is the second common language in the business community. Furthermore, over 90% of Finns under 30 years old speak fluent English. And Finland has a long history of trade with countries in Northern Europe. (Invest in Finland 2018.)

The respondents also brought up bureaucracy during the interviews. It can be hard to deal with Finnish authorities and get needed support; for instance, one of the interviewees had faced problems with the Finnish Employment Services and getting health care. Finnish Employment Service provide guidance and advice for immigrants, an initial assessment, an integration plan and integration training. If a person does not belong to the Finnish social security system, he or she needs to have a sufficiently comprehensive health insurance. EU citizens need to get European Health Insurance Card in their country of origin. (TE-Palvelut 2018b.)

Most interviewees noted that they use the lean startup methodology in their work and are satisfied with its results. This strengthens the idea explored in chapter 2 that the lean startup method is a good tool for a multicultural startup to use.

5 RECOMMENDATIONS

As it was mentioned in the previous chapter, there are certain problems multicultural startups and their employees face in Finland. This chapter provides a set of steps on how to manage and succeed in Finland for multicultural startups, their employees or anyone who wants to work on the scene of multicultural startups. The recommendations are based on the reviewed theory and the information extracted from the interviews discussed in the previous chapter.

Steps for Multicultural Startups

One of the important things is having a Finnish person on the team. It will be a great benefit for the startup and help to avoid problems with paperwork in Finnish, cultural issues, etc.

The Finnish startup ecosystem is supportive so if a multicultural startup is having some issues it is important to ask for help from startup accelerators, mentors, startup hubs and other parts of the ecosystem. For example, Founder Institute's (2018) Guide to the Helsinki Startup Ecosystem includes more than 250 resources for entrepreneurs. In addition, the Helsinki Startup City Guide (2016) by StartUs is a useful resource.

Staying active and attending various startup events as well as being open-minded helps a startup to get noticed, attract investments and keep the startup ecosystem dynamic. Therefore, this is essential for any multicultural startup.

In multicultural startups, the issue of managing cross-cultural communication can be acute. Thereby it is important for the members of the multicultural startup to improve cross-cultural communication skills by getting acquainted with related literature such as *Business Across Cultures* (2013) by Trompenaars and Woolliams (2003) or *Riding The Waves of Culture* by Hampden-Turner and Trompenaars (2013). It is also possible to attend lectures focusing on the topic.

Using lean startup methodology has proven to be a useful tool for startups. So using this method increases the chances of success for the multicultural startup. By engaging into Build-Measure-Learn feedback loop of the lean startup methodology, startups can faster design and test their product with minimum resources.

It is helpful to know that if someone is passionate and wants to pursue his or her dream working for or starting a startup, a person's educational background is often not important in Finland. Everyone is given the opportunity to show his or her skills.

Foreign students or young specialists should be careful with unpaid internships in Finnish startups. It is essential to check the history of the startup and if possible ask other or previous interns about how they were treated in the company.

Both startups and startup job seekers (especially outside of Europe) should be aware of long waiting times for organizing visas and other official documents the process should be started at least 4-5 months before the planned arrival to Finland. Startup entrepreneurs now can also apply a new entrepreneurial visa for growth entrepreneurs which takes only 1 month to get. But Startup entrepreneurs must get a positive statement from Business Finland before they apply for such residence permit.

Helsinki is the main startup hub of Finland. Most of the activities happen there, and the strongest support by the government is also provided in the capital of the country. Anyone who is planning to start a startup or move to Finland to work for one, should consider this.

The following figure, Figure 11, summarizes the steps described above. This figure shows all the points which are needed to be taken into consideration by multicultural startups and their employees in order to succeed.

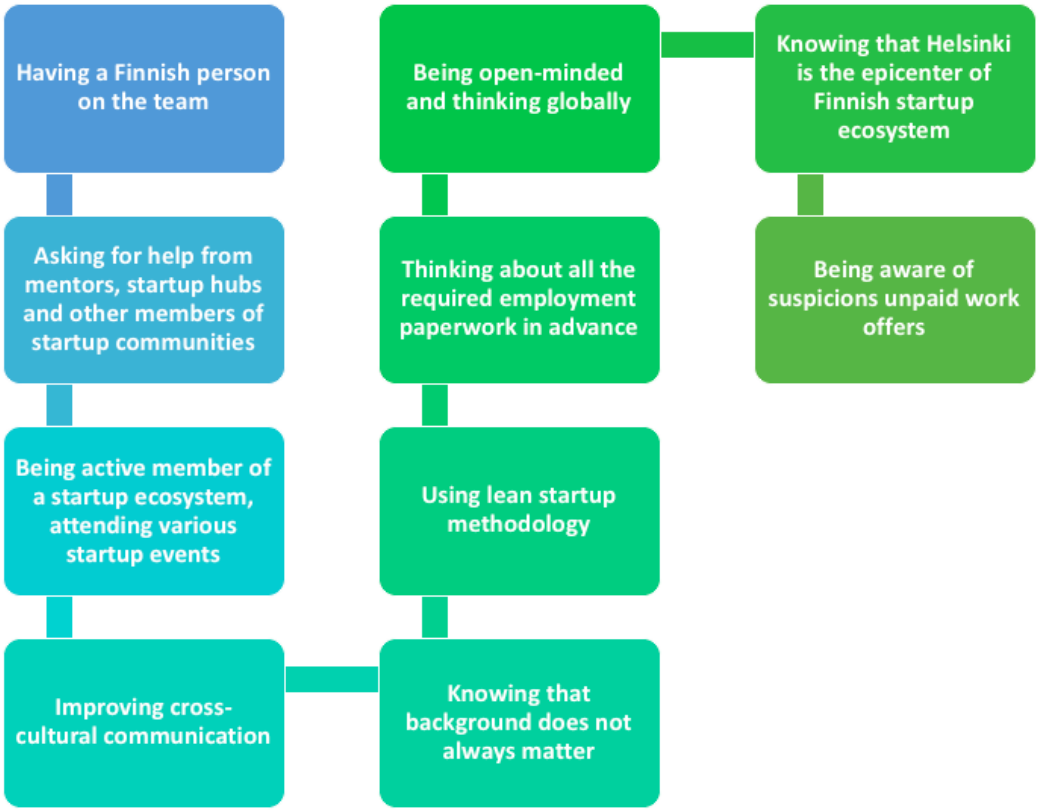

FIGURE 12. Success steps

To conclude, it is advisable for a multicultural startup or anyone who wants to work for it to use the recommendations in order to avoid problems. Multicultural startups should pay more attention to all the issues stated above.

6 CONCLUSIONS

This chapter summarises the findings of the thesis. Firstly, the answer to the main research question and the subordinate questions are given. Secondly, validity and reliability of this study are discussed. Finally, suggestions for further research are provided at the end of the chapter.

6.1 Answers to Research Questions

This thesis was conducted to explore how multicultural startups could better manage and succeed in Finland. In order to answer the main research question of the study, three subordinate questions were introduced. It is important to answer those questions before the main research question.

The first sub-question to answer is this:

- **What is a multicultural startup?**

A multicultural startup is a temporary organization looking for a repeatable, scalable and profitable business model with founders and employees coming from different cultural backgrounds.

The second sub-question to answer is this:

- **What is good/poor startup ecosystem?**

A good startup ecosystem is composed of people, startups in different stages and various organizations (such as universities, funding organizations, support organizations, research organizations, service provider organizations and large corporations) and it has good inner and outer connectivity and is constantly developing and evolving. A startup ecosystem is poor when some of the components of the ecosystem do not work to their full potential. There are also examples of the degradation of ecosystems.

The final sub-question to answer is this:

- **What difficulties do multicultural startups face in Finland?**

Multicultural startups in the Finnish startup scene face such difficulties as employment issues (specifically long and difficult process for hiring and relocating people from abroad), bureaucracy, the startup scene being significantly developed only in Helsinki but not in other regions of the country, lack of financing, and unfair use of unpaid work.

As the sub-questions have been answered, the main research questions should be discussed next.

- **How do multicultural startups manage and succeed in Finland?**

Multicultural startups manage to operate successfully in the Finnish startup scene. Successful multicultural startups usually have Finnish people on their team to help dealing with legal and cultural issues. Such startups emphasize a global mindset. This helps them to scale quickly. Multicultural startups also get support from Finnish startup organizations and the Finnish government. Overall, with the rapid development of the Finnish startup ecosystem, multicultural startups are also developing.

6.2 Validity and Reliability

Validity is concerned with whether the findings of a particular study are really about what they were intended to be (Saunders, Lewis, & Thornhill 2009, 156). The study was conducted by using academic books and articles, and up-to-date electronic sources focusing on startups and, more specifically, multicultural startups. The primary data was collected by conducting semi-structured interviews with people working for multicultural startups in Finland. Finally, all the subordinate research questions and the main research question were answered.

Reliability refers to the extent to which the data collection methods or analysis procedures will produce consistent findings (Saunders, Lewis, & Thornhill 2009, 156). In general, the findings of this study are reliable. However, it is important to remember that the study focused on Finland and particularly the startup scene in Helsinki. Therefore, the findings may not reflect the situation in other countries. In addition, a bigger sample size and more in-depth interviews might result in getting additional information and more diversified results.

6.3 Suggestions for Further Research

As stated earlier, there is not much of a research on multicultural startups. This study could therefore be the starting point for more in-depth research on the topic. As this thesis covers multicultural startup operations only in Finland, further research on the topic could be done in other countries.

Such research would benefit people who want to build their own startup and for people who already work in the field and face certain difficulties. Studying the topic more would also benefit the governments of different countries as they would get more information on how to help multicultural startups to develop.

7 SUMMARY

The aim of this research was to study multicultural startup scene in Finland. The main goal was to identify some problems that multicultural startups and their employees face in Finland and create a list of recommendations and suggestions on how to solve these problems and succeed in Finnish startup scene.

The thesis started with a theoretical part. In the second chapter the concept of startup was discussed and different startup types were examined. The chapter also explored the lean startup methodology as well as a startup lifecycle. Next chapter focused on studying a startup ecosystem. The definition of good and poor ecosystems was given and maturity levels of ecosystems were studied. Finnish startup ecosystem was explored at the end of the chapter.

Chapter 4 focuses on empirical research of this thesis. In order to find out how multicultural startups manage in Finland, interviews with multicultural startups employees were conducted. These interviews revealed certain problems that multicultural startups face in Finland, such as employment issues, bureaucracy, not even development of a startup scene with the main focus on Helsinki, lack of financing, cultural issues and unfair use of unpaid work. In order to help multicultural startups solve these problems the list of recommendations was created.

The findings of this study show that Finnish multicultural startups need to use support of local startup hubs, mentors and Finnish government, be active members of a startup ecosystem, improve cross-cultural communication, use lean startup method in their work and be aware of certain issues to avoid having problems with them.

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APPENDICES

APPENDIX 1. Ecosystem Maturity Factor Classification (Cukier, Kon & Krueger 2015)

Factor	L1	L2	L3
Exit strategies	0	1	>= 2
Global market	< 10%	10 – 50%	> 50%
Military influence on technologies	< 10%	10 – 50%	>= 50%
Entrepreneurship in universities	< 2%	2 – 10%	> 10%
Number of startups	< 500k	500 – 3k	> 3k
Access to funding in USD / year	200M	200M-1B	> 1B
Access to funding in # of deals / year	200	200-1000	1000
Mentoring quality	< 10%	10-%50%	> 50%
Bureaucracy	> 40%	10 – 40%	< 10%
Tax burden	> 50%	30 – 50%	< 30%
Incubators / tech parks	2	2 – 10	> 10
Accelerators quality	< 10%	10 – 50% success	> 50% success
High-tech companies presence	< 10	10 – 50	> 50
Established companies influence	< 20	20 – 80	> 80
Human capital quality	> 20th	15 – 20th	< 15th
Culture values for entrepreneurship	< 0.5	0.5 – 0.75	> 0.75
Technology transfer processes	< 4.0	4.0 – 5.0 > 5.0 ?	
Methodologies knowledge	< 20%	20 – 60%	> 60%
Specialized media players	< 3	3-5	> 5
Ecosystem data and research	not available	partially available	fully available
Ecosystem generations	0	1	2

APPENDIX 3. Maturity Levels (Cukier, Kon & Krueger 2015)

Nascent (M1): usually when the ecosystem is already recognized as a startup hub, with some already existing startups, a few investment deals and maybe government initiatives to stimulate or accelerate the ecosystem development, but no great output in terms of jobs generation or worldwide penetration.

Evolving (M2): ecosystems with a few successful companies, some regional impact, job generation and small local economic impact. To be in this level, the ecosystem must have all essential factors classified at least at L2, and 30% of summing factors also on L2.

Mature (M3): ecosystems with hundreds of startups, where there is a considerable amount of investing deals, existing successful startups with worldwide impact, a first generation of successful entrepreneurs who started to help the ecosystem to grow and be self-sustainable. To be in this level, the ecosystem must have all essential factors classified at least at L2, 50% of summing factors also on L2, and at least 30% of all factors on L3.

Self-sustainable (M4): ecosystems with thousands of startups and financing deals, at least a 2nd generation of entrepreneur mentors, specially angel investors, a strong network of successful entrepreneurs compromised with the long term maintenance of the ecosystem, an inclusive environment with many startups events and presence of high quality technical talent (as proposed in the Boulder Thesis by Brad Feld [13]). To be in this level, the ecosystem must have all essential factors classified as L3, and 80% of summing factors also on L3.

APPENDIX 3. Interview Questions

1. What are the things you like and dislike about Finnish startup scene?
2. What are the main challenges that multicultural startups and their employees face in Finland and how they solve them?
3. Do you think the fact that you startup is multicultural makes things easier for you to operate in Finland or harder? Why?
4. Do you feel like you need to be more active than other startups in order to succeed?
5. What authorities could do to help multicultural startups do business in Finland?
6. Do you use Lean Startup Methodology in your work?

A. Do you have any problems related to cross-cultural communication in your workplace?
B. Have you ever witnessed any cultural discrimination at your workplace?
C. Is there anything you wish you knew before working for a multicultural startup?
D. Are you aware of any employment issues in multicultural startups for people from different countries?